

**BENQ MEDICAL TECHNOLOGY CORP.
AND SUBSIDIARIES**

**Consolidated Financial Statements and
Independent Auditors' Review Report**

For the Three Months Ended March 31, 2020 and 2019

Company: 7F, No. 46, Zhouzi St., Neihu Dist., Taipei 11493, Taiwan
Telephone: (02)8797-5533

The independent auditors' review report and the accompanying financial statements are the English translation of Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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**KPMG****KPMG**

68F., TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi
Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone no.: + 886 (2) 8101 6666

Fax no.: + 886 (2) 8101 6667

Website: kpmg.com/tw

Independent Auditors' Review Report

The Board of Directors of BenQ Medical Technology Corp.

Foreword

We have reviewed the consolidated balance sheets as of March 31, 2020 and 2019, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three months ended March 31, 2020 and 2019, as well as notes to consolidated financial statements (including summary of significant accounting policies) of BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES. The Management is responsible for preparing the consolidated financial statements with fair representation in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standards ("IAS") 34, "Interim Financial Reporting" as endorsed by Financial Supervisory Commission of the Republic of China ("FSC"). Our responsibility is to express a conclusion based on our review of the consolidated financial statements.

Scope of Review

We conducted our review in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity." The process of reviewing the consolidated financial statements includes making enquiries (mainly to personnel in charge of financial and accounting matters), analyzing, and other reviewing procedures. The scope of review is substantially less than the scope of an audit. As such, we may not be able to obtain assurance on all significant matters that an audit could otherwise provide, and therefore we are unable to express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that the consolidated financial statements are in any incompliance of "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standards ("IAS") 34, "Interim Financial Reporting" as endorsed by Financial Supervisory Commission of the Republic of China ("FSC"), such that the consolidated financial position of BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES as of March 31, 2020 and 2019, and the consolidated financial performance and the consolidated cash flows for the three months ended March 31, 2020 and 2019 do not present fairly.

The engagement partners on the review resulting in this independent auditors' review report are Chang, Hui-Chen and Shin, Wei-Ming.

KPMG

Taipei, Taiwan (Republic of China)

April 23, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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

March 31, 2020 and 2019. Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.
BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2020, December 31 and March 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2020		December 31, 2019		March 31, 2019			Liabilities and Equity	March 31, 2020		December 31, 2019		March 31, 2019	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:									Current liabilities:						
1100	Cash and cash equivalents (Note 6(1))	\$ 229,412	13	242,626	15	236,671	14	2100	Short-term loans (Note 6(12))	\$ 59,397	3	47,720	3	119,878	8
1150-1170	Notes and accounts receivable (Note 6(3) and (21))	170,643	10	181,485	11	187,842	12	2150-2170	Notes and accounts payable	120,963	7	129,112	8	128,533	8
1181	Accounts receivable - related parties (Note 6(3)(21) and 7)	9,479	1	2,917	-	3,085	-	2181	Accounts payable - related parties (Note 7)	8,971	1	9,797	-	7,084	-
1200	Other receivables	3,169	-	2,438	-	2,504	-	2200	Other payables (Note 6(22))	108,765	6	141,056	8	106,102	7
1212	Other receivables - related parties (Note 7)	2,443	-	3,144	-	505	-	2220	Other payables - related parties (Note 7)	2,317	-	2,973	-	1,154	-
130x	Inventories (Note 6(4))	186,303	11	174,938	10	158,058	10	2230	Current income tax liabilities	17,589	1	13,682	1	18,101	1
1410-1470	Prepayments and other current assets	32,919	2	28,139	2	32,952	2	2250	Provision-current (Note 6(15))	10,528	1	10,641	1	10,950	1
1476	Other financial assets-current (Note 6(2) and 8)	45,134	3	53,270	3	47,940	3	2280	Lease liabilities-current (Note 6(14) and 7)	31,376	2	30,352	2	20,160	1
Total current assets		679,502	40	688,957	41	669,557	41	2300	Other current liabilities (Note 6(21))	16,348	1	18,993	1	23,245	1
Non-current assets:								2322	Long-term loans due within a year (Note 6(13) and 8)	5,000	-	31,667	2	1,667	-
1550	Investments accounted for using equity method (Note 6(5))	24,562	1	25,675	2	28,629	2	Total current liabilities		381,254	22	435,993	26	436,874	27
1600	Property, plant and equipment (Note 6(7) and 8)	699,386	41	701,450	41	757,464	46	Non-current liabilities:							
1755	Right-of-use assets (Note 6(8) and 7)	102,424	6	98,354	6	55,181	3	2540	Long-term loans (Note 6(13) and 8)	108,333	6	62,083	4	33,333	2
1760	Investment properties - net (Note 6(9) and 8)	50,379	3	50,778	3	-	-	2570	Deferred income tax liabilities	10,716	1	10,243	1	11,435	1
1780	Intangible assets (Note 6(10))	101,349	6	89,601	5	95,623	6	2640	Net defined benefit liabilities - non-current	3,769	-	3,943	-	4,388	-
1840	Deferred income tax assets	9,304	1	9,078	-	9,179	1	2580	Lease liabilities-non-current (Note 6(14) and 7)	72,088	5	68,891	4	35,652	2
1900	Other non-current assets (Note 6(11))	33,410	2	27,197	2	25,117	1	2645	Guarantee deposit received	4,232	-	4,102	-	3,195	-
Total non-current assets		1,020,814	60	1,002,133	59	971,193	59	Total non-current liabilities		199,138	12	149,262	9	88,003	5
								Total liabilities		580,392	34	585,255	35	524,877	32
								Equity attributable to shareholders of the Company							
								(Note 6(19))							
								3110	Common stock	445,660	26	445,660	26	445,660	27
								3200	Capital surplus	297,921	17	297,921	18	297,921	18
								3300	Retained earnings	317,827	19	309,958	18	315,028	19
								3400	Other equity	(3,757)	-	(3,309)	-	(890)	-
								Total equity attributable to shareholders of the Company		1,057,651	62	1,050,230	62	1,057,719	64
								Non-controlling interests		62,273	4	55,605	3	58,154	4
								Total equity interest		1,119,924	66	1,105,835	65	1,115,873	68
Total assets		\$ 1,700,316	100	1,691,090	100	1,640,750	100	Total Liabilities and equity		\$ 1,700,316	100	1,691,090	100	1,640,750	100

(Please see notes to consolidated financial statements)

Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.**BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the Three Months Ended March 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

		January to March 2020		January to March 2019	
		Amount	%	Amount	%
4000	Operating revenues (Note 6 (21) and 7)	\$ 300,547	100	333,184	100
5000	Costs of revenue (Note 6 (4)(7)(8)(9)(10)(14)(17)(22), 7 and 12)	<u>(185,302)</u>	<u>(62)</u>	<u>(205,765)</u>	<u>(62)</u>
	Gross profit	<u>115,245</u>	<u>38</u>	<u>127,419</u>	<u>38</u>
	Operating expenses (Note 6 (3)(7)(8)(9)(10)(14)(17)(22), 7 and 12):				
6100	Selling expenses	(61,303)	(20)	(63,714)	(19)
6200	General and administrative expenses	(32,094)	(11)	(28,240)	(8)
6300	Research and development expenses	<u>(10,456)</u>	<u>(3)</u>	<u>(9,220)</u>	<u>(3)</u>
		<u>(103,853)</u>	<u>(34)</u>	<u>(101,174)</u>	<u>(30)</u>
	Operating income	<u>11,392</u>	<u>4</u>	<u>26,245</u>	<u>8</u>
	Non-operating income and loss (Note 6(5)(14)(23)):				
7010	Other income	2,122	-	3,163	1
7020	Other gains and losses	730	-	115	-
7050	Financing costs	(1,052)	-	(1,143)	-
7375	Share of losses of joint ventures accounted for using equity method	<u>(813)</u>	<u>-</u>	<u>(154)</u>	<u>-</u>
		<u>987</u>	<u>-</u>	<u>1,981</u>	<u>1</u>
	Income before income tax	12,379	4	28,226	9
7950	less: Income tax expenses (Note 6(18))	<u>(2,949)</u>	<u>(1)</u>	<u>(5,118)</u>	<u>(2)</u>
	Net income	<u>9,430</u>	<u>3</u>	<u>23,108</u>	<u>7</u>
	Other comprehensive income:				
8360	Items that may be reclassified subsequently to profit or loss (Note 6 (5)(19))				
8361	Exchange differences on translation of foreign operations	(148)	-	317	-
8370	Share of other comprehensive income of joint ventures accounted for using equity method	<u>(300)</u>	<u>-</u>	<u>719</u>	<u>-</u>
8399	Income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>(448)</u>	<u>-</u>	<u>1,036</u>	<u>-</u>
	Other comprehensive income for the period	<u>(448)</u>	<u>-</u>	<u>1,036</u>	<u>-</u>
	Total comprehensive income for the period	<u>\$ 8,982</u>	<u>3</u>	<u>24,144</u>	<u>7</u>
	Net Income attributable to:				
8610	Owners of the parent	\$ 7,869	3	20,361	6
8620	Non-controlling interests	<u>1,561</u>	<u>-</u>	<u>2,747</u>	<u>1</u>
		<u>\$ 9,430</u>	<u>3</u>	<u>23,108</u>	<u>7</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of the parent	\$ 7,421	3	21,397	6
8720	Non-controlling interests	<u>1,561</u>	<u>-</u>	<u>2,747</u>	<u>1</u>
		<u>\$ 8,982</u>	<u>3</u>	<u>24,144</u>	<u>7</u>
	Earnings per share (in New Taiwan dollars, Note 6 (20))				
9750	Basic earnings per share	<u>\$ 0.18</u>		<u>0.46</u>	
9850	Diluted earnings per share	<u>\$ 0.18</u>		<u>0.45</u>	

