

**BenQ Materials Corp.  
2021 Annual General Shareholders' Meeting Agenda**

# BenQ Materials Corp. 2021 Annual General Shareholders' Meeting

9:00 a.m., June 18, 2021, Friday

Time: 9:00 a.m., June 18, 2021, Thursday Place: Chuto Hotel (located at No.398, Taoying Road Taoyuan Dist , Taoyuan City, Taiwan)

## Meeting Agenda:

### I. Reports Items

(I) 2020 Business Report.....	1
(II) Audit Committee's review report.....	2
(III) 2020 employees' profit sharing bonus and directors' compensation.....	2
(IV) 2020 earnings distribution of cash dividends.....	2

### II. Ratifications Items

(I) To accept 2020 Business Report and Financial Statements.....	3
(II) To accept the proposal for the distribution of 2020 profits .....	3

### III. Discussions Items

(I) Acknowledge the business report for the year 2020 and plan to approve the case of cash capital increase issuance of ordinary shares, participation in the issuance of overseas depositary receipts and/or cash capital increase of ordinary shares and/or cash capital increase of private common stocks and/or private placement of overseas or domestic corporate bonds.....	3
(II) Proposed amendments to the "procedures for the acquisition or disposal of assets" .	8
(III) Proposed removal of current directors and their representatives from competition restrictions.....	8

### IV. Extraordinary Motions

8

### V. Meeting Adjourn

8

## Attachments

(I) Accountants audit report and financial statements .....	9
(II) 2020 Profits Distribution Table .....	28
(III) Measures of issuance and conversion of private equity overseas or domestic convertible corporate bonds (tentative) .....	29
(IV) The comparison table of the provisions before and after the amendment of the "Procedures for acquiring or disposing of assets" .....	31
(V) Non-competition items of directors .....	33

## Appendices

(I) Rules and Procedures of the Shareholders' Meeting.....	34
(II) Articles of Incorporation .....	36
(III) Shareholding of Directors.....	40
(IV) The impact of this free allotment on the company's operating performance, earnings per share and shareholder return on investment .....	40

## I. Reports Items

### (I) To report the business of 2020

## Letter to Shareholders

Dear Shareholders,

The combined revenue of BenQ Materials in 2020 is approximately NT\$ 15 billion, the net profit after tax is approximately NT\$ 396 million, and the net profit per share after tax is NT\$ 1.23, achieving the goal of both revenue and profit growth. Even with the globally rampant COVID-19 in 2020, the business opportunities brought by working at home have made the electronic information industry prosperous. The revenue has grown for three consecutive years. The annual revenue of optical film and battery materials has increased by more than 70%, showing that it is gradually gaining a firm foothold.

BenQ Materials prides itself on being an enterprise of multi-application, multi-technology and multi-product, and constantly innovates to provide the highest customer satisfaction. The display material part of the main business continues to invest in technology, focusing on the development of high value-added products to achieve segmentation and differentiation in the market. In addition, the Company has also strengthened customer service, actively deployed in new markets, and maintained growth momentum. Due to the epidemic this year, the medical industry has shifted to deepen the Taiwan market. Products have been successively put on the shelves in various major channels. Related medical products have also been used in major medical institutions. The business revenue of medical institutions has stabilized in the second half of the year.

At the same time, circular economy, environmental protection, social care and corporate governance have been implemented in the management, product design and marketing. In terms of environmental protection, we took the lead in introducing non-toxic materials and technologies to launch functional weaving materials and use ingredients that do not harm corals in future sunscreen products. In terms of tree planting and greening of all factories, nectariferous trees are also specially selected to facilitate the growth of bees and enrich the ecology. In terms of social care, the Sains Science Camp is organized to care for the earth and take care of rural children. In terms of corporate governance, governance rating has been upgraded from the third level to the second level. Companies are part of the citizens of Earth. We hope to create an environmentally friendly BenQ Materials to contribute to society, and improve governance and ESG commitments.

Looking forward to 2021, the epidemic will not be easily mitigated in the short-term, and the impact on the global economy and individual industries is difficult to predict. We accelerate the preparation of action plans for the impact and make advance arrangements. In terms of display materials, we are stepping up our pace in compensating film, anti-reflection and light control technologies; the factory is developing towards flexible manpower and unmanned direction; continuously improving digital marketing, strengthening marketing investment and brand building; actively taking material science expertise as the starting point and extending its product development to advanced battery materials, medical materials and medical consumer products, meeting customer and market needs and maintaining the Company's competitive advantage with innovative technologies and diversified products. Here, we look forward to the continued support of shareholders to jointly create the Company's sustainable development.

Sincerely,

Chairman: Chen, Zhien-Chi    General Manager: Liu Chia-Jui    Accounting Manager: Wang Sheng-Hsing

## **(II) Audit Committee's Review Report**

The Board of Directors has prepared the Company's Financial Statements for the year of 2020. Tang, Cih-Jie and Shih, Wei-Ming Certified Public Accountants of KPMG, have audited the Financial Statements. The 2020 Financial Statements, Business Report, Financial Statements, Independent Auditors Report have been reviewed and determined to be correct and accurate by the Audit Committee of BenQ Materials Corp. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Report for inspection

Sincerely,

BenQ Materials Corp. 2021 Annual General Shareholders' Meeting

Convener of the Audit Committee: Yeh Fu-Hai

February 25, 2021

The Board of Directors has prepared the Earnings Distribution Proposal for the year of 2020. has been reviewed and determined to be correct and accurate by the Audit Committee of BenQ Materials Corp. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Report for inspection

Sincerely,

BenQ Materials Corp. 2021 Annual General Shareholders' Meeting

Convener of the Audit Committee: Yeh Fu-Hai

May 6, 2021

## **(III) 2020 employees' profit sharing bonus and directors' compensation**

The company passed a resolution of the board of directors on May 6, 2011 to distribute cash compensation to employees and directors at NT \$55,119,155 and NT \$4,133,937 respectively.

## **(IV) 2020 earnings distribution of cash dividends**

- I. In accordance with the Articles of Incorporation, the distribution of earnings is distributed in the form of cash, the distribution may be approved by the Board of Directors and reported to the shareholders' meeting.
- II. The proposed distribution is allocated from the 2020 earnings available for distribution. Each common share holder will be entitled to receive a cash dividend of NT \$0.7 per share.
- III. The cash dividend distribution to each shareholder will be paid to the rounded-down full NT dollar, and the Chairman of Board of Directors is authorized to determine the ex-dividend date for the cash dividend distribution and other related matters.
- IV. If the dividend distribution ratio is adjusted and need to be modified due to change of the Company's total number of outstanding common shares, the Chairman of Board of Directors has full authority to adjust the distribution ratio.

## II. Ratification Matters

### Item No. 1

---

**Subject: To accept 2020 Business Report and Financial Statements (proposed by the Board of Directors)**

Explanation: The 2020 Financial Statements were audited by the independent auditors, Tang, Cih-Jie and Shih, Wei-Ming of KPMG. They think they are adequate to express BenQ Materials Corp. financial status as of December 31, 2020. Please acknowledge the financial performance and cash flow situation in 2020, together with the attached business report. For the Financial Statements, please refer to Attachment 1 (pages 9-27).

Resolution:

### Item No.2

---

**Subject: To accept the proposal for the distribution of 2020 profits (proposed by the Board of Directors)**

Explanation: The 2020 Profits Distribution was approved by the Board of Directors and reviewed by the Audit Committee.

The 2020 Profits Distribution Table is attached hereto as Attachment 2 (page 28).

Resolution:

## III. Discussion Matters

### Item No. 1

---

**Subject: Please kindly discuss the proposal to approve the issuance of common shares by cash to participate in the issuance of overseas depositary receipts and/or the issuance of common shares by cash and/or the private placement of common shares by cash and/or the private placement of overseas or domestic convertible corporate bonds. (proposed by the Board of Directors)**

Explanation: I. Fund-raising purpose and quota: To enrich and improve the financial structure of working capital, foreign material, or meet other capital needs in response to the company's long-term development, it is proposed to request the shareholders' meeting to authorize the board of directors to limit the number of common shares not exceeding 31,800 thousand shares, depending on market conditions and company requirements, choose the appropriate timing and financing tools, in accordance with relevant laws and the financing way of conduction principle, choose one or a combination method. In the case of overseas or domestic conversion of corporate bonds by private placement (hereinafter referred to as "conversion of corporate bonds"), the number of common shares that can be converted from private placement of corporate bonds should be calculated based on the conversion price at the time of private placement within the aforementioned range of 31,800 thousand shares.

II. Fund-raising and handling principles:

(I) Participating in the issuance of overseas depositary receipts by issuing common shares with cash capital increase:

- I. The issue price of the overseas depositary receipts will be determined by reference to (a) the closing price of the common shares of the Company on the Price Adoption Date, or (b) the average closing price of the common shares of the Company calculated one, three, or five business days prior to the Price Adoption Date ((a) or (b) referred to as the "Reference Price"). However, the actual issuance should be agreed upon by the chairman of the board of directors and the foreign sponsor underwriters based on the prevailing market conditions, and the actual issuance price should not be lower than 90% of the reference price after deducting the free allotment or capital reduction ex-rights and ex-dividends. The above reference price and actual issuance price are set in accordance with the issuance market practice and laws and regulations, and the proposed common shares, if calculated at the upper limit of 31,800 thousand shares, account for 9.92% of the company's outstanding common shares, and the actual issuance price should not be lower than the reference price before 90% after deduction of free allotment or capital reduction ex-rights and ex-dividends, it will not cause significant dilution of the original shareholders' equity. Therefore, the issue price of overseas depositary receipts should be set reasonable and will not have a material impact on the equity of the original shareholders.
  2. This cash increase to participate in the issuance of overseas depositary receipts, except that 10% to 15% of the issued shares are reserved by the company's employees as required by Article 267 of the Company Act, and the rest are planned to comply with the provisions of Article 28-I of the Securities Exchange Law. The shareholders' meeting is requested to agree that the original shareholders waived the right of first-hand subscription, and the full allocation was made to participate in the issuance of overseas depositary receipts for public issuance. For the unsubscribed portion of employees, the chairman should be authorized to include the securities with original price in recognition of the issuance of overseas depositary receipts in accordance with the market needs, or negotiate with a special person to subscribe.
- (II) The issuance of common shares by way of public offering for cash capital increase:
- I. The cash capital increase is NT\$10 per share, and the actual issue price will be in accordance with the relevant provisions of the "Self-discipline Rules for Underwriters of the Republic of China Securities and Commercial Association Counseling Issuing Companies to Raise and Issuance of Securities", and according to the market conditions at the time of issuance to authorize the chairman to negotiate with the underwriters to submit it to the competent authority for review before issuance.
  2. Except in accordance with paragraph 1 of Article 267 of the Company Law, where 10% to 15% of the total number of shares issued with additional capital are reserved for the employees to subscribe at the issue price, the Board of Directors should be authorized to handle the sales of the publicly underwritten part in one of the following two ways:

- (1) In accordance with Article 28-1 of the Securities and Exchange Act, it is proposed to request the shareholders' meeting to agree that the original shareholders waived the right to subscribe first based on the original share ratio, and the full allocation will be allocated through the inquiry circle purchase and sale. If employees give up the subscription or under-subscribe, it is proposed to authorize the chairman of the board to contact a specific person to subscribe for it at the issue price.
- (2) In accordance with Item 2 of Article 28-1 of the Securities and Exchange Act, 10% of the total number of shares to be issued shall be allocated for public underwriting, and the remaining shares shall be sub-recognized by the original shareholders of the company in accordance with the original shareholding ratio. If employees and original shareholders give up the subscription or under-subscribe, it is proposed to authorize the chairman of the board to contact a specific person to subscribe at the issue price.
- (III) Handling cash capital increase and issuance of ordinary shares by means of private placement and/or handling conversion of corporate bonds by means of private placement:
  - I. Basis and rationality of private placement price setting:
    - (1) The reference price for the subscription price of the private common shares shall be calculated on the basis of one, three or five business days before the pricing date and the simple arithmetic average of the closing price of the common shares of the 30 business days prior to the pricing date, minus the ex-rights and dividends of the free allotments, plus the stock price after the ex-rights of the capital reduction, taking the higher one as the reference price
    - (2) The objects of this private placement shall be limited to the specific persons in accordance with the provisions of Article 43-6 of the Securities and Exchange Act, and shall be strategic investors, and shall be preferred to those who can generate benefits for the long-term development and competitiveness of the Company and the existing shareholders' equity.
    - (3) The subscription price of the aforementioned private common shares and the price of private conversion corporate bonds are determined by reference to the company's share price and theoretical price respectively, and are in accordance with the provisions of the matters requiring attention of publicly issued companies when conducting private placement securities, and are subject to the three-year transfer restriction stipulated by the Act, so they should be reasonable.
  2. Selection method, purpose, necessity and expected benefits of the designated person:
    - (1) The investors to subscribe to the Private Placement Shares and/or Private Placement CB must meet the qualifications listed in Article 43-6 of the Securities and Exchange Act and are limited to strategic investor(s). Priority will be given to the investor(s) who could benefit the Company's long term development, competitiveness, and existing shareholders' rights.

- (2) The purpose, necessity and projected benefits for choosing strategic investor(s) are to accommodate the Company's operation and development needs to have the strategic investor(s) to assist the Company, directly or indirectly, in its finance, business, manufacturing, technology, procurement, management, and strategy development, etc. so to strengthen the Company's competitiveness and enhance its operational efficiency and long term development and it should be positively beneficial to shareholders' equity.
- (3) The company currently does not have a specific person that has been negotiated, and it intends to authorize the board of directors to handle matters related to the specific person.
3. Necessary reasons for private placement: considering factors such as the relative timeliness and convenience of private placement, and planning to introduce strategic investors in response to the company's development, it is necessary to conduct private placements.
4. For this private placement of marketable securities, the board of directors is authorized to apply to the Taiwan Stock Exchange for a letter of approval that meets the listing standards after three years from the delivery date of the private placement, and subsequently apply to the competent authority for the re-issuance of public offerings and the application for listing transactions.
5. Please refer to Attachment III (P.29~P.30) for the issuance and conversion method of the private placement and conversion of corporate bonds (tentative).
- III. The use of funds, the progress of capital use and the expected benefits of the funds raised: the funds raised are expected to be used for enriching working capital, improving financial structure, purchasing materials overseas or supporting other capital needs in response to the company's long-term development, etc. or multiple purposes, and after the completion of the use of funds, it is expected to strengthen the company's competitiveness and enhance operating efficiency.
- IV. This cash capital increase issuance of common shares to participate in the issuance of overseas depository receipts, cash capital increase issuance of common shares, cash capital increase private placement common shares, private placement conversion corporate bonds and the exchange of common shares are all issued or delivered in a non-physical manner. Except for privately placed securities that are subject to transfer within three years period after delivery in accordance with Article 43-8 of the Securities and Exchange Act, the rights and obligations of common shares issued or privately placed (including common shares exchanged for corporate bonds in private placement) are the same as those of the original common shares.
- V. This cash capital increase issuance of common shares participates in the issuance of overseas depository receipts, cash capital increase issuance of ordinary shares, the price per share of cash capital increase privately placed common shares, and the conversion price of privately placed overseas or domestic corporate bonds, in order to cope with market change, the reason for issuing below par and not using other financing methods and its rationality: mainly based on the company's stable operation and the safety of the financial structure, the use of equity-related financing tools is more suitable than other methods of pure debt nature Using



fundraising instruments related to equity is more appropriate than issuing those purely characterized by liability. Fundraising methods such as issuing new common shares and overseas depository receipts through cash capital increase, issuing new shares through cash capital increase, and conducting private placement of common shares through cash capital increase do not incur any interest for liabilities, lower the Company's financial risk, and immediately enhance the Company's financial structure and the flexibility of the Company's financial allocation. As for private placement of overseas or domestic corporate bonds, if investors convert the bonds into shares, this can improve the Company's financial structure and benefit the Company's long term development. Thus, it should be reasonable for the Company to use the fundraising instruments related to equity. If the price per share and the conversion price are less than the face value, such would be expected to reduce the Company's book value of capital surplus and retained earnings. In such case, the Company would, depending on the actual operating conditions in the future, make up for the losses. The issue price and conversion price will be determined in accordance with the competent authority's relevant regulations. After efficiency of the capital increase becomes apparent, the Company's financial structure will be effectively improved, which would be favorable to the Company's long-term development and would not have adverse impact on the rights and benefits of shareholders.

- VI. This cash capital increase issuance of common shares participates in the issuance of overseas depository receipts, cash capital increase issuance of ordinary shares, cash capital increase private placement common shares and private placement conversion corporate bonds, after the resolution of the shareholders meeting is passed, the issuance or private placement conditions and private placement of this capital raising, to change the issuance and conversion method of corporate bonds, capital utilization plan, capital use, scheduled progress, expected benefits and other related matters, etc., it is proposed to request the shareholders' meeting to authorize the board of directors to formulate, adjust and deal with them at its sole discretion based on the company's actual needs, market conditions and relevant laws and regulations. In the future, if changes or amendments are required due to changes in laws or regulations or instructions from the competent authority, or based on changes in objective environmental factors such as operational assessments or the market, it is proposed to authorize the board of directors to deal with them at its sole discretion.
- VII. In order to complete the fund-raising plan, it is proposed to authorize the chairman of the board or a person designated by him to handle all relevant cash capital increase issuance of ordinary shares on behalf of the company to participate in overseas depository receipts, cash capital increase issuance of common shares, cash capital increase private common stocks, and private equity conversion of corporate bonds related matters and sign relevant contracts and documents.
- VIII. The Board of Directors shall be authorized to deal with any matters not covered herein in accordance with relevant laws and regulations.

Resolution:

## **Item No. 2**

---

**Subject: Please kindly discuss the proposed amendment to the “Procedures for acquiring or disposing of assets” (proposed by the Board of Directors)**

- Explanation: I. To amend the "Procedures for handling the acquiring or disposing of assets" according to the actual needs.
- II. For a comparison table of provisions before and after the amendment, please refer to attachment IV (P.31).

Resolution:

## **Item No. 3**

---

**Subject: Please kindly discuss the proposal to lift the competition restriction of the current directors and their representatives. (proposed by the Board of Directors)**

- Explanation: I. In accordance with Article 209 of the Company Act, directors who act for themselves or others within the business scope of the company shall explain the important content of their actions and obtain their permission to the shareholders' meeting.
- II. The directors of the company may invest in or operate other companies with the same or similar business scope as the company, and request the shareholders' committee to agree to lift the restrictions on the non-competition behavior of the directors and their representatives if the directors and their representatives are involved in the aforesaid circumstances.
- III. Please refer to Attachment V (P.33) for the proposed lifting of non-competition restrictions on directors at the general meeting of shareholders in 2021.

Resolution:

## **IV. Extraordinary Motions**

## **V. Meeting Adjourn**

## **Attachment I**

### **Statement of Declaration**

The entities that are required to be included in the combined financial statements of BenQ Materials Corporation and subsidiaries as of and for the year ended December 31, 2020 under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the Consolidated Financial Statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the Consolidated Financial Statements. Consequently, BenQ Materials Corporation and subsidiaries do not prepare a separate set of combined financial statements.

Hereby certify

Company Name: BenQ Materials Corporation

Chairman: Chen, Zhien-Chi

Date: February 25, 2021

## **Independent Auditor's Report**

To: The Board of Directors of BenQ Materials Corporation

### **Opinions on the audit**

We have audited the Consolidated Balance Sheets of BenQ Materials Corporation and its subsidiaries (the BenQ Corporation) as of December 31, 2020 and 2019, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the annual period from January 1 to December 31, 2020 and 2019.

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of BenQ Materials Corporation and subsidiaries as of December 31, 2020 and 2019, and its consolidated financial performance and cash flows for the annual periods ended December 31, 2020 and 2019 in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and effected by the Financial Supervisory Commission.

### **Basis of opinions on the audit**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 Consolidated Financial Statements of BenQ Materials Corporation and its subsidiaries. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The accountant's judgment should communicate the key audit matters on the audit report as follows:

#### **I. Inventory Valuation**

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

#### Description:

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

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

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

#### 2. Impairment of property, plant, and equipment and intangible assets

For the accounting policies for impairment of non-financial assets, please refer to Note 4 (14) of the Consolidated Financial Statements; for accounting estimates and uncertainties of real estate, plant and equipment, and intangible assets, please refer to Note 5 of the Consolidated Financial Statements.

#### Description:

BenQ Materials (Wuhu) Co., Ltd., a consolidated subsidiary of BenQ Materials Corporation, is still in a state of loss due to its main business, so the impairment of its real estate, plant and equipment, and intangible assets may be subject to significant risks. Since the assessment of asset impairment losses requires the use of forecasting and discounting future cash flows to estimate the recoverable amount of assets, and the estimated future cash flows involve subjective judgments of the Group management and are subject to significant uncertainty; therefore, the assessment of asset impairment is one of the important assessment items for the accountants to perform the audit of the Consolidated Financial Statements.

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

The accountant's main audit procedures for the above key audit items are in addition to comparing the discount rate used by the management of BenQ Materials Corporation with internal and external information when estimating the recoverable amount of assets to assess its rationality. For the estimation of future cash flow, the main verification procedures include assessing the reasonableness of the forecast made by the Company's management in the past; compare the relevant information available internally and externally with the main assumptions made by the Company's management (including revenue growth rate, gross profit margin, operating expense rate) to assess the rationality of the assumptions.

#### Other Matters

BenQ Materials Corporation has also compiled Individual Financial Statements for 2020 and 2019, and they have also received an unqualified audit opinion from our CPA for your reference.

