

**BENQ MEDICAL TECHNOLOGY CORP.
AND SUBSIDIARIES**

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

for Years Ended December 31, 2021 and 2020

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

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

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Declaration

The entities that are required to be included in the Consolidated Financial Statements of the Company for 2021 (from January 1, 2021 to December 31, 2021) under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the Consolidated Financial Statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the consolidated financial statements is included in the Consolidated Financial Statements. Consequently, the Company and its subsidiaries do not prepare a separate set of consolidated financial statements.

Hereby declare

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Chairman: Peter Chen

Date: March 7, 2022

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Independent Auditors' Report

The Board of Directors

BENQ MEDICAL TECHNOLOGY CORP.

Audit Opinion

We have reviewed the Consolidated Balance Sheets as of December 31, 2021 and 2020, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flows for January 1 to December 31, 2021 and 2020, as well as Notes to Consolidated Financial Statements (including a summary of significant accounting policies) of BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES (hereafter, BenQ Medical Technology).

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, 2021 and 2020, its consolidated financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRICs) and SIC Interpretations (SICs) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis of Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant and the Generally Accepted Auditing Standards 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 comply with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China and independent of BenQ Medical Technology. 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 BenQ Medical Technology for the year ended December 31, 2021. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole. In forming our opinion thereon, we do not provide a separate opinion on these matters. Key audit matters for the year ended December 31, 2020 are stated as follows:

1. Impairment assessment for the goodwill of subsidiaries

For accounting policy on the impairment loss of non-financial asset, please see Note 4(15) to Consolidated Financial Statements; for accounting estimate and assumptions of the impairment loss assessment on goodwill, please see Note 5(1) to Consolidated Financial Statements; for the key assumptions of impairment loss assessment on goodwill, please see Note 6(10) to Consolidated Financial Statements.

Key Audit Matters:

For the goodwill arising from previous business combinations, BenQ Medical Technology is required to conduct an annual impairment assessment or when there is an indicator that the goodwill may be impaired. As the recoverable amount in the goodwill involves many assumptions and estimations made by the cash generating unit owning the goodwill, the impairment assessment of goodwill is a key audit matter for us.

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 carrying values of all assets that should be subject to the annual impairment test were included in the schedule. We also reviewed the estimation basis and important assumptions adopted by the Management to measure the recoverable amounts, including the discount rate, expected growth rate and the reasonableness of their prediction of future cash flow. We also run a sensitivity analysis on the test results. Further, we reviewed the computation of the weighted average cost of capital and the assumptions adopted to examine if BenQ Medical Technology has made appropriate disclosure on the impairment assessment.

2. Revenue Recognition

For accounting policy on revenue recognition, please see Note 4(17) to Consolidated Financial Statements.

Key Audit Matters:

BenQ Medical Technology recognizes revenue in accordance with the terms and conditions of the sales contracts and purchase orders. At the request of individual customers, the Company and its subsidiaries sign a contract with different terms and conditions. As such, the point 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 internal control of the operational cycle and financial reporting pertaining to the sales and receipt of payments. We also perused the related terms and conditions of the sales contracts and purchase 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 products.

Other Matters

We have audited and expressed an unmodified opinion on the standalone financial statements of BENQ MEDICAL TECHNOLOGY CORP. for the years ended December 31, 2021 and 2020.

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 IFRS, IAS, IFRICs and SICs 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 BenQ Medical Technology'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 and its subsidiaries or to cease operations or has no realistic alternative but to do so.

Those charged with governance (including Audit Committee) are responsible for overseeing BenQ Medical Technology'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. Still, it is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement in the Consolidated Financial Statements 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 based on these Consolidated Financial Statements.

As part of an audit in accordance with ROC GAAS, 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 and its subsidiaries' 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 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 for the years ended December 31, 2021 and are 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 Tang, Tzu-Chieh and Shin, Wei-Ming.

KPMG
Taipei, Taiwan (Republic of China)
March 7, 2022

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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

		2021.12.31		2020.12.31				2021.12.31		2020.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 369,850	19	255,055	14	2100	Short-term loans (Note 6(12))	\$ 50,271	3	80,234	4
1150-1170	Notes and accounts receivable (Note 6(3) and (21))	179,076	9	193,186	11	2150-2170	Notes and accounts payable	124,389	6	136,336	8
1181	Accounts receivable - related parties (Note 6(3)(21) and 7)	22,197	1	3,360	-	2181	Accounts payable - related parties (Note 7)	24,337	1	9,404	-
1200	Other receivables	3,454	-	1,637	-	2200	Other payable (Note 6(22))	136,664	7	158,173	9
1212	Other receivables - related parties (Note 7)	1,812	-	50	-	2220	Other payable - related parties (Note 7)	1,901	-	2,030	-
130x	Inventories (Note 6(4))	211,390	11	204,563	11	2230	Current income tax liabilities	18,511	1	11,474	1
1410-1470	Prepayments and other current assets (Note 7)	30,980	2	30,378	2	2250	Provisions for liabilities - current (Note 6(15))	9,822	-	10,301	1
1476	Other financial assets-current (Note 6(2) and 8)	51,423	3	88,431	5	2280	Lease liabilities-current (Note 6(14) and 7)	30,817	2	30,018	2
Total current assets		870,182	45	776,660	43	2300	Other current liabilities (Note 6(21))	31,942	2	26,456	1
Non-current assets:						2322	Long-term loans due within a year (Note 6(13))	35,000	2	3,724	-
1550	Investments accounted for using the equity method (Note 6(5))	131,116	7	29,955	2	Total current liabilities		463,654	24	468,150	26
1600	Property, plant and equipment (Note 6(7), 7 and 8)	668,713	34	713,121	40	Non-current liabilities:					
1755	Right-of-use assets (Note 6(8) and 7)	74,035	4	81,954	5	2540	Long-term loans (Note 6(13))	331,250	17	136,276	8
1760	Investment properties - net (Note 6(9) and 8)	79,448	4	49,195	3	2570	Deferred income tax liabilities (Note 6(18))	9,254	1	10,089	1
1780	Intangible assets (Note 6(6)(10) and 7)	86,834	4	95,381	5	2640	Net defined benefit liabilities - non-current (Note 6(17))	3,146	-	3,542	-
1840	Deferred income tax assets (Note 6(18))	19,621	1	9,814	-	2580	Lease liabilities - non-current (Note 6(14) and 7)	44,409	2	53,057	3
1900	Other non-current assets (Note 6(11)(17))	25,347	1	38,840	2	2645	Guarantee deposit received	3,797	-	6,684	-
Total non-current assets		1,085,114	55	1,018,260	57	Total non-current liabilities		391,856	20	209,648	12
						Total liabilities		855,510	44	677,798	38
						Equity attributable to shareholders of the parent company (Note 6(19))					
						3110	Common stock	445,660	23	445,660	25
						3200	Capital Surplus	297,921	15	297,921	17
						3300	Retained earnings	297,443	15	313,622	17
						3400	Other equity	(2,946)	-	(3,195)	-
						Total equity attributable to shareholders of the parent company		1,038,078	53	1,054,008	59
						36XX	Non-controlling interests (Note 6(6)(19))	61,708	3	63,114	3
						Total equity interest		1,099,786	56	1,117,122	62
						Total liabilities and equity		\$ 1,955,296	100	1,794,920	100
Total assets		\$ 1,955,296	100	1,794,920	100						

