

**BENQ MEDICAL TECHNOLOGY CORP.  
AND SUBSIDIARIES**

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

**For the Nine Months Ended September 30, 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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## **Independent Auditors' Review Report**

The Board of Directors of BenQ Medical Technology Corp.

### **Foreword**

We have reviewed the consolidated balance sheets as of September 30, 2020 and 2019, the consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and consolidated statements of cash flows for the nine months ended September 30, 2020 and 2019, and the 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 September 30, 2020 and 2019, and the consolidated financial performance for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, as well as the consolidated cash flows for the nine months ended September 30, 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)**

**November 6, 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)

**September 30, 2020 and 2019. Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.**  
**BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**September 30, 2020, December 31 and September 30, 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

Assets		September 30, 2020		December 31, 2019		September 30, 2019			Liabilities and Equity		September 30, 2020		December 31, 2019		September 30, 2019	
		Amount	%	Amount	%	Amount	%				Amount	%	Amount	%	Amount	%
<b>Current assets:</b>									<b>Current liabilities:</b>							
1100	Cash and cash equivalents (Note (VI)(1))	\$ 254,549	15	242,626	15	228,049	14	2100	Short-term loans (Note (VI)(12))	\$	89,316	5	47,720	3	35,951	2
1150-1170	Notes and accounts receivable (Note (VI)(3) and (21))	192,176	11	181,485	11	172,419	10	2150-2170	Notes and accounts payable		108,463	6	129,112	8	149,573	9
1181	Accounts receivable - related parties (Note (VI)(3)(21) and (VII))	3,889	-	2,917	-	2,467	-	2181	Accounts payable - related parties (Note ((VII)))		6,583	-	9,797	-	7,319	-
1200	Other receivables	2,206	-	2,438	-	3,116	-	2200	Other payables (Note (VI)(22))		135,600	8	141,056	8	133,030	8
1212	Other receivables - related parties (Note (VII))	60	-	3,144	-	535	-	2220	Other payables - related parties (Note ((VII)))		1,593	-	2,973	-	2,344	-
130x	Inventories (Note (VI)(4))	195,974	11	174,938	10	161,324	10	2230	Current income tax liabilities		2,770	-	13,682	1	8,404	-
1410-1470	Prepayments and other current assets	27,337	2	28,139	2	37,794	2	2250	Provision-current (Note (VI)(15))		10,235	1	10,641	1	11,351	1
1476	Other financial assets-current (Note (VI)(2) and (VIII))	42,705	2	53,270	3	58,670	4	2280	Lease liabilities-current (Note (VI)(14) and (VII))		31,094	2	30,352	2	28,477	2
<b>Total current assets</b>		718,896	41	688,957	41	664,374	40	2300	Other current liabilities (Note (VI)(21))		22,355	1	18,993	1	26,412	2
<b>Non-current assets:</b>								2322	Long-term loans due within a year (Note (VI)(13) and (VIII))		7,479	1	31,667	2	1,667	-
1550	Investments accounted for using equity method (Note (VI)(5))	28,996	2	25,675	2	26,297	2		<b>Total current liabilities</b>		415,488	24	435,993	26	404,528	24
1600	Property, plant and equipment (Note (VI)(7), (VII), and (VIII))	696,515	40	701,450	41	705,428	42		<b>Non-current liabilities:</b>							
1755	Right-of-use assets (Note (VI)(8) and (VII))	89,795	5	98,354	6	98,154	6	2540	Long-term loans (Note (VI)(13) and (VIII))		163,354	9	62,083	4	92,500	6
1760	Investment properties - net (Note (VI)(9) and (VIII))	49,587	3	50,778	3	51,178	3	2570	Deferred income tax liabilities		10,298	1	10,243	1	11,130	1
1780	Intangible assets (Note (VI)(10))	98,215	6	89,601	5	90,367	5	2640	Net defined benefit liabilities - non-current		3,402	-	3,943	-	4,050	-
1840	Deferred income tax assets	9,304	1	9,078	-	9,179	-	2580	Lease liabilities-non-current (Note (VI)(14) and (VII))		59,656	4	68,891	4	70,423	4
1900	Other non-current assets (Note (VI)(11))	42,552	2	27,197	2	25,998	2	2645	Guarantee deposit received		7,063	-	4,102	-	4,102	-
<b>Total non-current assets</b>		1,014,964	59	1,002,133	59	1,006,601	60		<b>Total non-current liabilities</b>		243,773	14	149,262	9	182,205	11
									<b>Total liabilities</b>		659,261	38	585,255	35	586,733	35
									<b>Equity attributable to shareholders of the Company</b>							
									<b>(Note (VI)(19))</b>							
								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		280,217	16	309,958	18	286,341	17
								3400	Other equity		(3,663)	-	(3,309)	-	(2,926)	-
									<b>Total equity attributable to shareholders of the Company</b>		1,020,135	59	1,050,230	62	1,026,996	62
									<b>Non-controlling interests</b>		54,464	3	55,605	3	57,246	3
								36XX	<b>Total equity interest</b>		1,074,599	62	1,105,835	65	1,084,242	65
<b>Total assets</b>		<u>\$ 1,733,860</u>	<u>100</u>	<u>1,691,090</u>	<u>100</u>	<u>1,670,975</u>	<u>100</u>		<b>Total Liabilities and equity</b>		<u>\$ 1,733,860</u>	<u>100</u>	<u>1,691,090</u>	<u>100</u>	<u>1,670,975</u>	<u>100</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 Comprehensive Income**

**For the Nine Months Ended September 30, 2020 and 2019 and For the Three Months Ended September 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

		July to September 2020		July to September 2019		January to September 2020		January to September 2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenues (Note (VI) (21) and (VII))	\$ 367,307	100	349,392	100	991,541	100	1,023,277	100
5000	Costs of revenue (Note (VI) (4)(7)(8)(10)(14)(17)(22), (VII) and (XII))	(217,167)	(59)	(202,877)	(58)	(612,343)	(62)	(619,405)	(61)
	Gross profit	150,140	41	146,515	42	379,198	38	403,872	39
	Operating expenses (Note (VI) (3)(7)(8)(9)(10)(14)(17)(22), (VII) and (XII)):								
6100	Selling expenses	(77,773)	(21)	(70,734)	(20)	(205,561)	(21)	(204,090)	(20)
6200	General and administrative expenses	(31,635)	(9)	(31,914)	(9)	(91,712)	(9)	(88,416)	(8)
6300	Research and development expenses	(10,631)	(3)	(11,914)	(4)	(31,824)	(3)	(32,681)	(3)
	Total operating expenses	(120,039)	(33)	(114,562)	(33)	(329,097)	(33)	(325,187)	(31)
	Operating income	30,101	8	31,953	9	50,101	5	78,685	8
	Non-operating income and loss (Note (VI)(5)(14)(23)):								
7100	Interest income	154	-	267	-	599	-	856	-
7010	Other income	2,964	-	1,924	-	7,087	1	7,005	-
7020	Other gains and losses	(1,360)	-	216	-	(1,272)	-	380	-
7050	Financing costs	(1,024)	-	(993)	-	(3,069)	-	(3,080)	-
7375	Share of losses of joint ventures accounted for using equity method	(61)	-	(191)	-	3,538	-	(1,077)	-
	Total non-operating income and loss	673	-	1,223	-	6,883	1	4,084	-
	Income before income tax	30,774	8	33,176	9	56,984	6	82,769	8
7950	less: Income tax expenses (Note (VI)(18))	(7,436)	(2)	(7,971)	(2)	(13,143)	(2)	(18,125)	(2)
	Net income	23,338	6	25,205	7	43,841	4	64,644	6
	Other comprehensive income (Note (VI) (5)(19)):								
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign operations	228	-	(449)	-	(137)	-	(310)	-
8370	Share of other comprehensive income of joint ventures accounted for using equity method	553	-	(969)	-	(217)	-	(690)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	781	-	(1,418)	-	(354)	-	(1,000)	-
	Other comprehensive income for the period	781	-	(1,418)	-	(354)	-	(1,000)	-
	Total comprehensive income for the period	<u>\$ 24,119</u>	<u>6</u>	<u>23,787</u>	<u>7</u>	<u>43,487</u>	<u>4</u>	<u>63,644</u>	<u>6</u>
	Net Income attributable to:								
8610	Owners of the parent	\$ 14,179	4	19,550	5	30,423	3	51,838	5
8620	Non-controlling interests	9,159	2	5,655	2	13,418	1	12,806	1
		<u>\$ 23,338</u>	<u>6</u>	<u>25,205</u>	<u>7</u>	<u>43,841</u>	<u>4</u>	<u>64,644</u>	<u>6</u>
	Comprehensive income (loss) attributable to:								
8710	Owners of the parent	\$ 14,960	4	18,132	5	30,069	3	50,838	5
8720	Non-controlling interests	9,159	2	5,655	2	13,418	1	12,806	1
		<u>\$ 24,119</u>	<u>6</u>	<u>23,787</u>	<u>7</u>	<u>43,487</u>	<u>4</u>	<u>63,644</u>	<u>6</u>
	Earnings per share (in New Taiwan dollars, Note (VI) (20))								
9750	Basic earnings per share	<u>\$ 0.32</u>		<u>0.44</u>		<u>0.68</u>		<u>1.16</u>	
9850	Diluted earnings per share	<u>\$ 0.32</u>		<u>0.44</u>		<u>0.68</u>		<u>1.16</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 Nine Months Ended September 30, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