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

## **Statements**

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

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

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

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

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

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

1. Identified and evaluated the risk of a material misstatement(s) due to fraud or errors in the Consolidated Financial Statements; designed and carried out appropriate countermeasures for the assessed risks; and obtained sufficient and appropriate evidence as the basis for the audit report. The risk of not detecting a significant misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of BenQ Materials Corporation.
3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of the going-concern basis of accounting, and determined whether a material uncertainty exists where events or conditions that might cast significant doubt on the ability of BenQ

Materials Corporation to continue as going concerns. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Consolidated Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure was found. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause BenQ Materials Corporation to cease to continue as a going concern.

5. Evaluated the overall presentation, structure, and content of the Consolidated Financial Statements (including the related notes), and determined whether the Consolidated Financial Statements present related transactions and events fairly.
6. Acquired sufficient and appropriate audit evidence regarding financial information of entities within the Group in order to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion on BenQ Materials Corporation.

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

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

From the matters communicated with those charged with governance, we determined the key audit matters of the Consolidated Financial Statements of BenQ Materials Corporation of 2020. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

KPMG Taiwan

CPA

CPA

Approved audit number:  
FSC (6) No. 0940100754

Approved audit number:  
FSC (6) No. 0950103298

February 25, 2021

Notice to Readers

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

**BENQ MATERIALS CORPORATION AND SUBSIDIARIES**

Consolidated Balance Sheets  
December 31, 2020 and 2019  
Unit: NT\$ thousand

Assets	Dec. 31, 2020		Dec. 31, 2019			Liabilities and Equity	Dec. 31, 2020		Dec. 31, 2019	
	Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets</b>						<b>Current liabilities</b>				
1100 Cash and cash equivalents (Note 6 [1])	\$ 148,243	1	196,254	2	2100	Short-term borrowings (Note 6 [13])	\$ 150,000	1	56,800	1
1110 Financial Assets at Fair Value through Profit or Loss - Current (Note 6 [2])	18,258	-	8,696	-	2120	Financial Assets at Fair Value through Profit or Loss - Current (Note 6 [2])	5,838	-	1,991	-
1120 Financial assets at fair value through other comprehensive income - Current (Note 6 [3])	57,809	-	101,232	1	2170	Accounts payable	3,421,461	31	2,570,518	25
1170 Notes receivable, net account (Note 6 [4], [21])	1,396,423	13	1,761,951	17	2180	Accounts payable - related parties (Note 7)	29,766	-	21,830	-
1180 Notes and accounts receivable - related parties net amount (Note 6 [4], [21] and 7)	954,445	9	69,628	1	2200	Other payables (Note 6 [8] [22])	1,183,091	11	1,108,900	11
1200 Other receivables (Note 6 [4], [5] and 7)	221,153	2	228,504	2	2220	Other Payables to Related Parties (Note 7)	16,218	-	18,277	-
1210 Other receivables-related parties (Note 6 [5] and 7)	55	-	164	-	2281	Lease liabilities - Current (Note 6 [15])	2,626	-	3,252	-
1310 Inventories, net (Note 6 [6])	2,404,889	22	1,963,517	19	2282	Lease liabilities - Related parties - Current (Note 6 [15] and 7)	82,289	1	80,467	1
1470 Other current assets	334,982	3	237,817	2	2399	Other current liabilities	<u>79,570</u>	<u>1</u>	<u>115,672</u>	<u>1</u>
1476 Other financial assets-current	15,836	-	4,639	-		<b>Total current liabilities</b>	<u>4,970,859</u>	<u>45</u>	<u>3,977,707</u>	<u>39</u>
<b>Total current assets</b>	<u>5,552,093</u>	<u>50</u>	<u>4,572,402</u>	<u>44</u>	2540	<b>Non-current liabilities:</b>				
<b>Non-current assets</b>					2570	Long-term borrowings (Note 6 [14] and 8)	1,614,624	15	1,993,000	19
1517 Financial assets at fair value through other comprehensive income - Non-current (Note 6 [3])	1,500	-	-	-	2581	Deferred tax liabilities (Note 6 [18])	7,018	-	5,953	-
1550 Investments accounted for using equity method (Note 6 [7])	196,876	2	201,712	2	2582	Lease liabilities-non-current (Note 6 [15])	5,745	-	7,567	-
1600 Real estate, plant, and equipment (Notes 6 [9], 7, and 8)	4,349,216	39	4,357,273	43	2600	Lease liabilities - Related parties - Non-current (Note 6 [15] and 7)	91,779	1	181,602	2
1755 Right-of-use asset (Notes 6 [10])	221,590	2	306,572	3		Other non-current liabilities (Note 6 [14], [17])	<u>46,651</u>	<u>-</u>	<u>31,124</u>	<u>-</u>
1760 Net investment property (Note 6 [11])	457,097	4	483,964	5		<b>Total non-current liabilities</b>	<u>1,765,817</u>	<u>16</u>	<u>2,219,246</u>	<u>21</u>
1780 Intangible assets (Note 6 [12] and 7)	34,254	-	44,578	-		<b>Total liabilities</b>	<u>6,736,676</u>	<u>61</u>	<u>6,196,953</u>	<u>60</u>
1840 Deferred tax assets (Note 6 [18])	174,259	2	245,132	2	3110	<b>Equity (Note 6 [19])</b>				
1920 Guarantee deposits paid	13,930	-	17,202	-	3200	Common stock	3,206,745	29	3,206,745	31
1995 Other non-current assets (Note 6 [17])	58,636	1	99,086	1	3200	Capital reserve	11,427	-	5,618	-
<b>Total non-current assets</b>	<u>5,507,358</u>	<u>50</u>	<u>5,755,519</u>	<u>56</u>	3310	Retained earnings:				
<b>Total assets</b>	<u>\$ 11,059,451</u>	<u>100</u>	<u>10,327,921</u>	<u>100</u>	3310	Legal reserve	277,665	3	251,953	2
					3320	Special reserve	33,896	-	-	-
					3350	Balance of retained earnings	876,576	8	700,548	7
					3400	Other equity	<u>(83,534)</u>	<u>(1)</u>	<u>(33,896)</u>	<u>-</u>
						<b>Total equity</b>	<u>4,322,775</u>	<u>39</u>	<u>4,130,968</u>	<u>40</u>
						<b>Total liabilities and equity</b>	<u>\$ 11,059,451</u>	<u>100</u>	<u>10,327,921</u>	<u>100</u>

(See the attached notes to Consolidated Financial Statements)

Chairman: Chen, Zhien-Chi

General Manager: Liu Chia-Jui

Accounting Manager: Wang Sheng-Hsing



## BENQ MATERIALS CORPORATION AND SUBSIDIARIES

### Consolidated Statements of Comprehensive Income

From January 1 to December 31, 2020 and 2019

Unit: NT\$ thousand

	2020		2019	
	Amount	%	Amount	%
4110 Net sales revenue (Notes 6 [21], 7, and 14)	\$ 15,049,948	100	13,942,969	100
5000 Operating expenses (Notes 6 [6], [9], [10], [11], [12], [15], [16], [17], [22], 7, and 12)	(12,776,414)	(85)	(11,800,941)	(85)
<b>Gross operating profit</b>	<b>2,273,534</b>	<b>15</b>	<b>2,142,028</b>	<b>15</b>
<b>Operating expenses (Notes 6 [4], [9], [10], [12], [15], [17], [22], 7, and 12):</b>				
6100 Selling expenses	(869,894)	(6)	(880,320)	(6)
6200 General and administrative expenses	(216,498)	(1)	(221,548)	(2)
6300 Costs of research and development	(639,769)	(4)	(686,303)	(5)
	(1,726,161)	(11)	(1,788,171)	(13)
<b>Net Operating Income</b>	<b>547,373</b>	<b>4</b>	<b>353,857</b>	<b>2</b>
<b>Non-operating income and expenses (Notes 6 [7], [14], [15], [23] and 7):</b>				
7100 Interest revenue	975	-	1,575	-
7010 Other income	14,762	-	37,002	-
7020 Other profit and loss	(2,449)	-	(33,528)	-
7050 Financial cost	(61,392)	(1)	(81,957)	(1)
7370 Shares of profits of associates accounted for using the equity method	10,510	-	57,544	1
	(37,594)	(1)	(19,364)	-
<b>Income before income tax</b>	<b>509,779</b>	<b>3</b>	<b>334,493</b>	<b>2</b>
7950 <b>Less: Income tax expense (Note 6[18])</b>	<b>(113,806)</b>	<b>-</b>	<b>(77,753)</b>	<b>-</b>
<b>Net profit</b>	<b>395,973</b>	<b>3</b>	<b>256,740</b>	<b>2</b>
<b>Other comprehensive profit (loss)</b>				
8310 <b>Items that will not be reclassified to profit or loss (Notes 6 [17], [19])</b>				
8311 Remeasurement of defined benefit plans	(2,134)	-	(3,859)	-
8316 Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income	(43,423)	(1)	22,832	-
8349 Income tax related to items that will not be reclassified	-	-	-	-
	(45,557)	(1)	18,973	-
8360 <b>Items that may be reclassified subsequently to profit or loss (Note 6 [7] [19])</b>				
8361 Exchange differences arising on translation of financial statements of foreign operations	2,096	-	(57,835)	-
8370 Share of other comprehensive income of associates accounted for using the equity method	(6,177)	-	(225)	-
8399 Income tax related to items that may be reclassified	-	-	-	-
	(4,081)	-	(58,060)	-
<b>Other Comprehensive Income (Loss)</b>	<b>(49,638)</b>	<b>(1)</b>	<b>(39,087)</b>	<b>-</b>
8500 <b>Total comprehensive income for the period</b>	<b>\$ 346,335</b>	<b>2</b>	<b>217,653</b>	<b>2</b>
<b>Net profit after tax for the period attributable to:</b>				
8610 Owners of the parent company:	\$ 395,973	3	257,124	2
8620 Non-controlling interests	-	-	(384)	-
	<b>\$ 395,973</b>	<b>3</b>	<b>256,740</b>	<b>2</b>
<b>Total comprehensive income attributable to:</b>				
8710 Owners of the parent company	\$ 346,335	2	217,948	2
8720 Non-controlling interests	-	-	(295)	-
	<b>\$ 346,335</b>	<b>2</b>	<b>217,653</b>	<b>2</b>
<b>Earnings per share (Unit: NT\$) (Note 6[20])</b>				
9750 <b>Basic earnings per share</b>	<b>\$ 1.23</b>		<b>0.80</b>	
9850 <b>Diluted earnings per share</b>	<b>\$ 1.23</b>		<b>0.80</b>	

(See the attached notes to Consolidated Financial Statements)

Chairman: Chen, Zhien-Chi

General Manager: Liu Chia-Jui

Accounting Manager: Wang Sheng-Hsing

**BENQ MATERIALS CORPORATION AND SUBSIDIARIES**

Consolidated Statements of Changes in Equity  
From January 1 to December 31, 2020 and 2019  
Unit: NT\$ thousand

