

**BENQ MEDICAL TECHNOLOGY CORP.
AND SUBSIDIARIES**

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

For the Years Ended December 31, 2020 and 2019

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

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

Content

	Item	Page
I.	Cover Page	1
II.	Content	2
III.	Representation Letter	3
IV.	Independent Auditors' Report	4
V.	Consolidated Balance Sheets	5
VI.	Consolidated Statements of Comprehensive Income	6
VII.	Consolidated Statements of Changes in Equity	7
VIII.	Consolidated Statements of Cash Flows	8
IX.	Notes to Consolidated Financial Statements	
	(I). History and Organization	9
	(II). Authorization of the Consolidated Financial Statements	9
	(III). Application of New Standards, Amendments, and Interpretations	9~10
	(IV). Summary of Significant Accounting Policies	10~27
	(V). Critical Accounting Judgments and Key Sources of Estimates and Assumptions on Uncertainty	27
	(VI). Details of Significant Accounts	27~53
	(VII). Related-party Transactions	54~58
	(VIII). Pledged Assets	58
	(IX). Significant Commitments and Contingencies	58
	(X). Significant Loss from Disaster	58
	(XI). Significant Subsequent Events	58
	(XII). Others	58
	(XIII). Additional Disclosures	
	(1) Information on Significant Transactions	58~59
	(2) Information on Investees	59
	(3) Information on Investments in Mainland China	59~60
	(4) Information on Major Shareholders	60
	(XIV). Segment Information	60~62

Representation Letter

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

Hereby declare

BenQ Medical Technology Corporation

Peter Chen

March 9, 2021

**KPMG****KPMG**

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

Telephone no.: + 886 (2) 8101 6666

Fax no.: + 886 (2) 8101 6667

Website: kpmg.com/tw

Independent Auditors' Report

The Board of Directors
BenQ Medical Technology Corp.

Opinions

We have audited the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to consolidated financial statements (including summary of significant accounting policies) of BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES (hereafter the Company).

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of BenQ Medical Technology as of December 31, 2020 and 2019, its consolidated financial performance and cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), and the interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant and auditing standards generally accepted in the Republic of China. Our responsibilities under these standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have also fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the Consolidated Financial Statements of the Company for the year ended December 31, 2020. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters. Key audit matters for the Company's Consolidated Financial Statements for the year ended December 31 2020 are stated as follows:

1. Impairment the goodwill from investments to the subsidiaries

For the accounting policy on the impairment of non-financial asset, please see Note (IV) (15) to Consolidated Financial Statements; for the uncertainty of accounting estimations and assumptions of goodwill impairment, please see Note (V) (1) to Consolidated Financial Statements; for the key assumptions of goodwill impairment, please see Note (VI) (10) to Consolidated Financial Statements.

Descriptions of key audit matters:

Goodwill arising from past acquisition of subsidiaries is required to conduct an impairment test annually or at the time there are indications that goodwill may be impaired. As the assessment of recoverable amount of the cash-generating units owing goodwill involves many assumptions and estimations made

by the management, the assessment of impairment of goodwill has been identified as one of the key audit matters.

Audit Procedures:

Our audit procedures for the key audit matter included obtaining the self-assessment asset impairment schedule from the Management and examining if the book values of all assets that should be subject to the annual impairment test were included in the schedule, reviewing the assessment method and important assumptions adopted by the Management to measure the recoverable amounts, including the discount rate, projected sales growth rate and the reasonableness of their prediction of future cash flow, and also performing a sensitivity analysis on the test results. Further, we also evaluated the appropriateness of the weighted-average cost of capital and its underlying assumptions and assessed the adequacy of the Company's disclosures on impairment assessment.

2. Revenue Recognition

For accounting policy on revenue recognition, please see Note (IV) (17) to Consolidated Financial Statements.

Descriptions of key audit matters:

The Company recognizes revenue in accordance with the terms and conditions of the sales contracts and sales orders. At the requests of various customers, sales contracts are with various terms and conditions. As such, the timing of revenue recognition needs to be determined separately. Therefore, the test on revenue recognition is also one of our key audit matters.

Audit procedures:

Our audit procedures for the key audit matter included assessing the Cycle of Sales and Cash Receipt and the internal control related to financial reporting. We also perused the related terms and conditions of the sales contracts or sales orders to examine if the revenue recognition is performed in accordance with the regulations. Further, we also performed a trend analysis on the sales revenue generated by the top ten customers and various product lines.

Other Matters

BenQ Medical Technology Corp. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have audited and issued an unmodified audit opinion for the years ended December 31, 2020 and 2019.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair representation of the Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs, IASs, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines it is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance (including the members of Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not to express an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the entities' financial information or business activities within the Company to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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)
March 9, 2021

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)

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2020		December 31, 2019		Liabilities and Equity		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note (VI) (1))	\$ 255,055	14	242,626	15	2100	Short-term loans (Note (VI) (12))	\$ 80,234	4	47,720	3
1150-1170	Notes and accounts receivable (Note (VI) (3) and (21))	193,186	11	181,485	11	2150-2170	Notes and accounts payable	136,336	8	129,112	8
1181	Accounts receivable - related parties (Note (VI) (3)(21) and (VII))	3,360	-	2,917	-	2181	Accounts payable - related parties (Note (VII))	9,404	-	9,797	-
1200	Other receivables	1,637	-	2,438	-	2200	Other payable (Note (VI) (22))	158,173	9	141,056	8
1212	Other receivables - related parties (Note (VII))	50	-	3,144	-	2220	Other payable - related parties (Note (VII))	2,030	-	2,973	-
130x	Inventories (Note (VI) (4))	204,563	11	174,938	10	2230	Current income tax liabilities	11,474	1	13,682	1
1410-1470	Prepayments and other current assets	30,378	2	28,139	2	2250	Provisions for liabilities - current (Note (VI) (15))	10,301	1	10,641	1
1476	Other financial assets-current (Note (VI) (2) and (VIII))	88,431	5	53,270	3	2280	Lease liabilities-current (Note (VI) (14) and (VII))	30,018	2	30,352	2
Total current assets		<u>776,660</u>	<u>43</u>	<u>688,957</u>	<u>41</u>	2300	Other current liabilities (Note (VI) (21))	26,456	1	18,993	1
Non-current assets:						2322	Long-term loans due within a year (Note (VI) (13) and				
1550	Investments accounted for using the equity method (Note (VI) (5))	29,955	2	25,675	2	(VIII))		<u>3,724</u>	<u>-</u>	<u>31,667</u>	<u>2</u>
1600	Property, plant and equipment (Note (VI) (7), (VII) and (VIII))	713,121	40	701,450	41	Total current liabilities		<u>468,150</u>	<u>26</u>	<u>435,993</u>	<u>26</u>
1755	Right-of-use assets (Note (VI) (8) and (VII))	81,954	5	98,354	6	Non-current liabilities:					
1760	Investment properties - net (Note (VI) (9) and (VIII))	49,195	3	50,778	3	2540	Long-term loans (Note (VI) (13) and (VIII))	136,276	8	62,083	4
1780	Intangible assets (Note (VI) (10))	95,381	5	89,601	5	2570	Deferred income tax liabilities (Note (VI) (18))	10,089	1	10,243	1
1840	Deferred income tax assets (Note (VI) (18))	9,814	-	9,078	-	2640	Net defined benefit liabilities - non-current (Note (VI) (17))	3,542	-	3,943	-
1900	Other non-current assets (Note (VI) (11) and (17))	38,840	2	27,197	2	2580	Lease liabilities - non-current (Note (VI) (14) and (VII))	53,057	3	68,891	4
Total non-current assets		<u>1,018,260</u>	<u>57</u>	<u>1,002,133</u>	<u>59</u>	2645	Guarantee deposit received	<u>6,684</u>	<u>-</u>	<u>4,102</u>	<u>-</u>
						Total non-current liabilities		<u>209,648</u>	<u>12</u>	<u>149,262</u>	<u>9</u>
						Total liabilities		<u>677,798</u>	<u>38</u>	<u>585,255</u>	<u>35</u>
						Equity attributable to shareholders of the parent					
						company (Note (VI) (19))					
					3110	Common stock		445,660	25	445,660	26
					3200	Capital Surplus		297,921	17	297,921	18
					3300	Retained earnings		313,622	17	309,958	18
					3400	Other equity		(3,195)	-	(3,309)	-
						Total equity attributable to shareholders of the parent		<u>1,054,008</u>	<u>59</u>	<u>1,050,230</u>	<u>62</u>
						company					
					36XX	Non-controlling interests		<u>63,114</u>	<u>3</u>	<u>55,605</u>	<u>3</u>
						Total equity interest		<u>1,117,122</u>	<u>62</u>	<u>1,105,835</u>	<u>65</u>
Total assets		<u>\$ 1,794,920</u>	<u>100</u>	<u>1,691,090</u>	<u>100</u>	Total liabilities and equity		<u>\$ 1,794,920</u>	<u>100</u>	<u>1,691,090</u>	<u>100</u>

(Please see notes to consolidated financial statements)