Equity attributable to shareholders of the Company

	Equity attributable to shareholders of the Company						Other equity	Total equity attributed to	Non-controlling interest	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal	Financial statement translation differences attributable to of foreign operations			
<b>Balance as of January 1, 2019</b>	\$ 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	-	-	-	-	51,838	51,838	-	51,838	12,806	64,644
Other comprehensive income for the period	-	-	-	-	-	-	(1,000)	(1,000)	-	(1,000)
Total comprehensive income for the period	-	-	-	-	51,838	51,838	(1,000)	50,838	12,806	63,644
Legal reserve	-	-	6,668	-	(6,668)	-	-	-	-	-
Special reserve	-	-	-	1,299	(1,299)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(60,164)	(60,164)	-	(60,164)	-	(60,164)
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	(10,967)	(10,967)
<b>Balance as of September 30, 2019</b>	<b>\$ 445,660</b>	<b>297,921</b>	<b>88,432</b>	<b>1,925</b>	<b>195,984</b>	<b>286,341</b>	<b>(2,926)</b>	<b>1,026,996</b>	<b>57,246</b>	<b>1,084,242</b>
<b>Balance as of January 1, 2020</b>	\$ 445,660	297,921	88,432	1,925	219,601	309,958	(3,309)	1,050,230	55,605	1,105,835
Net income	-	-	-	-	30,423	30,423	-	30,423	13,418	43,841
Other comprehensive income for the period	-	-	-	-	-	-	(354)	(354)	-	(354)
Total comprehensive income for the period	-	-	-	-	30,423	30,423	(354)	30,069	13,418	43,487
Legal reserve	-	-	7,541	-	(7,541)	-	-	-	-	-
Special reserve	-	-	-	1,384	(1,384)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(60,164)	(60,164)	-	(60,164)	-	(60,164)
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	(19,666)	(19,666)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	5,107	5,107
<b>Balance as of September 30, 2020</b>	<b>\$ 445,660</b>	<b>297,921</b>	<b>95,973</b>	<b>3,309</b>	<b>180,935</b>	<b>280,217</b>	<b>(3,663)</b>	<b>1,020,135</b>	<b>54,464</b>	<b>1,074,599</b>

(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 Nine Months Ended September 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	January to September 2020	January to September 2019
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 56,984	82,769
<b>Adjustments:</b>		
Adjustments to reconcile (profits) losses		
Depreciation	53,641	46,605
Amortization	9,139	8,561
Interest expense	3,069	3,080
Interest income	(599)	(856)
Share of (profits) losses of joint ventures accounted for using equity method	(3,538)	1,077
Gains on disposal of property, plant and equipment, net	(29)	-
Gains on lease modification	(566)	(29)
Total adjustments to reconcile profits (losses)	61,117	58,438
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	(5,267)	23,897
Accounts receivable - related parties	(972)	(2,377)
Other receivables	208	(567)
Other receivables - related parties	3,084	(204)
Inventories	(17,209)	(6,652)
Prepayments and other current assets	1,452	(9,864)
Total changes in operating assets	(18,704)	4,233
Changes in operating liabilities:		
Notes and accounts payable	(22,593)	11,404
Accounts payable - related parties	(3,214)	1,724
Other payables	(7,971)	4,395
Other payables - related parties	(1,380)	1,226
Provisions for liabilities	(406)	560
Other current liabilities	2,988	7,256
Net defined benefit liabilities	(541)	(911)
Total changes in operating liabilities	(33,117)	25,654
Total changes in operating assets and liabilities	(51,821)	29,887
Total adjustments	9,296	88,325
Cash provided by (used in) operations	66,280	171,094
Interest received	623	859
Interest paid	(3,064)	(3,270)
Income tax refunded	(24,663)	(22,860)
<b>Net cash provided by (used in) operating activities</b>	<b>39,176</b>	<b>145,823</b>

(Please see notes to consolidated financial statements)

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**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 Nine Months Ended September 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	January to September 2020	January to September 2019
<b>Cash flows from investing activities:</b>		
Net cash used in from merger and acquisition of subsidiaries	\$ (10,219)	-
Acquisition of property, plant and equipment	(17,039)	(12,252)
Proceeds from disposal of property, plant and equipment	29	-
Decrease (increase) in refundable deposits	800	(1,483)
Acquisition of intangible assets	(5,407)	(433)
Decrease in other financial assets	10,565	1,770
Increase in other non-current assets	(19,242)	(8,403)
<b>Net cash used in investing activities</b>	<u>(40,513)</u>	<u>(20,801)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	36,841	(18,478)
Increase in long-term loans	80,000	94,167
Repayments of long-term loans	(2,917)	(200,000)
Increase in guarantee deposit received	2,961	907
Payment of lease liabilities	(23,687)	(19,701)
Cash dividends	(60,164)	(60,164)
Cash dividends distributed to non-controlling interests by subsidiaries	(19,666)	(10,967)
<b>Net cash provided by (used in) financing activities</b>	<u>13,368</u>	<u>(214,236)</u>
Effect of changes in exchange rates	(108)	(291)
Net decrease in cash and cash equivalents	11,923	(89,505)
Cash and cash equivalents at beginning of period	242,626	317,554
Cash and cash equivalents at end of period	<u><u>\$ 254,549</u></u>	<u><u>228,049</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 Nine Months Ended September 30, 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 November 6, 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:

<b>New Standards, Amendments, and Interpretations</b>	<b>Effective date by International Accounting Standard Board</b>
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
Amendments to IFRS 16, “Covid-19-Related Rent Concessions”	June 1, 2020

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

- (2) Impacts of IFRSs endorsed by FSC but not yet effective

The following new standards, amendments and interpretations have endorsed by FSC and will be effective from 2021:

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

<b>New Standards, Amendments, and Interpretations</b>	<b>Effective date by International Accounting Standard Board</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021

The Group assessed that the adoption of the amendment above will have no significant impact on the consolidated financial statements.

