

**BENQ MEDICAL TECHNOLOGY CORP.
AND SUBSIDIARIES**

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

For the Three Months Ended March 31, 2021 and 2020

Company: 7F, No. 46, Zhouzi St., Neihu Dist., Taipei 11493, Taiwan
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The independent auditors' review report and the accompanying financial statements are the English translation of Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

The Board of Directors of BenQ Medical Technology Corp.

Foreword

We have reviewed the consolidated balance sheets as of March 31, 2021 and 2020, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three months ended March 31, 2021 and 2020, as well as notes to consolidated financial statements (including summary of significant accounting policies) of BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES. The Management is responsible for preparing the consolidated financial statements with fair representation in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standards ("IAS") 34, "Interim Financial Reporting" as endorsed by Financial Supervisory Commission of the Republic of China ("FSC"). Our responsibility is to express a conclusion based on our review of the consolidated financial statements.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that the consolidated financial statements are in any incompliance of "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standards ("IAS") 34, "Interim Financial Reporting" as endorsed by Financial Supervisory Commission of the Republic of China ("FSC"), such that the consolidated financial position of BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES as of March 31, 2021 and 2020, and the consolidated financial performance and the consolidated cash flows for the three months ended March 31, 2021 and 2020 do not present fairly.

The engagement partners on the review resulting in this independent auditors' review report are Tang, Tzu-Chieh and Shin, Wei-Ming.

KPMG

Taipei, Taiwan (Republic of China)

April 22, 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)

March 31, 2021 and 2020. Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.
BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

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

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2021		December 31, 2020		March 31, 2020			Liabilities and Equity	March 31, 2021		December 31, 2020		March 31, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:									Current liabilities:						
1100	Cash and cash equivalents (Note VI(1))	\$ 227,538	13	255,055	14	229,412	13	2100	Short-term loans (Note VI(12))	\$ 82,251	5	80,234	4	59,397	3
1150-1170	Notes and accounts receivable (Note VI(3) and (21))	163,879	9	193,186	11	170,643	10	2150-2170	Notes and accounts payable	126,452	7	136,336	8	120,963	7
1181	Accounts receivable - related parties (Note VI(3)(21) and VII)	21,235	1	3,360	-	9,479	1	2181	Accounts payable - related parties (Note VII)	10,314	1	9,404	-	8,971	1
1200	Other receivables	1,294	-	1,637	-	3,169	-	2200	Other payables (Note VI(22))	116,310	7	158,173	9	108,765	6
1212	Other receivables - related parties (Note VII)	114	-	50	-	2,443	-	2220	Other payables - related parties (Note VII)	2,816	-	2,030	-	2,317	-
130x	Inventories (Note VI(4))	209,687	12	204,563	11	186,303	11	2230	Current income tax liabilities	14,794	1	11,474	1	17,589	1
1410-1470	Prepayments and other current assets(Note VII)	38,261	2	30,378	2	32,919	2	2250	Provision-current (Note VI(15))	7,950	-	10,301	1	10,528	1
1476	Other financial assets-current (Note VI(2) and VIII)	92,789	6	88,431	5	45,134	3	2280	Lease liabilities-current (Note VI(14) and VII)	31,378	2	30,018	2	31,376	2
Total current assets		<u>754,797</u>	<u>43</u>	<u>776,660</u>	<u>43</u>	<u>679,502</u>	<u>40</u>	2300	Other current liabilities (Note VI(21))	24,792	1	26,456	1	16,348	1
Non-current assets:								2322	Long-term loans due within a year (Note VI(13) and VIII)	34,972	2	3,724	-	5,000	-
1550	Investments accounted for using equity method (Note VI(5))	29,893	2	29,955	2	24,562	1	Total current liabilities		<u>452,029</u>	<u>26</u>	<u>468,150</u>	<u>26</u>	<u>381,254</u>	<u>22</u>
1600	Property, plant and equipment (Note VI(7), VII, and VIII)	720,174	40	713,121	40	699,386	41	Non-current liabilities:							
1755	Right-of-use assets (Note VI(8) and VII)	85,550	5	81,954	5	102,424	6	2540	Long-term loans (Note VI(13) and VIII)	125,028	7	136,276	8	108,333	6
1760	Investment properties - net (Note VI(9) and VIII)	48,803	3	49,195	3	50,379	3	2570	Deferred income tax liabilities	9,881	1	10,089	1	10,716	1
1780	Intangible assets (Note VI(10))	92,361	5	95,381	5	101,349	6	2640	Net defined benefit liabilities - non-current	3,335	-	3,542	-	3,769	-
1840	Deferred income tax assets	9,814	-	9,814	-	9,304	1	2580	Lease liabilities-non-current (Note VI(14) and VII)	55,192	3	53,057	3	72,088	5
1900	Other non-current assets (Note VI(11))	33,844	2	38,840	2	33,410	2	2645	Guarantee deposit received	5,141	-	6,684	-	4,232	-
Total non-current assets		<u>1,020,439</u>	<u>57</u>	<u>1,018,260</u>	<u>57</u>	<u>1,020,814</u>	<u>60</u>	Total non-current liabilities		<u>198,577</u>	<u>11</u>	<u>209,648</u>	<u>12</u>	<u>199,138</u>	<u>12</u>
								Total liabilities		<u>650,606</u>	<u>37</u>	<u>677,798</u>	<u>38</u>	<u>580,392</u>	<u>34</u>
								Equity attributable to shareholders of the Company							
								(Note VI(19))							
								3110	Common stock	445,660	25	445,660	25	445,660	26
								3200	Capital surplus	297,921	17	297,921	17	297,921	17
								3300	Retained earnings	318,501	18	313,622	17	317,827	19
								3400	Other equity	(3,050)	-	(3,195)	-	(3,757)	-
								Total equity attributable to shareholders of the Company		<u>1,059,032</u>	<u>60</u>	<u>1,054,008</u>	<u>59</u>	<u>1,057,651</u>	<u>62</u>
								Non-controlling interests		<u>65,598</u>	<u>3</u>	<u>63,114</u>	<u>3</u>	<u>62,273</u>	<u>4</u>
								Total equity interest		<u>1,124,630</u>	<u>63</u>	<u>1,117,122</u>	<u>62</u>	<u>1,119,924</u>	<u>66</u>
Total assets		<u>\$ 1,775,236</u>	<u>100</u>	<u>1,794,920</u>	<u>100</u>	<u>1,700,316</u>	<u>100</u>	Total Liabilities and equity		<u>\$ 1,775,236</u>	<u>100</u>	<u>1,794,920</u>	<u>100</u>	<u>1,700,316</u>	<u>100</u>

(Please see notes to consolidated financial statements)