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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenues (Note (VI) (21) and (VII))	\$ 1,400,850	100	1,380,289	100
5000	Operating costs (Note (VI) (4)(7)(8)(10)(14)(15)(17)(22), (VII) and (XII))	(849,222)	(61)	(832,434)	(60)
	Gross profit	551,628	39	547,855	40
	Operating expenses (Note (VI) (3)(7)(8)(9)(10)(14)(17)(22), (VII) and (XII)):				
6100	Selling expenses	(284,796)	(20)	(272,073)	(20)
6200	General and administrative expenses	(125,320)	(9)	(117,943)	(9)
6300	Research and development expenses	(44,301)	(3)	(44,772)	(3)
	Total operating expenses	(454,417)	(32)	(434,788)	(32)
	Operating income	97,211	7	113,067	8
	Non-operating income and expenses (Note (VI) (5)(14)(16)(23) and (VII)):				
7100	Interest income	802	-	1,223	-
7010	Other income	10,400	1	8,734	1
7020	Other gains and losses	(2,876)	-	1,941	-
7050	Financing costs	(4,017)	-	(4,216)	-
7375	Share of profit (loss) of joint ventures accounted for using the equity method	4,151	-	(1,447)	-
	Total non-operating income and expenses	8,460	1	6,235	1
	Income before income tax	105,671	8	119,302	9
7950	less: Income tax expense (Note (VI) (18))	(21,552)	(2)	(22,651)	(2)
	Net income	84,119	6	96,651	7
	Other comprehensive income (loss) (Note (VI) (5)(17)(18)(19)):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of the defined benefit plan	2,222	-	60	-
8349	Income tax expense related to items that will not be reclassified subsequently to profit or loss	(445)	-	(12)	-
		1,777	-	48	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(15)	-	(441)	-
8370	Share of other comprehensive income of joint ventures accounted for using the equity method	129	-	(942)	-
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	114	-	(1,383)	-
	Other comprehensive income for the period	1,891	-	(1,335)	-
	Total comprehensive income for the period	\$ 86,010	6	95,316	7
	Profit attributable to:				
8610	Shareholders of parent	\$ 62,051	4	75,407	5
8620	Non-controlling interests	22,068	2	21,244	2
		\$ 84,119	6	96,651	7
	Comprehensive income (loss) attributable to:				
8710	Shareholders of parent	\$ 63,942	4	74,072	5
8720	Non-controlling interests	22,068	2	21,244	2
		\$ 86,010	6	95,316	7
	Earnings per share (in New Taiwan dollars, Note (VI) (20))				
9750	Basic earnings per share	\$ 1.39		1.69	
9850	Diluted earnings per share	\$ 1.39		1.68	

(Please see notes to consolidated financial statements)

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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the Parent						Other equity Financial statement translation differences of foreign operations	Total equity attributed to shareholders of the Parent	Non-controlling interest	Total equity
	Common stock	Capital surplus	Retained earnings			Subtotal				
			Legal reserve	Special reserve	Unappropriated earnings					
Balance as of January 1, 2019	\$ 445,660	297,921	81,764	626	212,696	295,086	(1,926)	1,036,741	55,611	1,092,352
Effects of retrospective application	-	-	-	-	(419)	(419)	-	(419)	(204)	(623)
Balance as of January 1, 2019 after adjustments	445,660	297,921	81,764	626	212,277	294,667	(1,926)	1,036,322	55,407	1,091,729
Net income	-	-	-	-	75,407	75,407	-	75,407	21,244	96,651
Other comprehensive income for the period	-	-	-	-	48	48	(1,383)	(1,335)	-	(1,335)
Total comprehensive income for the period	-	-	-	-	75,455	75,455	(1,383)	74,072	21,244	95,316
Legal reserve	-	-	6,668	-	(6,668)	-	-	-	-	-
Special reserve	-	-	-	1,299	(1,299)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(60,164)	(60,164)	-	(60,164)	-	(60,164)
Capital reduction in subsidiaries	-	-	-	-	-	-	-	-	(10,079)	(10,079)
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	(10,967)	(10,967)
Balance as of December 31, 2019	445,660	297,921	88,432	1,925	219,601	309,958	(3,309)	1,050,230	55,605	1,105,835
Net income	-	-	-	-	62,051	62,051	-	62,051	22,068	84,119
Other comprehensive income for the period	-	-	-	-	1,777	1,777	114	1,891	-	1,891
Total comprehensive income for the period	-	-	-	-	63,828	63,828	114	63,942	22,068	86,010
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
Balance as of December 31, 2020	\$ 445,660	297,921	95,973	3,309	214,340	313,622	(3,195)	1,054,008	63,114	1,117,122

(Please see notes to consolidated financial statements)

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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities:		
Income before income tax	\$ 105,671	119,302
Adjustments:		
Adjustments to reconcile (profits) losses		
Depreciation	73,263	63,431
Amortization	12,326	11,392
Interest expense	4,017	4,216
Interest income	(802)	(1,223)
Share of (profits) losses of joint ventures accounted for using equity method	(4,151)	1,447
Gains on disposal of property, plant and equipment, net	(69)	(2,119)
Gains on lease modification	(572)	(57)
Total adjustments to reconcile profits (losses)	84,012	77,087
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	(6,277)	14,831
Accounts receivable - related parties	(443)	(2,827)
Other receivables	801	90
Other receivables - related parties	3,094	(2,813)
Inventories	(25,798)	(20,266)
Prepayments and other current assets	(1,589)	(209)
Total changes in operating assets	(30,212)	(11,194)
Changes in operating liabilities:		
Notes and accounts payable	5,280	(9,057)
Accounts payable - related parties	(393)	4,202
Other payables	10,424	14,373
Other payables - related parties	(943)	1,855
Provisions for liabilities	(340)	(150)
Other current liabilities	7,089	(163)
Net defined benefit liabilities	(352)	(970)
Total changes in operating liabilities	20,765	10,090
Total changes in operating assets and liabilities	(9,447)	(1,104)
Total adjustments	74,565	75,983
Cash provided by (used in) operations	180,236	195,285
Interest received	802	1,247
Interest paid	(4,024)	(4,405)
Income tax refunded	(25,532)	(22,894)
Net cash provided by (used in) operating activities	151,482	169,233

(Please see notes to consolidated financial statements)

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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

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

For the Years Ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from investing activities:		
Net cash used in from merger and acquisition of subsidiaries	\$ (10,219)	-
Acquisition of property, plant and equipment	(36,408)	(18,648)
Proceeds from disposal of property, plant and equipment	69	2,119
Increase in refundable deposits	(405)	(1,087)
Acquisition of intangible assets	(5,958)	(2,498)
Decrease (increase) in other financial assets	(35,161)	7,170
Increase in other non-current assets	<u>(15,979)</u>	<u>(10,310)</u>
Net cash used in investing activities	<u>(104,061)</u>	<u>(23,254)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	27,759	(6,709)
Increase in long-term loans	140,000	93,750
Repayments of long-term loans	(93,750)	(200,000)
Increase in guarantee deposit received	2,582	907
Payment of lease liabilities	(31,752)	(27,238)
Cash dividends	(60,164)	(60,164)
Capital reduction in subsidiaries	-	(10,079)
Cash dividends distributed to non-controlling interests by subsidiaries	<u>(19,666)</u>	<u>(10,967)</u>
Net cash used in financing activities	<u>(34,991)</u>	<u>(220,500)</u>
Effect of changes in exchange rates	<u>(1)</u>	<u>(407)</u>
Net decrease in cash and cash equivalents	12,429	(74,928)
Cash and cash equivalents at beginning of period	<u>242,626</u>	<u>317,554</u>
Cash and cash equivalents at end of period	<u>\$ 255,055</u>	<u>242,626</u>

(Please see notes to consolidated financial statements)

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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

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

(I) History and Organization

BENQ MEDICAL TECHNOLOGY CORP. (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 March 9, 2021 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 (hereafter “FSC”)

The Group began to apply the following amendments to International Financial Reporting Standards from January 1, 2020 onward, and there has been no significant impact on the Group's Consolidated Financial Statements.

- Amendments to IFRS 3, “Definition of a Business”
- Amendments to IFRS 9, IAS 39, and IFRS 7, “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8, “Definition of Materiality”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Group assessed and began to apply the following new amendments to International Financial Reporting Standards from January 1, 2021 onward. There has been no significant impact on the Group's Consolidated Financial Statements.

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39, “Interest Rate Benchmark Reform - Phase 2”

- (3) Impact of IFRSs issued by International Accounting Standard Board (IASB) but not yet endorsed by FSC

A summary of new and amended standards issued by IASB but not yet endorsed by FSC and which may be relevant to the Group is set out below:

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Newly issued or amended standards and interpretation	Main content of the amendments	Effective date by International Accounting Standard Board
Amendments to IAS 1, “Classification of Liabilities as Current or Non-current”	<p>The amendments are made to promote consistency in application and assist companies in determining if a liability or other liabilities with unclear settlement dates are current (due in or within one year) or non-current.</p> <p>The amendments also clarify the regulation pertaining to the settlement of liability by its own equity instruments.</p>	January 1, 2023

The Group is currently evaluating the impact on its consolidated financial position and consolidated financial performance as a result of the initial adoption of abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

The Group expects the following new standards, amendments and interpretations that have yet to be endorsed shall not pose a significant impact on the Consolidated Financial Statements.

- Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- Amendments to IFRS 17 “Insurance Contract”
- Amendments to IAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual improvements to IFRS standards 2018~2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(IV) Summary of Significant Accounting Policies

The significant accounting policies presented in the Consolidated Financial Statements are summarized as follows. The following accounting policies have been applied consistently to all periods presented in these financial statements.

(1) Statement of compliance

The Group’s accompanying Consolidated Financial Statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (the “Regulations”) and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (collectively as “Taiwan-IFRSs”).