### (3) 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:

<b>New Standards, Amendments, and Interpretations</b>	<b>Effective date by International Accounting Standard Board</b>
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, 2023
Amendments to IAS 1, “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16, “Property, Plant and Equipment-Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37, “Onerous Contracts-Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	January 1, 2022
Amendments to IFRS 3, “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

Those which may be relevant to the Group are set out below:

<b>Issuance/ Release Dates</b>	<b>New Standards, Amendments, or Interpretations</b>	<b>Content of Amendment</b>
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt or other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>

The Group is evaluating the impact of the above IFRSs and Interpretation on the consolidated financial statements and business operating activities. The relevant impact

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

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 (IV) 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 (IV) (3) to consolidated financial statements for 2019.

#### 1. Subsidiaries included in the consolidated financial statements

Subsidiaries included in these consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		
			September 30, 2020	December 31, 2019	September 30, 2019
The Company	Asiacore International Co., Ltd. ("Asiacore")	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 entrepot 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.

## **BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements (continued)**

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.

**(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 Note (V) 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 (VI) to the consolidated financial statements for 2019.

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(1) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand and revolving funds	\$ 1,129	1,571	2,014
Demand deposits and checking accounts	207,270	175,898	160,857
Time deposits	<u>46,150</u>	<u>65,157</u>	<u>65,178</u>
	<u><b>\$ 254,549</b></u>	<u><b>242,626</b></u>	<u><b>228,049</b></u>

(2) Other financial assets-current

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Domestic certificate of deposit	<u><b>\$ 42,705</b></u>	<u><b>53,270</b></u>	<u><b>58,670</b></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.

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Notes receivable	\$ 10,191	11,931	7,962
Accounts receivable	183,161	171,934	166,765
Less : Loss allowance	<u>(1,176)</u>	<u>(2,380)</u>	<u>(2,308)</u>
	192,176	181,485	172,419
Accounts receivable-related parties	<u>3,889</u>	<u>2,917</u>	<u>2,467</u>
	<u><b>\$ 196,065</b></u>	<u><b>184,402</b></u>	<u><b>174,886</b></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:

	<u>September 30, 2020</u>		
	<b>Gross carrying amount of notes and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Loss allowance for expected credit losses</b>
Current	\$ 149,861	0.12%	176
Past due 1 - 90 days	30,615	0.99%	302
Past due 91 - 180 days	12,328	1.37%	169
Past due 181 - 270 days	32	40.63%	13
Past due over 365 days	<u>516</u>	100.00%	<u>516</u>
	<u><b>\$ 193,352</b></u>		<u><b>1,176</b></u>

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

	<b>December 31, 2019</b>		
	<b>Gross carrying amount of notes and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Loss allowance for expected credit losses</b>
Current	\$ 142,433	0.02%	31
Past due 1 - 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>
	<b><u>\$ 183,865</u></b>		<b><u>2,380</u></b>

	<b>September 30, 2019</b>		
	<b>Gross carrying amount of notes and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Loss allowance for expected credit losses</b>
Current	\$ 142,409	0.04%	56
Past due 1 - 90 days	27,652	0.74%	204
Past due 91 - 180 days	3,077	15.08%	464
Past due 181 - 270 days	7	28.57%	2
Past due 271 - 365 days	1,238	100%	1,238
Past due over 365 days	<u>344</u>	100%	<u>344</u>
	<b><u>\$ 174,727</u></b>		<b><u>2,308</u></b>

As of September 30, 2020, December 31 and September 30, 2019, the Group has no expected credit losses from accounts receivable - related parties, and the analysis is as below:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Current	\$ 2,748	2,917	2,467
Past due 1 – 90 days	<u>1,141</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 3,889</u></b>	<b><u>2,917</u></b>	<b><u>2,467</u></b>

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

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

	January to September 2020	January to September 2019
Beginning balance	\$ 2,380	1,686
Impairment losses	-	622
Reversal of impairment losses	(1,204)	-
End balance	<u>\$ 1,176</u>	<u>2,308</u>

### (4) Inventories

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials	\$ 87,366	66,754	71,738
Work-in-progress	21,577	25,234	21,651
Finished goods	18,241	28,097	20,721
Merchandise	65,108	53,228	44,779
Inventories			
Inventories in transit	3,682	1,625	2,435
	<u>\$ 195,974</u>	<u>174,938</u>	<u>161,324</u>

For the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the amount of inventories recognized as costs of revenue are as following:

	July to September 2020	July to September 2019	January to September 2020	January to September 2019
Cost of inventories sold	\$ 216,568	200,987	605,691	614,898
Write-down of inventories	945	2,112	6,393	4,547
Gains on physical inventories	(346)	(222)	(1,355)	(1,260)
Write-off of inventories	-	-	1,614	1,220
	<u>\$ 217,167</u>	<u>202,877</u>	<u>612,343</u>	<u>619,405</u>

For the nine months ended September 30, 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:

Investee company	Main business activities	Carrying amount		
		September 30, 2020	December 31, 2019	September 30, 2019
TDX Medical Technology (Jiangsu) Co., Ltd (TDX)	Wholesaling and retailing of medical consumables and equipment	<u>\$ 28,996</u>	<u>25,675</u>	<u>26,297</u>

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

## BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued)

as follows:

	July to September 2020	July to September 2019	January to September 2020	January to September 2019
Net income (loss)	\$ (61)	(191)	3,538	(1,077)
Other comprehensive income	553	(969)	(217)	(690)
Total comprehensive income	<u>\$ 492</u>	<u>(1,160)</u>	<u>3,321</u>	<u>(1,767)</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 11, 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.

##### (i) Consideration transferred

According to the equity interest transfer agreement, on February 11, 2020, the Company purchased a 70% stake of Eastech with cash payment of NT\$20,300 thousand, and without contingent consideration or other equity instrument as consideration transferred.

(ii) 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:



## BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued)

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>\$ 9,044</u>

(iii) 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.

(iv) Pro forma information

Since February 11, 2020 (acquisition date) to September 30, 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 amounted to NT\$29,830 thousand and NT\$3,969 thousand respectively. If the acquisition had occurred on January 1, 2020, the pro forma projection for sales revenue and net income of the Group in the first three quarters of 2020 would have amounted to NT\$991,560 thousand and NT\$42,669 thousand respectively.