(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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenues (Note 6(21), 7 and 14)	\$ 1,464,594	100	1,400,850	100
5000	Operating costs (Note 6 (4)(7)(8)(10)(14)(15)(17)(22), 7 and 12)	(952,311)	(65)	(849,222)	(61)
	Gross profit	512,283	35	551,628	39
5910	Less: Unrealized sales profit	(806)	-	-	-
	Realized gross profit	511,477	35	551,628	39
	Operating expenses (Note 6 (3)(7)(8)(9)(10)(14)(17)(22), 7 and 12):				
6100	Selling expenses	(300,782)	(21)	(284,673)	(20)
6200	General and administrative expenses	(122,800)	(8)	(125,320)	(9)
6300	Research and development expenses	(39,645)	(3)	(44,301)	(3)
6450	Loss allowance for expected credit losses	(1,790)	-	(123)	-
	Total operating expenses	(465,017)	(32)	(454,417)	(32)
	Operating income	46,460	3	97,211	7
	Non-operating income and expenses (Note 6(5)(14)(16)(23) and 7):				
7100	Interest income	689	-	802	-
7010	Other income	16,561	1	10,400	1
7020	Other gains and losses	193	-	(2,876)	-
7050	Financing costs	(3,912)	-	(4,017)	-
7375	Share of profit of joint ventures accounted for using equity method	1,792	-	4,151	-
	Total non-operating income and expenses	15,323	1	8,460	1
	Income before income tax	61,783	4	105,671	8
7950	Less: Income tax expense (Note 6(18))	(12,747)	(1)	(21,552)	(2)
	Net income	49,036	3	84,119	6
	Other comprehensive income (loss) (Note 6(5)(17)(18)(19)):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of the defined benefit plan	(566)	-	2,222	-
8349	Income tax expense related to components that will not be reclassified to profit or loss	113	-	(445)	-
		(453)	-	1,777	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	74	-	(15)	-
8370	Share of other comprehensive income of joint ventures accounted for using the equity method	175	-	129	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		249	-	114	-
	Other comprehensive income for the period	(204)	-	1,891	-
	Total comprehensive income for the period	\$ 48,832	3	\$ 86,010	6
	Profit attributable to:				
8610	shareholders of the parent company	\$ 28,840	2	62,051	4
8620	Non-controlling interests	20,196	1	22,068	2
		\$ 49,036	3	\$ 84,119	6
	Comprehensive income (loss) attributable to:				
8710	shareholders of the parent company	\$ 28,636	2	63,942	4
8720	Non-controlling interests	20,196	1	22,068	2
		\$ 48,832	3	\$ 86,010	6
	Earnings per share (Unit: New Taiwan dollars, Note 6 (20))				
9750	Basic earnings per share	\$ 0.65		1.39	
9850	Diluted earnings per share	\$ 0.65		1.39	

(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, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the parent company						Other equity interests	Total equity attributable to shareholders of the parent company	Non-controlling interests	Total equity interest
	Retained earnings					Exchange differences on translation of foreign operations				
	Common stock	Capital Surplus	Legal reserve	Special reserve	Undistributed 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	-	-	-	-	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
Earnings appropriation and distribution:										
Legal reserve appropriated	-	-	7,541	-	(7,541)	-	-	-	-	-
Special reserve appropriated	-	-	-	1,384	(1,384)	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(60,164)	(60,164)	-	(60,164)	-	(60,164)
Stock dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(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
Net income	-	-	-	-	28,840	28,840	-	28,840	20,196	49,036
Other comprehensive income for the period	-	-	-	-	(453)	(453)	249	(204)	-	(204)
Total comprehensive income for the period	-	-	-	-	28,387	28,387	249	28,636	20,196	48,832
Earnings appropriation and distribution:										
Legal reserve appropriated	-	-	6,383	-	(6,383)	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(44,566)	(44,566)	-	(44,566)	-	(44,566)
Reversal of special reserve	-	-	-	(114)	114	-	-	-	-	-
Stock dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(21,602)	(21,602)
Balance as of December 31, 2021	\$ 445,660	297,921	102,356	3,195	191,892	297,443	(2,946)	1,038,078	61,708	1,099,786

(Please see Notes to Consolidated Financial Statements)

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

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows provided by operating activities:		
Profit before income tax	\$ 61,783	105,671
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	88,766	73,263
Amortization	12,277	12,326
Interest expense	3,912	4,017
Interest income	(689)	(802)
Gains on lease modification	(661)	(572)
Share of profit of joint ventures accounted for using equity method	(1,792)	(4,151)
Gain on disposals of property, plant and equipment	(61)	(69)
Unrealized sales profit	806	-
Total adjustments to reconcile profit (loss)	102,558	84,012
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	14,110	(6,277)
Accounts receivable - related parties	(18,837)	(443)
Other receivables	(1,916)	801
Other receivables - related parties	(1,762)	3,094
Inventories	(7,065)	(25,798)
Prepayments and other current assets	(602)	(1,589)
Total changes in operating assets	(16,072)	(30,212)
Changes in operating liabilities:		
Notes and accounts payable	(11,947)	5,280
Accounts payable - related parties	14,933	(393)
Other payables	(15,473)	10,424
Other payables - related parties	(129)	(943)
Provisions for liabilities	(479)	(340)
Other current liabilities	5,486	7,089
Net defined benefit liabilities	-	(352)
Total changes in operating liabilities	(7,609)	20,765
Total changes in operating assets and liabilities	(23,681)	(9,447)
Total adjustments	78,877	74,565
Cash inflow from operations	140,660	180,236
Interest received	788	802
Interest paid	(3,863)	(4,024)
Income tax paid	(16,239)	(25,532)
Net cash inflow provided by operating activities	121,346	151,482

(Continued on next page)

(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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows used in investing activities:		
Increase in prepayments for investments	\$ (100,000)	-
Net cash outflow from merger and acquisition of subsidiaries	-	(10,219)
Acquisition of property, plant and equipment	(30,257)	(36,408)
Proceeds from disposals of property, plant and equipment	427	69
Increase in refundable deposits	(390)	(405)
Acquisition of intangible assets	(2,665)	(5,958)
Decrease (increase) in other financial assets	37,008	(35,161)
Increase in other non-current assets	(2,890)	(15,979)
Net cash outflow used in investing activities	<u>(98,767)</u>	<u>(104,061)</u>
Cash flows used in financing activities:		
Increase (decrease) in short-term loans	(29,963)	27,759
Increase in long-term loans	360,000	140,000
Repayments of long-term loans	(133,750)	(93,750)
Increase (decrease) in guarantee deposit received	(2,887)	2,582
Payment of lease liabilities	(35,084)	(31,752)
Disbursement of cash dividend	(44,566)	(60,164)
Cash dividends distributed by subsidiaries to non-controlling interests	(21,602)	(19,666)
Net cash inflow (outflow) provided by financing activities	<u>92,148</u>	<u>(34,991)</u>
Effect of changes in foreign exchange rates	68	(1)
Increase in cash and cash equivalents for the period	114,795	12,429
Cash and cash equivalents at the beginning of the period	255,055	242,626
Cash and cash equivalents at the end of the period	<u><u>\$ 369,850</u></u>	<u><u>255,055</u></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 Years Ended December 31, 2021 and 2020

(Unless stated otherwise, all amounts are expressed in thousands of New Taiwan Dollar)

1. 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.

2. Authorization of the Consolidated Financial Statements

The Consolidated Financial Statements were ratified by the Board of Directors on March 7, 2022 before being issued.

3. Application of New Standards, Amendments, and Interpretations

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

The Group began to apply the following amendments to International Financial Reporting Standards from January 1, 2021 onward, and 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Interest Rate Benchmark Reform - Phase 2"

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

- Amendments to IFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”

- (2) Effect of adopting IFRSs that have yet to be endorsed and issued into effect by the FSC

The Group evaluated and began to apply the following new amendments to International Financial Reporting Standards from January 1, 2022 onward. There has been no significant impact on the Group's Consolidated Financial Statements.