(Please see notes to consolidated financial statements)

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

Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.
BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Three Months Ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the Company						Other equity Financial statement translation differences attributable to of foreign operations	Total equity attributed to shareholders of the Company	Non-controlling interest	Total equity
	Common stock	Capital surplus	Legal reserve	Retained earnings Special reserve	Unappropriated earnings	Subtotal				
Balance as of January 1, 2019	\$ 445,660	297,921	81,764	626	212,696	295,086	(1,926)	1,036,741	55,611	1,092,352
Effects of retrospective application	-	-	-	-	(419)	(419)	-	(419)	(204)	(623)
Balance as of January 1, 2019 after adjustments	445,660	297,921	81,764	626	212,277	294,667	(1,926)	1,036,322	55,407	1,091,729
Net income	-	-	-	-	20,361	20,361	-	20,361	2,747	23,108
Other comprehensive income for the period	-	-	-	-	-	-	1,036	1,036	-	1,036
Total comprehensive income for the period	-	-	-	-	20,361	20,361	1,036	21,397	2,747	24,144
Balance as of March 31, 2019	\$ 445,660	297,921	81,764	626	232,638	315,028	(890)	1,057,719	58,154	1,115,873
Balance as of January 1, 2020	\$ 445,660	297,921	88,432	1,925	219,601	309,958	(3,309)	1,050,230	55,605	1,105,835
Net income	-	-	-	-	7,869	7,869	-	7,869	1,561	9,430
Other comprehensive income for the period	-	-	-	-	-	-	(448)	(448)	-	(448)
Total comprehensive income for the period	-	-	-	-	7,869	7,869	(448)	7,421	1,561	8,982
Increase in non-controlling interests	-	-	-	-	-	-	-	-	5,107	5,107
Balance as of March 31, 2020	\$ 445,660	297,921	88,432	1,925	227,470	317,827	(3,757)	1,057,651	62,273	1,119,924

(Please see notes to consolidated financial statements)

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

Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>January to March 2020</u>	<u>January to March 2019</u>
Cash flows from operating activities:		
Income before income tax	\$ 12,379	28,226
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	17,381	14,694
Amortization	2,848	2,872
Interest expense	1,052	1,143
Interest income	(248)	(240)
Share of losses of joint ventures accounted for using equity method	813	154
Gains on lease modification	(9)	-
Total adjustments to reconcile profit (loss)	21,837	18,623
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	16,266	8,474
Accounts receivable - related parties	(6,562)	(2,995)
Other receivables	(752)	27
Other receivables - related parties	701	(174)
Inventories	(7,538)	(3,386)
Prepayments and other current assets	(4,130)	(5,022)
Total changes in operating assets	(2,015)	(3,076)
Changes in operating liabilities:		
Notes and accounts payable	(10,093)	(9,636)
Accounts payable - related parties	(826)	1,489
Other payables	(37,773)	(20,787)
Other payables - related parties	(656)	36
Provisions for liabilities	(113)	159
Other current liabilities	(3,019)	4,089
Net defined benefit liabilities	(174)	(573)
Total changes in operating liabilities	(52,654)	(25,223)
Total changes in operating assets and liabilities	(54,669)	(28,299)
Total adjustments	(32,832)	(9,676)
Cash provided by (used in) operations	(20,453)	18,550
Interest received	269	261
Interest paid	(1,034)	(1,331)
Income tax refunded	768	149
Net cash provided by (used in) operating activities	(20,450)	17,629

(Please see notes to consolidated financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.
BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued from the preceding page)

For the Three Months Ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>January to March 2020</u>	<u>January to March 2019</u>
Cash flows from investing activities:		
Net cash used in from merger and acquisition of subsidiaries	(10,219)	-
Acquisition of property, plant and equipment	(666)	(2,789)
Decrease (Increase) in refundable deposits	757	(1,370)
Acquisition of intangible assets	(910)	-
Decrease in other financial assets	8,136	12,500
Increase in other non-current assets	(8,564)	(1,791)
Net cash provided by (used in) investing activities	<u>(11,466)</u>	<u>6,550</u>
Cash flows from financing activities:		
Decrease in short-term loans	6,922	65,449
Increase in long-term loans	20,000	35,000
Repayments of long-term loans	(417)	(200,000)
Increase in guarantee deposit received	130	-
Payment of lease liabilities	(7,808)	(5,760)
Net cash provided by (used in) financing activities	<u>18,827</u>	<u>(105,311)</u>
Effect of changes in exchange rates	(125)	249
Net decrease in cash and cash equivalents	(13,214)	(80,883)
Cash and cash equivalents at beginning of period	242,626	317,554
Cash and cash equivalents at end of period	<u><u>\$ 229,412</u></u>	<u><u>236,671</u></u>

(Please see notes to consolidated financial statements)

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

Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2020 and 2019

(Unless specified otherwise, all amounts are expressed in thousands of New Taiwan Dollars)

(I) History and Organization

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES (hereafter the Company), formerly known as Trident Medical Corp., received authorization from the Ministry of Economic Affairs for its incorporation on March 21, 1989, at 7F, No. 46, Zhouzi St., Neihu Dist., Taipei 11493, Taiwan. The Company and subsidiaries (hereafter “the Group”) are primarily engaging in the manufacturing, assembly, maintenance, repair and sales of medical equipment and consumables.

(II) Authorization of the Consolidated Financial Statements

These consolidated financial statements were approved by the Board of Directors on April 23, 2020 before being issued.

(III) Application of New Standards, Amendments, and Interpretations

- (1) Effects of the adoption of new standards, amendments, and interpretations as endorsed by Financial Supervisory Commission of the Republic of China

From 2020 onward, the Group shall adopt International Financial Reporting Standards (IFRSs) that take effect in 2020, as endorsed by Financial Supervisory Commission of the Republic of China (hereafter “FSC”) for the preparation of consolidated financial statements. The relevant new standards, amendments, and interpretation are as follows:

New Standards, Amendments, and Interpretations	Effective date by International Accounting Standard Board
Amendments to IFRS 3, “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7, “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8, “Definition of Material”	January 1, 2020

Adoption of the IFRSs above will have no significant impact on the consolidated financial statements.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(2) New standards, amendments and interpretations that have yet endorsed by FSC

The following new standards, amendments and interpretations issued by International Accounting Standard Board (IASB) that have yet endorsed by FSC:

New Standards, Amendments, and Interpretations	Effective date by International Accounting Standard Board
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 Insurance Contracts	January 1, 2021
Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Group is evaluating the impact of the above IFRSs and Interpretation on the consolidated financial statements and business operating activities. The relevant impact shall be disclosed once the evaluation is concluded.

(IV) Summary of Significant Accounting Policies

(1) Statement of compliance

These consolidated financial statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereafter "the Preparation Regulations") and the IAS 34, "Interim Financial Reporting" as endorsed by FSC. These consolidated financial statements do not include all necessary disclosure as in the yearly consolidated financial statements prepared in accordance with IFRSs, IASs, Interpretations and SIC Interpretations as endorsed by FSC (hereafter "Taiwan-IFRSs").

Except for the following, the significant accounting policies of these consolidated financial statements are identical to the consolidated financial statements for 2019. For more information, please see Note 4 to consolidated financial statements for 2019.

(2) Basis of consolidation

The basis of consolidation of these consolidated financial statements are identical to the consolidated financial statements for 2019. For more information, please see Note 4(3) to consolidated financial statements for 2019.