	Profit and/or loss attributable to the owners of parent company												
	Retained earnings						Other equity item				Total equity attributable to the owners of parent company	Non-controlling interests	Total equity
	Common stock	Capital reserve	Legal reserve	Special reserve	Balance of retained earnings	Total	Exchange differences arising on translation of financial statements of foreign operations	Unrealized profits and losses of financial assets at fair value through other comprehensive income	Remeasurement of defined welfare plan	Total			
<b>Balance as of January 1, 2019</b>	\$ 3,206,745	2,734	219,095	-	692,009	911,104	21,284	-	(16,004)	5,280	4,125,863	58,152	4,184,015
Effects of retrospective application of new IFRSs	-	-	-	-	(19,779)	(19,779)	-	-	-	-	(19,779)	(117)	(19,896)
Adjusted balance as of January 1, 2019	3,206,745	2,734	219,095	-	672,230	891,325	21,284	-	(16,004)	5,280	4,106,084	58,035	4,164,119
Appropriation and distribution of retained earnings:													
Account for legal reserve	-	-	32,858	-	(32,858)	-	-	-	-	-	-	-	-
Cash dividend of common stock	-	-	-	-	(192,405)	(192,405)	-	-	-	-	(192,405)	-	(192,405)
Other changes in capital surplus:													
Change in capital surplus from investments in associates under equity method	-	2,885	-	-	-	-	-	-	-	-	2,885	-	2,885
Difference between prices of shares acquired from subsidiaries and book value	-	(1)	-	-	(3,543)	(3,543)	-	-	-	-	(3,544)	(57,740)	(61,284)
Net profit after tax	-	-	-	-	257,124	257,124	-	-	-	-	257,124	(384)	256,740
Other Comprehensive Income (Loss)	-	-	-	-	-	-	(58,149)	22,832	(3,859)	(39,176)	(39,176)	89	(39,087)
Total comprehensive income for the period	-	-	-	-	257,124	257,124	(58,149)	22,832	(3,859)	(39,176)	217,948	(295)	217,653
<b>Balance as of December 31, 2019</b>	3,206,745	5,618	251,953	-	700,548	952,501	(36,865)	22,832	(19,863)	(33,896)	4,130,968	-	4,130,968
Appropriation and distribution of retained earnings:													
Account for legal reserve	-	-	25,712	-	(25,712)	-	-	-	-	-	-	-	-
Account for special reserve	-	-	-	33,896	(33,896)	-	-	-	-	-	-	-	-
Cash dividend of common stock	-	-	-	-	(160,337)	(160,337)	-	-	-	-	(160,337)	-	(160,337)
Other changes in capital surplus:													
Change in capital surplus from investments in associates under equity method	-	5,809	-	-	-	-	-	-	-	-	5,809	-	5,809
Net profit	-	-	-	-	395,973	395,973	-	-	-	-	395,973	-	395,973
Other Comprehensive Income (Loss)	-	-	-	-	-	-	(4,081)	(43,423)	(2,134)	(49,638)	(49,638)	-	(49,638)
Total comprehensive income for the period	-	-	-	-	395,973	395,973	(4,081)	(43,423)	(2,134)	(49,638)	346,335	-	346,335
<b>Balance as of December 31, 2020</b>	<b>\$ 3,206,745</b>	<b>11,427</b>	<b>277,665</b>	<b>33,896</b>	<b>876,576</b>	<b>1,188,137</b>	<b>(40,946)</b>	<b>(20,591)</b>	<b>(21,997)</b>	<b>(83,534)</b>	<b>4,322,775</b>	<b>-</b>	<b>4,322,775</b>

(See the attached notes to Consolidated Financial Statements)

Chairman: Chen, Zhien-Chi

General Manager: Liu Chia-Jui

Accounting Manager: Wang Sheng-Hsing

## BENQ MATERIALS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
From January 1 to December 31, 2020 and 2019  
Unit: NT\$ thousand

	2020	2019
<b>Cash flows from operating activities</b>		
<b>Income before income tax for the period</b>	\$ 509,779	334,493
<b>Adjusted items</b>		
Depreciation	579,840	646,025
Amortization expenses	40,296	29,091
Expected credit losses (reverse benefits)	79	(630)
Valuation loss (profit) on financial liabilities measured at fair value through net profit or loss	(5,715)	11,125
Interest expenses	61,392	81,957
Interest revenue	(975)	(1,575)
Dividend income	(2,400)	-
Share of profit of affiliated companies accounted for under the equity method	(10,510)	(57,544)
Loss (profits) from disposal of real estate, plant, and equipment	479	(276)
Profits from disposal of investment	(11,975)	-
Other non-current assets amortized to expenses	127,429	108,281
Amortization of syndication fee costs	1,900	1,900
Total adjustments to reconcile profit (loss)	779,840	818,354
Changes in operating assets/liabilities:		
Net changes in operating assets:		
Decrease (Increase) in notes receivable and accounts receivable	295,456	(155,639)
Account receivables - Decrease (increase) in related parties	(807,260)	525,806
Decreases (increases) in other receivables	(7,758)	5,718
Other account receivables - related parties decrease	109	114
Increase in inventory	(441,372)	(32,849)
Increase in other financial instruments - current	(58,792)	(9,576)
Decrease (increase) in other current assets	40	(1,690)
Total net changes in operating assets	(1,019,577)	331,884
Total net changes in operating liabilities:		
Increase (decrease) in account payables	850,943	(302,593)
Increase (decrease) in account payables - related parties	7,936	(18,815)
Increase in other payables	79,813	27,452
Increase (decrease) in other payables - related parties	(2,059)	2,752
Increase (decrease) in other current liabilities	(36,102)	48,144
Decrease in net defined benefit liability	(1,924)	(1,983)
Total net changes in operating liabilities	898,607	(245,043)
Total net changes in operating assets and liabilities	(120,970)	86,841
Total adjustments	658,870	905,195
Cash inflow generated from operations	1,168,649	1,239,688
Interests received	975	1,575
Interest payment	(61,707)	(81,671)
Income tax paid	(4,615)	(27,817)
<b>Net cash flow from operating activities</b>	<b>1,103,302</b>	<b>1,131,775</b>

(Continued on the next page)

(Continued from the previous page)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from investing activities</b>		
Proceeds from acquisition of financial assets at fair value through profit or loss	\$ (1,500)	(78,400)
Acquisition of investment using the equity method.	(16,001)	-
Disposal of investment using the equity method.	14,955	-
Acquisition of real estate, plants and equipment	(520,211)	(484,064)
Disposal of real estate, plants and equipment	198	1,974
Decrease in guarantee deposits paid	3,272	4,668
Acquisition of intangible assets	(30,884)	(34,598)
Acquisition of investment properties	(6,048)	-
Decrease (increase) in other financial assets	(11,197)	1,205
Increase in other non-current assets	(125,169)	(130,930)
Dividends received	<u>30,355</u>	<u>1,997</u>
<b>Net cash outflows from investing activities</b>	<u>(662,230)</u>	<u>(718,148)</u>
<b>Cash flows from financing activities</b>		
Increase in short-term loans	93,200	6,800
Proceeds from long-term borrowings	7,165,810	10,893,000
Repayments of long-term borrowings	(7,527,500)	(10,950,221)
Decrease in guarantee deposits received	(1,369)	(647)
Repayments of lease principal	(92,110)	(99,261)
Issuance of cash dividend	(160,337)	(192,405)
Purchase of subsidiaries' equity from non-controlling interests	<u>-</u>	<u>(59,614)</u>
<b>Net cash outflows from financing activities</b>	<u>(522,306)</u>	<u>(402,348)</u>
<b>Impact on exchange rates changes</b>	<u>33,223</u>	<u>15,962</u>
<b>Increase (decrease) in cash and cash equivalents for the period</b>	(48,011)	27,241
<b>Cash and cash equivalents at beginning of year</b>	<u>196,254</u>	<u>169,013</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 148,243</u>	<u>196,254</u>

(See the attached notes to Consolidated Financial Statements)

Chairman: Chen, Zhien-Chi

General Manager: Liu Chia-Jui

Accounting Manager: Wang Sheng-Hsing

## **Independent Auditor's Report**

To: The Board of Directors of BenQ Materials Corporation

### **Opinions on the audit**

We have audited the Balance Sheets of BenQ Materials Corporation as of December 31, 2020 and 2019, the Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to Individual Financial Statements (including Summary of Significant Accounting Policies) for the annual period from January 1 to December 31, 2020 and 2019.

In our opinion, the aforementioned Individual Financial Statements present fairly, in all material respects, the individual financial position of BenQ Materials Corporation as of December 31, 2020 and 2019, and its individual financial performance and cash flows for the annual periods ended December 31, 2020 and 2019 in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

### **Basis of opinions on the audit**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 Individual Financial Statements of BenQ Materials Corporation and its subsidiaries. These matters were addressed in the context of our audit of the Individual Financial Statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters individually. The accountant's judgment should communicate the key audit matters on the audit report as follows:

#### **I. Inventory Valuation**

For the accounting policies of inventories, please refer to Note 4 (7) of the Individual Financial Statements; For the accounting estimates of the inventory evaluation and the description of the uncertainty of the assumptions, please refer to Note 5 of the Individual Financial Statements; For the description of important accounting items in inventories, please refer to Note 6 [6] of the Individual Financial Statements.

#### **Description:**

Inventories of BenQ Materials Corporation are mainly film sheet products. Inventory is measured by the lower of cost and NRV. As BenQ Materials Corporation's inventory is easily

affected by the market demand of the products used and the yield rate of the production process, resulting in sluggish or falling prices, inventory evaluation is one of the important evaluation items for the accountants to perform the review of Individual Financial Statements.

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

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

## II. Impairment of Property, plant, and equipment and intangible assets

For the accounting policies for impairment of non-financial assets, please refer to Note 4 (13) of the Individual Financial Statements; for accounting estimates and uncertainties of real estate, plant and equipment, and intangible assets, please refer to Note 5 of the Individual Financial Statements. For investment-related disclosures using the equity method, please refer to Note 6 [7] of the Individual Financial Statements.

Description:

The main business of BenQ Materials (Wuhu) Co., Ltd., a subsidiary of BenQ Materials Corporation (under the equity method of investment), is still in a state of loss, and there may be a significant risk of asset impairment. Since the assessment of asset impairment losses requires the use of forecasting and discounting future cash flows to estimate the recoverable amount of assets, and the estimated future cash flows involve subjective judgments of the Group management and are subject to significant uncertainty; therefore, the assessment of asset impairment is one of the important assessment items for the accountants to perform the audit of the Individual Financial Statements.

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

The accountant's main audit procedures for the above key audit items are in addition to comparing the discount rate used by the management of BenQ Materials Corporation with internal and external information when estimating the recoverable amount of assets to assess its rationality. For the estimation of future cash flow, the main verification procedures include assessing the reasonableness of the forecast made by the Company's management in the past; compare the relevant information available internally and externally with the main assumptions made by the Company's management (including revenue growth rate, gross profit margin, operating expense rate) to assess the rationality of the assumptions.

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

It is the management's responsibility to fairly present the Individual Financial Statements in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and to maintain internal controls which are necessary for the preparation of the Individual Financial Statements so as to avoid material misstatements due to fraud or errors therein.