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

Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

		January to March 2021		January to March 2020	
		Amount	%	Amount	%
4000	Operating revenues (Note VI (21), VII, and XIV)	\$ 331,567	100	300,547	100
5000	Costs of revenue (Note VI (4)(7)(8)(10)(14)(17)(22), VII and XII)	<u>(211,189)</u>	<u>(64)</u>	<u>(185,302)</u>	<u>(62)</u>
	Gross profit	<u>120,378</u>	<u>36</u>	<u>115,245</u>	<u>38</u>
	Operating expenses (Note VI (3)(7)(8)(9)(10)(14)(15)(17)(22), VII and XII):				
6100	Selling expenses	(71,247)	(22)	(61,303)	(20)
6200	General and administrative expenses	(30,157)	(9)	(32,094)	(11)
6300	Research and development expenses	<u>(11,420)</u>	<u>(3)</u>	<u>(10,456)</u>	<u>(3)</u>
	Total operating expenses	<u>(112,824)</u>	<u>(34)</u>	<u>(103,853)</u>	<u>(34)</u>
	Operating income	<u>7,554</u>	<u>2</u>	<u>11,392</u>	<u>4</u>
	Non-operating income and loss (Note VI(5)(14)(23) and VII):				
7100	Interest income	221	-	248	-
7010	Other income	3,679	1	1,874	-
7020	Other gains and losses	81	-	730	-
7050	Financing costs	(899)	-	(1,052)	-
7375	Share of losses of joint ventures accounted for using equity method	<u>(161)</u>	<u>-</u>	<u>(813)</u>	<u>-</u>
	Total non-operating income and loss	<u>2,921</u>	<u>1</u>	<u>987</u>	<u>-</u>
	Income before income tax	10,475	3	12,379	4
7950	less: Income tax expenses (Note VI(18))	<u>(3,112)</u>	<u>(1)</u>	<u>(2,949)</u>	<u>(1)</u>
	Net income	<u>7,363</u>	<u>2</u>	<u>9,430</u>	<u>3</u>
	Other comprehensive income (Note VI (5)(19)):				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	46	-	(148)	-
8370	Share of other comprehensive income of joint ventures accounted for using equity method	99	-	(300)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>145</u>	<u>-</u>	<u>(448)</u>	<u>-</u>
	Other comprehensive income for the period	<u>145</u>	<u>-</u>	<u>(448)</u>	<u>-</u>
	Total comprehensive income for the period	<u><u>\$ 7,508</u></u>	<u><u>2</u></u>	<u><u>8,982</u></u>	<u><u>3</u></u>
	Net Income attributable to:				
8610	Owners of the parent	\$ 4,879	1	7,869	3
8620	Non-controlling interests	<u>2,484</u>	<u>1</u>	<u>1,561</u>	<u>-</u>
		<u><u>\$ 7,363</u></u>	<u><u>2</u></u>	<u><u>9,430</u></u>	<u><u>3</u></u>
	Comprehensive income (loss) attributable to:				
8710	Owners of the parent	\$ 5,024	1	7,421	3
8720	Non-controlling interests	<u>2,484</u>	<u>1</u>	<u>1,561</u>	<u>-</u>
		<u><u>\$ 7,508</u></u>	<u><u>2</u></u>	<u><u>8,982</u></u>	<u><u>3</u></u>
	Earnings per share (in New Taiwan dollars, Note VI (20))				
9750	Basic earnings per share	<u><u>\$ 0.11</u></u>		<u><u>0.18</u></u>	
9850	Diluted earnings per share	<u><u>\$ 0.11</u></u>		<u><u>0.18</u></u>	

(Please see notes to consolidated financial statements)

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

Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the Company						Other equity Financial statement translation differences attributable to of foreign operations	Total equity attributed to shareholders of the Company	Non-controlling interest	Total equity
	Common stock	Capital surplus	Legal reserve	Retained earnings Special reserve	Unappropriated earnings	Subtotal				
Balance as of January 1, 2020	\$ 445,660	297,921	88,432	1,925	219,601	309,958	(3,309)	1,050,230	55,605	1,105,835
Net income	-	-	-	-	7,869	7,869	-	7,869	1,561	9,430
Other comprehensive income for the period	-	-	-	-	-	-	(448)	(448)	-	(448)
Total comprehensive income for the period	-	-	-	-	7,869	7,869	(448)	7,421	1,561	8,982
Increase in non-controlling interests	-	-	-	-	-	-	-	-	5,107	5,107
Balance as of March 31, 2020	\$ 445,660	297,921	88,432	1,925	227,470	317,827	(3,757)	1,057,651	62,273	1,119,924
Balance as of January 1, 2021	\$ 445,660	297,921	95,973	3,309	214,340	313,622	(3,195)	1,054,008	63,114	1,117,122
Net income	-	-	-	-	4,879	4,879	-	4,879	2,484	7,363
Other comprehensive income for the period	-	-	-	-	-	-	145	145	-	145
Total comprehensive income for the period	-	-	-	-	4,879	4,879	145	5,024	2,484	7,508
Balance as of March 31, 2021	\$ 445,660	297,921	95,973	3,309	219,219	318,501	(3,050)	1,059,032	65,598	1,124,630

(Please see notes to consolidated financial statements)

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

Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	January to March 2021	January to March 2020
Cash flows from operating activities:		
Income before income tax	\$ 10,475	12,379
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	21,338	17,381
Amortization	3,276	2,848
Interest expense	899	1,052
Interest income	(221)	(248)
Share of losses of joint ventures accounted for using equity method	161	813
Gains on lease modification	(207)	(9)
Total adjustments to reconcile profit (loss)	25,246	21,837
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	29,307	16,266
Accounts receivable - related parties	(17,875)	(6,562)
Other receivables	350	(752)
Other receivables - related parties	(64)	701
Inventories	(5,124)	(7,538)
Prepayments and other current assets	(7,883)	(4,130)
Total changes in operating assets	(1,289)	(2,015)
Changes in operating liabilities:		
Notes and accounts payable	(9,884)	(10,093)
Accounts payable - related parties	910	(826)
Other payables	(38,739)	(37,773)
Other payables - related parties	786	(656)
Provisions for liabilities	(2,351)	(113)
Other current liabilities	(1,664)	(3,019)
Net defined benefit liabilities	(207)	(174)
Total changes in operating liabilities	(51,149)	(52,654)
Total changes in operating assets and liabilities	(52,438)	(54,669)
Total adjustments	(27,192)	(32,832)
Cash used in operations	(16,717)	(20,453)
Interest received	214	269
Interest paid	(889)	(1,034)
Income tax refunded	-	768
Net cash used in operating activities	(17,392)	(20,450)

(Please see notes to consolidated financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
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BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

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

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	January to March 2021	January to March 2020
Cash flows from investing activities:		
Net cash used in from merger and acquisition of subsidiaries	\$ -	(10,219)
Acquisition of property, plant and equipment	(13,691)	(666)
Decrease (Increase) in refundable deposits	(1,536)	757
Acquisition of intangible assets	(256)	(910)
Decrease (Increase) in other financial assets	(4,358)	8,136
Increase in other non-current assets	(2,249)	(8,564)
Net cash used in investing activities	<u>(22,090)</u>	<u>(11,466)</u>
Cash flows from financing activities:		
Increase in short-term loans	2,017	6,922
Increase in long-term loans	90,000	20,000
Repayments of long-term loans	(70,000)	(417)
Increase (Decrease) in guarantee deposit received	(1,543)	130
Payment of lease liabilities	(8,550)	(7,808)
Net cash provided by financing activities	<u>11,924</u>	<u>18,827</u>
Effect of changes in exchange rates	41	(125)
Net decrease in cash and cash equivalents	(27,517)	(13,214)
Cash and cash equivalents at beginning of period	<u>255,055</u>	<u>242,626</u>
Cash and cash equivalents at end of period	<u>\$ 227,538</u>	<u>229,412</u>

(Please see notes to consolidated financial statements)

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

Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2021 and 2020

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

(I) History and Organization

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

(II) Authorization of the Consolidated Financial Statements

These consolidated financial statements were approved by the Board of Directors on April 22, 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”)

From January 1, 2021, the Group shall adopt below amendments of International Financial Reporting Standards (IFRSs). And, there is no significant impact on the consolidated financial statements caused by adoption of the IFRSs.