- 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"

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

IFRS, IAS, IFRIC and SIC that have been issued by the International Accounting Standards Board (IASB) but have yet to be endorsed and issued into effect by the FSC, and which may be relevant to the Group:

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 evaluating the impact of the above IFRSs and Interpretation on the Consolidated Financial Statements and business operations. 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"
- Amendments to IFRS 17 "Insurance Contract."
- Amendments to IAS 1, "Disclosure of Accounting Policies"
- Amendments to IAS 8, "Definition of Accounting Estimates"
- Amendments to IAS 12, "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

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

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").

(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 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 Group's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(2) 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 significant inter-company transactions, balances and unrealized income and loss are eliminated in preparing the Consolidated Financial Statements. 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.

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

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:

Name of investor	Subsidiary	Main business activities	Ownership (%)	
			2021.12.31	2020.12.31
The Company	Asiacconnect International Co., Ltd. ("Asiacconnect")	Sales of medical consumables and equipment and wholesaling and retailing of 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%
The Company	BenQ AB DentCare Corporation ("BABD")	Wholesaling and retailing of medical consumables and equipment	88.00%	88.00%
The Company	BenQ Healthcare Corporation ("BHS")	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%	70.00%
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%
BHS	New Best Hearing International Trade Co., Ltd. ("NBHIT")	Wholesaling and retailing of medical consumables and equipment	52.00%	52.00%

3. List of subsidiaries that are 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 on the transaction dates. 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.

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Notes to Consolidated Financial Statements (continued)

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 of the Group;
2. The asset 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 of the Group;
2. It is held primarily for trading;
3. It is due to be settled within 12 months after the Balance Sheets; or
4. 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

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

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. The initial recognition of a financial asset (unless it is an accounts receivable without a significant financing component) or financial liability measured at fair value through profit or loss (FVTPL) is measured at the fair value plus transaction costs directly attributable to its acquisition or issuance. An accounts receivable without a significant financing component is initially measured at the transaction price.

1. Financial assets

For initial recognition, financial assets are classified as financial assets measured at amortized cost. Financial assets are not reclassified after their initial recognition unless the Group changes its business model for managing financial assets. All affected financial assets are reclassified on the first day of the first reporting period following the business model's change.

(1) 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.
- 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.

(2) Impairment of financial assets

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

The Group measures loss allowances at an amount equal to lifetime expected credit losses, except for the following financial assets, which are measured using

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

12-month expected credit losses:

- 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 expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses are the portion of expected credit losses 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 instrument's expected life is less than 12 months).

The maximum period taken into consideration when estimating expected credit losses 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 such, time deposits are deemed to have a low credit risk.

Expected credit losses 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). Expected credit losses 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 reduced when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion

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

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.

(3) 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 Company 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 financial asset is not derecognized.

2. Financial liabilities

(1) 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.

(2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual 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.

(3) 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.

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Notes to Consolidated Financial Statements (continued)

(8) Inventories

The initial cost of inventories includes expenditure incurred in bringing them to the location and condition ready for sale. The fixed manufacturing overhead is allocated to finished products and work in process based on the higher of normal capacity or actual capacity. In contrast, the variable manufacturing overhead is allocated based on the actual capacity of machinery and equipment. Subsequently, inventories are measured at the lower cost and 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, all estimated costs of completion and necessary selling expenses as of the reporting date.

(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, plus any transaction costs. The carrying amount in the investment in associates includes goodwill identified on the acquisition, net of any accumulated impairment losses. When necessary, the entire carrying amount in the investment (including goodwill) will be tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount in the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount in the investment subsequently increases.

The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss. Its share of post-acquisition movements in other comprehensive income is recognized as other comprehensive income with a corresponding adjustment to the carrying amount in the investment. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate, and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the change in ownership interests of its associate as capital surplus in proportion to its 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.

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Notes to Consolidated Financial Statements (continued)

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. 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 an associate issues new shares and the Group does not subscribe to the new shares in proportion to its original ownership percentage, the Group's interest in the associate's net assets will be changed. The equity interest change is adjusted through the capital surplus and investment accounted for using the equity method. If the Group's capital surplus is insufficient to offset the adjustment to investment accounts, the difference is charged as a reduction of retained earnings. If the Group's interest in an associate is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount in 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 accounting of the equity method, please refer to Note 4(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 other facts and circumstances. When facts and circumstances change, the Group shall reevaluate whether the joint arrangement classification has to change accordingly.

(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. Subsequent to initial recognition, investment properties are measured at initial acquisition cost less accumulated depreciation and accumulated impairment losses. The methods for

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Notes to Consolidated Financial Statements (continued)

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: buildings, 35 to 50 years; machinery and equipment, 2 to 10 years; office and other equipment, 2 to 10 years.

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.

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Notes to Consolidated Financial Statements (continued)

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

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.

1. 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 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:

- (1) Fixed payments, including in-substance fixed payments;
- (2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- (3) Exercise price when it is reasonably certain that the purchase option will be exercised or payments of penalties for terminating the lease.

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

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Notes to Consolidated Financial Statements (continued)

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

When the lease liability is remeasured due to a change in future lease payments resulting from a change in an index or a rate used to determine those payments, a change in the amounts expected to be payable under a residual value guarantee and a change in assessment in terms of options to purchase, extend or terminate a lease, a corresponding adjustment is made to the carrying amount in the right-of-use asset. Or, if the carrying amount in the right-of-use asset has been reduced to zero, any remaining amount in the remeasurement shall be recognized in profit or loss.

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

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.

2. 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,

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Notes to Consolidated Financial Statements (continued)

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

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 combination's synergies.

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

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Notes to Consolidated Financial Statements (continued)

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 or services 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 is able to determine the party and price the goods can be subsequently sold to. There is no unfulfilled obligation that could affect the customer's acceptance of the goods. The delivery occurs when the goods are sent 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

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Notes to Consolidated Financial Statements (continued)

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 see Note 4(16).

An accounts 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 liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date, less, the fair value of plan assets. 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 immediately in profit or loss.

The remeasurement of net defined benefit liabilities (asset), including actuarial gains or losses, return on plan assets (not including interest) and any change in the effect

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Notes to Consolidated Financial Statements (continued)

of the asset ceiling (not including interest), shall be recognized immediately in other comprehensive income (loss) and accumulated in retained earnings.

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 immediately. When making settlements, 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 that the payments can be reliably recognized.

(19) Share-based payment

The equity-settled payment arrangement is measured at the fair value of the equity instrument as at the settlement date and recognized as an expense and a corresponding increase in equity at the award's vesting period. The expense recognized is adjusted based on the expected service condition fulfilled and the number of awards subject to non-market vesting conditions. The final amount recognized is based on the service condition fulfilled as at the vesting date and the number of awards that are subject to non-market vesting conditions

The share-based payment's non-vesting conditions are already reflected in the fair value measurement of the equity instrument as at the settlement date. Adjustment for the difference between the expected and actual measurement is not necessary.

For the cash capital increase reserved for employee stock options subscription, the settlement date refers to the day when the Group announces the subscription price and the number of shares for subscription to the employees.

(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

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

the tax 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 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 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 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:
 - (1) the same taxable entity; or
 - (2) 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.

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

(21) Business combinations

The Group uses the acquisition method for acquisitions of new subsidiaries. Goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred (including any noncontrolling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and record any additional assets or liabilities that are identified in that review, and thereafter, shall recognize a gain on the bargain purchase.