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

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

### **The Accountants' Responsibilities in Auditing the Individual Financial Statements**

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

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

1. Identified and evaluated the risk of a material misstatement(s) due to fraud or errors in the Individual Financial Statements; designed and carried out appropriate countermeasures for the assessed risks; and obtained sufficient and appropriate evidence as the basis for the audit report. The risk of not detecting a significant misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of BenQ Materials Corporation.
3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of the going-concern basis of accounting, and determined whether a material uncertainty exists where events or conditions that might cast significant doubt on the ability of BenQ Materials Corporation to continue as going concerns. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Individual Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure was found. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause BenQ Materials Corporation to cease to continue as a going concern. However, future events or conditions may cause BenQ Materials Corporation to cease to continue as a going concern.

5. Evaluated the overall presentation, structure, and content of the Individual Financial Statements (including the related notes), and determined whether the Individual Financial Statements present related transactions and events fairly.
6. Acquire sufficient and appropriate audit evidence for the financial information of the investee company that adopts the equity method to express opinions on Individual Financial Statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion on BenQ Materials Corporation.

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

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

From the matters communicated with those charged with governance, we determined the key audit matters of the Individual Financial Statements of BenQ Materials Corporation of 2020. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

KPMG Taiwan

Accountant:

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

February 25, 2021

Notice to Readers

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



**BENQ MATERIALS CORPORATION**

Balance Sheets  
December 31, 2020 and 2019  
Unit: NTS thousand

Assets		Dec. 31, 2020		Dec. 31, 2019		Liabilities and Equity		Dec. 31, 2020		Dec. 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6 [1])	\$ 95,267	1	137,623	1	2100	Short-term borrowings (Note 6 [11])	\$ 150,000	1	-	-
1110	Financial Assets at Fair Value through Profit or Loss - Current (Note 6 [2])	18,258	-	8,696	-	2120	Financial Assets at Fair Value through Profit or Loss - Current (Note 6 [2])	5,838	-	1,991	-
1120	Financial assets at fair value through other comprehensive income - Current (Note 6 [3])	57,809	1	101,232	1	2170	Accounts payable	3,312,781	30	2,462,865	24
1170	Notes receivable, net account (Note 6 [4], [18])	1,191,123	11	1,584,332	16	2180	Accounts payable - related parties (Note 7)	255,599	3	153,433	2
1180	Notes and accounts receivable - related parties net amount (Note 6 [4], [18] and 7)	1,183,882	11	292,984	3	2200	Other payables (Note 6 [7] [19])	899,311	8	867,461	9
1200	Other receivables (Note 6 [5] and 7)	219,033	2	226,774	2	2220	Other Payables to Related Parties (Note 7)	34,407	-	117,413	1
1210	Other receivables-related parties (Note 6 [5] and 7)	5,462	-	5,367	-	2281	Lease liabilities - Current (Note 6 [13])	2,626	-	3,252	-
1310	Inventories, net (Note 6 [6])	2,210,236	20	1,718,249	17	2282	Lease liabilities - Related parties - Current (Note 6 [13] and 7)	82,289	1	80,467	1
1470	Other current assets	149,523	1	73,319	1	2300	Other current liabilities	61,066	1	96,227	1
1476	Other financial assets - current	4,970	-	4,639	-		<b>Total current liabilities</b>	<u>4,803,917</u>	<u>44</u>	<u>3,783,109</u>	<u>38</u>
	<b>Total current assets</b>	<u>5,135,563</u>	<u>47</u>	<u>4,153,215</u>	<u>41</u>	2540	<b>Non-current liabilities:</b>				
<b>Non-current assets</b>						2570	Long-term borrowings (Note 6 [12] and 8)	1,614,624	15	1,960,000	19
1517	Financial assets at fair value through other comprehensive income - Non-current (Note 6 [3])	1,500	-	-	-	2581	Deferred tax liabilities (Note 6 [15])	2,525	-	1,371	-
1550	Investments accounted for using equity method (Note 6 [7])	2,161,610	20	2,191,359	22	2582	Lease liabilities - Non-current (Note 6 [13])	5,745	-	7,567	-
1600	Real estate, plant, and equipment (Notes 6 [8], 7, and 8)	3,229,360	30	3,195,212	32		Lease liabilities - Related parties - Non-current (Note 6 [13] and 7)	91,779	1	181,602	2
1755	Right-of-use asset (Notes 6 [9])	172,249	2	256,045	3	2600	Other non-current liabilities (Note 6 [12], [14])	25,714	-	8,598	-
1780	Intangible assets (Note 6 [10] and 7)	21,090	-	22,125	-		<b>Total non-current liabilities</b>	<u>1,740,387</u>	<u>16</u>	<u>2,159,138</u>	<u>21</u>
1840	Deferred tax assets (Note 6 [15])	137,353	1	206,028	2		<b>Total liabilities</b>	<u>6,544,304</u>	<u>60</u>	<u>5,942,247</u>	<u>59</u>
1920	Guarantee deposits paid	3,717	-	3,661	-	<b>Equity (Note 6 [16])</b>					
1995	Other non-current assets	4,637	-	45,570	-	3110	Common stock	3,206,745	30	3,206,745	32
	<b>Total non-current assets</b>	<u>5,731,516</u>	<u>53</u>	<u>5,920,000</u>	<u>59</u>	3200	Capital reserve	11,427	-	5,618	-
							Retained earnings:				
						3310	Legal reserve	277,665	3	251,953	2
						3320	Special reserve	33,896	-	-	-
						3350	Balance of retained earnings	876,576	8	700,548	7
						3400	Other equity	(83,534)	(1)	(33,896)	-
							<b>Total equity</b>	<u>4,322,775</u>	<u>40</u>	<u>4,130,968</u>	<u>41</u>
							<b>Total liabilities and equity</b>	<u>\$ 10,867,079</u>	<u>100</u>	<u>10,073,215</u>	<u>100</u>
	<b>Total assets</b>	<u>\$ 10,867,079</u>	<u>100</u>	<u>10,073,215</u>	<u>100</u>						

(See the attached notes to Individual Financial Statements)

Chairman: Chen, Zhien-Chi

General Manager: Liu Chia-Jui

Accounting Manager: Wang Sheng-Hsing

# BENQ MATERIALS CORPORATION

## Statements of Comprehensive Income From January 1 to December 31, 2020 and 2019 Unit: NT\$ thousand

Code		2020		2019	
		Amount	%	Amount	%
4000	<b>Operating revenue (Note 6 [18] and 7)</b>	\$ 14,207,202	100	13,058,534	100
5000	<b>Operating expenses (Notes 6 [6], [8], [9], [10], [13], [14], [19], 7, and 12)</b>	<u>(12,366,320)</u>	<u>(87)</u>	<u>(11,220,817)</u>	<u>(86)</u>
	<b>Gross operating profit</b>	1,840,882	13	1,837,717	14
5910	(Un) realized sales profit and loss	<u>2,721</u>	-	<u>(10,908)</u>	-
	<b>Realized operating profit and loss</b>	<u>1,843,603</u>	<u>13</u>	<u>1,826,809</u>	<u>14</u>
	<b>Operating expenses (Notes 6 [4], [8], [9], [10], [13], [14], [19], 7, and 12):</b>				
6100	Selling expenses	(483,161)	(4)	(485,919)	(4)
6200	General and administrative expenses	(163,361)	(1)	(163,375)	(1)
6300	Costs of research and development	<u>(623,197)</u>	<u>(4)</u>	<u>(662,801)</u>	<u>(5)</u>
	<b>Total operating expenses</b>	<u>(1,269,719)</u>	<u>(9)</u>	<u>(1,312,095)</u>	<u>(10)</u>
	<b>Net Operating Income</b>	<u>573,884</u>	<u>4</u>	<u>514,714</u>	<u>4</u>
	<b>Non-operating income and expenses (Notes 6 [7], [12], [13], [20] and 7):</b>				
7100	<b>Interest revenue</b>	207	-	843	-
7010	Other income	9,666	-	32,153	-
7020	Other profit and loss	(13,141)	-	(44,372)	-
7050	Financial cost	(59,524)	(1)	(78,930)	(1)
7070	Shares of profits of associates accounted for using the equity method	<u>(19,153)</u>	-	<u>(102,798)</u>	<u>(1)</u>
		<u>(81,945)</u>	<u>(1)</u>	<u>(193,104)</u>	<u>(2)</u>
	<b>Income before income tax</b>	491,939	3	321,610	2
7950	<b>Less: Income tax expense (Note 6 [15])</b>	<u>(95,966)</u>	-	<u>(64,486)</u>	-
	<b>Net profit</b>	<u>395,973</u>	<u>3</u>	<u>257,124</u>	<u>2</u>
	<b>Other comprehensive profit (loss)</b>				
8310	<b>Items that will not be reclassified to profit or loss (Notes 6 [7], [14], [16])</b>				
8311	Remeasurement of defined benefit plans	(2,067)	-	(2,297)	-
8316	Unrealized profit (loss) on investments in equity instruments at fair value through other comprehensive income	(43,423)	(1)	22,832	-
8330	Share of other comprehensive income from subsidiaries accounted for using equity method	(67)	-	(1,562)	-
8349	Income tax related to items that will not be reclassified	-	-	-	-
		<u>(45,557)</u>	<u>(1)</u>	<u>18,973</u>	-
8360	<b>Items that may be reclassified subsequently to profit or loss (Note 6 [16])</b>				
8361	Exchange differences arising on translation of financial statements of foreign operations	(4,081)	-	(58,149)	-
8399	Income tax related to items that may be reclassified	-	-	-	-
		<u>(4,081)</u>	-	<u>(58,149)</u>	-
	<b>Other comprehensive profit (loss)</b>	<u>(49,638)</u>	<u>(1)</u>	<u>(39,176)</u>	-
8500	<b>Total comprehensive profit for the period</b>	<u>\$ 346,335</u>	<u>2</u>	<u>217,948</u>	<u>2</u>
	<b>Earnings per share (Unit: NT\$) (Note 6[17])</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 1.23</u>		<u>0.80</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 1.23</u>		<u>0.80</u>	

(See the attached notes to Individual Financial Statements)

Chairman:  
Chen, Zhien-Chi

General Manager:  
Liu Chia-Jui

Accounting Manager:  
Wang Sheng-Hsing

**BENQ MATERIALS CORPORATION**

Statements of Changes in Equity  
From January 1 to December 31, 2020 and 2019  
Unit: NT\$ thousand