- Amendment to IFRS 4, “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 36, “Interest Rate Benchmark Reform—Phase 2”

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

The following new standards, amendments and interpretations issued by International Accounting Standard Board that have yet endorsed by FSC, which may be relevant to the Group:

New Standards, Amendments, or Interpretations	Content of Amendment	Effective Date by International Accounting Standard Board
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt or other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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

The Group expects the following new standards, amendments and interpretations that have yet to be endorsed by FSC 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”
- IFRS 17 “Insurance Contract” and Amendment to IFRS 17
- Amendments to IAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Amendments to IFRS 16, “One-year extension of Covid-19-Related Rent Concessions beyond 30 June 2021”
- Annual improvements to IFRS standards 2018~2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1, “Disclosure of Accounting Policies”
- Amendments to IAS 8, “Definition of Accounting Estimates”

(IV) Summary of Significant Accounting Policies

(1) Statement of compliance

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

Except for the following, the significant accounting policies of these consolidated financial statements are identical to the consolidated financial statements for 2020. For more information, please see Note IV to consolidated financial statements for 2020.

(2) Basis of consolidation

The basis of consolidation of these consolidated financial statements are identical to the consolidated financial statements for 2020. For more information, please see Note IV (3) to consolidated financial statements for 2020.

1. Subsidiaries included in the consolidated financial statements

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Subsidiaries included in these consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		
			March 31, 2021	December 31, 2020	March 31, 2020
The Company	Asiacconnect International Co., Ltd. ("Asiacconnect")	Wholesaling and retailing of medical consumables and equipment and information software	99.75%	99.75%	99.75%
The Company	Highview Investments Limited ("Highview")	Investment and holding company	100.00%	100.00%	100.00%
The Company	LILY Medical Corporation ("LILY")	Wholesaling and retailing of medical consumables and equipment	100.00%	100.00%	100.00%
The Company	BenQ AB DentCare Corporation ("BABD")	Wholesaling and retailing of medical consumables and equipment	88.00%	88.00%	88.00%
The Company	BenQ Healthcare Corp. ("BHS")	Wholesaling and retailing of medical consumables and equipment	100.00%	100.00%	100.00%
The Company	Eastech Co., Ltd. ("Eastech")	Wholesaling and retailing of medical consumables and equipment	70.00%	- %	- %
LILY	LILY Medical (Suzhou) Co., Ltd. ("ALS")	Wholesaling and retailing of medical consumables and equipment	100.00%	100.00%	100.00%
Highview	BenQ Medical Technology (Shanghai) Ltd. ("BMTS")	Agency of international and entrepot trade business	100.00%	100.00%	100.00%
BHS	New Best Hearing International Trade Co., Ltd. ("NBHIT")	Wholesaling and retailing of medical consumables and equipment	52.00%	52.00%	52.00%

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

(3) Employee benefits

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

(4) Income tax

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

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

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

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

In pursuant to the Preparation Regulations and the IAS 34, "Interim Financial Reporting"

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Notes to Consolidated Financial Statements (continued)

as endorsed by FSC, when preparing for these consolidated financial statements, the Management are required to make judgment, estimates and assumptions, which will impact the adoption of accounting policies and the reporting of assets, liabilities, income, and expenses. The actual amount might differ from the estimated amount.

For the preparation of the consolidated financial statements, the Management makes critical accounting judgments, estimates and assumptions on uncertainty using the accounting policies of the Group, consistent with Notes V of the consolidated financial statements for 2020.

(VI) Details of Significant Accounts

Except for the following, the details of significant accounts of these consolidated financial statements does not differ with the consolidated financial statements for 2020. For more information, please see Note VI to the consolidated financial statements for 2020.

(1) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash on hand and revolving funds \$	1,202	976	1,184
Demand deposits and checking accounts	161,218	195,929	155,863
Time deposits	65,118	58,150	72,365
	<u>\$ 227,538</u>	<u>255,055</u>	<u>229,412</u>

(2) Other financial assets-current

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Restricted deposit \$	299	-	-
Domestic certificate of deposits with original maturities less than three months	92,490	88,431	45,134
	<u>\$ 92,789</u>	<u>88,431</u>	<u>45,134</u>

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Notes receivable \$	11,932	10,978	7,811
Accounts receivable	155,680	184,711	164,829
Less : Loss allowance	(3,733)	(2,503)	(1,997)
	163,879	193,186	170,643
Accounts receivable-related parties	21,235	3,360	9,479
	<u>\$ 185,114</u>	<u>196,546</u>	<u>180,122</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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

	March 31, 2021		
	Gross carrying amount of notes and accounts receivable	Weighted average loss rate	Loss allowance for expected credit losses
Current	\$ 144,762	0.27%	387
Past due 0 - 90 days	14,903	1.16%	173
Past due 91 - 180 days	2,014	19.27%	388
Past due 181 - 270 days	1,200	15.25%	183
Past due 271 - 365 days	4,228	49.60%	2,097
Past due over 365 days	505	100.00%	505
	<u>\$ 167,612</u>		<u>3,733</u>

	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 0 - 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 271 - 365 days	-	-	-
Past due over 365 days	502	100.00%	502
	<u>\$ 195,689</u>		<u>2,503</u>

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

	March 31, 2020		
	Gross carrying amount of notes and accounts receivable	Weighted average loss rate	Loss allowance for expected credit losses
Current	\$ 140,292	0.02%	25
Past due 0 - 90 days	30,324	0.65%	198
Past due 91 - 180 days	147	2.04%	3
Past due 181 - 270 days	134	20.89%	28
Past due 271 - 365 days	-	-	-
Past due over 365 days	<u>1,743</u>	100.00%	<u>1,743</u>
	<u>\$ 172,640</u>		<u>1,997</u>

As of March 31, 2021, December 31 and March 31, 2020, the Group has no expected credit losses from accounts receivable - related parties, and the analysis is as below:

	March 31, 2021	December 31, 2020	March 31, 2020
Current	<u>\$ 21,235</u>	<u>3,360</u>	<u>9,479</u>

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

	January to March 2021	January to March 2020
Beginning balance	\$ 2,503	2,380
Impairment losses	1,230	-
Reversal of impairment losses	-	(383)
End balance	<u>\$ 3,733</u>	<u>1,997</u>

(4) Inventories

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 80,384	74,406	72,140
Work-in-progress	28,069	24,839	30,209
Finished goods	23,200	30,767	23,404
Merchandise	68,092	60,742	53,904
Inventories			
Inventories in transit	<u>9,942</u>	<u>13,809</u>	<u>6,646</u>
	<u>\$ 209,687</u>	<u>204,563</u>	<u>186,303</u>

For the three months ended March 31, 2021 and 2020, the amount of inventories

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Notes to Consolidated Financial Statements (continued)

recognized as costs of revenue are as following:

	January to March 2020	January to March 2019
Cost of inventories sold	\$ 209,294	184,577
Write-downs of inventories	3,040	1,072
Gains on physical inventories	(1,145)	(347)
	<u>\$ 211,189</u>	<u>185,302</u>

For the three months ended March 31, 2021 and 2020, the write-down of inventories was resulted from the decrease in net realizable value.