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(2) Basis of preparation

1. Basis of measurement

Except for net defined benefit liabilities which are measured at the fair value of plan assets less the present value of the defined benefit obligation, the accompanying Consolidated Financial Statements have been prepared on a historical cost basis.

2. Functional and presentation currency

The functional currency of each entity of the Group is determined based on the primary economic environment in which the entity operates. The Group's Consolidated Financial Statements are presented in New Taiwan dollars, the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(3) Basis of consolidation

1. Principles of preparation of the Consolidated Financial Statements

The accompanying Consolidated Financial Statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries). Control refers to the power that the Company possesses in determining the financial and operating policy decisions of an entity so as to make a profit from the entity's activities.

The financial statements of the subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. All inter-company transactions, balances and unrealized income and loss are eliminated on consolidation. Total comprehensive income (loss) of a subsidiary is attributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, financial statements of subsidiaries are adjusted to align to the accounting policies with those adopted by the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2. Subsidiaries included in the Consolidated Financial Statements

Subsidiaries included in these Consolidated Financial Statements:

Investor	Subsidiary	Main business activities	Ownership (%)	
			December 31, 2020	December 31, 2019
The Company	Asiacore International Co., Ltd. ("Asiacore")	Wholesaling and retailing of medical consumables and equipment and information software	99.75%	99.75%
The Company	Highview Investments Limited ("Highview")	Investment and holding company	100.00%	100.00%
The Company	LILY Medical Corporation ("LILY")	Wholesaling and retailing of medical consumables and equipment	100.00%	100.00%

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

The Company	BenQ AB DentCare Corporation ("BABD")	Wholesaling and retailing of medical consumables and equipment	88.00%	88.00%
The Company	BenQ Hearing Solution Corp. ("BenQ Hearing")	Wholesaling and retailing of medical consumables and equipment	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%
Highview	BenQ Medical Technology (Shanghai) Ltd. ("BMTS")	Agency of international and entrepot trade business	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%

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

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

(4) Foreign currency

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. At the end of each reporting period ("the reporting date"), monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currency using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from the acquisition, are translated into the presentation currency of the Group's Consolidated Financial Statements at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Group's Consolidated Financial Statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current when one of the following criteria is met; all other assets are classified as non-current assets:

1. It is expected to be realized or intended to be sold or consumed in the normal operating cycle;

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

2. It is held primarily for trading;
3. It is expected to be realized within 12 months after the reporting period; or
4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is classified as current when one of the following criteria is met; all other liabilities are classified as non-current liabilities:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for trading;
3. It is due to be settled within 12 months after the reporting period; or

The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(6) Cash and cash equivalents

Cash consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforementioned criteria and are held for short-term cash commitment and not for investing and other purposes are also classified as cash equivalents.

(7) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are recognized initially when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that directly attributable to its acquisition or issuance. An account receivable without a significant financing component is initially measured at the transaction price.

1. Financial assets

For initial recognition, a financial asset is classified as a financial asset measured at amortized cost. Financial assets are not reclassified after their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(i) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- It is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and,

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(ii) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (“ECL”) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposits and other financial assets) and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following financial assets, which are measured using 12-month ECL:

- Bank balances for which credit risk (i.e. the risk of a default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECL.

Lifetime ECL are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs resulting from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether a financial asset's credit risk has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The information includes both quantitative and qualitative analysis based on the Group's historical experience and credit assessment, as well as forward-looking information.

For the time deposits of the Group, the transaction counterparts and contractual parties are financial institutions with investment grades. As

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

such, time deposits are deemed to have a low credit risk.

ECLs are probability-weighted estimates of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount in the assets. Provision or reversal of loss allowances is recognized in profit or loss.

The gross carrying amount in a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually assesses with respect to the timing and amount in write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(iii) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights of the cash inflow from the assets are terminated, when the Group transfers substantially all the risks and rewards of ownership of the financial assets to other enterprises, or when the Group neither transfers nor retains substantially all of the risks and rewards of ownership. It does not retain control of the financial asset.

Where the Group enters into transactions to transfer a financial asset recognized in its balance sheets but retains either all or substantially all of the risks and rewards of the financial asset, the transferred asset is not derecognized.

2. Financial liabilities

(i) Financial liabilities

Financial liabilities measured at amortized cost use the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(ii) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

obligation has been fulfilled, cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified. The cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount in a financial liability derecognized and the consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iii) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only in the balance sheet when the Group has the legally enforceable right to offset one another and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(8) Inventories

The initial cost of inventories includes all necessary costs in bringing the inventories to the location and condition ready for sale or production. The fixed overhead is allocated to finished products and work in process based on the higher of normal capacity or actual capacity. In contrast, the variable overhead is allocated based on the actual capacity. Subsequently, inventories are measured individually at the lower of cost or net realizable value. The cost of inventories is calculated based on the weighted-average method. The net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and necessary selling expenses at the end of the period.

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but no control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses. When necessary, the entire carrying amount of the investment (including goodwill) will be tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group recognizes its share of profit or loss and other comprehensive income of those associates from the date on which significant influence commences until the date on

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in percentage of ownership.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, only to the extent that there is no evidence of an impairment loss of the underlying asset.

Adjustments are made to associates' financial statements to conform to the accounting policies applied by the Group.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the recognition of further losses is discontinued. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Group subscribes additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. If the adjustments are charged to capital surplus and the capital surplus resulting from investments accounted for using the equity method is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(10) Joint arrangements

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint venturers) in which the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures" unless the Group qualifies for exemption from that Standard. For the application of the equity method, please refer to Note (IV) (9).

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

other facts and circumstances. When the facts and circumstances change, the Group shall reevaluate whether the classification of the joint arrangement has to change as well.

(11) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both. Investment properties are measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. The methods for depreciating and determining the useful life and residual value of investment properties are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment properties is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income over the term of the lease.

An investment property is reclassified to property, plant and equipment at its carrying amount when the purpose of the investment property has been changed from investment to owner-occupation.

(12) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost, (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on the disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

3. Depreciation

Depreciation is calculated based on the cost of assets less their residual values. It is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for property, plant and equipment are as follows: (i) buildings: 35 to 50 years; (ii) machinery and equipment: 2 to 10 years; (iii) office and other equipment: 2 to 10 years.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

4. Reclassification to investment properties

A property is reclassified to investment properties at its carrying amount when the purpose of the property changes from owner-occupation to investment.

(13) Leases

1. Identifying a lease

At the inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(i) The contract involves using an identified asset – this may be specified explicitly or implicitly – which is physically distinct or represents substantially all of the asset's capacity. If the supplier has a substantive substitution right, then the asset is not an identified asset; and

(ii) The customer has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and

(iii) The customer has the right to direct the use of the identified asset throughout the period of use only if either:

- The customer has the right to direct how and for what purpose the identified asset is used throughout the period of use.
- The relevant decisions about how and for what purpose the asset is used are predetermined and:
 - The customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - The customer designs the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

2. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount in the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (i) Fixed payments, including in-substance fixed payments;
- (ii) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and,
- (iii) Payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- (i) There is a change in future lease payments arising from the change in an index or rate;
- (ii) There is a change in the Group's estimate of the amounts expected to be payable under a residual value guarantee;
- (iii) There is a change in the Group's assessment on whether it will exercise an option to purchase the underlying asset;
- (iv) There is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option;
- (v) There are any lease modifications in lease subject, scope of the lease or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

amount in the right-of-use asset to reflect the partial or full termination of the lease. It recognizes the difference in profit or loss for any gain or loss relating to partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities as a separate line item respectively in the Consolidated Balance Sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

For an operating lease, the Group recognizes rental income on a straight-line basis over the lease term

(14) Intangible asset

1. Goodwill

Goodwill arising from the acquisition of subsidiaries is accounted for as intangible assets. Goodwill is not amortized but is measured at cost, less, accumulated impairment losses.

2. Other intangible assets

Other separately acquired intangible assets, including acquired software, customer relationships, sales distribution channels and other intangible assets, are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss using the straight-line method over the following estimated useful lives: customer relationships, 9 years; sales distribution channels, 10 years; acquired software, 1 to 5 years; other intangible assets, 2 to 10 years.

The residual value, amortization period, and amortization method are reviewed at least at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(15) Impairment of non-financial assets

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount in an individual asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount in an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount in any goodwill allocated to the CGU and reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not subject to reversal. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss recognized for the assets in prior years.

(16) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event. It is probable that the Group will be required to settle the obligation using resources with economic benefits, and a reliable estimate can be made of the amount in the obligation.

A provision for warranties is recognized when the underlying products are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

(17) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or service to a customer. The accounting policies for the Group's main types of revenue are explained below:

1. Sale of goods

The Group recognizes revenue when control of the goods has been transferred to the customer, whereby the goods are delivered to the customer, and the customer

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

is able to determine the party and price the goods can be subsequently sold to. And, there is no unfulfilled obligation that could affect the customer's acceptance of the goods. The delivery occurs when the goods have been shipped to a specific location. The risk of inventory obsolescence and loss has been transferred to the customer. The customer has accepted the goods in accordance with the terms of sales, or the Group has objective evidence that all criteria for acceptance have been satisfied.

For the Group's obligation in providing a standard warranty for the medical equipment and a refund for faulty goods sold, which are recognized as a provision for warranty, please refer to Note (IV) (16).

A receivable is recognized when the goods are delivered, as this is the point in time that the Group has a right to an amount in consideration that is unconditional.