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

In an acquisition of a new subsidiary achieved in stages, the previously held equity interest in the acquiree at its acquisition date fair value is remeasured. The resulting gain or loss, if any, is recognized in profit or loss. For all amounts recognized in other comprehensive income arising from a change in acquiree equity prior to the acquisition date, the Group shall treat it on the same basis as if the Group directly dispose of the previously held equity interest. If the amounts previously recognized in other comprehensive income shall be reclassified to profit or loss as would be required. In contrast, disposal of such interest, the Group shall reclassify it to profit or loss.

If the initial accounting for an acquisition is incomplete by the end of the reporting period in which the acquisition 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 components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, based on each business combination, the Group shall opt to measure at fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date. All other components of non-controlling interests shall be measured at their acquisition-date fair values, or other measurement basis provided by FSC endorsed IFRSs.

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

(22) Earnings per share (EPS)

The basic and diluted EPS attributable to stockholders of the Group are disclosed in the financial statements. Basic EPS is calculated by dividing net income attributable to the Group's stockholders by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to the Group'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

The operating departments are the forming units of the Group that engage in business activities to earn revenue and incur expenses (including the revenue earned from and expenses incurred in transactions with other units within the Group). The operating results of all operating departments are subject to regular review of the decision makers of the Group. They shall determine the resources provided to the operating departments and assess their performance. Each operating department has its own financial information.

5. Critical Accounting Judgments and key sources of Estimates and Assumptions on Uncertainty

In pursuant to the Preparation Regulations and the IFRSs as endorsed by FSC, when preparing for these Consolidated Financial Statements, the Management is 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized when the estimates are revised and 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

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

strategies could significantly alter future years. For impairment assessment on goodwill, please see Note 6 (10) to Consolidated Financial Statements.

6. Significant Accounts Disclosure

(1) Cash and cash equivalents

	<u>2021.12.31</u>	<u>2020.12.31</u>
Cash on hand and revolving funds	\$ 1,553	976
Demand deposits and checking accounts	312,797	195,929
Time deposits with an initial maturity date within three months	<u>55,500</u>	<u>58,150</u>
	<u><u>\$ 369,850</u></u>	<u><u>255,055</u></u>

(2) Other financial assets-current

	<u>2021.12.31</u>	<u>2020.12.31</u>
Time deposits with an initial maturity date of more than three months	<u>\$ 51,423</u>	<u>88,431</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>2021.12.31</u>	<u>2020.12.31</u>
Notes receivable	\$ 6,608	10,978
Accounts receivable	176,761	184,711
Less: Loss allowance	<u>(4,293)</u>	<u>(2,503)</u>
	179,076	193,186
Accounts receivable - related parties	<u>22,197</u>	<u>3,360</u>
	<u><u>\$ 201,273</u></u>	<u><u>196,546</u></u>

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

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

	2021.12.31		
	Gross carrying amount notes and accounts receivable	Weighted-ave rage expected credit loss	Loss allowance for expected credit losses
Current	\$ 167,445	0.47%	782
Less than 90 days overdue	12,006	2.32%	279
91 - 180 days overdue	1,077	36.30%	391
More than 365 days overdue	<u>2,841</u>	100.00%	<u>2,841</u>
	<u>\$ 183,369</u>		<u>4,293</u>

	2020.12.31		
	Gross carrying amount notes and accounts receivable	Weighted-ave rage expected credit loss	Loss allowance for expected credit losses
Current	\$ 144,009	0.35%	502
Less than 90 days overdue	43,063	1.01%	435
91 - 180 days overdue	1,263	1.82%	23
181 - 270 days overdue	6,852	15.19%	1,041
More than 365 days overdue	<u>502</u>	100.00%	<u>502</u>
	<u>\$ 195,689</u>		<u>2,503</u>

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

	2021.12.31	2020.12.31
Current	\$ 18,390	3,360
Less than 90 days overdue	<u>3,807</u>	<u>-</u>
	<u>\$ 22,197</u>	<u>3,360</u>

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

	2021	2020
Beginning balance	\$ 2,503	2,380
Impairment losses	<u>1,790</u>	<u>123</u>
End balance	<u>\$ 4,293</u>	<u>2,503</u>

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

(4) Inventory

	<u>2021.12.31</u>	<u>2020.12.31</u>
Raw materials	\$ 72,189	74,406
Work-in-progress	27,055	24,839
Finished goods	25,531	30,767
Merchandise Inventories	82,055	60,742
Inventories in transit	4,560	13,809
	<u>\$ 211,390</u>	<u>204,563</u>

Cost of goods sold relating to Inventories expenses for the current period:

	<u>2021</u>	<u>2020</u>
Cost of inventories sold	\$ 933,453	836,728
Inventories loss due to falling prices	14,753	9,158
Gains on physical inventory	(1,075)	(663)
Loss on inventory obsolescence	5,180	3,999
	<u>\$ 952,311</u>	<u>849,222</u>

The write-down of inventories above was the amount in inventories written down to net realizable value.

(5) Investments accounted for using the equity method

The investments accounted for using the equity method at the reporting date are as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Joint venture	\$ 31,116	29,955
Prepayments for investments	100,000	-
	<u>\$ 131,116</u>	<u>29,955</u>

1. Joint ventures

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 into the Consolidated Financial Statements are as follows:

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

<u>Investee company</u>	<u>Main business activities</u>	<u>Carrying amount</u>	
		<u>2021.12.31</u>	<u>2020.12.31</u>
TDX Medical Technology (Jiangsu) Co., Ltd (TDX)	Wholesaling and retailing of medical consumables and equipment	<u>\$ 31,116</u>	<u>29,955</u>

The profit and loss of the joint venture attributable to the Group are as follows:

	<u>2021</u>	<u>2020</u>
Net income	\$ 1,792	4,151
Other comprehensive income (loss)	175	129
Total comprehensive income (loss)	<u>\$ 1,967</u>	<u>4,280</u>

2. Prepayments for investments

To provide better medical products and services, and garner the complementary advantage of the integration of product development and professional medical services, by the resolution of the Board on December 27, 2021, the Group shall participate in the private placement of common stock issuance for cash capital increase by Concord Medical Co., Ltd. (hereafter, "Concord"). The Group acquired 8,333,334 shares for the consideration of NTD100, 000 thousand, which constitutes a shareholding of 25% after the stock issuance.

In the same Board meeting, by another resolution, the Group shall make a public tender offer to acquire the common stock of Concord. The estimated acquisition amounted to 5,000,000 shares, which shall constitute a shareholding of 15% after the capital increase. For more details, please see Note 11.

(6) Subsidiaries

(1) Acquisition of subsidiary

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

(1) Consideration transferred

According to the equity interest transfer agreement, on February 11, 2020, the

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

Group purchased a 70% stake of Eastech with a cash payment of NTD20, 300 thousand. Without contingent consideration or other equity instruments as consideration transferred.

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

Consideration transferred:

Cash	\$ 20,300
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Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)	5,107
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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)	16,363

Goodwill	<u>\$ 9,044</u>	
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- (3) Intangible asset

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

Intangible asset - The distribution agreement is amortized over the estimated

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

future economic useful life of 2.9 years according to straight-line amortization.

(4) Pro forma information

From February 11, 2020 (acquisition date) to December 31, 2020, the operating results of Eastech have been consolidated into the Consolidated Statements of Comprehensive Income of the Group, in which the sales revenue and net profit amounted to NTD40,740 thousand and NTD4,570 thousand respectively. If the acquisition had occurred on January 1, 2020, the pro forma projection for sales revenue and net profit after the Group's tax would amount to NTD1,400,869 thousand and NTD82,946 thousand, respectively.