(5) Investments accounted for using equity method

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

Investee company	Main business activities	Carrying amount		
		March 31, 2021	December 31, 2020	March 31, 2020
TDX Medical Technology (Jiangsu) Co., Ltd (TDX)	Wholesaling and retailing of medical consumables and equipment	<u>\$ 29,893</u>	<u>29,955</u>	<u>24,562</u>

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

	January to March 2021	January to March 2020
Net loss	\$ (161)	(813)
Other comprehensive income	99	(300)
Total comprehensive income	<u>\$ (62)</u>	<u>(1,113)</u>

(6) Subsidiaries

1. Acquisition of subsidiary

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

(i) Consideration transferred

According to the equity interest transfer agreement, on February 3, 2020, the

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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:

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)
		<u>16,363</u>
Goodwill	\$	<u><u>9,044</u></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 March 31, 2020, the operating results of Eastech has been consolidated into the consolidated statements of comprehensive income of the Group, in which the sales revenue and net income

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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

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

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

Subsidiary	Principal place of business/ Country of incorporation	The Percentage of ownership and voting rights held by non-controlling interests		
		March 31, 2021	December 31, 2020	March 31, 2020
NBHIT	Taiwan	48%	48%	48%

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

The summarized financial information of NBHIT:

	March 31, 2021	December 31, 2020	March 31, 2020
Current assets	\$ 97,321	112,713	96,495
Non-current assets	131,833	142,794	143,338
Current liabilities	(59,887)	(81,002)	(103,926)
Non-current liabilities	(34,647)	(40,579)	(5,373)
Net assets	\$ 134,620	133,926	130,534
The carrying amount of non-controlling interests	\$ 51,098	48,890	49,137

	January to March 2021	January to March 2020
Operating sales	\$ 63,835	61,936
Net income	\$ 4,600	4,537
Other comprehensive income	-	-
Total comprehensive income	\$ 4,600	4,537
Net income attributable to non-controlling interests	\$ 2,208	1,821
Total comprehensive income attributable to non-controlling interests	\$ 2,208	1,821

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	January to March 2021	January to March 2020
Cash flow from operating activities	\$ (6,636)	(26,863)
Cash flow from investing activities	(8,203)	23,067
Cash flow from financing activities	(5,229)	(4,500)
Effect of changes in exchange rates	-	-
Net decrease in cash and cash equivalents	<u>\$ (20,068)</u>	<u>(8,296)</u>
Cash dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

(7) Property, plant and equipment

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

	Land	Buildings	Machinery	Other equipment	Total
Cost:					
Balance as of January 1, 2021	\$ 314,314	362,715	185,275	124,666	986,970
Additions	-	-	9,443	1,114	10,557
Disposals	-	-	(60)	-	(60)
Reclassification	-	-	8,781	-	8,781
Effect of changes in exchange rates	-	-	-	5	5
Balance as of March 31, 2021	<u>\$ 314,314</u>	<u>362,715</u>	<u>203,439</u>	<u>125,785</u>	<u>1,006,253</u>
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	1,348	1,258	3,556
Disposals	-	-	-	(11)	(11)
Reclassification	-	-	2,034	505	2,539
Effect of changes in exchange rates	-	-	-	(18)	(18)
Balance as of March 31, 2020	<u>\$ 314,314</u>	<u>362,715</u>	<u>152,487</u>	<u>114,598</u>	<u>944,114</u>
Accumulated depreciation and impairment loss:					
Balance as of January 1, 2021	\$ -	59,037	126,445	88,367	273,849
Depreciation	-	2,684	6,569	3,033	12,286
Disposals	-	-	(60)	-	(60)
Effect of changes in exchange rates	-	-	-	4	4
Balance as of March 31, 2021	<u>\$ -</u>	<u>61,721</u>	<u>132,954</u>	<u>91,404</u>	<u>286,079</u>
Balance as of January 1, 2020	\$ -	48,229	111,235	75,640	235,104
Acquisition through business combination (Note VI(6))	-	-	-	599	599
Depreciation	-	2,718	3,441	2,895	9,054
Disposals	-	-	-	(11)	(11)

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Notes to Consolidated Financial Statements (continued)

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Effect of changes in exchange rates	-	-	-	(18)	(18)
Balance as of March 31, 2020	<u>\$ -</u>	<u>50,947</u>	<u>114,676</u>	<u>79,105</u>	<u>244,728</u>
Carrying amount:					
March 31, 2021	<u>\$ 314,314</u>	<u>300,994</u>	<u>70,485</u>	<u>34,381</u>	<u>720,174</u>
January 1, 2021	<u>\$ 314,314</u>	<u>303,678</u>	<u>58,830</u>	<u>36,299</u>	<u>713,121</u>
March 31, 2020	<u>\$ 314,314</u>	<u>311,768</u>	<u>37,811</u>	<u>35,493</u>	<u>699,386</u>

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

(8) Right-of-use assets

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

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost of right-of-use assets:			
Balance as of January 1, 2021	\$ 138,795	8,962	147,757
Additions	11,022	1,230	12,252
Effect of changes in exchange rates	15	-	15
Balance as of March 31, 2021	<u>\$ 149,832</u>	<u>10,192</u>	<u>160,024</u>
Balance as of January 1, 2020	\$ 127,230	8,521	135,751
Acquisition through business combination (Note VI(6))	2,970	-	2,970
Additions	9,730	730	10,460
Write-off	(2,774)	-	(2,774)
Effect of changes in exchange rates	(46)	-	(46)
Balance as of March 31, 2020	<u>\$ 137,110</u>	<u>9,251</u>	<u>146,361</u>
Accumulated depreciation of right-of-use assets:			
Balance as of January 1, 2021	\$ 61,467	4,336	65,803
Depreciation	8,022	638	8,660
Effect of changes in exchange rates	11	-	11
Balance as of March 31, 2021	<u>\$ 69,500</u>	<u>4,974</u>	<u>74,474</u>
Balance as of January 1, 2020	\$ 33,984	3,413	37,397
Acquisition through business combination (Note VI(6))	309	-	309
Depreciation	7,399	529	7,928
Write-off	(1,674)	-	(1,674)

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	Buildings	Transportation equipment	Total
Effect of changes in exchange rates	(23)	-	(23)
Balance as of March 31, 2020	<u>\$ 39,995</u>	<u>3,942</u>	<u>43,937</u>
Carrying amount:			
Balance of March 31, 2021	<u>\$ 80,332</u>	<u>5,218</u>	<u>85,550</u>
January 1, 2021	<u>\$ 77,328</u>	<u>4,626</u>	<u>81,954</u>
March 31, 2020	<u>\$ 97,115</u>	<u>5,309</u>	<u>102,424</u>

(9) Investment properties

	Buildings
Costs or costs identified:	
Balance as of January 1, 2021 (i.e. balance as of March 31, 2021)	<u>\$ 54,762</u>
Balance as of January 1, 2020 (i.e. balance as of March 31, 2020)	<u>\$ 54,762</u>
Depreciation and impairment loss:	
Balance as of January 1, 2021	\$ 5,567
Depreciation	392
Balance as of March 31, 2021	<u>\$ 5,959</u>
Balance as of January 1, 2020	\$ 3,984
Depreciation	399
Balance as of March 31, 2020	<u>\$ 4,383</u>
Carrying amount:	
Balance of March 31, 2021	<u>\$ 48,803</u>
January 1, 2021	<u>\$ 49,195</u>
March 31, 2020	<u>\$ 50,379</u>

Investment properties comprise factories leased out. The fair value of the investment properties of the Group does not differ significantly from the disclosure at Note VI (9) of the consolidated financial statements for 2020.