	Retained earnings					Other equity item					Total equity
	Common stock	Capital reserve	Legal reserve	Special reserve	Balance of retained earnings	Total	Exchange differences arising on translation of financial statements of foreign operations	Unrealized profits and losses of financial assets at fair value through other comprehensive income	Remeasurement of defined welfare plan	Total	
<b>Balance as of January 1, 2019</b>	\$ 3,206,745	2,734	219,094	-	692,009	911,104	21,284	-	(16,004)	5,284	4,125,866
Effects of retrospective application of new IFRSs	-	-	-	-	(19,779)	(19,779)	-	-	-	-	(19,779)
Adjusted balance as of January 1, 2019	<u>3,206,745</u>	<u>2,734</u>	<u>219,094</u>	<u>-</u>	<u>672,230</u>	<u>891,325</u>	<u>21,284</u>	<u>-</u>	<u>(16,004)</u>	<u>5,284</u>	<u>4,106,087</u>
Appropriation and distribution of retained earnings:											
Account for legal reserve	-	-	32,854	-	(32,858)	-	-	-	-	-	-
Cash dividend of common stock	-	-	-	-	(192,405)	(192,405)	-	-	-	-	(192,405)
Other changes in capital surplus:											
Change in capital surplus from investments in associates under equity method	-	2,885	-	-	-	-	-	-	-	-	2,885
Difference between prices of shares acquired from subsidiaries and book value	-	(1)	-	-	(3,543)	(3,543)	-	-	-	-	(3,544)
Net profit	-	-	-	-	257,124	257,124	-	-	-	-	257,124
Other comprehensive profit (loss)	-	-	-	-	-	-	(58,149)	22,844	(3,859)	(39,176)	(39,176)
Total comprehensive profit for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,124</u>	<u>257,124</u>	<u>(58,149)</u>	<u>22,844</u>	<u>(3,859)</u>	<u>(39,176)</u>	<u>217,944</u>
<b>Balance as of January 1, 2020</b>	3,206,745	5,618	251,954	-	700,548	952,504	(36,865)	22,844	(19,863)	(33,896)	4,130,964
Appropriation and distribution of retained earnings:											
Account for legal reserve	-	-	25,714	-	(25,712)	-	-	-	-	-	-
Account for special reserve	-	-	-	33,896	(33,896)	-	-	-	-	-	-
Cash dividend of common stock	-	-	-	-	(160,337)	(160,337)	-	-	-	-	(160,337)
Other changes in capital surplus:											
Change in capital surplus from investments in associates under equity method	-	5,809	-	-	-	-	-	-	-	-	5,809
Net profit	-	-	-	-	395,973	395,973	-	-	-	-	395,973
Other comprehensive profit (loss)	-	-	-	-	-	-	(4,081)	(43,444)	(2,134)	(49,638)	(49,638)
Total comprehensive profit for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,973</u>	<u>395,973</u>	<u>(4,081)</u>	<u>(43,444)</u>	<u>(2,134)</u>	<u>(49,638)</u>	<u>346,333</u>
<b>Balance as of December 31, 2020</b>	<u>\$ 3,206,745</u>	<u>11,427</u>	<u>277,665</u>	<u>33,896</u>	<u>876,576</u>	<u>1,188,137</u>	<u>(40,946)</u>	<u>(20,591)</u>	<u>(21,997)</u>	<u>(83,534)</u>	<u>4,322,775</u>

(See the attached notes to Individual Financial Statements)

Chairman: Chen, Zhien-Chi

General Manager: Liu Chia-Jui

Accounting Manager: Wang Sheng-Hsing

## BENQ MATERIALS CORPORATION

### Statements of Cash Flows

From January 1 to December 31, 2020 and 2019

Unit: NT\$ thousand

	2020	2019
<b>Cash flows from operating activities</b>		
<b>Income before income tax for the period</b>	\$ 491,939	321,610
<b>Adjusted items</b>		
Depreciation	421,292	466,004
Amortization expenses	31,919	20,284
Expected credit losses	94	18
Valuation loss (profit) on financial liabilities measured at fair value through net profit or loss	(5,715)	11,125
Interest expenses	59,524	78,930
Interest revenue	(207)	(843)
Dividend income	(2,400)	-
Share of profit of subsidiaries accounted for under the equity method	19,153	102,798
Profits from disposal of real estate, plant, and equipment	(51)	-
Profits from disposal of investment using equity method	(11,975)	-
(Un)realized sales profits	(2,721)	10,908
Other non-current assets amortized to expenses	107,542	95,026
Amortization of syndication fee costs	1,900	1,900
Total adjustments to reconcile profit (loss)	618,355	786,150
Changes in operating assets/liabilities:		
Net changes in operating assets:		
Decrease (Increase) in note receivables and accounts	323,122	(147,636)
Account receivables - Decrease (increase) in related parties	(813,341)	355,126
Decreases (increases) in other receivables	177	(188)
Other account receivables - related parties decrease	(95)	63,011
Gain (less) in inventories	(491,987)	6,543
Increase in other financial instruments - current	(38,356)	(1,013)
Total net changes in operating assets	(1,020,480)	275,843
Total net changes in operating liabilities:		
Increase (decrease) in account payables	849,916	(267,975)
Increase (decrease) in account payables - related parties	102,166	(65,927)
Increase (decrease) in other payables	6,228	(2,515)
Increase (decrease) in other payables - related parties	(83,006)	96,973
Increase (Decrease) in other current liabilities	(35,161)	59,084
Decrease in net defined benefit liability	(1,857)	(1,983)
Total net changes in operating liabilities	838,286	(182,343)
Total net changes in operating assets and liabilities	(182,194)	93,500
Total adjustments	436,161	879,650
<b>Cash inflow generated from operations</b>	928,100	1,201,260
Interests received	207	843
Interest payment	(59,838)	(78,641)
Refund (payment) of income tax	24	(12,863)
<b>Net cash flow from operating activities</b>	868,493	1,110,599

(Continued on the next page)

(Continued from the previous page)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from investing activities</b>		
Proceeds from acquisition of financial assets at fair value through profit or loss	(1,500)	(78,400)
Acquisition of investment using the equity method.	(16,001)	-
Disposal of investment using the equity method.	14,955	-
Acquisition of real estate, plants and equipment	(371,236)	(478,806)
Disposal of real estate, plants and equipment	1,154	3,850
Increase in Guarantee Deposits Paid	(56)	(808)
Acquisition of intangible assets	(30,884)	(34,520)
Decrease (increase) in other financial assets	(331)	1,205
Increase in other non-current assets	(106,388)	(105,211)
Dividends received	30,355	1,997
Dividends received	<u>(479,932)</u>	<u>(690,693)</u>
<b>Net cash outflows from investing activities</b>		
Increase in short-term borrowings	150,000	-
Proceeds from long-term borrowings	7,131,310	10,860,000
Repayments of long-term borrowings	(7,460,000)	(10,900,000)
Increase in guarantee deposits received	220	-
Repayments of lease principal	(92,110)	(86,644)
Issuance of cash dividend	(160,337)	(192,405)
Purchase of subsidiaries' equity from non-controlling interests	-	(59,614)
<b>Net cash outflows from financing activities</b>	<u>(430,917)</u>	<u>(378,663)</u>
<b>Increase (decrease) in cash and cash equivalents for the period</b>	(42,356)	41,243
<b>Cash and cash equivalents at beginning of period</b>	<u>137,623</u>	<u>96,380</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>\$ 95,267</b></u>	<u><b>137,623</b></u>

(See the attached notes to Individual Financial Statements)

**Chairman:**  
Chen, Zhien-Chi

**General Manager:**  
Liu Chia-Jui

**Accounting Manager: Wang Sheng-Hsing**

## Attachment II

### BenQ Materials Corp.

#### 2020 Profits Distribution Table

Currency Unit: NT\$

<b>Net profit after tax in 2020</b>	<b>\$ 395,972,956</b>
<b>Less : Legal Reserve</b>	<b>(39,597,296)</b>
<b>Reversal of special reserve</b>	<b>(49,638,146)</b>
<b>Distributable net profit of 2020</b>	<b>\$306,737,514</b>
<b>Add : Unappropriated retained earnings of prior years</b>	<b>480,601,636</b>
<b>Distributable net profit of 2020</b>	<b>\$787,339,150</b>
<b>Distributable item :</b>	
<b>Cash dividends to common shareholders (NT\$0.70 per share)</b>	<b>(224,472,160)</b>
<b>Unappropriated retained earnings</b>	<b>\$562,866,990</b>

Chairman: Chen, Zhien-Chi    General Manager: Liu Chia-Jui    Accounting Manager: Wang Sheng-Hsing

## **Attachment III**

### **Measures of issuance and conversion of private equity overseas or domestic convertible corporate bonds (tentative)**

I. **Issuing Company:**

BenQ Materials Corp. (hereinafter referred to as the "the company" or "BenQ Materials").

II. **Total issuance:**

Authorize the board of directors to select one of the common shares not to exceed 31,800 thousand shares, or use a matching method to process cash capital increase issuance of common shares, participate in the issuance of overseas depositary receipts and/or cash capital increase issuance of common shares and/or cash capital increase private common shares and/ or private placement of overseas or domestic conversion of corporate bonds, when the overseas or domestic conversion of corporate bonds (hereinafter referred to as "the company bonds") is handled by private placement, the number of ordinary shares that can be converted should be calculated within the aforementioned 31,800 thousand shares based on the conversion at the time of the private placement.

III. **Issuing date**

It will be issued once within one year after the approval of the regular shareholders' meeting of the Republic of China in 2021.

IV. **Mode of issuance**

The company's bonds will be issued in accordance with Article 43-6 of the Securities Exchange Act and local laws and regulations. The investors to subscribe to the Private Placement Shares and/or Private Placement CB must meet the qualifications listed in Article 43-6 of the Securities and Exchange Act and are limited to strategic investor(s). Priority will be given to the investor(s) who could benefit the Company's long term development, competitiveness, and existing shareholders' rights. The Board is fully authorized to determine the specific investor(s). The purpose, necessity and projected benefits for choosing strategic investor(s) are to accommodate the Company's operation and development needs to have the strategic investor(s) to assist the Company, directly or indirectly, in its finance, business, manufacturing, technology, procurement, management, and strategy development, etc. so to strengthen the Company's competitiveness and enhance its operational efficiency and long term development.

V. **Types, denominations and issue prices of corporate bonds:**

The company's bonds are privately placed registered convertible corporate bonds with a denomination of US\$10,000 or its multiples, or NT\$100,000 or its multiples, and the issue price should not be less than 80% of the theoretical price.

VI. **Coupon interest rate and payment method of corporate bonds:**

Authorize the board of directors to make decisions based on the dynamics of the financial market.

VII. **During the issuance:**

Not exceeding seven years from the date of issue.

VIII. **Repayment method:**

Except for those that have been converted, sold, redeemed or repurchased and cancelled, the company's bonds will be repaid in cash at the maturity date by the company's face value or additional interest compensation.

IX. **Object of conversion:**

Newly issued ordinary shares of BenQ Materials Corp.

X. **Conversion:**

I. The company's bond conversion period:

Unless the bonds have been previously redeemed, repurchased, canceled, or converted or the bonds are in the period where they are not allowed to be converted in accordance with the issuance agreement, a holder of the Corporate Bonds may exercise the conversion rights in accordance with relevant laws and the issuance agreement to convert the Corporate Bonds into common stocks of the Company at any time after certain period from the issuance date and prior to the maturity date.