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

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

Subsidiary	Principal place of business/country of incorporation	Percentage of ownership and voting rights held by non-controlling interests	
		2021.12.31	2020.12.31
NBHIT	Taiwan	48%	48%

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

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Notes to Consolidated Financial Statements (continued)

The summarized financial information of NBHIT:

	2021.12.31	2020.12.31
Current assets	\$ 105,153	112,713
Non-current assets	126,404	129,962
Current liabilities	(81,475)	(81,002)
Non-current liabilities	(30,191)	(31,653)
Net assets	<u>\$ 119,891</u>	<u>130,020</u>
The carrying amount in non-controlling interests	<u>\$ 44,028</u>	<u>48,890</u>

	2021	2020
Net sales	<u>\$ 294,092</u>	<u>313,085</u>
Net income	\$ 32,376	44,250
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u>\$ 32,376</u>	<u>44,250</u>
Net income attributable to non-controlling interests	<u>\$ 15,540</u>	<u>21,240</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 15,540</u>	<u>21,240</u>

	2021	2020
Cash flows provided by operating activities	\$ 64,975	59,891
Cash flows used in investing activities	5,912	(8,130)
Cash flows used in financing activities	(64,125)	(59,744)
Net increase (decrease) in cash and cash equivalents	<u>\$ 6,762</u>	<u>(7,983)</u>
Cash dividends paid to non-controlling interests	<u>\$ 20,402</u>	<u>19,666</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:

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

		Land	Buildings	Machinery	Office and other equipment	Total
Cost:						
Balance as of January 1, 2021	\$	314,314	362,715	185,275	124,666	986,970
Additions		-	-	14,160	10,012	24,172
Disposals		-	-	(548)	(2,918)	(3,466)
Reclassification to investment properties		(31,822)	-	-	-	(31,822)
Other reclassification		-	-	14,265	719	14,984
Effect of changes in foreign exchange rates		-	-	-	9	9
Balance as of December 31, 2021	\$	282,492	362,715	213,152	132,488	990,847
Balance as of January 1, 2020	\$	314,314	361,765	149,105	111,370	936,554
Acquisition through business combination (Note 6(6))		-	-	-	1,494	1,494
Additions		-	950	29,937	10,987	41,874
Disposals		-	-	(580)	(431)	(1,011)
Reclassification		-	-	6,813	1,244	8,057
Effect of changes in foreign exchange rates		-	-	-	2	2
Balance as of December 31, 2020	\$	314,314	362,715	185,275	124,666	986,970
Accumulated depreciation and impairment loss:						
Balance as of January 1, 2021	\$	-	59,037	126,445	88,367	273,849
Depreciation		-	10,736	28,222	12,419	51,377
Disposals		-	-	(182)	(2,918)	(3,100)
Effect of changes in foreign exchange rates		-	-	-	8	8
Balance as of December 31, 2021	\$	-	69,773	154,485	97,876	322,134
Balance as of January 1, 2020	\$	-	48,229	111,235	75,640	235,104
Acquisition through business combination (Note 6(6))		-	-	-	599	599
Depreciation		-	10,808	15,790	12,558	39,156
Disposals		-	-	(580)	(431)	(1,011)
Effect of changes in foreign exchange rates		-	-	-	1	1
Balance as of December 31, 2020	\$	-	59,037	126,445	88,367	273,849
Carrying amount:						
December 31, 2021	\$	282,492	292,942	58,667	34,612	668,713
December 31, 2020	\$	314,314	303,678	58,830	36,299	713,121

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

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

(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, 2021	\$ 138,795	8,962	147,757
Additions	28,023	2,064	30,087
Lease modification	(2,916)	(1,103)	(4,019)
Write-off	(18,369)	(213)	(18,582)
Effect of changes in foreign exchange rates	<u>(3)</u>	<u>-</u>	<u>(3)</u>
Balance as of December 31, 2021	<u>\$ 145,530</u>	<u>9,710</u>	<u>155,240</u>
Balance as of January 1, 2020	\$ 127,230	8,521	135,751
Acquisition through business combination (Note 6(6))	2,970	-	2,970
Additions	15,352	1,658	17,010
Lease modification	(4,082)	-	(4,082)
Write-off	(2,683)	(1,217)	(3,900)
Effect of changes in foreign exchange rates	<u>8</u>	<u>-</u>	<u>8</u>
Balance as of December 31, 2020	<u>\$ 138,795</u>	<u>8,962</u>	<u>147,757</u>
Accumulated depreciation of right-of-use assets:			
Balance as of January 1, 2021	\$ 61,467	4,336	65,803
Depreciation for the current period	33,349	2,471	35,820
Lease modification	(928)	(900)	(1,828)
Write-off	(18,369)	(213)	(18,582)
Effect of changes in foreign exchange rates	<u>(8)</u>	<u>-</u>	<u>(8)</u>
Balance as of December 31, 2021	<u>\$ 75,511</u>	<u>5,694</u>	<u>81,205</u>
Balance as of January 1, 2020	\$ 33,984	3,413	37,397
Acquisition through business combination (Note 6(6))	309	-	309
Depreciation for the current period	30,384	2,140	32,524
Lease modification	(550)	-	(550)
Write-off	(2,683)	(1,217)	(3,900)
Effect of changes in foreign exchange rates	<u>23</u>	<u>-</u>	<u>23</u>
Balance as of December 31, 2020	<u>\$ 61,467</u>	<u>4,336</u>	<u>65,803</u>
Carrying amount:			
December 31, 2021	<u>\$ 70,019</u>	<u>4,016</u>	<u>74,035</u>
December 31, 2020	<u>\$ 77,328</u>	<u>4,626</u>	<u>81,954</u>

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

(9) Investment properties

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2021	\$ -	54,762	54,762
Reclassification from property, plant and equipment	31,822	-	31,822
Balance as of December 31, 2021	<u>\$ 31,822</u>	<u>54,762</u>	<u>86,584</u>
Balance as of January 1, 2020 (i.e. balance as of December 31, 2020)	<u>\$ -</u>	<u>54,762</u>	<u>54,762</u>
Accumulated depreciation:			
Balance as of January 1, 2021	\$ -	5,567	5,567
Depreciation	-	1,569	1,569
Balance as of December 31, 2021	<u>\$ -</u>	<u>7,136</u>	<u>7,136</u>
Balance as of January 1, 2020	\$ -	3,984	3,984
Depreciation	-	1,583	1,583
Balance as of December 31, 2020	<u>\$ -</u>	<u>5,567</u>	<u>5,567</u>
Carrying amount:			
December 31, 2021	<u>\$ 31,822</u>	<u>47,626</u>	<u>79,448</u>
December 31, 2020	<u>\$ -</u>	<u>49,195</u>	<u>49,195</u>
Fair value:			
December 31, 2021		<u>\$ 333,649</u>	
December 31, 2020		<u>\$ 293,680</u>	

For investment properties leased to third parties and the proportion of land ownership, please see Note 6(16). The Management determines the fair value of the investment properties by referring to the transaction price of similar properties in the same area.

For investment properties serving as collateral for a credit line of bank loans, please see Note 8.