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

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

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

follows:

<b>Subsidiary</b>	<b>Principal place of business/ Country of incorporation</b>	<b>The Percentage of ownership and voting rights held by non-controlling interests</b>		
		<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
NBHIT	Taiwan	48%	48%	48%

The summarized financial information of subsidiaries prepared in accordance with Taiwan-IFRSs was 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:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Current assets	\$ 90,239	106,537	110,259
Non-current assets	136,066	141,136	140,719
Current liabilities	(81,289)	(82,501)	(82,793)
Non-current liabilities	(33,245)	(38,432)	(38,870)
Net assets	<u><b>\$ 111,771</b></u>	<u><b>126,740</b></u>	<u><b>129,315</b></u>
The carrying amount of non-controlling interests	<u><b>\$ 40,130</b></u>	<u><b>47,316</b></u>	<u><b>48,552</b></u>

  

	<b>July to September 2020</b>	<b>July to September 2019</b>	<b>January to September 2020</b>	<b>January to September 2019</b>
Operating sales	<u><b>\$ 96,412</b></u>	<u><b>82,262</b></u>	<u><b>227,205</b></u>	<u><b>213,685</b></u>
Net income	\$ 16,028	11,732	26,001	24,615
Other comprehensive income	-	-	-	-
Total comprehensive income	<u><b>\$ 16,028</b></u>	<u><b>11,732</b></u>	<u><b>26,001</b></u>	<u><b>24,615</b></u>
Net income attributable to non-controlling interests	<u><b>\$ 7,694</b></u>	<u><b>5,631</b></u>	<u><b>12,481</b></u>	<u><b>11,815</b></u>
Total comprehensive income attributable to non-controlling interests	<u><b>\$ 7,694</b></u>	<u><b>5,631</b></u>	<u><b>12,481</b></u>	<u><b>11,815</b></u>

  

	<b>January to September 2020</b>	<b>January to September 2019</b>
Cash flow from operating activities	\$ 27,708	47,813
Cash flow from investing activities	3,975	(12,596)
Cash flow from financing activities	(54,899)	(34,870)
Effect of changes in exchange rates	-	-
Net increase (decrease) in cash and cash equivalents	<u><b>\$ (23,216)</b></u>	<u><b>347</b></u>
Cash dividends paid to non-controlling interests	<u><b>\$ 19,666</b></u>	<u><b>10,963</b></u>

(7) Property, plant and equipment

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

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 (VI)(6))	-	-	-	1,494	1,494
Additions	-	950	9,819	7,546	18,315
Disposals	-	-	(330)	(207)	(537)
Reclassification	-	-	2,596	1,436	4,032
Effect of changes in exchange rates	-	-	-	(15)	(15)
Balance as of September 30, 2020	<u>\$ 314,314</u>	<u>362,715</u>	<u>161,190</u>	<u>121,624</u>	<u>959,843</u>
Balance as of January 1, 2019	\$ 314,314	412,629	142,318	108,201	977,462
Additions	-	3,058	3,252	7,150	13,460
Disposals	-	-	(68)	(302)	(370)
Reclassification	-	840	5,074	(70)	5,844
Reclassification to investment property	-	(54,762)	-	-	(54,762)
Effect of changes in exchange rates	-	-	-	(43)	(43)
Balance as of September 30, 2019	<u>\$ 314,314</u>	<u>361,765</u>	<u>150,576</u>	<u>114,936</u>	<u>941,591</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 (VI)(6))	-	-	-	599	599
Depreciation	-	8,124	10,730	9,322	28,176
Disposals	-	-	(330)	(207)	(537)
Effect of changes in exchange rates	-	-	-	(14)	(14)
Balance as of September 30, 2020	<u>\$ -</u>	<u>56,353</u>	<u>121,635</u>	<u>85,340</u>	<u>263,328</u>
Balance as of January 1, 2019	\$ -	39,907	101,411	72,071	213,389
Depreciation	-	8,800	8,976	8,594	26,370
Disposals	-	-	(68)	(302)	(370)
Reclassification to investment property	-	(3,185)	85	(85)	(3,185)
Effect of changes in exchange rates	-	-	-	(41)	(41)
Balance as of September 30, 2019	<u>\$ -</u>	<u>45,522</u>	<u>110,404</u>	<u>80,237</u>	<u>236,163</u>
Carrying amount:					
September 30, 2020	<u>\$ 314,314</u>	<u>306,362</u>	<u>39,555</u>	<u>36,284</u>	<u>696,515</u>
January 1, 2020	<u>\$ 314,314</u>	<u>313,536</u>	<u>37,870</u>	<u>35,730</u>	<u>701,450</u>
September 30, 2019	<u>\$ 314,314</u>	<u>316,243</u>	<u>40,172</u>	<u>34,699</u>	<u>705,428</u>

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

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

### (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:

	Buildings	Transportation equipment	Total
Cost of right-of-use assets:			
Balance as of January 1, 2020	\$ 127,230	8,521	135,751
Acquisition through business combination	2,970	-	2,970
(Note (VI)(6))			
Additions	13,835	2,717	16,552
Write-off	(6,328)	(1,217)	(7,545)
Effect of changes in exchange rates	(38)	-	(38)
Balance as of September 30, 2020	<u>\$ 137,669</u>	<u>10,021</u>	<u>147,690</u>
Balance as of January 1, 2019	\$ 93,715	6,281	99,996
Additions	68,861	2,072	70,933
Write-off	(40,522)	(1,028)	(41,550)
Effect of changes in exchange rates	(102)	-	(102)
Balance as of September 30, 2019	<u>\$ 121,952</u>	<u>7,325</u>	<u>129,277</u>
Accumulated depreciation of right-of-use assets:			
Balance as of January 1, 2020	\$ 33,984	3,413	37,397
Acquisition through business combination	309	-	309
(Note (VI)(6))			
Depreciation	22,493	1,781	24,274
Write-off	(2,858)	(1,217)	(4,075)
Effect of changes in exchange rates	(10)	-	(10)
Balance as of September 30, 2020	<u>\$ 53,918</u>	<u>3,977</u>	<u>57,895</u>
Balance as of January 1, 2019	\$ 48,898	2,669	51,567
Depreciation	18,549	1,287	19,836
Write-off	(39,167)	(1,028)	(40,195)
Effect of changes in exchange rates	(85)	-	(85)
Balance as of September 30, 2019	<u>\$ 28,195</u>	<u>2,928</u>	<u>31,123</u>
Carrying amount:			
Balance of September 30, 2020	<u>\$ 83,751</u>	<u>6,044</u>	<u>89,795</u>
January 1, 2020	<u>\$ 93,246</u>	<u>5,108</u>	<u>98,354</u>
September 30, 2019	<u>\$ 93,757</u>	<u>4,397</u>	<u>98,154</u>

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

### (9) Investment properties

	<u><b>Buildings</b></u>
Costs or costs identified:	
Balance as of January 1, 2020 (i.e. balance as of September 30, 2020)	<u><b>\$ 54,762</b></u>
Balance as of January 1, 2019	-
Reclassification from Property, plant and equipment	<u>54,762</u>
Balance as of September 30, 2019	<u><b>\$ 54,762</b></u>
Depreciation and impairment loss:	
Balance as of January 1, 2020	\$ 3,984
Depreciation	<u>1,191</u>
Balance as of September 30, 2020	<u><b>\$ 5,175</b></u>
Balance as of January 1, 2019	-
Reclassification from Property, plant and equipment	3,185
Depreciation	<u>399</u>
Balance as of September 30, 2019	<u><b>3,584</b></u>
Carrying amount:	
Balance of September 30, 2020	<u><b>\$ 49,587</b></u>
January 1, 2020	<u><b>\$ 50,778</b></u>
September 30, 2019	<u><b>51,178</b></u>

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

For investment properties serving as collateral for bank loans, please see Note (VIII).