2. Rendering of services

The Group's revenue from providing maintenance services is recognized in the accounting period in which services are rendered.

3. Financing components

The Group expects the time lapse between the transfer of the promised goods or services to the customer according to any contracts, and the payment made by the customer, not to exceed one year. As such, the Group does not adjust any transaction prices for the time value of money.

(18) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

2. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan asset. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the term of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

When the benefits of a plan are improved, the expense related to the increased obligations resulting from the services rendered by employees in the past years is recognized in profit or loss immediately.

The remeasurements of the net defined benefit liability (asset) comprise (i)

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

actuarial gains and losses; (ii) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liabilities (asset) are recognized in other comprehensive income and then transferred to retained earnings in the current period.

When the Group makes plan amendment or curtailment, the gains or losses arising from benefit changes of past service cost or curtailment are recognized in profit or loss. When making settlement, the Group recognizes gains or losses on settlements of the defined benefit plans.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as an expense during the period in which employees render services. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(19) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangement granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, and the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For the share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The grant date of options for employees to subscribe new shares for a cash injection is the date when the Board of Directors approves the exercise price and the share to which employees can subscribe.

(20) Income tax

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current taxes comprise the expected tax payable or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount in current tax payables or receivables are the best estimate of the tax

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

1. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
2. Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and, probably, they will not reverse in the foreseeable future; and
3. Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset if the following criteria are met:

1. The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(21) Business combinations

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of the acquisition-date fair value of the consideration transferred, including the amount of non-controlling interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

liabilities assumed (generally at fair value). If the amount calculated above is a deficit balance, the Group recognizes that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

Acquisition-related costs are expensed as incurred except for the costs related to the issuance of debt or equity instruments.

In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss in profit or loss. The amount previously recognized in other comprehensive income in relation to the changes in value of the Group's equity interest should be reclassified to profit or loss on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items in which the accounting is incomplete are reported in the financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted to reflect new information obtained regarding the facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(22) Earnings per share ("EPS")

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the financial statements. Basic EPS is calculated by dividing net income attributable to the Company's stockholders by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to the Company's stockholders and weighted average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group's dilutive potential common shares are profit sharing for employees to be settled in the form of common stock, which is yet to be resolved by the Board of Directors.

(23) Segment Information

An operating segment is a component of the Group that engage in business activities

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

from which it may earn revenue and incur expenses (including the revenues and expenses relating to transactions with other components of the Group). Operating results of all operating segments are regularly reviewed by the Group's chief operating decision maker, who decides on the allocation of resources to the segment and assesses its performance. Each operating segment consists of standalone financial information.

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

The preparation of the Consolidated Financial Statements in conformity with the Regulation of Taiwan-IFRSs endorsed by FSC requires the management to make judgment, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. The actual amount might differ from the estimated amount.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which when the estimates are revised and in the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(1) Assessment of impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount in relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustment in future years. For impairment assessment on goodwill, please see Note (VI) (10) to the Consolidated Financial Statements for 2020.

(VI) Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 976	1,571
Demand deposits and checking accounts	195,929	175,898
Time deposits	<u>58,150</u>	<u>65,157</u>
	<u><u>\$ 255,055</u></u>	<u><u>242,626</u></u>

(2) Other financial assets-current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Domestic certificate of deposit	<u><u>\$ 88,431</u></u>	<u><u>53,270</u></u>

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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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

	December 31, 2020	December 31, 2019
Notes receivable	\$ 10,978	11,931
Accounts receivable	184,711	171,934
Less : Loss allowance	<u>(2,503)</u>	<u>(2,380)</u>
	193,186	181,485
Accounts receivable-related parties	<u>3,360</u>	<u>2,917</u>
	<u>\$ 196,546</u>	<u>184,402</u>

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

	December 31, 2020		
	Gross carrying amount of notes and accounts receivable	Weighted average loss rate	Loss allowance for expected credit losses
Current	\$ 144,009	0.35%	502
Past due 1 - 90 days	43,063	1.01%	435
Past due 91 - 180 days	1,263	1.82%	23
Past due 181 - 270 days	6,852	15.19%	1,041
Past due over 365 days	<u>502</u>	100.00%	<u>502</u>
	<u>\$ 195,689</u>		<u>2,503</u>

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

As of December 31, 2020 and 2019, the Group has no ECLs from accounts receivable - related parties, and the analysis is as below:

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	<u>\$ 3,360</u>	<u>2,917</u>

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

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 2,380	1,686
Reversal of impairment losses	123	694
End balance	<u>\$ 2,503</u>	<u>2,380</u>

(4) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw materials	\$ 74,406	66,754
Work-in-progress	24,839	25,234
Finished goods	30,767	28,097
Merchandise Inventories	60,742	53,228
Inventories in transit	13,809	1,625
	<u>\$ 204,563</u>	<u>174,938</u>

For the years ended December 31, 2020 and 2019, the amount of inventories recognized as costs of revenue are as following:

	<u>2020</u>	<u>2019</u>
Cost of inventories sold	\$ 837,898	826,738
Write-down of inventories	9,158	4,608
Gains on physical inventories	(1,833)	(1,827)
Write-off of inventories	3,999	2,915
	<u>\$ 849,222</u>	<u>832,434</u>

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

(5) Investments accounted for using equity method

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

<u>Investee company</u>	<u>Main business activities</u>	<u>Carrying amount</u>	
		<u>December 31, 2020</u>	<u>December 31, 2019</u>
TDX Medical Technology (Jiangsu) Co., Ltd (TDX)	Wholesaling and retailing of medical consumables and equipment	<u>\$ 29,955</u>	<u>25,675</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:

	2020	2019
Net income (loss)	\$ 4,151	(1,447)
Other comprehensive income	129	(942)
Total comprehensive income	<u>\$ 4,280</u>	<u>(2,389)</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 December 31, 2020, the operating results of Eastech has been consolidated into the consolidated statements of comprehensive income of the Group, in which the sales revenue and net income amounted to NT\$40,740 thousand and NT\$4,570 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 2020 would have amounted to NT\$1,400,869 thousand and NT\$82,946 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:

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

	December 31, 2019	December 31, 2019
Current assets	\$ 112,713	106,537
Non-current assets	142,794	141,136
Current liabilities	(81,002)	(82,501)
Non-current liabilities	(40,579)	(38,432)
Net assets	\$ 133,926	126,740
The carrying amount of non-controlling interests	\$ 48,890	47,316
	2020	2019
Operating sales	\$ 313,085	300,024
Net income	44,250	43,040
Other comprehensive income	-	-
Total comprehensive income	\$ 44,250	43,040
Net income attributable to non-controlling interests	\$ 21,240	20,659
Total comprehensive income attributable to non-controlling interests	\$ 21,240	20,659
	2020	2019
Cash flow from operating activities	\$ 59,725	76,518
Cash flow from investing activities	(7,964)	(9,605)
Cash flow from financing activities	(59,744)	(60,312)
Effect of changes in exchange rates	-	-
Net increase (decrease) in cash and cash equivalents	\$ (7,983)	6,601
Cash dividends paid to non-controlling interests	\$ 19,666	10,963

(7) Property, plant and equipment

Movements of the costs, accumulated depreciation and impairment loss of property,

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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	29,937	10,987	41,874
Disposals	-	-	(580)	(431)	(1,011)
Reclassification	-	-	6,813	1,244	8,057
Effect of changes in exchange rates	-	-	-	2	2
Balance as of December 31, 2020	<u>\$ 314,314</u>	<u>362,715</u>	<u>185,275</u>	<u>124,666</u>	<u>986,970</u>
Balance as of January 1, 2019	\$ 314,314	412,629	142,318	108,201	977,462
Additions	-	3,058	4,131	10,714	17,903
Disposals	-	-	(2,418)	(7,729)	(10,147)
Reclassification	-	840	5,074	242	6,156
Reclassification to investment property	-	(54,762)	-	-	(54,762)
Effect of changes in exchange rates	-	-	-	(58)	(58)
Balance as of December 31, 2019	<u>\$ 314,314</u>	<u>361,765</u>	<u>149,105</u>	<u>111,370</u>	<u>936,554</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	-	10,808	15,790	12,558	39,156
Disposals	-	-	(580)	(431)	(1,011)
Effect of changes in exchange rates	-	-	-	1	1
Balance as of December 31, 2020	<u>\$ -</u>	<u>59,037</u>	<u>126,445</u>	<u>88,367</u>	<u>273,849</u>
Balance as of January 1, 2019	\$ -	39,907	101,411	72,071	213,389
Depreciation	-	11,507	12,157	11,439	35,103
Disposals	-	-	(2,418)	(7,729)	(10,147)
Reclassification	-	-	85	(85)	-
Reclassification to investment property	-	(3,185)	-	-	(3,185)
Effect of changes in exchange rates	-	-	-	(56)	(56)
Balance as of December 31, 2019	<u>\$ -</u>	<u>48,229</u>	<u>111,235</u>	<u>75,640</u>	<u>235,104</u>
Carrying amount:					
December 31, 2020	<u>\$ 314,314</u>	<u>303,678</u>	<u>58,830</u>	<u>36,299</u>	<u>713,121</u>
December 31, 2019	<u>\$ 314,314</u>	<u>313,536</u>	<u>37,870</u>	<u>35,730</u>	<u>701,450</u>

For information on the property, plant and equipment of the Group serving as collaterals