1. Subsidiaries included in the consolidated financial statements

Subsidiaries included in these consolidated financial statements:

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Subsidiary	Main business activities	Ownership (%)		
			March 31, 2020	December 31, 2019	March 31, 2019
The Company	Asiacconnect International Co., Ltd. ("Asiacconnect")	Wholesaling and retailing of medical consumables and equipment and information software	99.75%	99.75%	99.75%
The Company	Highview Investments Limited ("Highview")	Investment and holding company	100.00%	100.00%	100.00%
The Company	LILY Medical Corporation ("LILY")	Wholesaling and retailing of medical consumables and equipment	100.00%	100.00%	100.00%
The Company	BenQ AB DentCare Corporation ("BABD")	Wholesaling and retailing of medical consumables and equipment	88.00%	88.00%	88.00%
The Company	BenQ Hearing Solution Corp. ("BenQ Hearing")	Wholesaling and retailing of medical consumables and equipment	100.00%	100.00%	100.00%
The Company	Eastech Co., Ltd. ("Eastech")	Wholesaling and retailing of medical consumables and equipment	70.00% (Note)	- %	- %
LILY	LILY Medical (Suzhou) Co., Ltd. ("ALS")	Wholesaling and retailing of medical consumables and equipment	100.00%	100.00%	100.00%
Highview	BenQ Medical Technology (Shanghai) Ltd. ("BMTS")	Agency of international and entropot trade business	100.00%	100.00%	100.00%
BenQ Hearing	New Best Hearing International Trade Co., Ltd. ("NBHIT")	Wholesaling and retailing of medical consumables and equipment	52.00%	52.00%	52.00%

(Note): The Group obtained de facto control of the company in February 2020 and included it into consolidation.

2. Subsidiaries not included in the consolidated financial statements: None.

(3) Employee benefits

The defined benefit pension plans of the interim period are computed based on the year-to-date pension cost rate derived using actuarial valuation at the end of the preceding year, adjusted for significant market fluctuation, reduction, settlement or other significant one-off events.

(4) Income tax

In pursuant to the IAS 34, "Interim Financial Reporting," paragraph B12, the Group measures and discloses the income tax expense for the interim period.

The income tax expense is computed by multiplying the net income before tax of the interim period with the effective tax rate for the full financial year best estimated by the Management, and fully recognized as the current income tax expense.

For income tax expenses recognized directly in equity or other comprehensive income, it is measured using the appropriate tax rate expected to realize or when settled, on the temporary difference arising between the carrying amount of assets and liabilities for financial reporting purposes, and their tax bases.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(V) Critical Accounting Judgments and Key Sources of Estimates and Assumptions on Uncertainty

In pursuant to the Preparation Regulations and the IAS 34, “Interim Financial Reporting” as endorsed by FSC, when preparing for these consolidated financial statements, the Management are required to make judgment, estimates and assumptions, which will impact the adoption of accounting policies and the reporting of assets, liabilities, income, and expenses. The actual amount might differ from the estimated amount.

For the preparation of the consolidated financial statements, the Management makes critical accounting judgments, estimates and assumptions on uncertainty using the accounting policies of the Group, consistent with Notes 5 of the consolidated financial statements for 2019.

(VI) Details of Significant Accounts

Except for the following, the details of significant accounts of these consolidated financial statements does not differ with the consolidated financial statements for 2019. For more information, please see Note 6 to the consolidated financial statements for 2019.

(1) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand and revolving funds	\$ 1,184	1,571	1,686
Demand deposits and checking accounts	155,863	175,898	168,592
Time deposits	<u>72,365</u>	<u>65,157</u>	<u>66,393</u>
	<u>\$ 229,412</u>	<u>242,626</u>	<u>236,671</u>

(2) Other financial assets-current

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Domestic certificate of deposit	<u>\$ 45,134</u>	<u>53,270</u>	<u>47,940</u>

The estimation of the Group is based on the collection of contractual cash flows when the asset reaches maturity. The cash flows of the financial asset consist of principal and interest on the principal amount outstanding. Therefore, it is measured at amortized cost.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(3) Notes and accounts receivable (measured at amortized cost)

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	\$ 7,811	11,931	6,718
Accounts receivable	164,829	171,934	183,299
less: Loss allowance	<u>(1,997)</u>	<u>(2,380)</u>	<u>(2,175)</u>
	170,643	181,485	187,842
Accounts receivable - related parties	<u>9,479</u>	<u>2917</u>	<u>3,085</u>
	<u>\$ 180,122</u>	<u>184,402</u>	<u>190,927</u>

The Group applies the simplified approach to provide for the expected credit losses of notes and accounts receivable, i.e. measuring the lifetime expected credit losses. Analysis of expected credit loss on notes and accounts receivable of the Group is as follows:

	March 31, 2020		
	Gross carrying amount of notes and accounts receivable	Weighted average loss rate	Loss allowance for expected credit losses
Current	\$ 140,292	0.02%	25
Past due 0 - 90 days	30,324	0.65%	198
Past due 91 - 180 days	147	2.04%	3
Past due 181 - 270 days	134	20.89%	28
Past due over 365 days	<u>1,743</u>	100%	<u>1,743</u>
	<u>\$ 172,640</u>		<u>1,997</u>

	December 31, 2019		
	Gross carrying amount of notes and accounts receivable	Weighted average loss rate	Loss allowance for expected credit losses
Current	\$ 142,433	0.02%	31
Past due 0 - 90 days	37,652	1.01%	381
Past due 91 - 180 days	1,736	1.21%	21
Past due 181 - 270 days	131	25.95%	34
Past due over 365 days	<u>1,913</u>	100.00%	<u>1,913</u>
	<u>\$ 183,865</u>		<u>2,380</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	March 31, 2019		
	Gross carrying amount of notes and accounts receivable	Weighted average loss rate	Loss allowance for expected credit losses
Current	\$ 164,755	0.04%	68
Past due 0 - 90 days	14,635	0.70%	102
Past due 91 - 180 days	5,940	1.53%	91
Past due 181 - 270 days	58	17.24%	10
Past due over 365 days	4,629	41.13%	1,904
	<u>\$ 190,017</u>		<u>2,175</u>

As of March 31, 2020, December 31 and March 31, 2019, the Group has no expected credit losses from accounts receivable - related parties.

Movements of the loss allowance for notes and accounts receivable of the Group is as follows:

	January to March 2020	January to March 2019
Beginning balance	\$ 2,380	1,686
Impairment losses	-	489
Reversal of impairment losses	(383)	-
End balance	<u>\$ 1,997</u>	<u>2,175</u>

(4) Inventories

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 72,140	66,754	60,560
Work-in-progress	30,209	25,234	24,786
Finished goods	23,404	28,097	20,325
Merchandise	53,904	53,228	48,403
Inventories			
Inventories in transit	6,646	1,625	3,984
	<u>\$ 186,303</u>	<u>174,938</u>	<u>158,058</u>

For the three months ended March 31, 2020 and 2019, the amount of inventories recognized as costs of revenue are as following:

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	<u>January to March 2020</u>	<u>January to March 2019</u>
Cost of inventories sold	\$ 184,577	204,253
Write-downs of inventories	1,072	1,677
Gains on physical inventories	<u>(347)</u>	<u>(165)</u>
	<u>\$ 185,302</u>	<u>205,765</u>

For the three months ended March 31, 2020 and 2019, the write-down of inventories was resulted from the decrease in net realizable value.

(5) Investments accounted for using equity method

The joint ventures that the Group accounted for using the equity method are not significant. The financial information is listed below and the amounts integrated in the consolidated financial statements are as follows:

<u>Investee company</u>	<u>Main business activities</u>	<u>Carrying amount</u>		
		<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
TDX Medical Technology (Jiangsu) Co., Ltd (TDX)	Wholesaling and retailing of medical consumables and equipment	<u>\$ 24,562</u>	<u>25,675</u>	<u>28,629</u>

The total comprehensive income or loss of the joint venture attributable to the Group is as follows:

	<u>January to March 2020</u>	<u>January to March 2019</u>
Net loss	\$ (813)	(154)
Other comprehensive income	<u>(300)</u>	<u>719</u>
Total comprehensive income	<u>\$ (1,113)</u>	<u>565</u>

(6) Subsidiaries

1. Acquisition of subsidiary

On February 3, 2020, after the Board of Directors passed the resolution, the Group acquired a 70% stake in Eastech Co., Ltd (hereafter Eastech), and integrated Eastech into the consolidation since the acquisition date (February 12, 2020). The main business of Eastech comprises distribution and sales of branded medical imaging products. Via its sales channels, the acquisition of Eastech allows the Consolidated Company to venture into the medical imaging market and create a platform for human and veterinary medical imaging, furthering the development of the medical equipment industry.

(1) Consideration transferred

According to the equity interest transfer agreement, on February 3, 2020, the Company purchased a 70% stake of Eastech with cash payment of NT\$20,300

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

thousand, and without contingent consideration or other equity instrument as consideration transferred.