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

(10) Intangible asset

	<u>Goodwill</u>	<u>Computer software</u>	<u>Customer relationships and sales channels</u>	<u>Other intangible assets</u>	<u>Total</u>
Costs:					
Balance as of January 1, 2021	\$ 56,873	27,017	48,011	29,582	161,483
Addition	-	2,665	-	-	2,665
Write-off	-	(17,266)	-	(2,000)	(19,266)
Reclassification	-	1,065	-	-	1,065
Balance as of December 31, 2021	<u>\$ 56,873</u>	<u>13,481</u>	<u>48,011</u>	<u>27,582</u>	<u>145,947</u>
Balance as of January 1, 2020	\$ 47,829	25,005	48,011	24,375	145,220
Acquisition through business combination (Note 6(6))	9,044	-	-	3,302	12,346
Addition	-	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>	<u>27,017</u>	<u>48,011</u>	<u>29,582</u>	<u>161,483</u>
Accumulated amortization:					
Balance as of January 1, 2021	\$ -	22,396	24,634	19,072	66,102
Amortization	-	3,969	4,937	3,371	12,277
Write-off	-	(17,266)	-	(2,000)	(19,266)
Reclassification	-	-	(1,038)	1,038	-
December 31, 2021	<u>\$ -</u>	<u>9,099</u>	<u>28,533</u>	<u>21,481</u>	<u>59,113</u>
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 as of December 31, 2020	<u>\$ -</u>	<u>22,396</u>	<u>24,634</u>	<u>19,072</u>	<u>66,102</u>
Carrying amount:					
December 31, 2021	<u>\$ 56,873</u>	<u>4,382</u>	<u>19,478</u>	<u>6,101</u>	<u>86,834</u>
December 31, 2020	<u>\$ 56,873</u>	<u>4,621</u>	<u>23,377</u>	<u>10,510</u>	<u>95,381</u>

2. Impairment test on goodwill

The goodwill obtained from the business combinations based on setting individual subsidiaries as the cash generation units is as follows:

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Notes to Consolidated Financial Statements (continued)

	<u>2021.12.31</u>	<u>2020.12.31</u>
LILY	\$ 13,576	13,576
NBHIT	34,253	34,253
Eastech	9,044	9,044
	<u>\$ 56,873</u>	<u>56,873</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 for the goodwill of CGUs conducted by the Group for the year ended 2021 and 2020, 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>2021.12.31</u>			<u>2020.12.31</u>		
	<u>LILY</u>	<u>NBHIT</u>	<u>Eastech</u>	<u>LILY</u>	<u>NBHIT</u>	<u>Eastech</u>
Revenue growth rate	4.5~5.1%	0.5~5.5%	15~18.3%	5~5.4%	0.5~5.5%	14.3~20%
Discount rates	14.00%	10.00%	12.24%	16.24%	11.67%	12.71%

(1) 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.

(2) The estimation of the discount rate is based on the weighted average cost of capital.

(11) Other non-current assets

	<u>2021.12.31</u>	<u>2020.12.31</u>
Prepayments for equipment	\$ 6,681	20,364
Net pension plan assets (Note 6(17))	2,833	3,033
Refundable Deposits	15,833	15,443
	<u>\$ 25,347</u>	<u>38,840</u>

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Notes to Consolidated Financial Statements (continued)

(12) Short-term loans

	<u>2021.12.31</u>	<u>2020.12.31</u>
Unsecured bank loans	\$ 50,271	80,234
Unused credit facilities	\$ 1,124,993	1,192,121
Interest rate bracket	<u>0.68%~1.10%</u>	<u>0.75%~2.09%</u>

(13) Long-term loans

	<u>2021.12.31</u>	<u>2020.12.31</u>
Unsecured bank loans	\$ 366,250	140,000
Less: current portion of long-term debt	(35,000)	(3,724)
	<u>\$ 331,250</u>	<u>136,276</u>
Unused credit facilities	\$ 460,000	535,000
Interest rate bracket	<u>1.03%~1.19%</u>	<u>1.10%~1.18%</u>

For assets pledged as collateral to secure credit line of bank loans, please see Note 8.

(14) Lease liabilities

The lease liabilities of the Group are as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Current	\$ 30,817	30,018
Non-current	\$ 44,409	53,057

For the maturity analysis, please see Note 6(25) on financial risk management.

Profit and loss recognized are as follows:

	<u>2021</u>	<u>2020</u>
Interest expense of lease liabilities	\$ 1,293	1,550
Current lease payments not included as lease liability measurement	\$ 3,752	3,184
Short-term lease expense	\$ 2,755	2,722

Items recognized in Cash Flows Statement:

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ 42,884	39,208

1. Lease of buildings

Pertaining to office spaces and branch offices of the Group, the lease tenors for

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Notes to Consolidated Financial Statements (continued)

office spaces range from three to eight years, and for 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. Of which, some lease tenor of transportation equipment is one year and thus deemed to be short-term leases. The Group chooses to adopt recognition exemption and does not recognize the relevant right-of-use assets and lease liabilities.

(15) Provision for product warranties

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 10,301	10,641
Provisions made	3,918	2,315
Amount utilized	<u>(4,397)</u>	<u>(2,655)</u>
End balance	<u>\$ 9,822</u>	<u>10,301</u>

The provision for product warranties is mainly pertaining to the sales of medical equipment. The provision for warranties is estimated 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- lessor

The Group leases out its investment properties. As almost all of the risk and reward of the ownership of the properties have not been transferred, the lease contracts are classified as operating leases. Please see Note 6(9) on investment properties.

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

	<u>2021.12.31</u>	<u>2020.12.31</u>
Less than 1 year	\$ 5,760	5,760
1 to 2 years	5,280	5,760
2 to 3 years	<u>-</u>	<u>5,280</u>
Total undiscounted lease payments	<u>\$ 11,040</u>	<u>16,800</u>

The rental income generated by investment properties for both 2021 and 2020 amounted to NTD5, 769 thousand and NTD5, 772 thousand, respectively, and was recognized under non-operating income and expenses.

(17) Employee benefits

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

1. Defined benefit plans

The adjustments to the present value of the defined benefit plans and net defined benefit liabilities (pension plan assets) are as follows:

	<u>2021.12.31</u>	<u>2020.12.31</u>
Present value of defined benefit obligations	\$ 4,406	5,218
Fair value of plan assets	<u>(1,260)</u>	<u>(1,676)</u>
Net defined benefit liabilities	<u>\$ 3,146</u>	<u>3,542</u>
	<u>2021.12.31</u>	<u>2020.12.31</u>
Present value of defined benefit obligations	\$ 25,143	23,718
Fair value of plan assets	<u>(27,976)</u>	<u>(26,751)</u>
Pension plan assets (listed as other non-current assets)	<u>\$ (2,833)</u>	<u>(3,033)</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 payments that a retired employee is entitled to receive are based on years of service and the average salary for the six months prior to the employee's retirement.

(1) 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 Fund's utilization, 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, 2021 and 2020, the Group's labor pension fund account balance at Bank of Taiwan amounted to NTD29, 236 thousand and NTD28, 427 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.

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Notes to Consolidated Financial Statements (continued)

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

	<u>2021</u>	<u>2020</u>
Present value of defined benefit obligations as at January 1	\$ 28,936	31,236
Current interest expense and service costs	180	310
Remeasurement on the net defined benefit liabilities (assets):		
— Actuarial losses (gains) arising from changes in demography	669	-
— Actuarial losses (gains) arising from changes in financial assumptions	-	(1,451)
— Actuarial losses (gains) arising from experience adjustments	225	77
Benefits paid by the plan	(461)	(1,236)
Present value of defined benefit obligations as at December 31	<u>\$ 29,549</u>	<u>28,936</u>

(3) Movements of the fair value of plan assets

	<u>2021</u>	<u>2020</u>
Fair value of plan assets as at January 1	\$ 28,427	27,422
Interest income	181	276
Remeasurement on the net defined benefit liabilities (assets):		
— Return on plan assets (not including interest income for the current period)	328	848
Contributions by the employer	761	1,117
Benefits paid by the plan	(461)	(1,236)
Fair value of plan assets as at December 31	<u>\$ 29,236</u>	<u>28,427</u>

(4) Expenses recognized in profit or loss

	<u>2021</u>	<u>2020</u>
Net interest expense on the net defined benefit liability	<u>\$ (1)</u>	<u>34</u>
Operating costs	\$ 10	39
General and administrative expenses	(11)	(5)
	<u>\$ (1)</u>	<u>34</u>

(5) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

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Notes to Consolidated Financial Statements (continued)

	<u>2021.12.31</u>	<u>2020.12.31</u>
Discount rates	0.625%	0.625%
Future salary increase rate	2.000%~3.000%	2.000%~3.000%

The Group expects to contribute NTD761 thousand to the defined benefit plans within one year following December 31, 2021. The weighted average duration of the defined benefit plans is ranged from 10.77 years to 13.42 years.