2. The company's bond conversion procedure:

Upon request for conversion, the holder shall apply to the company for conversion by preparing the "conversion notice" together with the bonds and all documents or evidence required by the laws and regulations of the Republic of China.

3. The determination and adjustment of the conversion price of the company's bonds:

The conversion price should not be lower than the simple arithmetic average closing price of the common stocks for either one, three or five business days before the price determination date, and added back any distribution of stock dividends, cash dividends or capital reduction after adjustment or the simple arithmetic average closing price of the common stocks for 30 business days before the price determination date and added back after reduction of the capital stock of the anti-ex eighty percent. For the actual price, it is proposed to the shareholders' meeting to authorize the Board of Directors to determine in accordance with relevant laws and regulations. The Board of Directors is authorized to determine the adjustment of the conversion price.

4. Attribution of dividends in the conversion year:

The bondholders of the company should not claim the interests or dividends before the conversion; the common shares of the issuing company after the conversion may claim the distributed interests or dividends in accordance with the law, which is the same as that of other common shareholders of the company.

5. Rights and obligations after conversion:

The company's bonds are subject to the restrictions of being transferred within three years period after delivery in accordance with Article 43-8 of the Securities Exchange Act. The rights and obligations of the company's bonds exchanged for ordinary shares are the same as the original ordinary shares.

XI. **Pre-redemption conditions of the issuing company:**

The Board of Directors is authorized to determine this.

XII. **Conditions for bondholders to sell back:**

The Company may choose not to offer sell-back rights, or after a designated period has elapsed following issuance of the bonds, holders may require the issuer to redeem all or part of these bonds at a price calculated based on certain annual yield.

XIII. **Other important agreements:**

The Board of Directors should be authorized to make necessary adjustments to the issuance conditions for the issuance of the Company's bonds and other matters not covered herein, and to deal with them at its sole discretion.



## Attachment IV

### BenQ Materials Corp.

#### The comparison table of the provisions before and after the amendment of the “Procedures for acquiring or disposing of assets”

No.	Before revision	After revision	Reason for revision																																																																								
Article 16	<p>(Omitted)</p> <p>The total amount of the company's investment in securities, individual investment limits, and the total amount of real estate not for business use shall be entered into this procedure after authorizing the board of directors to set the quota. The "Authority to acquire or dispose of assets and the schedule of amount to invest in securities" is set out as follows: (Unit: NT \$1000)</p> <p>(Unit: NT \$1000)</p> <table border="1" data-bbox="295 715 1093 1347"> <thead> <tr> <th>Asset item</th> <th>Approver</th> <th>Delegation of Authorization</th> <th>Total investable amount</th> <th>Individual investment limit</th> </tr> </thead> <tbody> <tr> <td>Real estate that is not for business use and the right to use real estate</td> <td colspan="2">are subject to the approval of the board of directors</td> <td>30% of net worth</td> <td>15% of net worth</td> </tr> <tr> <td rowspan="2">Equity investment</td> <td>Board of Directors</td> <td>More than 100,000</td> <td rowspan="2">Net Worth</td> <td rowspan="2">50% of net worth</td> </tr> <tr> <td>Chairman</td> <td>Less than 100,000 (inclusive)</td> </tr> <tr> <td rowspan="2">Long-term covered bonds</td> <td>Chairman of the Board</td> <td>More than 100,000</td> <td rowspan="2">30% of net worth</td> <td rowspan="2">15% of net worth</td> </tr> <tr> <td>General manager</td> <td>Less than 100,000 (inclusive)</td> </tr> <tr> <td>Short-term bonds and money market funds</td> <td colspan="2">All must be approved by the chief financial officer</td> <td>30% of net worth</td> <td>15% of net worth</td> </tr> <tr> <td rowspan="2">Other negotiable securities</td> <td>Chairman</td> <td>More than 50,000</td> <td rowspan="2">10% of net worth</td> <td rowspan="2">5% of net worth</td> </tr> <tr> <td>General manager</td> <td>Less than 50,000( inclusive)</td> </tr> </tbody> </table>	Asset item	Approver	Delegation of Authorization	Total investable amount	Individual investment limit	Real estate that is not for business use and the right to use real estate	are subject to the approval of the board of directors		30% of net worth	15% of net worth	Equity investment	Board of Directors	More than 100,000	Net Worth	50% of net worth	Chairman	Less than 100,000 (inclusive)	Long-term covered bonds	Chairman of the Board	More than 100,000	30% of net worth	15% of net worth	General manager	Less than 100,000 (inclusive)	Short-term bonds and money market funds	All must be approved by the chief financial officer		30% of net worth	15% of net worth	Other negotiable securities	Chairman	More than 50,000	10% of net worth	5% of net worth	General manager	Less than 50,000( inclusive)	<p>(Omitted)</p> <p>The total amount of the company's investment in securities, individual investment limits, and the total amount of real estate not for business use shall be entered into this procedure after authorizing the board of directors to set the quota. The "Authority to acquire or dispose of assets and the schedule of amount to invest in securities" is set out as follows:</p> <p>(Unit: NT \$1000)</p> <table border="1" data-bbox="1120 715 1904 1382"> <thead> <tr> <th>Asset item</th> <th>Approver</th> <th>Delegation of Authorization</th> <th>Total investable amount</th> <th>Individual investment limit</th> </tr> </thead> <tbody> <tr> <td>Real estate that is not for business use and the right to use real estate</td> <td colspan="2">are subject to the approval of the board of directors</td> <td>30% of net worth</td> <td>15% of net worth</td> </tr> <tr> <td rowspan="2">Equity investment</td> <td>Board of Directors</td> <td>More than 100,000</td> <td rowspan="2">200% of net worth</td> <td rowspan="2">200% of net worth</td> </tr> <tr> <td>Chairman</td> <td>Less than 100,000 (inclusive)</td> </tr> <tr> <td rowspan="2">Long-term covered bonds</td> <td>Chairman of the Board</td> <td>More than 100,000</td> <td rowspan="2">30% of net worth</td> <td rowspan="2">15% of net worth</td> </tr> <tr> <td>General manager</td> <td>Less than 100,000 (inclusive)</td> </tr> <tr> <td>Short-term bonds and money market funds</td> <td colspan="2">All must be approved by the chief financial officer</td> <td>30% of net worth</td> <td>15% of net worth</td> </tr> <tr> <td rowspan="2">Other negotiable securities</td> <td>Chairman</td> <td>More than 50,000</td> <td rowspan="2">10% of net worth</td> <td rowspan="2">5% of net worth</td> </tr> <tr> <td>General manager</td> <td>Less than 50,000( inclusive)</td> </tr> </tbody> </table>	Asset item	Approver	Delegation of Authorization	Total investable amount	Individual investment limit	Real estate that is not for business use and the right to use real estate	are subject to the approval of the board of directors		30% of net worth	15% of net worth	Equity investment	Board of Directors	More than 100,000	200% of net worth	200% of net worth	Chairman	Less than 100,000 (inclusive)	Long-term covered bonds	Chairman of the Board	More than 100,000	30% of net worth	15% of net worth	General manager	Less than 100,000 (inclusive)	Short-term bonds and money market funds	All must be approved by the chief financial officer		30% of net worth	15% of net worth	Other negotiable securities	Chairman	More than 50,000	10% of net worth	5% of net worth	General manager	Less than 50,000( inclusive)	In line with actual needs
Asset item	Approver	Delegation of Authorization	Total investable amount	Individual investment limit																																																																							
Real estate that is not for business use and the right to use real estate	are subject to the approval of the board of directors		30% of net worth	15% of net worth																																																																							
Equity investment	Board of Directors	More than 100,000	Net Worth	50% of net worth																																																																							
	Chairman	Less than 100,000 (inclusive)																																																																									
Long-term covered bonds	Chairman of the Board	More than 100,000	30% of net worth	15% of net worth																																																																							
	General manager	Less than 100,000 (inclusive)																																																																									
Short-term bonds and money market funds	All must be approved by the chief financial officer		30% of net worth	15% of net worth																																																																							
Other negotiable securities	Chairman	More than 50,000	10% of net worth	5% of net worth																																																																							
	General manager	Less than 50,000( inclusive)																																																																									
Asset item	Approver	Delegation of Authorization	Total investable amount	Individual investment limit																																																																							
Real estate that is not for business use and the right to use real estate	are subject to the approval of the board of directors		30% of net worth	15% of net worth																																																																							
Equity investment	Board of Directors	More than 100,000	200% of net worth	200% of net worth																																																																							
	Chairman	Less than 100,000 (inclusive)																																																																									
Long-term covered bonds	Chairman of the Board	More than 100,000	30% of net worth	15% of net worth																																																																							
	General manager	Less than 100,000 (inclusive)																																																																									
Short-term bonds and money market funds	All must be approved by the chief financial officer		30% of net worth	15% of net worth																																																																							
Other negotiable securities	Chairman	More than 50,000	10% of net worth	5% of net worth																																																																							
	General manager	Less than 50,000( inclusive)																																																																									

No.	Before revision	After revision	Reason for revision
	<p>* Short-term bonds should not be operated through the principle of doubling the multiplier by any means of pledge, margin or similar manipulation, which will result in the effect of expanding profits and losses.</p> <p>* Investment and establishment of the company's direct or indirect holdings of 100% of the shares of subsidiaries are not subject to the limitation of the total investment of long-term equity.</p> <p>* The so-called net worth refers to the equity attributable to the owners of the parent company on the balance sheet.</p>	<p>* Short-term bonds should not be operated through the principle of doubling the multiplier by any means of pledge, margin or similar manipulation, which will result in the effect of expanding profits and losses.</p> <p>* Investment and establishment of the company's direct or indirect holdings of 100% of the shares of subsidiaries are not subject to the limitation of the total investment of long-term equity.</p> <p>* The so-called net worth refers to the equity attributable to the owners of the parent company on the balance sheet.</p>	
Article 17	<p>The processing procedure was established on July 20, 1999  The first amendment was made on July 26, 1999  The second amendment was made on May 21 10, 2003.  The third amendment was made on May 22, 2007.  The fourth amendment was made on June 10, 2009.  The fifth amendment was made on June 21, 2012.  The sixth amendment was made on June 19, 2014.  The seventh amendment was made on June 19, 2019.</p>	<p>The processing procedure was established on July 20, 1999  The first amendment was made on July 26, 1999  The second amendment was made on May 21 10, 2003.  The third amendment was made on May 22, 2007.  The fourth amendment was made on June 10, 2009.  The fifth amendment was made on June 21, 2012.  The sixth amendment was made on June 19, 2014.  The seventh amendment was made on June 19, 2019.  <u>The eighth amendment was made on June 18, 2021.</u></p>	Number of amendments and dates

## Attachment V

### Non-competition items of directors

Director	Released restriction items
Qisda Corporation	Director, BenQ Biotech (Shanghai) Co.,Ltd Director, SIMULA TECHNOLOGY INC. Director, GOLDEN SPIRIT CO., LTD. Director, TOPVIEW OPTRONICS CORP. Director, SYSAGE TECHNOLOGY CO., LTD. Director, Qisda Vietnam Co., Ltd.
Chen, Zhien-Chi, Representative of Qisda Corporation	Director, LAGIS ENTERPRISE CO., LTD.
Chen, Chi-Hong, Representative of Qisda Corporation	Vice President, ALPHA NETWORKS INC. Director, HITRON TECHNOLOGIES INC. Director, BenQ Healthcare Consulting Corporation Director, BenQHospital Management Consulting (Nanjing) Co., LTD. Director, NANJING BenQ Hospital Co., Ltd. Director, Suzhou BenQ Hospital Co., Ltd.