- (2) According to IFRS, the identifiable assets and liabilities arising from the acquisition at fair value should be measured as at the acquisition date. The valuation conducted by experts appointed by the Company is as follows:

Consideration transferred:

Cash	\$	20,300
Add: Non-controlling interests (measured at non-controlling interests' proportionate share of the fair value of identifiable net assets)		5,107

Identifiable net assets acquired at fair value:

Cash and cash equivalents	\$	10,081
Notes and accounts receivable		5,424
Inventories		3,827
Prepayments and other current assets		650
Property, plant and equipment		895
Right-of-use assets		2,661
Intangible asset - distribution agreement		3,302
Deferred income tax assets		226
Refundable Deposits		945
Short-term loans		(4,755)
Notes and accounts payable		(1,944)
Other payables		(1,234)
Lease liabilities (current and non-current)		(2,678)
Other current liabilities		(374)
Deferred income tax liabilities		(663)
Goodwill		<u><u>\$ 9,044</u></u>

- (3) Intangible asset

Goodwill mainly comprises the profitability of Eastech medical imaging products and teamwork of the employees. None of the goodwill recognized is expected to be taxable.

Intangible asset - The distribution agreement is amortized over the estimated future economic useful life of 2.9 years according to straight-line amortization.

- (4) Pro forma information

Since February 11, 2020 (acquisition date) to March 31, 2020, the operating results of Eastech has been consolidated into the consolidated statements of comprehensive income of the Group, in which the sales revenue and net income

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

amounted to NT\$4,162 thousand and NT\$253 thousand respectively. If the acquisition occurred on January 1, 2020, the pro forma projection for sales revenue and net income of the Group would amount to NT\$300,566 thousand and NT\$8,257 thousand respectively.

2. Subsidiaries that the Group has material non-controlling interests

Subsidiaries in which the Group has material non-controlling interests were as follows:

Subsidiary	Principal place of business/ Country of incorporation	The Percentage of ownership and voting rights held by non-controlling interests		
		March 31, 2020	December 31, 2019	March 31, 2019
NBHIT	Taiwan	48%	48%	48%

The summarized financial information of subsidiaries prepared in accordance with Taiwan-IFRSs were as follows. The information includes the fair value adjustment made by the Group during the acquisition as at the acquisition date:

The summarized financial information of NBHIT:

	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 96,495	106,537	106,841
Non-current assets	143,338	141,136	138,167
Current liabilities	(103,926)	(115,508)	(107,185)
Non-current liabilities	(5,373)	(5,425)	(5,682)
Net assets	<u>\$ 130,534</u>	<u>126,740</u>	<u>132,141</u>
The carrying amount of non-controlling interests	<u>\$ 49,137</u>	<u>46,316</u>	<u>49,908</u>

	January to March 2020	January to March 2019
Operating sales	<u>\$ 61,936</u>	<u>59,374</u>
Net income	\$ 4,537	5,345
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 4,537</u>	<u>5,345</u>
Net income attributable to non-controlling interests	<u>\$ 1,821</u>	<u>2,209</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 1,821</u>	<u>2,209</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	<u>January to March 2020</u>	<u>January to March 2019</u>
Cash flows from operating activities	\$ (26,863)	3,645
Cash flows from investing activities	23,067	(3,108)
Cash flows from financing activities	(4,500)	(3,175)
Effect of changes in exchange rates	-	-
Net increase (decrease) in cash and cash equivalents	<u>\$ (8,296)</u>	<u>(2,638)</u>
Cash dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

(7) Property, plant and equipment

Movements of the costs, accumulated depreciation and impairment loss of property, plant and equipment of the Group are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance as of January 1, 2020	\$ 314,314	361,765	149,105	111,370	936,554
Acquisition through business combination (Note 6(6))	-	-	-	1,494	1,494
Additions	-	950	1,348	1,258	3,556
Disposals	-	-	-	(11)	(11)
Reclassification	-	-	2,034	505	2,539
Effect of changes in exchange rates	-	-	-	(18)	(18)
Balance as of March 31, 2020	<u>\$ 314,314</u>	<u>362,715</u>	<u>152,487</u>	<u>114,598</u>	<u>944,114</u>
Balance as of January 1, 2019	\$ 314,314	412,629	142,318	108,201	977,462
Additions	-	520	365	1,364	2,249
Disposals	-	-	(68)	(189)	(257)
Effect of changes in exchange rates	-	-	-	41	41
Balance as of March 31, 2019	<u>\$ 314,314</u>	<u>413,149</u>	<u>142,615</u>	<u>109,417</u>	<u>979,495</u>
Accumulated depreciation and impairment loss:					
Balance as of January 1, 2020	\$ -	48,229	111,235	75,640	235,104
Acquisition through business combination (Note 6(6))	-	-	-	599	599
Depreciation	-	2,718	3,441	2,895	9,054
Disposals	-	-	-	(11)	(11)
Effect of changes in exchange rates	-	-	-	(18)	(18)
Balance as of March 31, 2020	<u>\$ -</u>	<u>50,947</u>	<u>114,676</u>	<u>79,105</u>	<u>244,728</u>
Balance as of January 1, 2019	\$ -	39,907	101,411	72,071	213,389
Depreciation	-	3,050	2,946	2,863	8,859

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Disposals	-	-	(68)	(189)	(257)
Effect of changes in exchange rates	-	-	-	40	40
Balance as of March 31, 2019	<u>\$ -</u>	<u>42,957</u>	<u>104,289</u>	<u>74,785</u>	<u>222,031</u>
Carrying amount:					
March 31, 2020	<u>\$ 314,314</u>	<u>311,768</u>	<u>37,811</u>	<u>35,493</u>	<u>699,386</u>
January 1, 2020	<u>\$ 314,314</u>	<u>313,536</u>	<u>37,870</u>	<u>35,730</u>	<u>701,450</u>
March 31, 2019	<u>\$ 314,314</u>	<u>370,192</u>	<u>38,326</u>	<u>34,632</u>	<u>757,464</u>

For information on the property, plant and equipment of the Group serving as collaterals for bank loans, please see Note 8.

(8) Right-of-use assets

Movements of the costs and depreciation of buildings that the Group leases as office spaces and branch offices, and transportation equipment are as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost of right-of-use assets:			
Balance as of January 1, 2020	\$ 127,230	8,521	135,751
Acquisition through business combination (Note 6(6))	2,970	-	2,970
Additions	9,730	730	10,460
Write-off	(2,774)	-	(2,774)
Effect of changes in exchange rates	(46)	-	(46)
Balance as of March 31, 2020	<u>\$ 137,110</u>	<u>9,251</u>	<u>146,361</u>
Balance as of January 1, 2019	93,715	6,281	99,996
Additions	11,609	911	12,520
Write-off	(1,510)	-	(1,510)
Effect of changes in exchange rates	107	-	107
Balance as of March 31, 2019	<u>103,921</u>	<u>7,192</u>	<u>111,113</u>
Accumulated depreciation of right-of-use assets:			
Balance as of January 1, 2020	\$ 33,984	3,413	37,397
Acquisition through business combination (Note 6(6))	309	-	309
Depreciation	7,399	529	7,928
Write-off	(1,674)	-	(1,674)

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Effect of changes in exchange rates	(23)	-	(23)
Balance as of March 31, 2020	<u>\$ 39,995</u>	<u>3,942</u>	<u>43,937</u>
Balance as of January 1, 2019	48,898	2,669	51,567
Depreciation	5,439	396	5,835
Write-off	(1,510)	-	(1,510)
Effect of changes in exchange rates	40	-	40
Balance as of March 31, 2019	<u>52,867</u>	<u>3,065</u>	<u>55,932</u>
Carrying amount:			
Balance of March 31, 2020	<u>\$ 97,115</u>	<u>5,309</u>	<u>102,424</u>
January 1, 2020	<u>\$ 93,246</u>	<u>5,108</u>	<u>98,354</u>
March 31, 2019	<u>\$ 51,054</u>	<u>4,127</u>	<u>55,181</u>

(9) Investment properties

	<u>Buildings</u>
Costs or costs identified:	
Balance as of January 1, 2020 (i.e. balance as of March 31, 2020)	<u>\$ 54,762</u>
Depreciation and impairment loss:	
Balance as of January 1, 2020	\$ 3,984
Depreciation	399
Balance as of March 31, 2020	<u>\$ 4,383</u>
Carrying amount:	
January 1, 2020	<u>50,778</u>
Balance of March 31, 2020	<u>\$ 50,379</u>

Investment properties comprises factories leased out. The fair value of the investment properties of the Group does not differ significantly from the disclosure at Note 6(8) of the consolidated financial statements for 2019.

For investment properties serving as collateral for bank loans, please see Note 8.