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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 (Note (VI)(6))	2,970	-	2,970
Additions	15,352	1,658	17,010
Write-off	(6,765)	(1,217)	(7,982)
Effect of changes in exchange rates	8	-	8
Balance as of December 31, 2020	<u><u>\$ 138,795</u></u>	<u><u>8,962</u></u>	<u><u>147,757</u></u>
Balance as of January 1, 2019	\$ 93,715	6,281	99,996
Additions	74,638	3,268	77,906
Write-off	(40,983)	(1,028)	(42,011)
Effect of changes in exchange rates	(140)	-	(140)
Balance as of December 31, 2019	<u><u>\$ 127,230</u></u>	<u><u>8,521</u></u>	<u><u>135,751</u></u>
Accumulated depreciation of right-of-use assets:			
Balance as of January 1, 2020	\$ 33,984	3,413	37,397
Acquisition through business combination (Note (VI)(6))	309	-	309
Depreciation	30,384	2,140	32,524
Write-off	(3,233)	(1,217)	(4,450)
Effect of changes in exchange rates	23	-	23
Balance as of December 31, 2020	<u><u>\$ 61,467</u></u>	<u><u>4,336</u></u>	<u><u>65,803</u></u>
Balance as of January 1, 2019	\$ 48,898	2,669	51,567
Depreciation	25,757	1,772	27,529
Write-off	(40,563)	(1,028)	(41,591)
Effect of changes in exchange rates	(108)	-	(108)
Balance as of December 31, 2019	<u><u>\$ 33,984</u></u>	<u><u>3,413</u></u>	<u><u>37,397</u></u>
Carrying amount:			
Balance of December 31, 2020	<u><u>\$ 77,328</u></u>	<u><u>4,626</u></u>	<u><u>81,954</u></u>
December 31, 2019	<u><u>\$ 93,246</u></u>	<u><u>5,108</u></u>	<u><u>98,354</u></u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(9) Investment properties

	<u>Buildings</u>
Costs or costs identified:	
Balance as of January 1, 2020 (i.e. balance as of December 31, 2020)	\$ <u>54,762</u>
Balance as of January 1, 2019	\$ -
Reclassification from Property, plant and equipment	54,762
Balance as of December 31, 2019	\$ <u>54,762</u>
Depreciation and impairment loss:	
Balance as of January 1, 2020	\$ 3,984
Depreciation	1,583
Balance as of December 31, 2020	\$ <u>5,567</u>
Balance as of January 1, 2019	\$ -
Reclassification from Property, plant and equipment	3,185
Depreciation	799
Balance as of December 31, 2019	\$ <u>3,984</u>
Carrying amount:	
Balance of December 31, 2020	\$ <u>49,195</u>
December 31, 2019	\$ <u>50,778</u>
Fair Value:	
Balance of December 31, 2020	\$ <u>293,680</u>
December 31, 2019	\$ <u>178,987</u>

Investment properties comprise factories leased out. For the related information, please refer to Note (VI) (16). The management determines the fair value of the investment properties by referring to the market price of similar properties in the same area.

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

(10) Intangible asset

1. The change of intangible asset is as follows:

	<u>Goodwill</u>	<u>Computer software</u>	<u>Customer relationships and sales channels</u>	<u>Other Intangible asset</u>	<u>Total</u>
Costs:					
Balance as of January 1, 2020	\$ 47,829	25,005	48,011	24,375	145,220
Acquisition through business combination (Note (VI)(6))	9,044	-	-	3,302	12,346
Addition	-	4,053	-	1,905	5,958
Write-off	-	(1,843)	-	-	(1,843)
Reclassification	-	(198)	-	-	(198)
Balance as of December 31, 2020	\$ <u>56,873</u>	27,017	48,011	29,582	161,483
Balance as of January 1, 2019	\$ 47,829	30,134	48,011	22,661	148,635
Addition	-	784	-	1,714	2,498
Write-off	-	(5,913)	-	-	(5,913)
Balance as of December 31, 2019	\$ <u>47,829</u>	25,005	48,011	24,375	145,220

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

	<u>Goodwill</u>	<u>Computer software</u>	<u>Customer relationships and sales channels</u>	<u>Other Intangible asset</u>	<u>Total</u>
Accumulated amortization:					
Balance as of January 1, 2020	\$ -	19,985	18,659	16,975	55,619
Amortization	-	4,254	5,975	2,097	12,326
Write-off	-	(1,843)	-	-	(1,843)
Balance of December 31, 2020	<u>\$ -</u>	<u>22,396</u>	<u>24,634</u>	<u>19,072</u>	<u>66,102</u>
Balance as of January 1, 2019	\$ -	21,042	13,722	15,376	50,140
Amortization for the current period	-	4,856	4,937	1,599	11,392
Write-off	-	(5,913)	-	-	(5,913)
Balance as of December 31, 2019	<u>\$ -</u>	<u>19,985</u>	<u>18,659</u>	<u>16,975</u>	<u>55,619</u>
Carrying amount:					
Balance of December 31, 2020	<u>\$ 56,873</u>	<u>4,621</u>	<u>23,377</u>	<u>10,510</u>	<u>95,381</u>
December 31, 2019	<u>\$ 47,829</u>	<u>5,020</u>	<u>29,352</u>	<u>7,400</u>	<u>89,601</u>

2. The change of intangible asset is as follows:

The goodwill obtained from the business combinations based on setting individual subsidiaries as the cash generation units (“CGU”) is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
LILY	\$ 13,576	13,576
NBHIT	34,253	34,253
Eastech	9,044	-
	<u>\$ 56,873</u>	<u>47,829</u>

Each CGU above to which the goodwill is allocated represents the lowest level within the Group, at which the goodwill is monitored for internal management purposes. Based on the results of impairment tests conducted by the Group, the recoverable amount exceeded its carrying amount. As such, no impairment loss was recognized. The recoverable amount in a CGU was determined based on the value in use, and the related key assumptions were as follows:

The key assumptions of the estimated value in use were as follows:

	<u>December 31, 2020</u>			<u>December 31, 2019</u>	
	<u>LILY</u>	<u>NBHIT</u>	<u>Eastech</u>	<u>LILY</u>	<u>NBHIT</u>
Revenue growth rate	5~5.4%	0.5~5.5%	14.3~20%	5%	0.5~5.5%
Discount rates	16.24%	11.67%	12.71%	15.48%	12.32%

- (i) The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by the Management and estimated terminal values at the end of the 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 0% growth rate.
- (ii) The estimation of the discount rate is based on the weighted average cost of capital.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(11) Other non-current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Prepayments for equipment	\$ 20,364	12,975
Pension plan assets (Note (VI)(17))	3,033	129
Refundable Deposits	<u>15,443</u>	<u>14,093</u>
	<u><u>\$ 38,840</u></u>	<u><u>27,197</u></u>

(12) Short-term loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank loans	<u>\$ 80,234</u>	<u>47,720</u>
Unused credit facilities	<u>\$ 1,192,121</u>	<u>1,263,643</u>
Interest rate bracket	<u>0.75%~2.09%</u>	<u>2.7%~2.94%</u>

(13) Long-term loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank loans	\$ 140,000	93,750
less: current portion of long-term loans	<u>(3,724)</u>	<u>(31,667)</u>
	<u>\$ 136,276</u>	<u>62,083</u>
Unused credit facilities	<u>\$ 535,000</u>	<u>395,000</u>
Interest rate bracket	<u>1.10%~1.18%</u>	<u>1.29%~1.6%</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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	<u>\$ 30,018</u>	<u>30,352</u>
Non-current	<u>\$ 53,057</u>	<u>68,891</u>

Please see Note (VI) (25) for the maturity profile of financial instruments.

Profit and loss recognized are as follows:

	<u>2020</u>	<u>2019</u>
Interest expense of lease liabilities	<u>\$ 1,550</u>	<u>1,286</u>
Current lease payments not included as lease liability measurement	<u>\$ 3,184</u>	<u>3,184</u>
Short-term lease expense	<u>\$ 2,722</u>	<u>962</u>

Items recognized in Cash Flows Statement:

	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	<u>\$ 39,208</u>	<u>32,670</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

1. Lease of buildings

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

2. Other leases

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

(15) Provision for product warranty

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 10,641	10,791
Provisions made	2,315	2,311
Amount utilized	<u>(2,655)</u>	<u>(2,461)</u>
End balance	<u>\$ 10,301</u>	<u>10,641</u>

The provision for product warranties is mainly pertaining to the sales of medical equipment. The estimation of the provision for warranties is based on historical warranty data associated with similar products and services. The Group expects to settle most of the warranty liability within one to two years from the date of the sale of the products.

(16) Operating leases

The Group leases its investment properties. The Group has classified these leases as it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets to lessees. Please see Note (VI) (9) on investment properties.

The maturity analysis of the lease payments showing the undiscounted lease payments to be received after the reporting date is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Less than 1 year	\$ 5,760	5,760
1 to 2 years	5,760	5,760
2 to 3 years	5,280	5,760
3 to 4 years	<u>-</u>	<u>5,760</u>
Total undiscounted lease payments	<u>\$ 16,800</u>	<u>23,040</u>

The rental income generated by investment properties for both 2020 and 2019 amounted to NT\$5,772 thousand, respectively and was recognized under non-operating income and expenses.