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

(10) Intangible asset

The change of intangible asset is as follows:

	Goodwill	Computer software	Customer relationships and sales channels	Other Intangible asset	Total
Costs:					
Balance as of January 1, 2021	\$ 56,873	27,017	48,011	29,582	161,483
Addition	-	256	-	-	256
Write-off	-	(605)	-	-	(605)

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	Goodwill	Computer software	Customer relationships and sales channels	Other Intangible asset	Total
Balance as of March 31, 2021	\$ 56,873	26,668	48,011	29,582	161,134
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	-	2,250	-	-	2,250
Write-off	-	(1,429)	-	-	(1,429)
Balance as of March 31, 2020	\$ 56,873	25,826	48,011	27,677	158,387
Accumulated amortization:					
Balance as of January 1, 2021	\$ -	22,396	24,634	19,072	66,102
Amortization	-	1,190	1,517	569	3,276
Write-off	-	(605)	-	-	(605)
Reclassification	-	-	(1,038)	1,038	-
Balance of March 31, 2021	\$ -	22,981	25,113	20,679	68,773
Balance as of January 1, 2020	\$ -	19,985	18,659	16,975	55,619
Amortization for the current period	-	894	1,423	531	2,848
Write-off	-	(1,429)	-	-	(1,429)
Balance as of March 31, 2020	\$ -	19,450	20,082	17,506	57,038
Carrying amount:					
Balance of March 31, 2021	\$ 56,873	3,687	22,898	8,903	92,361
January 1, 2021	\$ 56,873	4,621	23,377	10,510	95,381
March 31, 2020	\$ 56,873	6,376	27,929	10,171	101,349

According to IAS 36, the goodwill acquired by the Group must undergo assessment for impairment at least once a year. Pursuant to the assessment for impairment conducted by the Group on December 31, 2020, goodwill has not suffered any impairment. For details, please see Note VI (10) to the consolidated financial statements for 2020. On March 31, 2021, the Group conducted an assessment based on the sales revenue meeting target in the first quarter of 2021, and concluded that no impairment was incurred yet.

(11) Other non-current assets

	March 31, 2021	December 31, 2020	March 31, 2020
Prepayments for equipment	\$ 13,832	20,364	19,000
Pension plan assets	3,033	3,033	129
Refundable Deposits	16,979	15,443	14,281
	\$ 33,844	38,840	33,410

(12) Short-term loans

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank loans	\$ 82,251	80,234	59,397
Unused credit facilities	\$ 1,194,396	1,192,121	1,256,663
Interest rate bracket	0.73%~2.09%	0.75%~2.09%	1.15%~2.45%

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(13) Long-term loans

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Unsecured bank loans	\$ 160,000	113,333	113,333
less: current portion of long-term loans	<u>(34,972)</u>	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 125,028</u>	<u>108,333</u>	<u>\$ 108,333</u>
Unused credit facilities	<u>\$ 535,000</u>	<u>425,000</u>	<u>\$ 425,000</u>
Interest rate bracket	<u>1.10%~1.29%</u>	<u>1.29%~1.60%</u>	<u>1.29%~1.60%</u>

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

(14) Lease liabilities

The lease liabilities of the Group are as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Current	<u>\$ 31,378</u>	<u>30,018</u>	<u>31,376</u>
Non-current	<u>\$ 55,192</u>	<u>53,057</u>	<u>72,088</u>

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

Profit and loss recognized are as follows:

	<u>January to March 2021</u>	<u>January to March 2020</u>
Interest expense of lease liabilities	<u>\$ 350</u>	<u>410</u>
Current lease payments not included as lease liability measurement	<u>\$ 1,262</u>	<u>438</u>
Short-term lease expense	<u>\$ 829</u>	<u>537</u>

Items recognized in Cash Flows Statement:

	<u>January to March 2021</u>	<u>January to March 2020</u>
Total cash outflow for leases	<u>\$ 10,991</u>	<u>9,193</u>

1. Lease of buildings

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 one 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.

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Notes to Consolidated Financial Statements (continued)

(15) Provision for product warranty

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Provision for product warranty	\$ <u>7,950</u>	<u>10,301</u>	<u>10528</u>

During the three months ended March 31, 2021 and 2020, the Group did not have major changes in the provision for product warranty. For details, please see Note VI (15) to consolidated financial statements for 2020.

(16) Operating leases - leaser

During the three months ended March 31, 2021 and 2020, the Group did not have a new addition of a significant operating leasing contract as a leaser. For details, please see Notes VI (16) of the consolidated financial statements for 2020.

(17) Employee benefits

1. Defined benefit plans

As no significant market fluctuation, reduction, settlement or other significant one-off events have occurred since the last yearly reporting date, the Group has adopted actuarial valuation as at December 31, 2020 and 2019 for pension cost measurement and pension cost for interim period disclosure.

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

	<u>January to March 2021</u>	<u>January to March 2020</u>
Costs of revenue	\$ 10	39
Operating expenses	-	(5)
	<u>\$ 10</u>	<u>34</u>

2. Defined contribution plans

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

	<u>January to March 2021</u>	<u>January to March 2020</u>
Costs of revenue	\$ 1,342	1,047
Operating expenses	2,646	2,485
	<u>\$ 3,988</u>	<u>3,532</u>

(18) Income tax

1. Income tax expense

	<u>January to March 2021</u>	<u>January to March 2020</u>
Current income tax expense	\$ <u>3,112</u>	<u>2,949</u>

2. For the three months ended March 31, 2021 and 2020, no income tax had been directly recognized under equity and other comprehensive income or loss items.

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Notes to Consolidated Financial Statements (continued)

3. Income tax audit

The Company's income tax returns for the years through 2019 have been examined and approved by the R.O.C. income tax authorities.

(19) Capital and other equity

Except for the following, during the three months ended March 31, 2021 and 2020, there was no major change in capital and other equity. For details, please see Notes VI (19) of the consolidated financial statements for 2020.

1. Common stock

As of March 31, 2021, and December 31 and March 31, 2020, 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.