(6) Sensitivity analysis

For the present value of defined benefit obligations, the Group has to practice judgment and make estimates to determine the actuarial assumptions as at the reporting date, including the discount rates and future salary rate increases. Any change 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, 2021 and 2020:

	<u>Increase (decrease) in the present value of defined benefit obligations</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2021		
Discount rates	(793)	823
Future salary rate increases	796	(770)
December 31, 2020		
Discount rates	(833)	864
Future salary rate increases	834	(808)

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 related. The method used to carry out the sensitivity analysis is the same as 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

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

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, 2021 and 2020, the Group recognized pension expenses of NTD15, 077 thousand and NTD14, 147 thousand respectively, in relation to the defined contribution pension plans.

(18) Income tax

1. Income tax expense

	<u>2021</u>	<u>2020</u>
Current income tax expense		
Income tax expense for the current period	\$ 22,657	23,401
Adjustment to income tax expense for the previous periods	<u>619</u>	<u>(77)</u>
	<u>23,276</u>	<u>23,324</u>
Deferred income tax benefit		
Origination and reversal of temporary differences	<u>(10,529)</u>	<u>(1,772)</u>
	<u>\$ 12,747</u>	<u>21,552</u>

In 2021 and 2020, there was no income tax recognized directly in equity.

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

	<u>2021</u>	<u>2020</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plan	<u>\$ (113)</u>	<u>445</u>

Reconciliation of income tax expense and profit before tax was as follows:

	<u>2021</u>	<u>2020</u>
Income before income tax	<u>\$ 61,783</u>	<u>105,671</u>
Income tax using the Company's statutory tax rate	\$ 12,357	21,134
Effect of different tax rates in foreign jurisdictions	(302)	(263)
Change in unrecognized temporary differences and tax loss	(1,923)	(140)
Adjustment to income tax expense for the previous periods	619	(77)
Others	<u>1,996</u>	<u>898</u>
	<u>\$ 12,747</u>	<u>21,552</u>

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Notes to Consolidated Financial Statements (continued)

2. Deferred income tax assets and liabilities

(1) 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>2021.12.31</u>	<u>2020.12.31</u>
Deductible temporary differences	\$ 382	253
Tax losses	5,832	6,654
Aggregate taxable temporary differences associated with investments in overseas subsidiaries	<u>5,575</u>	<u>6,223</u>
	<u>\$ 11,789</u>	<u>13,130</u>

As of December 31, 2021, the unrecognized tax losses due to deferred tax assets and the respective expiry years were as follows:

<u>Year with losses</u>	<u>Tax effects of tax losses</u>	<u>Year of expiry</u>
2014	\$ 2,521	2024
2015	10,475	2025
2016	5,438	2026
2017	6,445	2027
2020	<u>4,282</u>	2030
	<u>\$ 29,161</u>	

(2) Recognized deferred income tax assets and liabilities

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

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Notes to Consolidated Financial Statements (continued)

Deferred income tax assets:

	Provision for inventory obsolescence	Provision for warranties	Tax losses	Others	Total
January 1, 2021	\$ 4,221	2,060	-	3,533	9,814
Recognized in profit or loss	2,201	(96)	7,229	360	9,694
Recognized in other comprehensive income (loss)	-	-	-	113	113
December 31, 2021	\$ 6,422	1,964	7,229	4,006	19,621
 January 1, 2020	 \$ 3,268	 2,128	 -	 3,682	 9,078
Acquisition through business combination (Note 6(6))	-	-	-	226	226
Recognized in profit or loss	953	(68)	-	70	955
Recognized in other comprehensive income (loss)	-	-	-	(445)	(445)
December 31, 2020	\$ 4,221	2,060	-	3,533	9,814

Deferred income tax liabilities:

	Reserve for land revaluation increment tax	Intangible assets from acquisition through business combination	Others	Total
January 1, 2021	\$ 5,727	4,359	3	10,089
Recognized in profit or loss	-	(835)	-	(835)
December 31, 2021	\$ 5,727	3,524	3	9,254
 January 1, 2020	 \$ 5,727	 4,515	 1	 10,243
Acquisition through business combination (Note 6(6))	-	660	3	663
Recognized in profit or loss	-	(816)	(1)	(817)
December 31, 2020	\$ 5,727	4,359	3	10,089

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Notes to Consolidated Financial Statements (continued)

2. 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 interests

1. Common shares

As of December 31, 2021 and 2020, the Company's authorized shares of common stock amounted to NTD1,500,000 thousand and NTD520,000 thousand respectively, with a par value of NTD10 per share, totaling 150,000 thousand shares and 52,000 thousand shares respectively, of which 44,566 thousand common shares have been issued and outstanding.

2. Capital Surplus

	<u>2021.12.31</u>	<u>2020.12.31</u>
Additional paid-in capital in excess of par issued	<u>\$ 297,921</u>	<u>297,921</u>

3. Retained earnings

(1) 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.

(2) Special reserve

In accordance with regulations of the Financial Supervisory Commission, 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.

(3) Earnings distribution

According to the Articles of Incorporation, any profit that the Company makes

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Notes to Consolidated Financial Statements (continued)

shall first be appropriated for tax payment and used for offsetting accumulated 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 profit, together with undistributed earnings from the beginning of the year, if any, can be distributed as dividends after the earning distribution or loss offsetting 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 dividends shall not be lower than 10% of the net profit 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 disbursed shall not be lower than 10% of the cash and stock dividends combined.

The earning distribution proposals for 2020 and 2019 were approved by the shareholders' meetings on July 15, 2021 and June 10, 2020. The resolved distribution of dividends per common share was as follows:

	2020		2019	
	Dividend per share (NTD)	Amount	Dividend per share (NTD)	Amount
Dividends per share:				
Cash	\$ 1.00	<u><u>44,566</u></u>	1.35	<u><u>60,164</u></u>

By resolution of the Board meeting on March 7, 2022, the cash dividend of 2021 earnings distribution of the Company is as follows:

	2021	
	Dividend per share (NTD)	Amount
Dividends per share:		
Cash	\$ 0.50	<u><u>22,283</u></u>

4. Other equity interest (net after tax)

Exchange differences on translation of foreign operations

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Notes to Consolidated Financial Statements (continued)

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ (3,195)	(3,309)
Foreign exchange differences arising from the translation of foreign operations	74	(15)
Shares of foreign currency translation differences of joint ventures	<u>175</u>	<u>129</u>
End balance	<u><u>\$ (2,946)</u></u>	<u><u>(3,195)</u></u>

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

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 63,114	55,605
Equity attributable to non-controlling interests:		
Net income	20,196	22,068
Cash dividend	(21,602)	(19,666)
Increase in non-controlling interests	<u>-</u>	<u>5,107</u>
End balance	<u><u>\$ 61,708</u></u>	<u><u>63,114</u></u>

(20) Earnings per share (EPS)