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

(10) Intangible asset

The change of intangible asset is as follows:

	<b>Goodwill</b>	<b>Computer software</b>	<b>Customer relationships and sales channels</b>	<b>Other Intangible asset</b>	<b>Total</b>
<b>Costs:</b>					
Balance as of January 1, 2020	\$ 47,829	25,005	48,011	24,375	145,220
Acquisition through business combination (Note (VI)(6))	9,044	-	3,302	-	12,346
Addition	-	3,502	-	1,905	5,407
Write-off	-	(1,937)	-	-	(1,937)
Balance as of September 30, 2020	<b>\$ 56,873</b>	<b>26,570</b>	<b>51,313</b>	<b>26,280</b>	<b>161,036</b>
Balance as of January 1, 2019	\$ 47,829	30,134	48,011	22,661	148,635
Addition	-	433	-	-	433
Write-off	-	(2,199)	-	-	(2,199)
Balance as of September 30, 2019	<b>\$ 47,829</b>	<b>28,368</b>	<b>48,011</b>	<b>22,661</b>	<b>146,869</b>
<b>Accumulated amortization:</b>					
Balance as of January 1, 2020	\$ -	19,985	18,659	16,975	55,619
Amortization	-	3,153	4,457	1,529	9,139
Write-off	-	(1,937)	-	-	(1,937)
Balance of September 30, 2020	<b>\$ -</b>	<b>21,201</b>	<b>23,116</b>	<b>18,504</b>	<b>62,821</b>
Balance as of January 1, 2019	\$ -	21,042	13,722	15,376	50,140
Amortization for the current period	-	3,695	3,703	1,163	8,561
Write-off	-	(2,199)	-	-	(2,199)
Balance as of September 30, 2019	<b>\$ -</b>	<b>22,538</b>	<b>17,425</b>	<b>16,539</b>	<b>56,502</b>
<b>Carrying amount:</b>					
Balance of September 30, 2020	<b>\$ 56,873</b>	<b>5,369</b>	<b>28,197</b>	<b>7,776</b>	<b>98,215</b>
January 1, 2020	<b>\$ 47,829</b>	<b>5,020</b>	<b>29,352</b>	<b>7,400</b>	<b>89,601</b>
September 30, 2019	<b>\$ 47,829</b>	<b>5,830</b>	<b>30,586</b>	<b>6,122</b>	<b>90,367</b>

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 (VI) (9) to the consolidated financial statements for 2019. On September 30, 2020, the Group conducted an assessment based on the sales revenue meeting target in the third quarter of 2020, and concluded that no impairment was incurred.

(11) Other non-current assets

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Prepayments for equipment	\$ 28,185	12,975	11,509
Pension plan assets	129	129	-
Refundable Deposits	14,238	14,093	14,489
	<b>\$ 42,552</b>	<b>27,197</b>	<b>25,998</b>

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

### (12) Short-term loans

	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured bank loans	\$ <u>89,316</u>	<u>47,720</u>	<u>35,951</u>
Unused credit facilities	\$ <u>1,200,674</u>	<u>1,263,643</u>	<u>1,501,441</u>
Interest rate bracket	<u>0.76%~2.09%</u>	<u>2.70%~2.94%</u>	<u>2.92%~3.07%</u>

### (13) Long-term loans

	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured bank loans	\$ 170,833	93,750	94,167
less: current portion of long-term loans	(7,479)	(31,667)	(1,667)
	\$ <u>163,354</u>	<u>62,083</u>	<u>92,500</u>
Unused credit facilities	\$ <u>515,000</u>	<u>395,000</u>	<u>375,000</u>
Interest rate bracket	<u>1.05%~1.60%</u>	<u>1.29%~1.60%</u>	<u>1.28%~1.60%</u>

For assets pledged as collateral to secure the bank loans, please see Note (VIII).

### (14) Lease liabilities

The lease liabilities of the Group are as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Current	\$ <u>31,094</u>	<u>30,352</u>	<u>28,477</u>
Non-current	\$ <u>59,656</u>	<u>68,891</u>	<u>70,423</u>

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

Profit and loss recognized are as follows:

	July to September 2020	July to September 2019	January to September 2020	January to September 2019
Interest expense of lease liabilities	\$ <u>381</u>	<u>415</u>	<u>1,197</u>	<u>853</u>
Current lease payments not included as lease liability measurement	\$ <u>364</u>	<u>374</u>	<u>1,218</u>	<u>1,204</u>
Short-term lease expense	\$ <u>683</u>	<u>515</u>	<u>1,944</u>	<u>1,877</u>

Items recognized in Cash Flows Statement:

	January to September 2020	January to September 2019
Total cash outflow for leases	\$ <u>28,046</u>	<u>23,635</u>

#### 1. Lease of buildings

As at September 30, 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

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Provision for product warranty	<u>\$ 10,235</u>	<u>10,641</u>	<u>11,351</u>

During the nine months ended September 30, 2020 and 2019, the Group did not have major changes in the provision for product warranty. For details, please see Note (VI) (14) to consolidated financial statements for 2019.

### (16) Operating leases

During the nine months ended September 30, 2020 and 2019, the Group did not have a new addition of a significant operating leasing contract. For details, please see Note (VI) (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:

	<u>July to September 2020</u>	<u>July to September 2019</u>	<u>January to September 2020</u>	<u>January to September 2019</u>
Costs of revenue	\$ -	17	39	51
Operating expenses	-	-	(5)	5
	<u>\$ -</u>	<u>17</u>	<u>34</u>	<u>56</u>

#### 2. Defined contribution plans

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

	<u>July to September 2020</u>	<u>July to September 2019</u>	<u>January to September 2020</u>	<u>January to September 2019</u>
Costs of revenue	\$ 1,082	1,055	3,163	3,053
Operating expenses	2,347	2,149	7,305	6,270
	<u>\$ 3,429</u>	<u>3,204</u>	<u>10,468</u>	<u>9,323</u>



# **BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES**

## **Notes to Consolidated Financial Statements (continued)**

### **(18) Income tax**

#### **1. Income tax expense**

	<b>July to September 2020</b>	<b>July to September 2019</b>	<b>January to September 2020</b>	<b>January to September 2019</b>
Current income tax expense	<u><b>\$ 7,436</b></u>	<u><b>7,971</b></u>	<u><b>13,143</b></u>	<u><b>18,125</b></u>

2. For the nine months ended September 30, 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 nine months ended September 30, 2020 and 2019, there was no major change in capital and other equity. For details, please see Note (VI) (18) of the consolidated financial statements for 2019.

#### **1. Common stock**

As of September 30, 2020, and December 31 and September 30, 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):

	<b>January to September 2020</b>	<b>January to September 2019</b>
Beginning balance (i.e. end balance)	<u><b>\$ 44,566</b></u>	<u><b>44,566</b></u>

#### **2. Capital surplus**

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Additional paid-in capital in excess of par issued	<u><b>\$ 297,921</b></u>	<u><b>297,921</b></u>	<u><b>297,921</b></u>

#### **3. Retained earnings**

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

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

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.

The proposals of profit distribution for 2019 and 2018 were approved by the shareholders' meetings on June 10, 2020 and June 6, 2019 respectively. The cash dividends distributed to shareholders were as follows:

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

### 4. Other equity (net after tax)

Exchange differences on translation from foreign operations

	<b>January to September 2020</b>	<b>January to September 2019</b>
Beginning balance	\$ (3,309)	(1,926)
Foreign exchange differences arising from translation of foreign operations	(137)	(310)
Shares of foreign currency translation differences of associates and joint ventures	(217)	(690)
End balance	<u><b>\$ (3,663)</b></u>	<u><b>(2,926)</b></u>

### 5. Non-controlling interests (net after tax)

	<b>January to September 2020</b>	<b>January to September 2019</b>
Beginning balance	\$ 55,605	55,611
Effects of retrospective application	-	(204)
Beginning balance after adjustment	55,605	55,407
Equity attributable to non-controlling interests:		
Net income	13,418	12,806
Cash dividend	(19,666)	(10,967)
Increase in non-controlling interests	5,107	-
	<u><b>\$ 54,464</b></u>	<u><b>57,246</b></u>