2. Capital surplus

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Additional paid-in capital in excess of par issued	<u>\$ 297,921</u>	<u>297,921</u>	<u>297,921</u>

3. Retained earnings

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

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

On April 22, 2021, the profit distribution for 2020 was proposed by the Board of Directors, and on June 10, 2020, the profit distribution for 2019 was approved by the Shareholders' Meeting. The cash dividend distributed to Shareholders was as follows:

<u>2020</u>		<u>2018</u>	
<u>Dividend per share (NTD)</u>	<u>Amount</u>	<u>Dividend per share (NTD)</u>	<u>Amount</u>

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

Dividends per share:

Cash	\$	1.00	<u><u>44,566</u></u>	1.35	<u><u>60,164</u></u>
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4. Other equity (net after tax)

Exchange differences on translation from foreign operations

	January to March 2021	January to March 2020
Beginning balance	\$ (3,195)	(3,309)
Foreign exchange differences arising from translation of foreign operations	46	(148)
Shares of foreign currency translation differences of associates and joint ventures	<u>99</u>	<u>(300)</u>
End balance	<u><u>\$ (3,050)</u></u>	<u><u>(3,757)</u></u>

5. Non-controlling interests (net after tax)

	January to March 2021	January to March 2020
Beginning balance	\$ 63,114	55,605
Equity attributable to non-controlling interests:		
Net income	2,484	1,561
Increase in non-controlling interests	<u>-</u>	<u>5,107</u>
	<u><u>\$ 65,598</u></u>	<u><u>62,273</u></u>

(20) Earnings per share (EPS)

1. Basic EPS

	January to March 2021	January to March 2020
Net income attributable to shareholders of the Company	<u><u>\$ 4,879</u></u>	<u><u>7,869</u></u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u><u>44,566</u></u>	<u><u>44,566</u></u>
Basic EPS (NT\$)	<u><u>\$ 0.11</u></u>	<u><u>0.18</u></u>

2. Diluted EPS

	January to March 2021	January to March 2020
Net income attributable to shareholders of the Company	<u><u>\$ 4,879</u></u>	<u><u>7,869</u></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>151</u>	<u>215</u>
Weighted-average number of ordinary shares outstanding (diluted) (in thousands)	<u><u>44,717</u></u>	<u><u>44,781</u></u>
Diluted EPS (NT\$)	<u><u>\$ 0.11</u></u>	<u><u>0.18</u></u>

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

(21) Revenue from contracts with customers

1. Disaggregation of revenue

	January to March 2021	January to March 2020
Primary geographical markets:		
Taiwan	\$ 199,501	172,923
Mainland China	96,693	80,906
India	8,791	14,081
Others	26,582	32,637
	<u>\$ 331,567</u>	<u>300,547</u>
Main products:		
Medical equipment	\$ 126,458	128,439
Medical services	91,279	79,568
Medical consumables	113,830	92,540
	<u>\$ 331,567</u>	<u>300,547</u>

2. Contract balances

	March 31, 2021	December 31, 2020	March 31, 2020
Notes and accounts receivable (including related parties)	\$ 188,847	199,049	182,119
less: Loss allowance	(3,733)	(2,503)	(1,997)
	<u>\$ 185,114</u>	<u>196,546</u>	<u>180,122</u>
Contract liabilities (listed as other current liabilities)	<u>\$ 21,825</u>	<u>20,868</u>	<u>13,237</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 Group, and payment made by customers.

The contract liabilities as of January 1, 2021 and 2020 that were recognized as receivables between January 1 and March 31, 2021 and 2020 were NT\$15,430 thousand and NT\$10,760 thousand respectively.

(22) Remuneration to employees and Directors

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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

certain conditions.

The compensation of employees for the three months ended March 31, 2021 and 2020 amounting to NT\$487 thousand and NT\$941 thousand respectively, and the remuneration of Directors amounting to NT\$41 thousand and NT\$79 thousand respectively, were estimated by multiplying pre-tax income prior to being deducted by remuneration to employees and Directors of the period with the distribution percentage of remuneration to employees and Directors. The compensation and remuneration were classified as the costs of revenue or expenses for the period. If the actual disbursement in the following year differs from the estimated amount, the difference is treated as change in accounting estimation, and recognized in the profit and loss in the next annual period.

The estimated amounts of employee compensation for 2020 and 2019 amounted to NT\$6,707 thousand and NT\$8,511 thousand respectively; and the estimated amounts of Director remuneration amounted to NT\$559 thousand and NT\$709 thousand respectively. The aforementioned amounts did not differ from the employee compensation and Director remuneration approved by the Board, and were all disbursed in cash. For details, please see the Market Observation Post System.

(23) Non-operating income and loss

1. Interest income

	January to March 2021	January to March 2020
Interest income from bank deposits	\$ <u>221</u>	<u>248</u>

2. Other income

	January to March 2021	January to March 2020
Rental income	\$ 3,174	1,750
Others	505	124
	\$ <u>3,679</u>	<u>1,874</u>

3. Other gains and losses

	January to March 2021	January to March 2020
Foreign currency exchange losses	\$ (126)	721
Gains on lease modification	207	9
	\$ <u>81</u>	<u>730</u>

4. Financing costs

	January to March 2021	January to March 2020
Interest expense of bank loans	\$ 549	642
Financial expense of lease liabilities	350	410
	\$ <u>899</u>	<u>1,052</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(24) Financial instruments

Except for the following, the fair value of the financial instruments and the credit, liquidity and market risks exposed due to the financial instruments have no significant changes. For details, please see Notes VI (24) and (25) of the consolidated financial statements for 2020.

1. Categories of financial instruments

(i) Financial assets

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Financial assets measured at amortized cost:			
Cash and cash equivalents	\$ 227,538	255,055	229,412
Notes and accounts receivable and other receivables (including related parties)	186,522	198,233	185,734
Other financial assets-current	92,789	88,431	45,134
Other non-current assets - refundable deposits	16,979	15,443	14,281
	<u>\$ 523,828</u>	<u>557,162</u>	<u>474,561</u>

(ii) Financial liabilities

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Financial liabilities measured at amortized cost:			
Short-term loans	\$ 82,251	80,234	59,397
Notes and accounts payable and other payables (including related parties)	255,892	305,943	241,016
Lease liabilities (current and non-current)	86,570	83,075	103,464
Long-term loans (including current portion)	160,000	140,000	113,333
Guarantee deposit received	5,141	6,684	4,232
	<u>\$ 589,854</u>	<u>615,936</u>	<u>521,442</u>

(iii) Fair value of financial instruments

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

2. Credit risk

Credit risk is the risk of financial loss to the Group when a counterparty of a

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

financial asset transaction fails to meet its contractual obligations, and arises primarily from bank deposits (including the bank deposits recognized as other financial asset-current). The maximum exposure to credit risk amounts to the carrying amount of the Group's financial assets.

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

The Group has established credit policy and determined the credit limit of each customer according to its financial status in pursuant to the policy. As of March 31, 2021, December 31 and March 31, 2020, 27%, 25%, and 39%, respectively, 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 Notes VI (3).

3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring the current and mid- to long-term cash demand regularly, and maintaining adequate cash and cash equivalents, and line of credit at banking facilities. As at March 31, 2021, and December 31 and March 31, 2020, the unused credit facilities of the Group amounted to NT\$1,729,396 thousand, NT\$1,727,121 thousand and NT\$1,681,663 thousand respectively.