(17) Employee benefits

1. Defined benefit plans

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

The reconciliation between the present value of the defined benefit obligations and net defined benefit liabilities (assets) for the defined benefit plans are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 5,218	5,528
Fair value of plan assets	<u>(1,676)</u>	<u>(1,585)</u>
Net defined benefit liabilities	<u>\$ 3,542</u>	<u>3,943</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 23,718	25,708
Fair value of plan assets	<u>(26,751)</u>	<u>(25,837)</u>
Pension plan assets (reported under other non-current assets)	<u>\$ (3,033)</u>	<u>(129)</u>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans entitle a retired employee to receive a payment based on years of service and the average salary for the six months prior to the employee's retirement.

(i) Composition of plan assets

The pension fund (the "Fund") contributed by the Group is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", with regard to the utilization of Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2020 and 2019, the Group's labor pension fund account balance at Bank of Taiwan amounted to \$28,427 thousand and \$27,422 thousand, respectively. Please refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets (including the asset portfolio and yield of the fund).

(ii) Movements in the present value of defined benefit obligations

	<u>2020</u>	<u>2019</u>
Defined benefit obligations at January 1	\$ 31,236	32,767
Current interest expense	310	389
Remeasurement on the net defined benefit liabilities (assets):		
— Actuarial losses (gains) arising from changes in financial assumptions	(1,451)	496
— Actuarial losses (gains) arising from experience adjustments	77	372
Benefits paid by the plan	<u>(1,236)</u>	<u>(2,788)</u>
Defined benefit obligations at December 31	<u>\$ 28,936</u>	<u>31,236</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(iii) Movements of the fair value of plan assets

	2020	2019
Fair value of plan assets at January 1	\$ 27,422	27,806
Interest income	276	316
Remeasurement on the net defined benefit liabilities (assets):		
— Return on plan assets (excluding interest income for the current period)	848	928
Contributions to the plan	1,117	1,160
Benefits paid by the plan	(1,236)	(2,788)
Fair value of plan assets at December 31	<u>\$ 28,427</u>	<u>27,422</u>

(iv) Expenses recognized in profit or loss

	2020	2019
Net interest expense on the net defined benefit liability	<u>\$ 34</u>	<u>73</u>
Operating costs	\$ 39	68
General and administrative expenses	(5)	5
	<u>\$ 34</u>	<u>73</u>

(v) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rates	0.625%	1.000%
Future salary rate increases	2.000%~3.000%	3.000%

The Group expects to contribute \$1,152 thousand to the defined benefit plans in the year following December 31, 2020. The weighted average duration of the defined benefit plans is ranged from 11.49 years to 13.41 years.

(vi) Sensitivity analysis

When calculating the present value of defined benefit obligations, the Group uses judgment and estimations to determine the actuarial assumptions for each measurement date, including the discount rates and future salary rate changes. Any changes in actuarial assumptions may significantly affect the defined benefit obligations of the Group.

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2020 and 2019:

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	Effect on the present value of defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2020		
Discount rates	(833)	864
Future salary change	834	(808)
December 31, 2019		
Discount rates	(971)	1,017
Future salary change	976	(942)

Each sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are interrelated. The method used to carry out the sensitivity analysis is consistent with the calculation of the net defined benefit liabilities recognized in the balance sheets. The method and assumptions for the sensitivity analysis are the same as the previous reporting period.

2. Defined contribution plans

The Company and its domestic subsidiaries contribute monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Foreign subsidiaries make contributions in compliance with their respective local regulations.

For the years ended December 31, 2020 and 2019, the Group recognized pension expenses of \$14,147 thousand and \$12,679 thousand, respectively, in relation to the defined contribution plans.

(18) Income tax

1. Income tax expense

	2020	2019
Current income tax expense		
Income tax expense for the current period	\$ 23,401	23,677
Adjustment to income tax expense for the previous periods	(77)	230
	<u>23,324</u>	<u>23,907</u>
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	(1,772)	(1,256)
	<u>\$ 21,552</u>	<u>22,651</u>

In 2020 and 2019, there was no income tax recognized directly in equity.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Income tax expense (gain) recognized directly in other comprehensive income:

	<u>2020</u>	<u>2019</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	<u>\$ 445</u>	<u>12</u>
Reconciliation of income tax expense and profit before tax was as follows:		
	<u>2020</u>	<u>2019</u>
Income before tax	<u>\$ 105,671</u>	<u>119,302</u>
Income tax using the Company's statutory tax rate	\$ 21,134	23,860
Effect of different tax rates in foreign jurisdictions	(263)	11
Change in unrecognized temporary differences and tax loss	(140)	(840)
Adjustment to income tax expense for prior-year	(77)	(506)
Others	898	126
	<u>\$ 21,552</u>	<u>22,651</u>

2. Deferred income tax assets and liabilities

(i) Unrecognized deferred income tax assets

As the Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries, and the Management believes that it is probable that the temporary differences will not be reversed in the foreseeable future, such temporary differences are not recognized as deferred income tax assets. In addition, certain subsidiaries determined that it is not probable that future taxable profits will be available against which the temporary differences and operating loss carryforwards can be utilized, these items were not recognized as deferred income tax assets:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	\$ 253	286
Tax losses	6,654	5,777
Aggregate taxable temporary differences associated with investments in overseas subsidiaries	<u>6,223</u>	<u>7,287</u>
	<u>\$ 13,130</u>	<u>13,350</u>

As of December 31, 2020, the tax effects of unused tax losses and the respective expiry years were as follows:

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

<u>Year incurring tax losses</u>	<u>Tax effects of tax losses</u>	<u>Year of expiry</u>
2014	\$ 6,418	2024
2015	10,475	2025
2016	5,438	2026
2017	6,445	2027
2020	4,496	2030
	<u>\$ 33,272</u>	

(ii) Recognized deferred income tax assets and liabilities

Changes in the amount in deferred income tax assets and liabilities were as follows:

Deferred income tax assets:

	Allowance for write- down inventory	Provision for warranties	Others	Total
January 1, 2020	\$ 3,268	2,128	3,682	9,078
Acquisition through business combination (Note (VI) (6))	-	-	226	226
Recognized in profit or loss	953	(68)	70	955
Recognized in other comprehensive income (loss)	-	-	(445)	(445)
December 31, 2020	<u>\$ 4,221</u>	<u>2,060</u>	<u>3,533</u>	<u>9,814</u>
January 1, 2019	\$ 2,742	2,158	4,279	9,179
Recognized in profit or loss	526	(30)	(584)	(88)
Recognized in other comprehensive income (loss)	-	-	(13)	(13)
December 31, 2019	<u>\$ 3,268</u>	<u>2,128</u>	<u>3,682</u>	<u>9,078</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Deferred income tax liabilities:

	Provision for land value increment tax	Intangible assets from acquisition through business combination	Others	Total
January 1, 2020	\$ 5,727	4,515	1	10,243
Acquisition through business combination (Note (VI) (6))	-	660	3	663
Recognized in profit or loss	-	(816)	(1)	(817)
December 31, 2020	\$ 5,727	4,359	3	10,089
January 1, 2019	\$ 5,727	5,124	736	11,587
Recognized in profit or loss	-	(609)	(735)	(1,344)
December 31, 2019	\$ 5,727	4,515	1	10,243

3. Income tax audit

The Company's income tax returns for the years through 2018 have been examined and approved by the R.O.C. income tax authorities.

(19) Capital and other equity

1. Common stock

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

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

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

2. Capital surplus

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

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

Pursuant to the Company Act, any realized capital surplus is initially used to cover the accumulated deficit. The balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", the distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

capital.

3. Retained earnings

(i) Legal reserve

In accordance with the Company Act, the Group shall appropriate 10% of its net profit after-tax as the legal reserve to the extent that the legal reserve is on par with the authorized capital. If the Group has no accumulated deficit, it may, pursuant to a resolution passed by the shareholders' meeting, distribute its legal reserve to shareholders by issuing new shares or distributing cash for the portion in excess of 25% of the paid-in capital.

(ii) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, when distributing distributable earnings, the Company shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to other net deductions from shareholders' equity for the current fiscal year; the Company shall set aside to special reserve, from the undistributed earnings from the previous period, an amount (not subject to distribution) equal to the other net deductions from shareholders' equity of the previous period. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

(iii) Earnings distribution

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 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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

dividends distributed to shareholders were as follows:

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

4. Other equity (net after tax)

Exchange differences on translation from foreign operations

	2020	2019
Beginning balance	\$ (3,309)	(1,926)
Foreign exchange differences arising from translation of foreign operations	(15)	(441)
Shares of foreign currency translation differences of associates and joint ventures	129	(942)
End balance	<u>\$ (3,195)</u>	<u>(3,309)</u>

5. Non-controlling interests (net after tax)

	2020	2019
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	22,068	21,244
Cash dividend	(19,666)	(10,967)
Cash capital reduction	-	(10,079)
Increase in non-controlling interests	5,107	-
	<u>\$ 63,114</u>	<u>55,605</u>

(20) Earnings per share (EPS)

1. Basic EPS

	2020	2019
Net income attributable to shareholders of the Company	<u>\$ 62,051</u>	<u>75,407</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>44,566</u>	<u>44,566</u>
Basic EPS (NT\$)	<u>\$ 1.39</u>	<u>1.69</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

2. Diluted EPS

	2020	2019
Net income attributable to shareholders of the Company	<u>\$ 62,051</u>	<u>75,407</u>
Weighted-average number of ordinary shares outstanding (basic) (in thousands)	44,566	44,566
Effect of dilutive potential common stock (in thousands)		
Effect of employee bonuses	<u>228</u>	<u>269</u>
Weighted-average number of ordinary shares outstanding (diluted) (in thousands)	<u>44,794</u>	<u>44,835</u>
Diluted EPS (NT\$)	<u>\$ 1.39</u>	<u>1.69</u>