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

### (20) Earnings per share (EPS)

#### 1. Basic EPS

	July to September 2020	July to September 2019	January to September 2020	January to September 2019
Net income attributable to shareholders of the Company	\$ 14,179	19,550	30,423	51,838
Weighted-average number of ordinary shares outstanding (in thousands)	44,566	44,566	44,566	44,566
Basic EPS (NT\$)	\$ 0.32	0.44	0.68	1.16

#### 2. Diluted EPS

	July to September 2020	July to September 2019	January to September 2020	January to September 2019
Net income attributable to shareholders of the Company	\$ 14,179	19,550	30,423	51,838
Weighted-average number of ordinary shares outstanding (basic) (in thousands)	44,566	44,566	44,566	44,566
Effect of dilutive potential common stock (in thousands)				
Effect of employee bonuses	112	167	171	221
Weighted-average number of ordinary shares outstanding (diluted) (in thousands)	44,678	44,733	44,737	44,787
Diluted EPS (NT\$)	\$ 0.32	0.44	0.68	1.16

### (21) Revenue from contracts with customers

#### 1. Disaggregation of revenue

	July to September 2020	July to September 2019	January to September 2020	January to September 2019
Primary geographical markets:				
Taiwan	\$ 246,157	193,378	588,527	522,094
Mainland China	97,978	110,396	285,832	357,231
India	3,820	4,966	35,185	42,172
Others	19,352	40,652	81,997	101,780
	\$ 367,307	349,392	991,541	1,023,277
Main products:				
Medical equipment	\$ 136,261	154,360	411,219	467,993
Medical services	122,972	104,308	297,978	306,373
Medical consumables	108,074	90,724	282,344	248,911
	\$ 367,307	349,392	991,541	1,023,277

## BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued)

#### 2. Contract balances

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Notes and accounts receivable	\$ 197,241	186,782	177,194
less: Loss allowance	(1,176)	(2,380)	(2,308)
	<u>\$ 196,065</u>	<u>184,402</u>	<u>174,886</u>
Contract liabilities (listed as other current liabilities)	<u>\$ 17,568</u>	<u>14,577</u>	<u>23,614</u>

For disclosure on notes and accounts receivable and related loss allowance, please refer to Note (VI) (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 Group recognized revenue from the beginning balance of contract liability as of January 1, 2020 and 2019, which amounted to NT\$1,035 thousand and NT\$174 thousand for the three months ended September 30, 2020 and 2019 respectively and NT\$12,481 thousand and NT\$13,039 thousand for the nine months ended September 30, 2020 and 2019 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 options or cash compensation may include employees of affiliated companies that meet certain conditions.

The compensation of employees for the three months ended September 30, 2020 and 2019 amounted to NT\$1,561 thousand and NT\$2,324 thousand respectively and for the nine months ended September 30, 2020 and 2019 amounted to NT\$3,468 thousand and NT\$6,118 thousand respectively; and, the remuneration of Directors for the three months ended September 30, 2020 and 2019 amounted to NT\$130 thousand and NT\$194 thousand respectively and for the nine months ended September 30, 2020 and 2019 amounted to NT\$289 thousand and NT\$510 thousand respectively. The Group accrued the remuneration to employees and Directors 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

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

accounting estimation, and recognized in the profit and loss in the next annual period.

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

### (23) Non-operating income and loss

#### 1. Interest income

	July to September 2020	July to September 2019	January to September 2020	January to September 2019
Interest income from bank deposits	\$ 154	267	599	856

#### 2. Other income

	July to September 2020	July to September 2019	January to September 2020	January to September 2019
Rental income	\$ 2,824	1,916	6,272	6,221
Others	140	8	815	784
	<u>\$ 2,964</u>	<u>1,924</u>	<u>7,087</u>	<u>7,005</u>

#### 3. Other gains and losses

	July to September 2020	July to September 2019	January to September 2020	January to September 2019
Gains on disposal of property, plant and equipment, net	\$ 27	-	29	-
Foreign currency exchange (losses) gains	(1,530)	187	(1,867)	351
Gains on lease modification	143	29	566	29
	<u>\$ (1,360)</u>	<u>216</u>	<u>(1,272)</u>	<u>380</u>

#### 4. Financing costs

	July to September 2020	July to September 2019	January to September 2020	January to September 2019
Interest expense of bank loans	\$ 643	578	1,872	2,227
Financial expense of lease liabilities	381	415	1,197	853
	<u>\$ 1,024</u>	<u>993</u>	<u>3,069</u>	<u>3,080</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 Note (VI) (23) and (24) of the consolidated financial statements for 2019.

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

1. Categories of financial instruments

(i) Financial assets

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Financial assets measured at amortized cost:			
Cash and cash equivalents	\$ 254,549	242,626	228,049
Notes and accounts receivable and other receivables (including related parties)	198,331	189,984	178,537
Other financial assets-current	42,705	53,270	58,670
Other non-current assets - refundable deposits	<u>14,238</u>	<u>14,093</u>	<u>14,489</u>
	<u><b>\$ 509,823</b></u>	<u><b>499,973</b></u>	<u><b>479,745</b></u>

(ii) Financial liabilities

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Financial liabilities measured at amortized cost:			
Short-term loans	\$ 89,316	47,720	35,951
Notes and accounts payable and other payables (including related parties)	252,239	193,550	207,944
Lease liabilities (current and non-current)	90,750	99,243	98,900
Long-term loans (including current portion)	170,833	93,750	94,167
Guarantee deposit received	<u>7,063</u>	<u>4,102</u>	<u>4,102</u>
	<u><b>\$ 610,201</b></u>	<u><b>438,365</b></u>	<u><b>441,064</b></u>

(iii) 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

## **BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements (continued)**

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 September 30, 2020, December 31 and September 30, 2019, 29%, 36%, and 34% 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 a regular basis to mitigate the credit risk. For information on maximum exposure to credit risk arises from notes and accounts receivable, please see Note (VI) (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 Note (VI) (2)). The above financial assets carry low credit risk. As such, the loss allowance is measured as 12-month expected credit loss. As at September 30, 2020, December 31 and September 30, 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 September 30, 2020, and December 31 and September 30, 2019, the unused credit facilities of the Group amounted to NT\$1,715,674 thousand, NT\$1,658,643 thousand and NT\$1,876,441 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.

**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
<b>September 30, 2020</b>					
Non-derivative financial liabilities:					
Short-term loans	\$ 89,316	89,316	-	-	-
Long-term loans (including current portion)	175,202	3,448	5,905	100,548	65,301
Notes and accounts payable and other payables (including related parties)	252,239	252,239	-	-	-
Guarantee deposit received	7,063	105	-	-	6,958
Lease liabilities	93,644	16,715	15,795	25,936	35,198
	<u><b>\$ 617,464</b></u>	<u><b>361,823</b></u>	<u><b>21,700</b></u>	<u><b>126,484</b></u>	<u><b>107,457</b></u>
<b>December 31, 2019</b>					
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
	<u><b>\$ 443,055</b></u>	<u><b>258,781</b></u>	<u><b>47,121</b></u>	<u><b>90,461</b></u>	<u><b>46,692</b></u>
<b>September 30, 2019</b>					
Non-derivative financial liabilities:					
Short-term loans	\$ 35,951	35,951	-	-	-
Long-term loans	96,101	1,468	1,462	92,332	839
Notes and accounts payable and other payables (including related parties)	207,944	207,944	-	-	-
Guarantee deposit received	4,102	10	-	-	4,092
Lease liabilities	102,116	15,189	14,672	27,441	44,814
	<u><b>\$ 446,214</b></u>	<u><b>260,562</b></u>	<u><b>16,134</b></u>	<u><b>119,773</b></u>	<u><b>49,745</b></u>

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**

**(i) Foreign exchange risk**

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

	September 30, 2020				December 31, 2019			September 30, 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	\$	5,280	29.13	153,806	3,705	30.11	111,558	3,294	31.04	102,246
<u>Financial liabilities</u>										
<u>Monetary Items</u>										
USD		2,794	29.13	81,389	2,294	30.11	69,072	2,070	31.04	64,253

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),



## **BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements (continued)**

other receivables (including related-party transactions), other payables (including related-party transactions), and bank loans in foreign currencies. As of September 30, 2020 and 2019, if NTD depreciated/appreciated 1% against USD and all variables remained unchanged, the net income before tax for the nine months ended September 30, 2020 and 2019 would increase/decrease NT\$724 thousand and NT\$380 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. For the details, please see Note (VI) (23).