(10) Intangible asset

The change of intangible asset is as follows:

	<u>Goodwill</u>	<u>Computer software</u>	<u>Customer relationships and sales channels</u>	<u>Other Intangible asset</u>	<u>Total</u>
Costs:					
Balance as of January 1, 2020	\$ 47,829	25,005	48,011	24,375	145,220
Acquisition through business combination (Note 6(6))	9,044	-	-	3,302	12,346
Addition	-	2,250	-	-	2,250

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	Goodwill	Computer software	Customer relationships and sales channels	Other Intangible asset	Total
Write-off	-	(1,429)	-	-	(1,429)
Balance as of March 31, 2020	\$ 56,873	25,826	48,011	27,677	158,387
Balance as of January 1, 2019	\$ 47,829	30,134	48,011	22,661	148,635
Write-off	-	(190)	-	-	(190)
Balance as of March 31, 2019	\$ 47,829	29,944	48,011	22,661	148,445
Accumulated amortization:					
Balance as of January 1, 2020	\$ -	19,985	18,659	16,975	55,619
Amortization	-	894	1,423	531	2,848
Write-off	-	(1,429)	-	-	(1,429)
Balance of March 31, 2020	\$ -	19,450	20,082	17,506	57,038
Balance as of January 1, 2019	\$ -	21,042	13,722	15,376	50,140
Amortization for the current period	-	1,250	1,234	388	2,872
Write-off	-	(190)	-	-	(190)
Balance as of March 31, 2019	\$ -	22,102	14,956	15,764	52,822
Carrying amount:					
Balance of March 31, 2020	\$ 56,873	6,376	27,929	10,171	101,349
January 1, 2020	\$ 47,829	5,020	29,352	7,400	89,601
March 31, 2019	\$ 47,829	7,842	33,055	6,897	95,623

According to IAS 36, the goodwill acquired by the Group must undergo assessment for impairment at least once a year. Pursuant to the assessment for impairment conducted by the Group on December 31, 2019, goodwill has not suffered any impairment. For details, please see Note 6(9) to the consolidated financial statements for 2019. On March 31, 2020, the Group conducted an assessment based on the sales revenue meeting target in the first quarter of 2020, and concluded that no impairment was incurred.

(11) Other non-current assets

	March 31, 2020	December 31, 2019	March 31, 2019
Prepayments for equipment	\$ 19,000	12,975	10,741
Pension plan assets	129	129	-
Refundable Deposits	14,281	14,093	14,376
	\$ 33,410	27,197	25,117

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(12) Short-term loans

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Unsecured bank loans	\$ <u>59,397</u>	<u>47,720</u>	<u>119,878</u>
Unused credit facilities	\$ <u>1,256,663</u>	<u>1,263,643</u>	<u>1,613,148</u>
Interest rate bracket	<u>1.15%~2.45%</u>	<u>2.70%~2.94%</u>	<u>1.28%~3.36%</u>

(13) Long-term loans

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Unsecured bank loans	\$ 113,333	93,750	35,000
less: current portion of long-term loans	<u>(5,000)</u>	<u>(31,667)</u>	<u>(1,667)</u>
	<u>\$ 108,333</u>	<u>62,083</u>	<u>33,333</u>
Unused credit facilities	\$ <u>425,000</u>	<u>395,000</u>	<u>95,000</u>
Interest rate bracket	<u>1.29%~1.60%</u>	<u>1.29%~1.60%</u>	<u>1.45%~1.60%</u>

For assets pledged as collateral to secure the bank loans, please see Note 8.

(14) Lease liabilities

The lease liabilities of the Group are as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current	\$ <u>31,376</u>	<u>30,352</u>	<u>20,160</u>
Non-current	\$ <u>72,088</u>	<u>68,891</u>	<u>35,652</u>

Please see Note 6(24) for the maturity profile of financial instruments.

Profit and loss recognized are as follows:

	<u>January to March 2020</u>	<u>January to March 2019</u>
Interest expense of lease liabilities	\$ <u>410</u>	<u>220</u>
Current lease payments not included as lease liability measurement	\$ <u>438</u>	<u>446</u>
Short-term lease expense	\$ <u>537</u>	<u>713</u>

Items recognized in Cash Flows Statement:

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	January to March 2020	January to March 2019
Total cash outflow for leases	\$ <u>9,193</u>	<u>7,139</u>

1. Lease of buildings

As at March 31, 2020, pertaining to office spaces and branch offices of the Group, the lease tenors for office spaces range from three to eight years, and branch offices, three to nine years, of which some of the leases have a renewal option for tenor as per the original lease contract.

2. Other leases

The lease tenors of transportation equipment of the Group range from two to five years. Further, some lease tenor of transportation equipment is one year and thus deemed as short-term lease. The Group chooses to adopt recognition exemption and does not recognize the relevant right-of-use assets and lease liabilities.

(15) Provision for product warranty

	March 31, 2020	December 31, 2019	March 31, 2019
Provision for product warranty	\$ <u>10,528</u>	<u>10,641</u>	<u>10,950</u>

During the three months ended March 31, 2020 and 2019, the Group did not have major changes in the provision for product warranty. For details, please see Note 6(14) to consolidated financial statements for 2019.

(16) Operating leases

During the three months ended March 31, 2020 and 2019, the Group did not have a new addition of a significant operating leasing contract. For details, please see Notes 6(15) of the consolidated financial statements for 2019.

(17) Employee benefits

1. Defined benefit plans

As no significant market fluctuation, reduction, settlement or other significant one-off events have occurred since the last yearly reporting date, the Group has adopted actuarial valuation as at December 31, 2019 and 2018 for pension cost measurement and pension cost for interim period disclosure.

Under the defined benefit plans of the Group, the details of pension expenses are as follows:

	January to March 2020	January to March 2019
Costs of revenue	\$ 39	17
Operating expenses	(5)	5
	<u>\$ 34</u>	<u>22</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

2. Defined contribution plans

Under the procedure for defined contribution plans of the Group, the pension expenses reported are as follows:

	<u>January to March 2020</u>	<u>January to March 2019</u>
Costs of revenue	\$ 1,047	981
Operating expenses	<u>2,485</u>	<u>2,010</u>
	<u><u>\$ 3,532</u></u>	<u><u>2,991</u></u>

(18) Income tax

1. Income tax expense

	<u>January to March 2020</u>	<u>January to March 2019</u>
Current income tax expense	<u>\$ 2,949</u>	<u>5,118</u>

2. For the three months ended March 31, 2020 and 2019, no income tax had been directly recognized under equity and other comprehensive income or loss items.

3. Income tax audit

The Company's income tax returns for the years through 2017 have been examined and approved by the R.O.C. income tax authorities.

(19) Capital and other equity

Except for the following, during the three months ended March 31, 2020 and 2019, there was no major change in capital and other equity. For details, please see Notes 6(18) of the consolidated financial statements for 2019.

1. Common stock

As of March 31, 2020, and December 31 and March 31, 2019, the Company's authorized shares of common stock consisted of 52,000 thousand shares, with par value of NT\$10 per share, of which 44,566 thousand shares were issued and outstanding.

The reconciliation of common stock outstanding is as follows (in thousands):

	<u>January to March 2020</u>	<u>January to March 2019</u>
Beginning balance (i.e. end balance)	<u>44,566</u>	<u>44,566</u>

2. Capital surplus

The balances of capital surplus of the Company are as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Additional paid-in capital in excess of par issued	<u>\$ 297,921</u>	<u>297,921</u>	<u>297,921</u>

3. Retained earnings

According to the Article of Incorporation, any profit that the Company makes shall

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

be first appropriated for tax payment, recovering of past losses, and 10% of the appropriation goes to legal reserve, as well as setting aside for or reversing special reserve. The remaining balance of the annual net income, together with unappropriated earnings from the beginning of the year, if any, can be distributed as dividends after the profit distribution or loss off-setting plan proposed by the Board of Directors is approved during the Shareholders' meeting. For the aforementioned earning distribution, if a cash dividend is distributed, the Board of Directors is authorized to approve and report to the Shareholders' meeting.

The Company adopts a residual dividend policy to enhance future growth and sustainable development. If profit is available, the distribution of dividend shall not be lower than 10% of the net income after tax for the year. The dividend distribution should take into account the future development of operational scale and the cash flows need. The yearly cash dividend distributed shall not be lower than 10% of the cash and stock dividends combined.