## Appendix I

### Rules and Procedures of the Shareholders' Meeting

Settled at the regular shareholders meeting on March 14, 1989

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

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

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

## Appendix II

### BenQ Materials Corp. Articles of Incorporation

#### Chapter I. General Principles

- Article 1. The Company is organized as a company limited by shares in accordance with the Company Act of the Republic of China (the "Company Act") and the Company's English name is BENQ MATERIALS CORP.  
the Company's English name is BENQ MATERIALS CORP.
- Article 2. The scope of business of the Company shall be as follows
- |               |  |
|---------------|--|
| I. CC01110    | Computer and peripheral equipment manufacturing        |
| II. F401010   | International trade                                    |
| III. CC01080  | International Trade                                    |
| IV. C801100   | Electronic parts and components manufacturing business |
| V. C801990    | Synthetic resin and plastic manufacturing              |
| VI. F219010   | Other Chemical Materials Manufacturing Electronic      |
| VII. CC01120  | Materials Retail                                       |
| VIII. C802160 | Retail Sale of Electronic Materials                    |
| IX. CF01011   | Data Storage Media Manufacturing and Duplicating       |
| X. C801030    | Adhesive tape manufacturing                            |
| XI. IG01010   | Medical Materials and Equipment Manufacturing          |
| XII. CC01090  | Precision Chemical Material Manufacturing              |
| XIII. F108031 | Biotechnology service industry                         |
| XIV. F208031  | Cell manufacturing                                     |
| XV. ZZ99999   | Wholesale of drugs, medical goods                      |
- Retail sale of Medical Equipment  
In addition to licensed business, business that is not prohibited or restricted by law
- In addition to licensed business, business that is not prohibited or restricted by law
- Article 3. The Company may provide guarantees or endorsements on behalf of third parties due to business or investment relationships with such third parties.
- Article 4. The total amount of the Company's investment is not subject to the restriction of Article 13 of the Company Act.
- Article 5. The head office of the Company shall be in Taoyuan, Taiwan, the Republic of China ("R.O.C."). may, if necessary, set up branches or business offices at other appropriate places.
- Article 6. The company's announcement method is in accordance with the provisions of Article 28 of the Company Act.

#### Chapter 2. Shares

- Article 7. The company's total capital is rated at NT \$ 4 billion, divided into 400 million shares at \$ 10 per share. The council decided to issue in batches. 15 million shares are reserved in the aforementioned total shares as shares for issuing employee stock option certificates. The company may issue employee stock options at a stock price lower than the market price, or less than the actual share repurchase, with the consent of the shareholders 'meeting representing more than half of the total number of issued shares and the presence of more than two-thirds of the shareholders' voting rights. Average price transferred to employees.
- Article 7-1 The Corporation's treasury stock acquired under the Company Act may be transferred to the employees of the controlled or subordinate companies who meet certain criteria. Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive share subscription warrant of the Company. When the Company issues new shares, eligible employees who can subscribe to the shares shall include employees of controlling or subordinate companies that meet certain criteria. Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive new shares issued by the Company.

Article 8. The share certificates of the Company shall be all in registered form. The share certificates shall be affixed with the signatures or personal seals of the director representing the company, and shall be duly certified or authenticated by the bank which is competent to certify shares under the laws before issuance. The Company may deliver shares by book-entry method in accordance with relevant rules and regulations, without printing share certificate(s); the same applies with other securities issuance.

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

### **Chapter 3. Shareholders' Meetings**

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

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

Article 11-1 This article has been deleted.

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

Article 12. The Company shall have seven to nine directors. The term of office for all directors shall be three (3) years. The directors are eligible for re-election. The number of the directors shall be decided by the board of directors. The total number of shares of the company held by all directors shall not be less than the number prescribed by the competent authority according to law.

The Company may purchase liability insurance for Directors to protect them against potential liabilities arising from exercising their duties during their tenure.

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

Article 13. The Directors of the Company shall be elected from the nomination list prepared by the Company. The directors referred to in this constitution include independent directors. The voting rights of shareholders shall have one voting right per share, unless otherwise provided by laws and regulations.

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

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

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

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

- Article 13-2 The audit committee established by the company in accordance with the law is responsible for the implementation of the company law, securities trading law, other laws and regulations and the company's articles of association and various measures as the supervisory authority.
- Article 13-3 This article has been deleted.
- Article 14. The chairman of the Board shall be elected by and among the directors by a majority of directors present at a meeting attended by more than two thirds of directors. The chairman of the Board shall externally represent the Company. °
- Article 15. Where a director is unable to attend a meeting of the Board, he may appoint another director to represent him by proxy in accordance with Article 208 of the Company Act. Where a director is unable to attend a meeting of the Board, he may appoint another director to represent him by proxy. Each director may act as a proxy for one other director only.  
The meeting of the Board of Directors shall be convened in accordance with the Company Act. In calling a meeting of the Board of Directors, a notice may be given to each director by means of electronic mail or facsimile.
- Chapter 5. President & Vice Presidents**
- Article 16. The Company shall have one or more managerial personnel. Appointment, dismissal, and remuneration of the president and vice presidents shall be subject to the provisions of the Company Act.
- Chapter 6. Accounting**
- Article 17. The company's fiscal year is from January 1 to December 31 of the same year.
- Article 18. After the end of each fiscal year, the Board shall prepare and submit the following documents:(1) business report, (2) financial statements, (3) proposal for allocation of earnings or recovery of loss, which shall be submitted to the audit committee for verification 30 days before the shareholders' meeting. The audit committee issued a report to the shareholders' general meeting for approval.
- Article 19. Where the Company has a profit before tax for each fiscal year, the Company shall set aside 5%-20% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration. When there are accumulated losses, the Company shall offset the appropriate amounts before remuneration.  
The Company may allocate employee's remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of parent company or subsidiary meeting certain conditions. The Board or the person duly designated by the Board is authorized to decide the conditions and allocation method.
- Article 19-1 Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to pay taxes and cover accumulated losses, and then 10% of the remaining net earnings shall be allocated as the Company's legal reserve and certain amount shall be further allocated as special reserve or the special reserve shall be reversed in accordance with applicable laws and regulation. The balance ( if any ) together with accumulated unappropriated retained earnings can be distributed after the distribution plan proposed by the Board and approved by the shareholders' meeting.  
When the legal reserve and capital surplus are to be distributed in cash, the distribution may be approved by the Board of Directors and reported to the shareholders' meeting.
- Article 19-2 The Company distributing dividends and bonus in the form of new shares to be issued by the company in accordance with Paragraphs 2 · Article 241 of the Company Act. When the legal reserve and capital surplus are to be distributed in cash, the distribution may be approved by the Board of Directors and reported to the shareholders' meeting.
- Article 20. Profits of Company may be distributed in form of cash dividends and/or stock dividends. As the Company is technology- and capital-intensive enterprise in its growth phase, the Company has adopted remaining earnings appropriation method as its dividend policy in order to meet long-term capital needs and cash requirements of stockholders, and thereby maintain continuous development and steady growth. If there is a surplus in the



company ' s annual final accounts, tax shall be paid in accordance with the provisions of Article 19-1, to make up for the previous losses, the second 10% shall be the statutory surplus reserve, and the special surplus reserve shall be set or converted according to the provisions of the law Afterwards, if there is still a surplus, the dividend distribution shall not be less than 10% of the previously calculated surplus. The annual cash dividend shall not be less than 10% of the total cash and stock dividends paid in the current year in order to take into account the need to expand the operating scale and cash flow in the future.

## **Chapter 7. Supplementary Articles**

Article 21. With respect to the matters not provided herein, the Company Act and other applicable laws and regulations shall govern.

Article 22. These Articles of Incorporation were enacted by the incorporators in the incorporators meeting held on July 3, 1998 and were effectively approved by the competent authority. The first amendment was made on August 30, 1998.

The second amendment was made on September 10, 1998. The third amendment was made on October 9, 1998.

The fourth amendment was made on March 14, 2000. The fifth amendment was made on August 25, 2000.

The sixth amendment was made on May 8, 2001. The seventh amendment was made on April 23, 2002.

The eighth amendment was made on May 21, 2003. The ninth amendment was made on May 18, 2004.

The tenth amendment was made on May 18, 2004. The eleventh amendment was made on May 18, 2006.

The twelfth amendment was made on May 22, 2007. The thirteenth amendment was made on November 16, 2007.

The fourteenth amendment was made on May 30, 2008. The fifteenth amendment was made on June 10, 2009

The sixteenth amendment was made on June 9, 2010. The seventeen amendment was made on June 15, 2011.

The eighteenth amendment was made on June 21, 2012. The nineteenth amendment was made on June 24, 2015.

The twentieth amendment was made on June 14, 2016. The twenty-first amendment was made on June 19, 2019.

The twenty-second amendment was made on June 18, 2020.

## Appendix III

### Shareholding of Directors

- I. The Company has issued capital of the Company is NT\$3,206,745,140 representing 320,674,514 common shares. According to Article 26 of the Securities and Exchange Act, the minimum number of shares that shall be held by all directors of the company is 12,826,980.
- II. According to Article 2 of the "Public Issuing Company Directors and Supervisors' Shareholding Ratio and Implementation Rules for Inspection", if more than 2 independent directors are elected, the total shareholding percentage calculated by all directors and supervisors other than the independent directors will be reduced to 80 %. In addition, if the company has set up an audit committee in accordance with this law, the regulations concerning the number of shares held by the supervisor shall not be less than a certain ratio.
- III. As of April 20, 2021, the number of shares held by all directors is 130,340,324 shares, accounting for 40.64% of the company's total shares. The actual collective shareholding of directors was shown as below :

Position	Name		Shareholding (shares)	April 20, 2021
				Shareholding Ratio (%)
Director	Zhien-Chi Chen	Qisda Corporation	43,659,294	13.61
Director	Kuen-Yao (K.Y.) Lee		4,580,396	1.43
Director	Ko-Yung Yu		1,252,871	0.39
Director	Peter Chen	Qisda Corporation	43,659,294	13.61
Director	Wen-Der Lee	Qisda Corporation	80,847,763	25.21
Independent Director	Frank Yeh		0	0
Independent Director	Chiou-Ming Chen		0	0
Independent Director	Yu-Yang Lu		0	0
Subtotal			130,340,324	40.64

- IV. Shareholding from all Directors has reached the legally stipulated ownership of shares.

## Appendix IV

### The impact of this free allotment on the company's operating performance, earnings per share and shareholder return on investment

The company does not have free allotment of shares, so it is not applicable.