(21) Revenue from contracts with customers

1. Disaggregation of revenue

	2020	2019
Primary geographical markets:		
Taiwan	\$ 858,153	717,302
Mainland China	390,001	467,645
India	44,341	55,931
Others	<u>108,355</u>	<u>139,411</u>
	<u>\$ 1,400,850</u>	<u>1,380,289</u>
Main products:		
Medical equipment	\$ 553,434	635,609
Medical services	406,420	405,032
Medical consumables	<u>440,996</u>	<u>339,648</u>
	<u>\$ 1,400,850</u>	<u>1,380,289</u>

2. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable (including related parties)	\$ 199,049	186,782	198,092
less: Loss allowance	<u>(2,503)</u>	<u>(2,380)</u>	<u>(1,686)</u>
	<u>\$ 196,546</u>	<u>184,402</u>	<u>196,406</u>
Contract liabilities (listed as other current liabilities)	<u>\$ 20,868</u>	<u>14,577</u>	<u>14,811</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 products transferred or service rendered, i.e. satisfying contractual obligations by the

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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\$14,229 thousand and NT\$13,128 thousand for the years ended December 31, 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 years ended December 31, 2020 and 2019 amounted to NT\$6,707 thousand and NT\$8,511 thousand respectively; and, the remuneration of Directors for the years ended December 31, 2020 and 2019 amounted to NT\$559 thousand and NT\$709 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.

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

	2020	2019
Interest income from bank deposits	<u>\$ 802</u>	<u>1,223</u>

2. Other income

	2020	2019
Rental income	\$ 9,358	7,875
Others	<u>1,042</u>	<u>859</u>
	<u>\$ 10,400</u>	<u>8,734</u>

3. Other gains and losses

	2020	2019
Gains on disposal of property, plant and equipment, net	\$ 69	2,119
Foreign currency exchange (losses) gains	(3,517)	(235)
Gains on lease modification	<u>572</u>	<u>57</u>
	<u>\$ (2,876)</u>	<u>1,941</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

4. Financing costs

	<u>2020</u>	<u>2019</u>
Interest expense of bank loans	\$ 2,467	2,930
Financial expense of lease liabilities	1,550	1,286
	<u>\$ 4,017</u>	<u>4,216</u>

(24) Financial instruments

1. Categories of financial instruments

(i) Financial assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets measured at amortized cost:		
Cash and cash equivalents	\$ 255,055	242,626
Notes and accounts receivable and other receivables (including related parties)	198,233	189,984
Other financial assets-current	88,431	53,270
Other non-current assets - refundable deposits	15,443	14,093
	<u>\$ 557,162</u>	<u>499,973</u>

(ii) Financial liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial liabilities measured at amortized cost:		
Short-term loans	\$ 80,234	47,720
Notes and accounts payable and other payables (including related parties)	305,943	193,550
Lease liabilities (current and non-current)	83,075	99,243
Long-term loans (including current portion)	140,000	93,750
Guarantee deposit received	6,684	4,102
	<u>\$ 615,936</u>	<u>438,365</u>

(iii) Fair value of financial instruments

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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

(25) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Group has disclosed the information on exposure of the aforementioned risks and the Group's policies and procedures to measure and manage those risks as well as the quantitative information below.

The Board of Directors is responsible for developing and monitoring the Group's risk management policies, which are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Management monitors and reviews the Group's financial activities in accordance with procedures stipulated by the relevant regulations and internal control system. The internal auditors undertake both regular and ad hoc reviews of the risk management controls and procedures, in which the results are reported to the Board of Directors.

1. Credit risk

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

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

The Group has established credit policy and determined the credit limit of each customer according to its financial status in pursuant to the policy. As of December 31, 2020 and 2019, 25% and 36% 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 (for how the Group comes to a conclusion of low risk, please see Note (IV) (7)). The balances as at December 31, 2020 and 2019 amounted to NT\$90,118 thousand and NT\$58,852 thousand, respectively. After evaluation, no expected credit loss was incurred.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

2. 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 December 31, 2020 and 2019, the unused credit facilities of the Group amounted to NT\$1,727,121 thousand and NT\$1,658,642 thousand respectively.

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

	Contractual Cash flows	Within 6 months	6-12 months	1-2 years	More than 2 years
December 31, 2020					
Non-derivative financial liabilities:					
Short-term loans	\$ 80,234	80,234	-	-	-
Long-term loans	143,604	2,024	3,260	76,121	62,199
Accounts payable and other payables (including related parties)	305,943	305,943	-	-	-
Guarantee deposit received	6,684	150	-	-	6,543
Lease liabilities	85,607	16,338	14,961	23,334	30,974
	\$ 622,072	404,689	18,221	99,455	99,707
December 31, 2019					
Non-derivative financial liabilities:					
Short-term loans	\$ 47,720	47,720	-	-	-
Long-term loans	95,365	1,465	31,427	62,055	418
Accounts payable and other payables (including related parties)	193,550	193,550	-	-	-
Guarantee deposit received	4,102	10	-	-	4,092
Lease liabilities	102,318	16,036	15,694	28,406	42,182
	\$ 443,055	258,781	47,121	90,461	46,692

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

3. Market risk

Market risk is the risk that arises from changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable perimeters while optimizing the return.

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk in sales, purchases and borrowing transactions that are dominated in a currency other than the respective functional currencies of the Group entities.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

A. Exposure of foreign exchange risk

At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Company entities were as follows (including the monetary items that have been eliminated in the accompanying Consolidated Financial Statements):

	December 31, 2019			December 31, 2019			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>							
<u>Monetary Items</u>							
USD	\$	3,589	28.35	101,748	3,705	30.11	111,558
<u>Financial liabilities</u>							
<u>Monetary Items</u>							
USD		2,800	28.35	79,380	2,294	30.11	69,072

B. Sensitivity analysis

The Group's exposure to foreign exchange risk arises from cash and cash equivalents, accounts receivable/payable (including related-party transactions), other receivables/payables (including related-party transactions), and bank loans in foreign currencies. As of December 31, 2020 and 2019, if NTD depreciated/appreciated 1% against USD, all variables remained unchanged. The net profit before tax for January 1 to December 31, 2020 and 2019 would increase/decrease NT\$224 thousand and NT\$425 thousand respectively. Both periods adopted the same basis for analysis.

The gains and losses on foreign exchange of monetary items (including realized and unrealized ones) to the functional currency of the Group and the parent company (NTD) are as follows:

	2020		2019	
	Foreign exchange gains (loss)	Average forex rate	Foreign exchange gains (loss)	Average forex rate
NTD	\$ (3,310)	-	(142)	-
RMB	(48)	4.3648	(21)	4.3285

(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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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 years ended December 31, 2020 and 2019 would decrease/increase NT\$2,202 thousand and NT\$1,415 thousand respectively.

(26) Capital management

Considering the industry dynamics and future developments of the Group, as well as external environmental factors, the Group maintains optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(27) Changes in liabilities from financing activities

1. For the acquisition of right-of-use assets through leases, please see Note (VI) (8).
2. Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2020	Cash flows	Non-cash changes		December 31, 2020
			Addition of lease liabilities	Acquisition through business combination	
Short-term loans	\$ 47,720	27,759	-	4,755	80,234
Long-term loans	93,750	46,250	-	-	140,000
Lease liabilities	99,243	(31,752)	12,906	2,678	83,075
Guarantee deposit received	4,102	2,582	-	-	6,684
Liabilities from financing activities	<u>\$ 244,815</u>	<u>44,839</u>	<u>12,906</u>	<u>7,433</u>	<u>309,993</u>

	January 1, 2019	Cash flows	Non-cash changes		December 31, 2019
Short-term loans	\$ 54,429	(6,709)	-		47,720
Long-term loans	200,000	(106,250)	-		93,750
Lease liabilities	49,052	(27,238)		77,429	99,243
Guarantee deposit received	3,195	907	-		4,102
Liabilities from financing activities	<u>\$ 306,676</u>	<u>(139,290)</u>		<u>77,429</u>	<u>244,815</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(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 54.96% stake in ordinary shares outstanding. Qisda Corporation is the ultimate controlling company of the Company and its consolidated financial statements are made available to the public.

(2) Related party name and categories

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

Name of related party	Relationship with the Group
Qisda Corporation (Qisda)	Ultimate controlling company of the Group
BenQ 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
Partner Tech Corp.	Subsidiary 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	Subsidiary of Qisda
Interactive Digital Technologies Inc.	Subsidiary of Qisda
Hitron Technologies Inc.	Subsidiary of Qisda
Aewin Technologies Co., Ltd	Subsidiary of Qisda
Alpha Networks Inc.	Subsidiary of Qisda
Simula Technology Inc.	Subsidiary of Qisda
Zowie Gear Corporation	Subsidiary of Qisda
Topview Optronics Corporation	Subsidiary of Qisda
Sysage Technology Co., Ltd.	Subsidiary of Qisda

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

<u>Name of related party</u>	<u>Relationship with the Group</u>
BenQ ESCO Corporation	Subsidiary of Qisda
DFI Inc.	Subsidiary of Qisda
AU Optronics Corporation	Associates of Qisda
Darfon Electronics Corporation	Associates of Qisda
Kenstone Metal Co., Ltd.	Associates of Qisda
La Fresh information Co., Ltd	Associates of Qisda
Q.S.Control Corporation	Associates of Qisda
BenQ Foundation	Substantive related party of Qisda

(3) Related-party transactions

1. Operating revenues

The sales to related parties were as follows:

	<u>2020</u>	<u>2019</u>
Ultimate controlling company	\$ 1,247	166
Joint venture	10,969	8,830
Other related parties	23,007	996
	<u>\$ 35,223</u>	<u>9,992</u>

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 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:

	<u>2020</u>	<u>2019</u>
Ultimate controlling company	\$ 25,775	18,676
Joint venture	6,411	11,843
Other related parties	13,842	6,559
	<u>\$ 46,028</u>	<u>37,078</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 years ended December 31, 2020 and 2019, the interest expense

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

recognized amounted to NT\$565 thousand and NT\$362 thousand respectively. As of December 31, 2020 and 2019, the balances of lease liabilities amounted to NT\$31,733 thousand, NT\$29,677 thousand, and NT\$40,718 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 years ended December 31, 2020 and 2019, the rental expense amounted to NT\$1,454 thousand and NT\$1,290 thousand respectively. On December 31, 2020 and 2019, the related payables were classified under other payables.