On April 23, 2020, the profit distribution for 2019 was proposed by the Board of Directors, and on June 6, 2019, the profit distribution for 2018 was approved by the Shareholders' Meeting. The cash dividend distributed to Shareholders was as follows:

	2019		2018	
	Dividend per share (NTD)	Amount	Dividend per share (NTD)	Amount
Dividends per share:				
Cash	\$ 1.35	<u>60,164</u>	1.35	<u>60,164</u>

4. Other equity (net after tax)

Exchange differences on translation from foreign operations

	January to March 2020	January to March 2019
Beginning balance	\$ (3,309)	(1,926)
Foreign exchange differences arising from translation of foreign operations	(148)	317
Shares of foreign currency translation differences of associates and joint ventures	<u>(300)</u>	<u>719</u>
End balance	<u>\$ (3,757)</u>	<u>(890)</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

5. Non-controlling interests (net after tax)

	<u>January to March 2020</u>	<u>January to March 2019</u>
Beginning balance	\$ 55,605	55,611
Effects of retrospective application	<u>-</u>	<u>(204)</u>
Beginning balance after adjustment	55,605	55,407
Equity attributable to non-controlling interests:		
Net income	1,561	2,747
Increase in non-controlling interests	<u>5,107</u>	<u>-</u>
	<u><u>\$ 62,273</u></u>	<u><u>58,154</u></u>

(20) Earnings per share (EPS)

1. Basic EPS

	<u>January to March 2020</u>	<u>January to March 2019</u>
Net income attributable to shareholders of the Company	<u>\$ 7,869</u>	<u>20,361</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>44,566</u>	<u>44,566</u>
Basic EPS (NT\$)	<u><u>\$ 0.18</u></u>	<u><u>0.46</u></u>

2. Diluted EPS

	<u>January to March 2020</u>	<u>January to March 2019</u>
Net income attributable to shareholders of the Company	<u>\$ 7,869</u>	<u>20,361</u>
Weighted-average number of ordinary shares outstanding (basic) (in thousands)	44,566	44,566
Effect of dilutive potential common stock (in thousands)		
Effect of employee bonuses	<u>215</u>	<u>221</u>
Weighted-average number of ordinary shares outstanding (diluted) (in thousands)	<u>44,781</u>	<u>44,787</u>
Diluted EPS (NT\$)	<u><u>\$ 0.18</u></u>	<u><u>0.45</u></u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

(21) Revenue from contracts with customers

1. Disaggregation of revenue

	<u>January to March 2020</u>	<u>January to March 2019</u>
Primary geographical markets:		
Taiwan	\$ 172,923	154,397
Mainland China	80,906	129,419
India	14,081	22,581
Others	<u>32,637</u>	<u>26,787</u>
	<u>\$ 300,547</u>	<u>333,184</u>
Main products:		
Medical equipment	128,439	156,494
Medical services	\$ 79,568	98,105
Medical consumables	<u>92,540</u>	<u>78,585</u>
	<u>\$ 300,547</u>	<u>333,184</u>

2. Contract balances

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes and accounts receivable	\$ 182,119	186,782	193,102
less: Loss allowance	<u>(1,997)</u>	<u>(2,380)</u>	<u>(2,175)</u>
	<u>\$ 180,122</u>	<u>184,402</u>	<u>190,927</u>
Contract liabilities (listed as other current liabilities)	<u>\$ 13,237</u>	<u>14,577</u>	<u>17,305</u>

For disclosure on notes and accounts receivable and related loss allowance, please refer to Note 6(3).

The changes in contract liabilities are mainly due to the timing difference between product transferred or service rendered, i.e. satisfying contractual obligations by the Group, and payment made by customers.

The contract liabilities as of January 1, 2020 and 2019 that were recognized as receivables between January 1 and March 31, 2020 and 2019 were NT\$10,760 thousand and NT\$12,430 thousand respectively.

(22) Remuneration to employees and Directors

According to the Article of Incorporation, if any profit is available, 5% to 20% thereof should be set aside as employee compensation and no more than 1% should be set aside as Directors' remuneration. However, the profit should be appropriated to deduct the accumulated deficit first, if any. The aforementioned employees that are eligible for stock

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

options or cash compensation may include employees of affiliated companies that meet certain conditions.

The compensation of employees for the three months ended March 31, 2020 and 2019 amounting to NT\$941 thousand and NT\$2,377 thousand respectively, and the remuneration of Directors amounting to NT\$78 thousand and NT\$198 thousand respectively, were estimated by multiplying pre-tax income prior to being deducted by remuneration to employees and Directors of the period with the distribution percentage of remuneration to employees and Directors. The compensation and remuneration were classified as the costs of revenue or expenses for the period. If the actual disbursement in the following year differs from the estimated amount, the difference is treated as change in accounting estimation, and recognized in the profit and loss in the next annual period.

The estimated amounts of employee compensation for 2019 and 2018 amounted to NT\$8,511 thousand and NT\$7,243 thousand respectively; and the estimated amounts of Director remuneration amounted to NT\$709 thousand and NT\$523 thousand respectively. The aforementioned amounts did not differ from the employee compensation and Director remuneration approved by the Board on March 6, 2020 and March 7, 2019 respectively, and were all disbursed in cash. For details, please see the Market Observation Post System.

(23) Non-operating income and loss

1. Other income

	<u>January to March 2020</u>	<u>January to March 2019</u>
Interest income from bank deposits	\$ 248	240
Rental income	1,750	2,243
Others	<u>124</u>	<u>680</u>
	<u><u>\$ 2,122</u></u>	<u><u>3,163</u></u>

2. Other gains and losses

	<u>January to March 2020</u>	<u>January to March 2019</u>
Foreign currency exchange gains	\$ 721	115
Gains on lease modification	<u>9</u>	<u>-</u>
	<u><u>\$ 730</u></u>	<u><u>115</u></u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

3. Financing costs

	<u>January to March 2020</u>	<u>January to March 2019</u>
Interest expense of bank loans	\$ 642	923
Financial expense of lease liabilities	410	220
	<u>\$ 1,052</u>	<u>1,143</u>

(24) Financial instruments

Except for the following, the fair value of the financial instruments and the credit, liquidity and market risks exposed due to the financial instruments have no significant changes. For details, please see Notes 6(23) and (24) of the consolidated financial statements for 2019.

1. Categories of financial instruments

(1) Financial assets

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Financial assets measured at amortized cost:			
Cash and cash equivalents	\$ 229,412	242,626	236,671
Notes and accounts receivable and other receivables (including related parties)	185,734	189,984	193,936
Other financial assets-current	45,134	53,270	47,940
Other non-current assets - refundable deposits	14,281	14,093	14,376
	<u>\$ 474,561</u>	<u>499,973</u>	<u>492,923</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

(2) Financial liabilities

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Financial liabilities			
measured at			
amortized cost:			
Short-term loans	\$ 59,397	47,720	119,878
Notes and			
accounts payable			
and other payables			
(including			
related parties)	180,169	193,550	183,389
Lease liabilities			
(current and			
non-current)	103,464	99,243	55,812
Long-term loans			
(including current			
portion)	113,333	93,750	35,000
Guarantee			
deposit received	4,232	4,102	3,195
	<u>\$ 460,595</u>	<u>438,365</u>	<u>397,274</u>

(3) Fair value of financial instruments

The Management of the Group opines that carrying values of financial assets and liabilities measured at amortized cost is similar to their fair values.

2. Credit risk

Credit risk is the risk of financial loss to the Group when a counterparty of a financial asset transaction fails to meet its contractual obligations, and arises primarily from cash and cash equivalents, receivables from customers, and other financial assets. The maximum exposure to credit risk amounts to the carrying amount of the Group's financial assets.

The Group deposits its cash in reputable financial institutions, resulting in no significant credit risk, in the Group's opinion.

The Group has established credit policy and determined the credit limit of each customer according to its financial status in pursuant to the policy. As of March 31, 2020 and 2019, 39% and 38% of the balances of notes and accounts receivable are made up by three customers combined. The Group evaluates the financial status of the customers on

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

a regular basis to mitigate the credit risk. For information on maximum exposure to credit risk arises from notes and accounts receivable, please see Notes 6(3).

Other financial assets-current measured at amortized cost include other receivables and certificate of deposit (certificate of deposit is classified as other financial assets-current. For details, please see Notes 6(2)). The above financial assets carry low credit risk. As such, the loss allowance is measured as 12-month expected credit loss. As at March 31, 2020 and 2019, after evaluation, no expected credit loss was incurred.

3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring the current and mid- to long-term cash demand regularly, and maintaining adequate cash and cash equivalents, and line of credit at banking facilities. As at March 31, 2020, and December 31 and March 31, 2019, the unused credit facilities of the Group amounted to NT\$1,681,663 thousand, NT\$1,658,643 thousand and NT\$1,708,148 thousand respectively.

The following table summarizes the maturity profile of the Group's financial liabilities based on the earliest repayment dates, and is prepared according to the contractual undiscounted payments.