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

	Contractual Cash flows	Within 6 months	6-12 months	1-2 years	More than 2 years
March 31, 2021					
Non-derivative financial liabilities:					
Short-term loans	\$ 82,251	82,251	-	-	-
Long-term loans (including current portion)	163,899	3,431	33,371	66,32	60,774
Notes and accounts payable and other payables (including related parties)	255,892	255,892	-	-	-
Guarantee deposit received	5,141	150	-	-	4,991
Lease liabilities	89,094	17,490	15,111	24,40	32,083
	<u>\$ 596,277</u>	<u>359,214</u>	<u>48,481</u>	<u>90,72</u>	<u>97,848</u>

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

	Contractual Cash flows	Within 6 months	6-12 months	1-2 years	More than 2 years
December 31, 2020					
Non-derivative financial liabilities					
Short-term loans	\$ 80,234	80,234	-	-	-
Long-term loans	143,604	2,024	3,260	76,12	62,199
Notes and accounts payable and other payables (including related parties)	305,943	305,943	-	-	-
Guarantee deposit received	6,684	150	-	-	6,534
Lease liabilities	85,607	16,338	14,96	23,33	30,974
	<u>\$ 622,072</u>	<u>404,689</u>	<u>18,22</u>	<u>99,45</u>	<u>99,707</u>
March 31, 2020					
Non-derivative financial liabilities					
Short-term loans	\$ 82,251	82,251	-	-	-
Long-term loans	163,899	3,431	33,37	66,32	60,774
Notes and accounts payable and other payables (including related parties)	255,892	255,892	-	-	-
Guarantee deposit received	5,141	150	-	-	4,991
Lease liabilities	89,094	17,490	15,11	24,40	32,083
	<u>\$ 596,277</u>	<u>359,214</u>	<u>48,48</u>	<u>90,72</u>	<u>97,848</u>

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

4. Market risk

(i) Foreign exchange risk

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

	March 31, 2021				December 31, 2020			March 31, 2020		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>										
<u>Monetary Items</u>										
USD	\$	3,450	28.53	98,429	3,589	28.35	101,748	3,710	30.25	112,228
<u>Financial liabilities</u>										
<u>Monetary Items</u>										
USD		2,124	28.53	60,598	2,800	28.35	79,380	1,456	30.25	44,044

The foreign exchange risk of the Group is mainly due to translation differences, gains, or losses of cash and cash equivalents, accounts receivable (including related-party transactions), accounts payable (including related-party transactions), other receivables (including related-party transactions), other payables (including related-party transactions), and bank loans in foreign currencies. As of March 31, 2021 and 2020, if NTD depreciated/appreciated 1% against USD, all variables remained unchanged, the net income before tax for the three months ended March 31, 2021 and 2020 would increase/decrease NT\$378 thousand and NT\$682 thousand respectively. Both periods adopted the same basis for analysis.

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

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:

	January to March 2021		January to March 2020	
	Foreign exchange	Average	Foreign exchange	Average
	gains (loss)	forex rate	gains (loss)	forex rate
NTD	\$ (110)	-	671	-
RMB	(4)	4.3261	12	4.3093

(ii) Interest rate risk

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

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

If the yearly interest rate increases/decreases 1%, all variables remained unchanged, the net income before tax of the Group for the three months ended March 31, 2021 and 2020 would increase/decrease NT\$606 thousand and NT\$432 thousand respectively.

(25) Financial risk management

The goal and policy of the financial risk management of the Group and the disclosure made at Notes VI (25) of the consolidated financial statements for 2020 undergo no significant changes.

(26) Capital management

The goal, policy and procedures of capital management of the Group does not differ from the disclosure made at the consolidated financial statements. For details, please see Notes VI (26) of the consolidated financial statements for 2020.

(27) Investing and financing activities not affecting current cash flow

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:

Reconciliation of liabilities arising from financing activities were as follows:

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

	January 1, 2021	Cash flows	Non-cash changes Addition of lease liabilities	March 31, 2021
Short-term loans	\$ 80,234	2,017	-	82,251
Long-term loans	140,000	20,000	-	160,000
Lease liabilities	83,075	(8,550)	12,045	86,570
Guarantee deposit received	<u>6,684</u>	<u>(1,543)</u>	<u>-</u>	<u>5,141</u>
Liabilities from financing activities	<u>\$ 309,993</u>	<u>11,924</u>	<u>12,045</u>	<u>333,962</u>

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

(VII) Related-party Transactions

(1) Parent company and ultimate controlling company

BenQ Corporation is the parent company of the Company. Qisda Corporation is the ultimate controlling company of the Company, indirectly holding a 54.96% stake in ordinary shares outstanding, 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. (TDX)	Joint venture of the Group
Suzhou Trident Original Medical Technology Co., Ltd. (STOMT)	Subsidiary of Joint venture of TDX
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 MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Name of related party	Relationship with the Group
BenQ Materials Corporation (BMC)	Subsidiary of Qisda
BenQ Material (Suzhou), Co., Ltd.	Subsidiary of BMC
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
Golden Spirit Co., Ltd.	Subsidiary of Qisda
Data Image Corporation	Subsidiary of Qisda
Aewin Technologies Co., Ltd	Subsidiary of Qisda
Global Intelligence Network Co., Ltd.	Subsidiary of Qisda
Darfon Electronics Corporation	Associates of Qisda
Q.S.Control Corporation	Associates of Qisda
AUO Education Service Corp.	Associates of Qisda

(3) Related-party transactions

1. Operating revenues

The sales to related parties were as follows:

	January to March 2021	January to March 2020
Ultimate controlling company	\$ 54	400
Joint venture	1,121	213
Other related parties	13,264	14,100
	<u>\$ 14,439</u>	<u>14,713</u>

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

2. Purchases

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

	January to March 2021	January to March 2020
Ultimate controlling company	\$ 7,121	4,840
Joint venture	14,321	831
Other related parties	4,173	3,297
	<u>\$ 25,615</u>	<u>8,968</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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

- (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 three months ended March 31, 2021 and 2020 amounted to NT\$117 thousand and NT\$161 thousand respectively. As of March 31, 2021 and December 31 and March 31, 2020, the balance of lease liabilities amounted to NT\$27,612 thousand, NT\$29,677 thousand, and NT\$38,532 thousand respectively.
- (ii) The Group has leased offices from other related parties and the agreements are short-term leases. The Group opted for exemption of recognition and did not recognize the related right-of-use assets and lease liabilities. For the three months ended March 31, 2021 and 2020, the rental expense amounted to NT\$226 thousand and NT\$358 thousand respectively. On March 31, 2021 and 2020, the related payables are classified under other payables.
4. Acquisition and disposal of property, plant and equipment
- For the three months ended March 31, 2021, the Group purchased fixed assets from other related parties which amounted to NT\$720 thousand. As of March 31, 2020, the related payables are classified under other payables.
5. Others
- (i) For the three months ended March 31, 2021 and 2020, the service rendered to the Group by the ultimate controlling company, the parent company and other related parties amounted to NT\$191 thousand and NT\$520 thousand respectively. As at March 31, 2021 and 2020, the related payables were classified under other payables.
- (ii) The purchases made by the Group with Joint Venture, STOMT, was under the agreed payment term of TT in Advance. As of March 31, 2021 and December 31 and March 31, 2020, the balance of prepayments amounted to NT\$9,542 thousand, NT\$7,794 thousand, and NT\$4,360 thousand respectively, which were classified under prepayment and other current assets.
- (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:

Account	Related-party		March 31, 2021	December 31, 2020	March 31, 2020
	categories				
Accounts receivable-related parties	Ultimate controlling company	\$ 8	60	420	
Accounts receivable-related parties	Joint venture	7,840	2,719	2,065	

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

Account	Related-party categories	March 31, 2021	December 31, 2020	March 31, 2020
Accounts receivable-related parties	Other related parties	13,387	581	6,994
Other receivables-related parties	Ultimate controlling company	-	-	2,393
Other receivables-related parties	Other related parties	<u>114</u>	<u>50</u>	<u>50</u>
		<u>\$ 21,349</u>	<u>3,410</u>	<u>11,922</u>