#### **(ii) 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 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%, and all variables remained unchanged, the net income before tax of the Group for the nine months ended September 30, 2020 and 2019 would decrease/increase NT\$1,951 thousand and NT\$976 thousand respectively.

#### **(25) Financial risk management**

The goal and policy of the financial risk management of the Group and the disclosure made at Note (VI) (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 Note (VI) (25) of the consolidated financial statements for 2019.

#### **(27) Changes in liabilities from financing activities**

Reconciliation of liabilities arising from financing activities was as follows:

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

			<b>Non-cash changes</b>		
	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Addition of lease liabilities</b>	<b>Acquisition through business combination</b>	<b>September 30, 2020</b>
Short-term loans	\$ 47,720	36,841	-	4,755	89,316
Long-term loans	93,750	77,083	-	-	170,833
Lease liabilities	99,243	(23,687)	12,516	2,678	90,750
Guarantee deposit received	<u>4,102</u>	<u>2,961</u>	<u>-</u>	<u>-</u>	<u>7,063</u>
Liabilities from financing activities	<b><u>\$ 244,815</u></b>	<b><u>93,198</u></b>	<b><u>12,516</u></b>	<b><u>7,433</u></b>	<b><u>357,962</u></b>

  

	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>September 30, 2019</b>
Short-term loans	\$ 54,429	(18,478)	-	35,951
Long-term loans	200,000	(105,833)	-	94,167
Lease liabilities	49,052	(19,701)	69,549	98,900
Guarantee deposit received	<u>3,195</u>	<u>907</u>	<u>-</u>	<u>4,102</u>
Liabilities from financing activities	<b><u>\$ 306,676</u></b>	<b><u>(143,105)</u></b>	<b><u>69,549</u></b>	<b><u>233,120</u></b>

**((VII)) Related-party Transactions**

**(1) Parent company and ultimate controlling company**

BenQ Corporation 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.

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

### (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:

<b>Name of related party</b>	<b>Relationship with the Group</b>
Qisda Corporation (Qisda)	Ultimate controlling company of the Group
BenQ Corporation (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
BenQ Materials Medical Supplies (Suzhou) Co., Ltd	Subsidiary of BMC
Sigma Medical Supplies Corporation (SMS)	Subsidiary of BMC
BenQ Medical (Shanghai) Co., Ltd.	Subsidiary of Qisda
K2 Medical Co., Ltd. (Thailand)	Subsidiary of Qisda
Q.S.Control Corporation	Associates of Qisda
BenQ Foundations	Substantive related party of Qisda
Darfon Electronics Corp.	Associates of Qisda
Partner Tech Corp.	Subsidiary of Qisda
AU Optronics Corporation	Associates of Qisda
K2 International Medical Inc.	Subsidiary of Qisda
Ace Pillar Co., Ltd.	Subsidiary of Qisda
Golden Spirit Co., Ltd.	Subsidiary of Qisda
Data Image Corporation	Associates of Qisda

### (3) Related-party transactions

#### 1. Operating revenues

The sales to related parties were as follows:

	<b>July to September 2020</b>	<b>July to September 2019</b>	<b>January to September 2020</b>	<b>January to September 2019</b>
Ultimate controlling company	\$ 776	-	1,193	166
Joint venture	2,508	2,436	3,464	5,154
Other related parties	2,832	538	21,689	995
	<b>\$ 6,116</b>	<b>2,974</b>	<b>26,346</b>	<b>6,315</b>

As the specifications of some products were different, the sales prices of those to related parties by the Group were not comparable to the sales prices to third-party customers; other than those products, the sales prices to related parties did not

## BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued)

significantly differ from the sales prices to third-party customers. Meanwhile, the conditions of the transactions to related parties did not significantly differ from the conditions to third-party customers as well.

#### 2. Purchases

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

	July to September 2020	July to September 2019	January to September 2020	January to September 2019
Ultimate controlling company	\$ 2,762	4,575	22,836	15,546
Joint venture	1,724	3,607	4,176	7,318
Other related parties	2,172	1,396	9,429	3,305
	<u>\$ 6,658</u>	<u>9,578</u>	<u>36,441</u>	<u>26,169</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

- (i) 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 six months ended June 30, 2019 amounted to NT\$13 thousand. The lease had expired on June 30, 2019. On August 7, 2019, the Group entered into a new 5-year contract with Qisda. For the three months ended September 30, 2019 and 2020, the interest expense recognized amounted to NT\$133 thousand and NT\$179 thousand respectively; and, for the nine months ended September 30, 2019 and 2020, the interest expense recognized amounted to NT\$440 thousand and NT\$192 thousand respectively. As of September 30, 2020, and December 31 and September 30, 2019, the balances of lease liabilities amounted to NT\$31,733 thousand, NT\$40,718 thousand, and NT\$42,895 thousand respectively.
- (ii) 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 September 30, 2020 and 2019, the rental expense amounted to NT\$364 thousand and NT\$346 thousand respectively; and, for the nine months ended September 30, 2020 and 2019, the rental expense amounted to NT\$1,075 thousand and NT\$949 thousand respectively. On September 30, 2020 and 2019, the related payables were classified under other payables.

#### 4. Acquisition and disposal of property, plant and equipment

For the nine months ended September 30, 2020, the Group purchased fixed assets from other related parties which amounted to NT\$720 thousand. As of September 30, 2020, the related payables were fully settled.

#### 5. Others

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

- (i) The service rendered to the Group by the ultimate controlling company, the parent company and other related parties for the three months ended September 30, 2020 and 2019 amounted to NT\$432 thousand and NT\$654 thousand respectively and those for the nine months ended September 30, 2020 and 2019 amounted to NT\$1,359 thousand and NT\$2,326 thousand respectively. As of September 30, 2020 and 2019, the related payables were classified under other payables.
- (ii) 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:

Account	Related-party categories	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable	Ultimate controlling company	\$ 802	-	-
Accounts receivable	Joint venture	-	2,570	1,917
Accounts receivable	Other related parties	3,087	347	550
Other receivables	Ultimate controlling company	10	3,094	485
Other receivables	Other related parties	50	50	50
		<u>\$ 3,949</u>	<u>6,061</u>	<u>3,002</u>

### 7. Payables to related parties

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

Account	Related-party categories	September 30, 2020	December 31, 2019	September 30, 2019
Accounts payable	Ultimate controlling company	\$ 1,122	1,907	3,582
Accounts payable	Joint venture	1,709	4,466	2,645
Accounts payable	Other related parties	3,752	3,424	1,092
Other payables	Ultimate controlling company	1,062	1,467	1,414
Other payables	Parent company	141	189	190
Other payables	Other related parties	390	1,317	740
Lease liabilities - current	Ultimate controlling company	8,275	8,795	8,760
Lease liabilities - non-current	Ultimate controlling company	23,458	31,923	34,135
		<u>\$ 39,909</u>	<u>53,488</u>	<u>52,558</u>