	Contractual Cash flows	Within 6 months	6-12 months	1-2 years	More than 2 years
March 31, 2020					
Non-derivative financial liabilities:					
Short-term loans	\$ 59,397	59,397	-	-	-
Long-term loans (including current portion)	115,763	3,040	3,216	70,780	38,727
Notes and accounts payable and other payables (including related parties)	180,169	180,169	-	-	-
Guarantee deposit received	4,232	40	-	-	4,192
Lease liabilities	106,893	16,611	16,203	28,228	45,851
	\$ 466,454	259,257	19,419	99,008	88,770
December 31, 2019					
Non-derivative financial liabilities:					
Short-term loans	\$ 47,720	47,720	-	-	-
Long-term loans	95,365	1,465	31,427	62,055	418
Notes and accounts payable and other payables (including related parties)	193,550	193,550	-	-	-
Guarantee deposit received	4,102	10	-	-	4,092
Lease liabilities	102,318	16,036	15,694	28,406	42,182
	\$ 443,055	258,781	47,121	90,461	46,692
March 31, 2019					
Non-derivative financial liabilities:					
Short-term loans	\$ 119,878	119,878	-	-	-
Long-term loans	35,894	1,089	1,083	32,038	1,684
Notes and accounts payable and other payables (including related parties)	183,389	183,389	-	-	-
Guarantee deposit received	3,195	313	10	-	2,872

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	Contractual Cash flows	Within 6 months	6-12 months	1-2 years	More than 2 years
Lease liabilities	57,303	11,343	9,562	17,332	19,066
	\$ 399,659	316,012	10,655	49,370	23,622

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

4. Market risk

(1) Foreign exchange risk

The financial assets and liabilities of the Group that exposed to significant foreign exchange risk:

	March 31, 2020				December 31, 2019			March 31, 2019		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>										
<u>Monetary Items</u>										
USD	\$	3,710	30.25	112,228	3,705	30.11	111,558	4,333	30.82	133,543
<u>Financial liabilities</u>										
<u>Monetary Items</u>										
USD		1,456	30.25	44,044	2,294	30.11	69,072	2,807	30.82	86,512

The foreign exchange risk of the Group is mainly due to translation differences, gains, or losses of cash and cash equivalents, accounts receivable (including related-party transactions), accounts payable (including related-party transactions), other receivables (including related-party transactions), other payables (including related-party transactions), and bank loans in foreign currencies. As of March 31, 2020 and 2019, if NTD depreciated/appreciated 1% against USD, all variables remained unchanged, the net income before tax for the three months ended March 31, 2020 and 2019 would increase/decrease NT\$682 thousand and NT\$470 thousand respectively. Both periods adopted the same basis for analysis.

As the Group deals in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of foreign exchange gains or losses (realized and unrealized) for the three months ended March 31, 2020 and 2019 were NT\$721 thousand and NT\$115 thousand respectively.

(2) Interest rate risk

The Group's bank loans carried floating interest rates. To mitigate the interest rate risk, the Group periodically assesses the interest rates of different banks and currencies, and maintains good relationships with financial institutions for a lower financing cost. The Group also strengthens the management of working capital to reduce the dependence on bank loans and diversify the risk arising from fluctuation of

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

interest rates.

The following sensitivity analysis is based on the risk exposure to floating-interest-rate of bank loans as at the reporting date. The sensitivity analysis assumes the liabilities recorded as of the reporting date had been outstanding for the entire period. The internal reporting of the Group to the Management on the fluctuation of 1% increase or decrease in yearly interest rate also represents the evaluation of the Management on the reasonable changes of the interest rate.

If the yearly interest rate increases/decreases 1%, all variables remained unchanged, the net income before tax of the Group for the three months ended March 31, 2020 and 2019 would increase/decrease NT\$432 thousand and NT\$387 thousand respectively.

(25) Financial risk management

The goal and policy of the financial risk management of the Group and the disclosure made at Notes 6(24) of the consolidated financial statements for 2019 undergo no significant changes.

(26) Capital management

The goal, policy and procedures of capital management of the Group does not differ from the disclosure made at the consolidated financial statements. For details, please see Notes 6(25) of the consolidated financial statements for 2019.

(27) Changes in liabilities from financing activities

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes		March 31, 2020
			Addition of lease liabilities	Acquisition through business combination	
Short-term loans	\$ 47,720	6,922	-	4,755	59,397
Long-term loans	93,750	19,583	-	-	113,333
Lease liabilities	99,243	(7,808)	9,351	2,678	103,464
Guarantee deposit received	4,102	130	-	-	4,232
Liabilities from financing activities	<u>\$ 244,815</u>	<u>18,827</u>	<u>9,351</u>	<u>7,433</u>	<u>280,426</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	January 1, 2019	Cash flows	Non-cash changes	March 31, 2019
Short-term loans	\$ 54,429	65,449	-	119,878
Long-term loans	200,000	(165,000)	-	35,000
Lease liabilities	49,052	(5,760)	12,520	55,812
Guarantee deposit received	<u>3,195</u>	<u>-</u>	<u>-</u>	<u>3,195</u>
Liabilities from financing activities	<u>\$ 306,676</u>	<u>(105,311)</u>	<u>12,520</u>	<u>213,885</u>

(VII) Related-party Transactions

(1) Parent company and ultimate controlling company

BenQ Co., Ltd. is the parent company of the Company, directly and indirectly holding a 43.43% stake in ordinary shares outstanding. Qisda Corporation is the ultimate controlling company of the Company and its consolidated financial statements are made available to the public.

(2) Related party name and categories

During the reporting period of these consolidated financial statements, the related parties that transacted with the Group were as follows:

Name of related party	Relationship with the Group
Qisda Corporation (Qisda)	Ultimate controlling company of the Group
BenQ Co., Ltd. (BenQ)	The parent company of the Group
TDX Medical Technology (Jiangsu) Co., Ltd	Joint venture of the Group
Other related parties:	
BenQ Asia Pacific Corp.	Subsidiary of BenQ
BenQ GURU Corp.	Subsidiary of BenQ
BenQ Co., Ltd.	Subsidiary of BenQ
BenQ Technology (Shanghai) Co., Ltd.	Subsidiary of BenQ
BenQ Intelligent Technology (Shanghai) Co., Ltd	Subsidiary of BenQ
BenQ Materials Corporation (BMC)	Subsidiary of Qisda
Sigma Medical Supplies Corporation (SMS)	Subsidiary of BMC
BenQ Medical (Shanghai) Co., Ltd.	Subsidiary of Qisda

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

Name of related party	Relationship with the Group
K2 Medical (Thailand)	Subsidiary of Qisda
Q.S.Control Corporation	Associates of Qisda

(3) Related-party transactions

1. Operating revenues

The sales to related parties were as follows:

	<u>January to March 2020</u>	<u>January to March 2019</u>
Ultimate controlling company	\$ 400	-
Joint venture	213	869
Other related parties	<u>14,100</u>	<u>55</u>
	<u>\$ 14,713</u>	<u>924</u>

The sales to related parties by the Group were not comparable to the sales prices for third-party customers as the specifications of products were different. Meanwhile, the conditions of the transactions did not significantly differ from normal sales.

2. Purchases

The purchases made by the Group with related parties were as follows:

	<u>January to March 2020</u>	<u>January to March 2019</u>
Ultimate controlling company	\$ 4,840	5,796
Joint venture	831	2,485
Other related parties	<u>3,297</u>	<u>293</u>
	<u>\$ 8,968</u>	<u>8,574</u>

The conditions of procurement between the Group and the related parties above do not differ significantly from transactions with an external party.

3. Leases

- (1) The Group leases factory plant and offices from Qisda and the rental was set by referring to the rental market of the area. The interest expense recognized for the three months ended March 31, 2019 amounted to NT\$9 thousand. As of March 31, 2019, the balance of lease liabilities amounted to NT\$1,349 thousand. The lease had expired on June 30, 2019. On August 7, 2019, the Group entered into a new 5-year contract with Qisda, totaling NT\$46,934 thousand. For the three months ended March 31, 2020, the interest expense recognized amounted to NT\$161 thousand. As of March 31, 2020 and December 31, 2019, the balances of lease liabilities amounted to NT\$38,532 thousand and NT\$40,718 thousand respectively.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(2) The Group has leased offices from other related parties and the agreements are short-term leases. The Group opted for exemption of recognition and did not recognize the related right-of-use assets and lease liabilities. For the three months ended March 31, 2020 and 2019, the rental expense amounted to NT\$358 thousand and NT\$301 thousand respectively. On March 31, 2020 and 2019, the related payables are classified under other payables.

4. Acquisition and disposal of property, plant and equipment

For the three months ended March 31, 2020, the Group purchased fixed assets from other related parties which amounted to NT\$720 thousand. As of March 31, 2020, the related payables are classified under other payables.

5. Others

(1) The service rendered to the Group by the ultimate controlling company, the parent company and other related parties amounted to NT\$520 thousand and NT\$834 thousand respectively. As at March 31, 2020 and 2019, the related payables were classified under other payables.

(2) The Company and the parent company, BenQ Corp. entered into a trademark licensing agreement. BenQ Corp. authorized the Company to use its trademark on products and services. The trademark licensing stipulated by the contract took effect on June 10, 2014 and shall end upon termination by either party.