4. Acquisition and disposal of property, plant and equipment

For the years ended December 31, 2020, the Group purchased fixed assets from other related parties which amounted to NT\$1,050 thousand. As of December 31, 2020, the related payables were fully settled.

For the years ended December 31, 2020, the Group sold fixed assets to Qisda Corp. which amounted to NT\$2,100 thousand. As of December 31, 2020, the related receivable was classified under other receivables.

5. Others

(i) The service rendered to the Group by the ultimate controlling company, the parent company and other related parties for the years ended December 31, 2020 and 2019 amounted to NT\$1,657 thousand and NT\$3,009 thousand respectively. As of December 31, 2020 and 2019, the related payables were classified under other payables.

(ii) For 2020 and 2019, the donations that the Group made to other related parties amounted to NT\$1,200 thousand for both years and were recognized as general and administrative expenses.

(iii) 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:

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

<u>Account</u>	<u>Related-party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable-Related	Ultimate controlling company	\$ 60	-
Accounts receivable-Related	Joint venture	2,719	2,570
Accounts receivable-Related	Other related parties	581	347
Other receivables-Related	Ultimate controlling company	-	3,094
Other receivables-Related	Other related parties	<u>50</u>	<u>50</u>
		<u>\$ 3,410</u>	<u>6,061</u>

7. Payables to related parties

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

<u>Account</u>	<u>Related-party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable-Related	Ultimate controlling company	\$ 2,341	1,907
Accounts payable-Related	Joint venture	2,242	4,466
Accounts payable-Related	Other related parties	4,821	3,424
Other payables-Related	Ultimate controlling company	1,496	1,467
Other payables-Related	Parent company	-	189
Other payables-Related	Other related parties	534	1,317
Lease liabilities - current	Ultimate controlling company	8,309	8,795
Lease liabilities - non-current	Ultimate controlling company	<u>21,368</u>	<u>31,923</u>
		<u>\$ 41,111</u>	<u>53,488</u>

(4) Transaction with key management personnel

Compensation for key management personnel:

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	2020	2019
Short-term employee benefits	\$ 10,384	10,139
Post-employment benefits	81	108
	<u>\$ 10,465</u>	<u>10,247</u>

(VIII) Pledged Assets

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

Pledged Assets	Pledged to secure	December 31, 2020	December 31, 2019
Other financial assets-current	Performance bond	80	80
Land and buildings	Credit lines of bank loans	563,440	566,497
		<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	2020			2019		
	Costs of revenue	Operating expenses	Total	Cost of sales	Cost of expenses	Total
Employee benefits						
Salaries	108,207	216,271	324,478	97,883	208,849	306,732
Insurance	10,110	17,561	27,671	8,892	15,510	24,402
Pension	4,447	9,734	14,181	4,148	8,604	12,752
Remuneration to Directors	7,349	6,801	14,150	6,103	5,126	11,229
Other employee benefits	35,750	37,513	73,263	31,820	31,611	63,431
Depreciation	1,280	11,046	12,326	767	10,625	11,392
Amortization	108,207	216,271	324,478	97,883	208,849	306,732

(XIII) Additional Disclosures

(1) Information on significant transactions

For the years ended December 31, 2020, according to the Preparation Regulations, the information on significant transactions is as follows:

1. Financing provided to other parties: None.
2. Guarantees and endorsements provided to other parties: None.
3. Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and joint ventures): None.
4. Marketable securities for which the accumulated purchase or sale amounts for the year

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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 years ended December 31, 2020, the information on investees is as follows (excluding investments in Mainland China):

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

Investor	Investee	Location	Main Business Activities	Original investment Amount		Balance as of December 31, 2020			Highest shareholding percentage during the period		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Amount	Shares	Percentage of Ownership			
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%	25,052	1,995	99.75%	100	100	(Note)
The Company	Highview Investments Limited	Samoan Islands	Investment and holding company	36,211	36,211	1,062	100.00%	9,333	1,062	100.00%	1,610	1,610	(Note)
The Company	Lily Medical Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	185,000	185,000	10,000	100.00%	235,870	10,000	100.00%	11,274	10,302	(Note)
The Company	BenQ AB DentCare Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	88,000	88,000	8,800	88.00%	55,587	8,800	88.00%	(4,523)	(4,699)	(Note)
The Company	BenQ Hearing Solution Corp.	Taiwan	Wholesaling and retailing of medical consumables and equipment	100,000	100,000	10,000	100.00%	132,212	10,000	100.00%	28,433	28,433	(Note)
The Company	Eastech Co., Ltd	Taiwan	Wholesaling and retailing of medical consumables and equipment	20,300	-	700	70.00%	23,493	700	70.00%	4,303	3,199	(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%	80,995	1,092	52.00%	47,223	23,010	(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:

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(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 December 31, 2020	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment Outflow	Highest shareholding percentage during the period		Investment income (loss)	Carrying value as of December 31, 2020 (Note (II) and (III))	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow				Shares	Shareholding Percentage			
BenQ Medical Technology (Shanghai) Ltd.	Agency of international and entropot trade business	28,350 (USD 1,000 thousand)	(1)	28,350 (USD 1,000 thousand)	-	-	28,350 (USD 1,000 thousand)	1,637	100.00 %	(Note (IV))	100%	1,637	10,828	-
LILY Medical (Suzhou) Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	5,954 (USD 210 thousand)	(2)	5,954 (USD 210 thousand)	-	-	5,954 (USD 210 thousand)	(438)	100.00 %	(Note (IV))	100%	(438)	2,784	-
TDX Medical Technology (Jiangsu) Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	86,432 (RMB 20,000 thousand)	(2)	34,573 (RMB 8,000 thousand)	-	-	34,573 (RMB 8,000 thousand)	10,378	40.00 %	(Note (IV))	40%	4,151	29,955	-

(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 = 1:28.35 and RMB: NTD = 1:4.3216

(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.

2. Limits on investments in Mainland China:

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

	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	62,923 (USD1,000 and RMB8,000)	80,145 (USD2,827)	632,405
LILY	5,954 (USD210)	5,954 (USD210)	106,277

3. Significant transactions with investee companies in Mainland China:

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

(4) Information on Major Shareholders:

(Express in shares)

Shareholder's Name	Share	Number of shares held	Shareholding Percentage
BenQ Corporation		19,353,427	43.43%
Darly 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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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:

(Expressed in Thousands of New Taiwan Dollars)

	2020			
	R&D and Manufacturing Divisions	Retail Division	Adjustment and Elimination	Total
External revenue	\$ 1,087,765	313,085	-	1,400,850
Intra-group revenue	-	-	-	-
Total segment revenue	<u>\$ 1,087,765</u>	<u>313,085</u>	<u>-</u>	<u>1,400,850</u>
Segment profit (loss)	<u>\$ 42,542</u>	<u>44,250</u>	<u>(2,673)</u>	<u>84,119</u>

	2019			
	R&D and Manufacturing Divisions	Retail Division	Adjustment and Elimination	Total
External revenue	\$ 1,080,265	300,024	-	1,380,289
Intra-group revenue	-	-	-	-
Total segment revenue	<u>\$ 1,080,265</u>	<u>300,024</u>	<u>-</u>	<u>1,380,289</u>
Segment profit (loss)	<u>\$ 54,988</u>	<u>43,040</u>	<u>(1,377)</u>	<u>96,651</u>

(2) Information on major products and services

The revenue generated from external customers is as follows:

<u>Major products and services</u>	2020	2019
Medical equipment	\$ 553,434	635,609
Medical services	406,420	405,032
Medical consumables	440,996	339,648
	<u>\$ 1,400,850</u>	<u>1,380,289</u>

(3) Geographic information

In presenting information on the basis of geography, segment revenue is based on the

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

geographical location of customers, and non-current assets are based on the geographical location of the assets.

Region	2020	2019
Revenue from external customers:		
Taiwan	\$ 858,153	717,302
Mainland China	390,001	467,645
India	44,341	55,931
Others	108,355	139,411
	\$ 1,400,850	1,380,289
Non-current assets:		
Taiwan	\$ 959,278	950,803
Mainland China	738	2,356
	\$ 960,016	953,159

The aforementioned non-current assets include property, plant and equipment, investment property, intangible assets, right-of-use assets and other assets. It does not include financial instruments, deferred income tax assets, and other non-current assets.

(4) Information on major customer

	2020	2019
Consolidated revenue of the Group generating from Customer A	\$ 141,369	158,815