7. Payables to related parties

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

Account	Related-party categories	March 31, 2021	December 31, 2020	March 31, 2020
Accounts payable-related parties	Ultimate controlling company	\$ 2,470	2,341	3,426
Accounts payable-related parties	Joint venture	1,872	2,242	838
Accounts payable-related parties	Other related parties	5,972	4,821	4,707
Other payables-related parties	Ultimate controlling company	1,954	1,496	1,315
Other payables-related parties	Parent company	375	-	141
Other payables-related parties	Other related parties	136	-	-
Other payables-related parties	Other related parties	351	534	861
Lease liabilities - current	Ultimate controlling company	8,342	8,309	8,830
Lease liabilities - non-current	Ultimate controlling company	<u>19,270</u>	<u>21,368</u>	<u>29,702</u>
		<u>\$ 40,742</u>	<u>41,111</u>	<u>49,820</u>

(4) Transaction with key management personnel

Compensation for key management personnel:

	January to March 2021	January to March 2020
Short-term employee benefits	\$ 2,461	2,656
Post-employment benefits	<u>27</u>	<u>27</u>
	<u>\$ 2,488</u>	<u>2,683</u>

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

(VIII) Pledged Assets

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

Pledged Assets	Pledged to secure	March 31, 2021	December 31, 2020	March 31, 2020
Other financial assets-current	Performance bond	\$ 299	838	644
Land and buildings	Credit lines of bank loans	549,166	552,193	561,321
		<u>\$ 549,465</u>	<u>553,031</u>	<u>561,965</u>

(IX) Significant Commitments and Contingencies: None.

(X) Significant Loss from Disaster: None.

(XI) Significant Subsequent Events: None.

(XII) Others

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

Item	January to March 2021			January to March 2020		
	Costs of revenue	Operating expenses	Total	Cost of sales	Cost of expenses	Total
Category						
Employee benefits						
Salaries	33,421	48,449	81,870	24,529	48,157	72,686
Insurance	3,449	5,065	8,514	2,329	4,721	7,050
Pension	1,352	2,646	3,998	1,086	2,480	3,566
Other employee benefits	2,230	1,368	3,598	1,681	1,466	3,147
Depreciation	11,943	9,395	21,338	8,470	8,911	17,381
Amortization	364	2,912	3,276	317	2,531	2,848

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

(XIII) Additional Disclosures

(1) Information on significant transactions

For the three months ended March 31, 2021, according to the Preparation Regulations, the information on significant transactions is as follows:

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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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:

Number (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions(Note 3)			
				Account	Amount	Transaction Terms	Percentage of Consolidated Net Revenue or Total Assets(Note 4)
0	The Company	BHS	1	Sales	11,516	ME 30 Days	3.47%

Note 1: Parties to the intercompany transactions are identified and numbered as follow:

1. "0" represents the Company
2. Subsidiaries are numbered from "1".

Note 2: Nature of relationships of the intercompany transactions are numbered as follow:

- 1 represents the transactions from the parent company to subsidiary.
- 2 represents the transactions from subsidiary to the parent company.
- 3 represents the transactions between subsidiaries.

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated net revenue or total assets. The corresponding purchased and accounts payables are not disclosed.

Note 4: Transactions amount divided by consolidated operating revenues or consolidated total assets

Note 5: The above intercompany transactions have been eliminated when preparing the consolidated financial statements

(2) Information on investees:

For the three months ended March 31, 2021, the information on investees is as follows
(excluding investments in Mainland China):

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

Investor	Investee	Location	Main Business Activities	Original investment Amount		Balance as of Mar 31, 2020			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Amount			
The Company	Asiacore International Co., Ltd.	Neihu, Taipei	Wholesaling and retailing of medical consumables and equipment and information software	21,984	21,984	1,995	99.75%	23,659	(1,396)	(1,393)	(Note)
The Company	Highview Investments Limited	Samoa Islands	Investment and holding company	36,211	36,211	1,062	100.00%	8,817	(1)	(1)	(Note)
The Company	Lily Medical Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	185,000	185,000	10,000	100.00%	239,776	4,141	3,898	(Note)
The Company	BenQ AB DentCare Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	88,000	88,000	8,800	88.00%	56,154	328	588	(Note)
The Company	BenQ HealthCare Corp.	Taiwan	Wholesaling and retailing of medical consumables and equipment	100,000	100,000	10,000	100.00%	137,779	6,109	6,109	(Note)
The Company	Eastech Co., Ltd	Taiwan	Wholesaling and retailing of medical consumables and equipment	20,300	20,300	700	70.00%	24,058	1,029	562	(Note)
BenQ HealthCare 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%	83,441	5,343	2,392	(Note)

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

(3) Information on investments in Mainland China:

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

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

Investee Company Name	Main Business Activities	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2021	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of March 31, 2021 (Note 2 and 3)	Accumulated Inward Remittance of Earnings as of March 31, 2021
					Outflow	Inflow						

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

BenQ Medical Technology (Shanghai) Ltd.	Agency of international and entrepot trade business	28,530 (USD 1,000 thousand)	(1)	28,530 (USD 1,000 thousand)	-	-	28,530 (USD 1,000 thousand)	(3)	100.00 %	(3)	10,863	-
LILY Medical (Suzhou) Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	5,991 (USD 210 thousand)	(2)	5,991 (USD 210 thousand)	-	-	5,991 (USD 210 thousand)	(130)	100.00 %	(130)	2,662	-
TDX Medical Technology (Jiangsu) Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	86,718 (RMB20,000 thousand)	(2)	34,687 (RMB 8,000 thousand)	-	-	34,687 (RMB 8,000 thousand)	(402)	40.00 %	(161)	29,893	-

(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 = 1:28.53 and RMB: NTD = 1:4.3359.

(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:

	Accumulated Investment in Mainland China as of March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	64,217 (USD 1,000 and RMB 8,000)	80,654 (USD 2,827)	635,419
LILY	5,991 (USD 210)	5,991 (USD 210)	108,767

3. Significant transactions with investee companies in Mainland China:

Counterparty	Relationships with the Company	Transaction Term					Notes receivable (payables) or Accounts receivable (payables)		Unrealized gain or loss
		Type	Amount	Price	Payment term	Comparison with transactions with an external party	Balance	Percentage	
TDX and its subsidiaries	Joint venture, directly held by the Company	Purchase	14,321	As agreed	Prepayment	No significant difference	-	-	-

(4) Information on Major Shareholders:

(Express in shares)

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

(XIV) Segment Information

(1) General information

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

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

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

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)

	January to March 2021			
	R&D and Manufacturing Divisions	Retail Division	Adjustment and Elimination	Total
External revenue	\$ 267,732	63,835	-	331,567
Intra-group revenue	-	-	-	-
Total segment revenue	<u>\$ 267,732</u>	<u>63,835</u>	<u>-</u>	<u>331,567</u>
Segment profit (loss)	<u>\$ 2,930</u>	<u>4,600</u>	<u>(167)</u>	<u>7,363</u>
	January to March 2020			
	R&D and Manufacturing Divisions	Retail Division	Adjustment and Elimination	Total
External revenue	\$ 238,611	61,936	-	300,547
Intra-group revenue	-	-	-	-
Total segment revenue	<u>\$ 238,611</u>	<u>61,936</u>	<u>-</u>	<u>300,547</u>
Segment profit (loss)	<u>\$ 6,194</u>	<u>3,794</u>	<u>(558)</u>	<u>9,430</u>