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

(4) Transaction with key management personnel

Compensation for key management personnel:

	July to September 2020	July to September 2019	January to September 2020	January to September 2019
Short-term employee benefits	\$ 2,248	2,667	7,399	7,690
Post-employment benefits	27	27	81	81
	<u>\$ 2,275</u>	<u>2,694</u>	<u>7,480</u>	<u>7,771</u>

**((VIII)) Pledged Assets**

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

Pledged Assets	Pledged to secure	September 30, 2020	December 31, 2019	September 30, 2019
Other financial assets-current	Performance bond	\$ 770	80	80
Land and buildings	Credit lines of bank loans	555,221	563,440	566,497
		<u>\$ 555,991</u>	<u>563,520</u>	<u>566,577</u>

**(IX) Significant Commitments and Contingencies**

In addition to those in Note (VII), 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:

Category	Item	July to September 2020			July to September 2019		
		Costs of revenue	Operating expenses	Total	Cost of sales	Cost of expenses	Total
Employee benefits							
Salaries		23,625	56,900	80,525	24,885	54,304	79,189
Insurance		2,517	4,155	6,672	2,286	3,983	6,269
Pension		1,082	2,347	3,429	1,072	2,149	3,221
Remuneration to Directors		-	1,419	1,419	-	1,404	1,404
Other employee benefits		1,791	1,360	3,151	1,525	1,459	2,984
Depreciation		8,647	9,513	18,160	6,999	9,513	16,512
Amortization		234	2,884	3,118	168	2,641	2,809

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

Category	Item	January to September 2020			January to September 2019		
		Costs of revenue	Operating expenses	Total	Cost of sales	Cost of expenses	Total
Employee benefits							
Salaries		72,242	154,960	227,202	71,053	152,005	223,058
Insurance		7,172	12,934	20,106	6,588	11,484	18,072
Pension		3,202	7,300	10,502	3,104	6,275	9,379
Remuneration to Directors		-	4,017	4,017	-	4,036	4,036
Other employee benefits		5,114	4,625	9,739	4,149	3,545	7,694
Depreciation		25,815	27,826	53,641	23,236	23,369	46,605
Amortization		912	8,227	9,139	557	8,004	8,561

(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 nine months ended September 30, 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 capital: None.
9. Transactions about derivative instruments: None.
10. Business relationships and significant intercompany transactions: None.

(2) Information on investees:

For the nine months ended September 30, 2020, the information on investees is as follows (excluding investments in Mainland China):

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

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

Investor	Investee	Location	Main Business Activities	Original investment Amount		Balance as of September 30, 2020			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount			
The Company	Asiacconnect International Co., Ltd.	Neihu, Taipei	Wholesaling and retailing of medical consumables and equipment and information software	21,984	21,984	1,995	99.75%	25,034	82	82	(Note)
The Company	Highview Investments Limited	Samoa Islands	Investment and holding company	36,211	36,211	1,062	100.00%	7,945	55	55	(Note)
The Company	Lily Medical Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	185,000	185,000	10,000	100.00%	231,338	6,573	5,844	(Note)
The Company	BenQ AB DentCare Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	88,000	88,000	8,800	88.00%	58,412	(2,110)	(1,857)	(Note)
The Company	BenQ Hearing Solution Corp.	Taiwan	Wholesaling and retailing of medical consumables and equipment	100,000	100,000	10,000	100.00%	118,033	14,225	14,225	(Note)
The Company	Eastech Co., Ltd	Taiwan	Wholesaling and retailing of medical consumables and equipment	20,300	-	700	70.00%	23,078	3,476	2,778	(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%	71,640	28,231	13,520	(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 September 30, 2020	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of September 30, 2020 (Note 2 and 3)	Accumulated Inward Remittance of Earnings as of September 30, 2020
					Outflow	Inflow						
BenQ Medical Technology (Shanghai) Ltd.	Agency of international and entrepot trade business	29,126 (USD 1,000 thousand)	(1)	29,126 (USD 1,000 thousand)	-	-	29,126 (USD 1,000 thousand)	52	100.00%	52	9,142	-
LILY Medical (Suzhou) Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	6,116 (USD 210 thousand)	(2)	6,116 (USD 210 thousand)	-	-	6,116 (USD 210 thousand)	(328)	100.00%	(328)	2,860	-
TDX Medical Technology (Jiangsu) Co., Ltd	Wholesaling and retailing of medical consumables and equipment	85,414 (RMB 20,000 thousand)	(2)	34,166 (RMB 8,000 thousand)	-	-	34,166 (RMB 8,000 thousand)	8,844	40.00%	3,538	28,996	-

(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 = 1:29.126 and RMB: NTD = 1:4.2707.

(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:

(Amounts in thousands of New Taiwan Dollars and other foreign currencies)

	<b>Accumulated Investment in Mainland China as of September 30, 2020</b>	<b>Investment Amounts Authorized by Investment Commission, MOEA</b>	<b>Upper Limit on Investment</b>
The Company	63,292 (USD 1,000 and RMB 8,000)	82,339 (USD 2,827)	612,081
LILY	6,116 (USD 210)	6,116 (USD 210)	103,412

3. Significant transactions with investee companies in Mainland China:

For the nine months ended September 30, 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 shares)

<b>Shareholder's Name</b>	<b>Share</b>	<b>Number of shares held</b>	<b>Shareholding Percentage</b>
BenQ Corporation		19,353,427	43.43%
Darby Venture Inc.		3,548,646	7.96%

**(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)

	<b>July to September 2020</b>			
	<b>R&amp;D and Manufacturing Divisions</b>	<b>Retail Division</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
External revenue	\$ 270,895	96,412	-	367,307
Intra-group revenue	-	-	-	-
Total segment revenue	<b>\$ 270,895</b>	<b>96,412</b>	<b>-</b>	<b>367,307</b>
Segment profit (loss)	<b>\$ 8,084</b>	<b>16,028</b>	<b>(774)</b>	<b>23,338</b>

	<b>July to September 2019</b>			
	<b>R&amp;D and Manufacturing Divisions</b>	<b>Retail Division</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
External revenue	\$ 267,130	82,262	-	349,392
Intra-group revenue	-	-	-	-
Total segment revenue	<b>\$ 267,130</b>	<b>82,262</b>	<b>-</b>	<b>349,392</b>
Segment profit (loss)	<b>\$ 13,947</b>	<b>11,732</b>	<b>(474)</b>	<b>25,205</b>

	<b>January to September 2020</b>			
	<b>R&amp;D and Manufacturing Divisions</b>	<b>Retail Division</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
External revenue	\$ 764,336	227,205	-	991,541
Intra-group revenue	-	-	-	-
Total segment revenue	<b>\$ 764,336</b>	<b>227,205</b>	<b>-</b>	<b>991,541</b>
Segment profit (loss)	<b>\$ 19,786</b>	<b>26,001</b>	<b>(1,946)</b>	<b>43,841</b>

	<b>January to September 2019</b>			
	<b>R&amp;D and Manufacturing Divisions</b>	<b>Retail Division</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
External revenue	\$ 809,592	213,685	-	1,023,277
Intra-group revenue	-	-	-	-
Total segment revenue	<b>\$ 809,592</b>	<b>213,685</b>	<b>-</b>	<b>1,023,277</b>
Segment profit (loss)	<b>\$ 41,109</b>	<b>24,615</b>	<b>(1,080)</b>	<b>64,644</b>