6. Receivables from related parties

The receivables from related parties of the Group are as follows:

<u>Account</u>	<u>Related-party categories</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable	Ultimate controlling company	\$ 420	-	-
Accounts receivable	Joint venture	2,065	2,570	3,085
Accounts receivable	Other related parties	6,994	347	-
Other receivables	Ultimate controlling company	2,393	3,094	394
Other receivables	Other related parties	<u>50</u>	<u>50</u>	<u>111</u>
		<u><u>\$ 11,922</u></u>	<u><u>6,061</u></u>	<u><u>3,590</u></u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

7. Payables to related parties

The payables to related parties of the Group are as follows:

Account	Related-party categories	March 31, 2020	December 31, 2019	March 31, 2019
Accounts payable	Ultimate controlling company	\$ 3,426	1,907	3,533
Accounts payable	Joint venture	838	4,466	2,479
Accounts payable	Other related parties	4,707	3,424	1,072
Other payables	Ultimate controlling company	1,315	1,467	745
Other payables	Parent company	141	189	186
Other payables	Other related parties	861	1,317	223
Lease liabilities - current	Ultimate controlling company	8,830	8,795	1,349
Lease liabilities - non-current	Ultimate controlling company	<u>29,702</u>	<u>31,923</u>	<u>-</u>
		<u>\$ 49,820</u>	<u>53,488</u>	<u>9,587</u>

(4) Transaction with key management personnel

Compensation for key management personnel:

	January to March 2020	January to March 2019
Short-term employee benefits	\$ 2,656	2,158
Post-employment benefits	<u>27</u>	<u>27</u>
	<u>\$ 2,683</u>	<u>2,185</u>

(VIII) Pledged Assets

The carrying value of pledged assets of the Group is as follows:

Pledged Assets	Pledged to secure	March 31, 2020	December 31, 2019	March 31, 2019
Other financial assets-current	Performance bond	\$ 644	80	-
Land and buildings	Credit lines of bank loans	<u>561,321</u>	<u>563,440</u>	<u>569,171</u>
		<u>\$ 561,965</u>	<u>563,520</u>	<u>569,171</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

(IX) Significant Commitments and Contingencies

In addition to those in Note 7, the Group has no significant commitments and contingencies.

(X) Significant Loss from Disaster: None.

(XI) Significant Subsequent Events: None.

(XII) Others

(1) Employee benefits, depreciation, and amortization are as follows:

Item Category	January to March 2020			January to March 2019		
	Costs of revenue	Operating expenses	Total	Cost of sales	Cost of expenses	Total
Employee benefits						
Salaries	24,529	48,157	72,686	22,752	47,912	70,664
Insurance	2,329	4,721	7,050	2,106	3,987	6,093
Pension	1,086	2,480	3,566	998	2,015	3,013
Remuneration to Directors	-	1,241	1,241	-	1,298	1,298
Other employee benefits	1,681	1,466	3,147	1,276	1,029	2,305
Depreciation	8,470	8,911	17,381	8,110	6,584	14,694
Amortization	317	2,531	2,848	192	2,680	2,872

(2) The operation of the Group is not subjected to the impact of seasonal or cyclical factors.

(XIII) Additional Disclosures

(1) Information on significant transactions

For the three months ended March 31, 2020, according to the Preparation Regulations, the information on significant transactions is as follows:

1. Financing provided to other parties: None.
2. Guarantees and endorsements provided to other parties: None.
3. Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and joint ventures): None.
4. Marketable securities for which the accumulated purchase or sale amounts for the year exceed \$300 million or 20% of the paid-in capital: None.
5. Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None.
6. Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None.
7. Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: None.
8. Receivables from related parties which exceed \$100 million or 20% of the paid-in

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

capital: None.

9. Transactions about derivative instruments: None.

10. Business relationships and significant intercompany transactions: None.

(2) Information on investees:

For the three months ended March 31, 2020, the information on investees is as follows (excluding investments in Mainland China):

(Amounts in thousands of New Taiwan dollars / shares, unless specified otherwise)

Investor	Investee	Location	Main Business Activities	Original investment Amount		Balance as of Mar 31, 2020			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount			
The Company	Asiacore International Co., Ltd.	Neihu, Taipei	Wholesaling and retailing of medical consumables and equipment and information software	21,984	21,984	1,995	99.75%	25,100	31	31	(Note)
The Company	Highview Investments Limited	Samoa Islands	Investment and holding company	36,211	36,211	1,062	100.00%	7,994	(43)	(43)	(Note)
The Company	Lily Medical Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	185,000	185,000	10,000	100.00%	226,985	1,738	1,495	(Note)
The Company	BenQ AB DentCare Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	88,000	88,000	8,800	88.00%	57,864	(2,798)	(2,462)	(Note)
The Company	BenQ Hearing Solution Corp.	Taiwan	Wholesaling and retailing of medical consumables and equipment	100,000	100,000	10,000	100.00%	105,904	2,097	2,097	(Note)
The Company	Eastech Co., Ltd	Taiwan	Wholesaling and retailing of medical consumables and equipment	20,300	-	700	70.00%	20,477	403	177	(Note)
BenQ Hearing Solution Corp.	New Best Hearing International Trade Co., Ltd.	Taiwan	Wholesaling and retailing of medical consumables and equipment	59,280	59,280	1,092	52.00%	81,397	4,537	1,973	(Note)

(Note) The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(3) Information on investments in Mainland China:

1. Name, main businesses and products of investee in Mainland China:

(Amounts in thousands of New Taiwan Dollars, unless specified otherwise)

Investee Company Name	Main Business Activities	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2020	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of March 31, 2020 (Note 2 and 3)	Accumulated Inward Remittance of Earnings as of March 31, 2020
					Outflow	Inflow						
BenQ Medical Technology (Shanghai) Ltd.	Agency of international and entrepot trade business	30,254 (USD 1,000 thousand)	(1)	30,254 (USD 1,000 thousand)	-	-	30,254 (USD 1,000 thousand)	(40)	100.00 %	(40)	9,019	-
LILY Medical (Suzhou) Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	6,353 (USD 210 thousand)	(2)	6,353 (USD 210 thousand)	-	-	6,353 (USD 210 thousand)	(119)	100.00 %	(119)	3,064	-
TDX Medical Technology (Jiangsu) Co., Ltd	Wholesaling and retailing of medical consumables and equipment	85,222 (RMB 20,000 thousand)	(2)	34,089 (RMB 8,000 thousand)	-	-	34,089 (RMB 8,000 thousand)	(2,031)	40.00 %	(813)	24,562	-

(Note 1) (1) Indirect investment in Mainland China through a holding company established in a third country; (2) Direct investment in Mainland China companies.

(Note 2) The above amounts are translated as per the following exchange rates: USD:NTD = 1:30.254 and RMB:NTD = 1:4.2611.

(Note 3) The above amounts have been eliminated when preparing the consolidated financial statements.

(Note 4) The company is a limited liability company and shareholding information is unavailable.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

2. Limits on investments in Mainland China:

	Accumulated Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	64,343 (USD 1,000 and RMB 8,000)	85,528 (USD2,827)	634,591
LILY	6,353 (USD210)	6,353 (USD210)	100,508

3. Significant transactions with investee companies in Mainland China:

For the three months ended March 31, 2020, the direct or indirect transactions between the Group and investee companies in Mainland China have been eliminated when preparing the consolidated financial statements. Please see (1) “Information on significant transactions,” section 10 “Business relationships and significant intercompany transactions” for more information.

(4) Information on Major Shareholders:

(Express in thousand shares)

Shareholder's Name	Share	Number of shares held	Shareholding Percentage
BenQ Co., Ltd.		19,353	43.43%
Darly Venture Inc.		3,549	7.95%

(XIV) Segment Information

(1) General information

The reportable segments of the operational divisions of the Group consist of R&D and manufacturing divisions, and retail divisions. R&D and manufacturing divisions engage in manufacturing, assembly, maintenance and repair of medical equipment and facilities. Retail divisions engage in sales of various medical services and products.

The profit and loss of operating segments are mainly measured by the operating income, which also serves as the basis for performance evaluation. The reported amounts are consistent with the reporting to the operational decision makers. In addition to the aforementioned, the accounting policies of the operating segments do not significantly differ from the material policies of the Group.

The Group’s operating segment information and reconciliation are as follows:

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

(Expressed in Thousands of New Taiwan Dollars)

January to March 2020				
	R&D and Manufacturing Divisions	Retail Division	Adjustment and Elimination	Total
External revenue	\$ 238,611	61,936	-	300,547
Intra-group revenue	-	-	-	-
Total segment revenue	<u>\$ 238,611</u>	<u>61,936</u>	<u>-</u>	<u>300,547</u>
Segment profit (loss)	<u>\$ 5,451</u>	<u>4,537</u>	<u>(558)</u>	<u>9,430</u>
January to March 2019				
	R&D and Manufacturing Divisions	Retail Division	Adjustment and Elimination	Total
External revenue	\$ 273,810	59,374	-	333,184
Intra-group revenue	-	-	-	-
Total segment revenue	<u>\$ 273,810</u>	<u>59,374</u>	<u>-</u>	<u>333,184</u>
Segment profit (loss)	<u>\$ 17,960</u>	<u>5,345</u>	<u>(197)</u>	<u>23,108</u>