1. Basic EPS

	<u>2021</u>	<u>2020</u>
Net profit attributable to shareholders of the Company	<u><u>NTD 28,840</u></u>	<u><u>62,051</u></u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u><u>44,556</u></u>	<u><u>44,566</u></u>
Basic EPS (NTD)	<u><u>NTD 0.65</u></u>	<u><u>1.39</u></u>

2. Diluted EPS

	<u>2021</u>	<u>2020</u>
Net profit attributable to shareholders of the Company	<u><u>\$ 28,840</u></u>	<u><u>62,051</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>94</u>	<u>228</u>
Weighted-average number of ordinary shares outstanding (diluted) (in thousands)	<u><u>44,660</u></u>	<u><u>44,794</u></u>
Diluted EPS (NTD)	<u><u>\$ 0.65</u></u>	<u><u>1.39</u></u>

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Notes to Consolidated Financial Statements (continued)

(21) Revenue from contracts with customers

1. Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets:		
Taiwan	\$ 914,636	858,153
Mainland China	382,854	390,001
India	38,950	44,341
Others	128,154	108,355
	<u>\$ 1,464,594</u>	<u>1,400,850</u>
Main products:		
Medical equipment	\$ 588,613	553,434
Medical services	382,951	406,420
Medical consumables	493,030	440,996
	<u>\$ 1,464,594</u>	<u>1,400,850</u>

2. Contract balances

	<u>2021.12.31</u>	<u>2020.12.31</u>	<u>109.1.1</u>
Notes and accounts receivable (including related parties)	\$ 205,566	199,049	186,782
Less: Loss allowance	(4,293)	(2,503)	(2,380)
	<u>\$ 201,273</u>	<u>196,546</u>	<u>184,402</u>
Contract liabilities (listed as other current liabilities)	<u>\$ 25,242</u>	<u>20,868</u>	<u>14,577</u>

For disclosure on notes and accounts receivable and the related loss allowance, please refer to Note 6(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 amount in revenue recognized for the years ended December 31, 2021 and 2020 included in the contract liability balance at January 1, 2021 and 2020, were NTD19,483 thousand and NTD14,229 thousand respectively.

(22) Remuneration to employees and Directors

According to the Articles of Incorporation, if any profit is available, 5% to 20% should be set aside as employee compensation and no more than 1% should be set aside as Directors'

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Notes to Consolidated Financial Statements (continued)

remuneration. However, the profit should be appropriated to offset the accumulated deficit first, if any. The aforementioned employees eligible for stock options or cash compensation may include employees of affiliated companies that meet certain conditions.

For the years ended December 31, 2021 and 2020, the Company estimated its remuneration to employees to amount to NTD2,007 thousand and NTD6,707 thousand respectively, and the remuneration to Directors to amount to NTD167 thousand and NTD559 thousand respectively. The abovementioned estimated amounts are calculated based on the net profits before tax of each period (excluding the remuneration to employees and Directors), multiplied by a certain percentage of the remuneration to employees and Directors. The estimations are recognized as operating costs or operating expenses respectively in 2021 and 2020. The aforementioned amounts corresponded to the disbursed remuneration to employees and Directors, which was resolved by the Board meeting, and had been disbursed in cash. For details, please see the Market Observation Post System.

(23) Non-operating income and loss

1. Interest income

	2021	2020
Interest income from bank deposits	\$ 689	802

2. Other income

	2021	2020
Rental income	\$ 12,012	9,358
Others	4,549	1,042
	<u>\$ 16,561</u>	<u>10,400</u>

3. Other gains and losses

	2021	2020
Gain on disposals of property, plant and equipment	\$ 61	69
Net foreign currency exchange losses	(529)	(3,517)
Gains on lease modification	661	572
	<u>\$ 193</u>	<u>(2,876)</u>

4. Financing costs

	2021	2020
Interest expense of bank loans	2,619	2,467
Financial expense of lease liabilities	1,293	1,550
	<u>\$ 3,912</u>	<u>4,017</u>

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Notes to Consolidated Financial Statements (continued)

(24) Financial instruments

1. Categories of financial instruments

(1) Financial assets

	<u>2021.12.31</u>	<u>2020.12.31</u>
Financial assets measured at amortized cost:		
Cash and cash equivalents	\$ 369,850	255,055
Notes and accounts receivable and other receivables (including related parties)	206,539	198,233
Other financial assets-current	51,423	88,431
Other non-current assets - refundable deposits	15,833	15,443
	<u>\$ 643,645</u>	<u>557,162</u>

(2) Financial liabilities

	<u>2021.12.31</u>	<u>2020.12.31</u>
Financial liabilities measured at amortized cost:		
Short-term loans	\$ 50,271	80,234
Notes and accounts payable and other payables (including related parties)	287,291	305,943
Lease liabilities (current and non-current)	75,226	83,075
Long-term debt (including current portion)	366,250	140,000
Guarantee deposit received	3,797	6,684
	<u>\$ 782,835</u>	<u>615,936</u>

(3) Fair value of financial instruments

The Management opines that carrying values of financial assets and liabilities of the Group measured at amortized cost in the consolidated financial statements are 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 facing the

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Notes to Consolidated Financial Statements (continued)

Group, set appropriate risk limits and controls, and 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. It 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 in the Group's financial assets.

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

The Group has established a credit policy and determined the credit limit of each customer according to its financial status pursuant to the policy. As of December 31, 2021 and 2020, 22% and 25% 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 that arises from notes and accounts receivable, please see Note 6(3).

Other financial assets-current measured at amortized cost include other receivables and certificate of deposit (certificate of deposit is classified as other financial assets-current. For details, please see Note 6(2)). For financial assets with low credit risk exposure, the loss allowance was made based on 12-month expected credit losses (for how the Group comes to a conclusion of low risk, please see Note 4(7)). The balances as at December 31, 2021 and 2020 amounted to NTD56, 689 thousand and NTD90, 118 thousand, respectively. There were no expected credit losses after assessment.

2. Liquidity risk

Liquidity risk is the risk that arises when the Group has difficulty in settling its financial liabilities either by cash or other financial assets. The Group manages its liquidity risk by monitoring the current and medium to long-term cash demand regularly

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

and maintaining adequate cash and cash equivalents and line of credit at banking facilities. As at December 31, 2021 and 2020, the unused credit facilities of the Group amounted to NTD1, 584,993 thousand and NTD1, 727,121 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, 2021					
Non-derivative financial liabilities:					
Short-term loans	\$ 50,271	50,271	-	-	-
Long-term loans	373,014	33,913	4,780	254,171	80,150
Accounts payable and other payables (including related parties)	287,291	287,291	-	-	-
Guarantee deposit received	3,797	205	-	-	3,592
Lease liabilities	76,524	16,852	14,600	24,347	20,725
	\$ 790,897	388,532	19,380	278,518	104,467
	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	-	-	6,534
Lease liabilities	85,607	16,338	14,961	23,334	30,974
	\$ 622,072	404,689	18,221	99,455	99,707

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.

(1) Foreign exchange risk

The Group is exposed to foreign exchange risk in sales, purchases and borrowing transactions dominated in non-functional currencies.

A. Exposure of foreign exchange risk

At the reporting date, the carrying amounts of the Group's significant monetary

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

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):

			2021.12.31			2020.12.31		
			Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)
<u>Financial</u>								
<u>assets</u>								
<u>Monetary</u>								
<u>Items</u>								
USD	\$	3,980		27.68	110,166	3,589	28.35	101,748
<u>Financial</u>								
<u>liabilities</u>								
<u>Monetary</u>								
<u>Items</u>								
USD		1,712		27.68	47,388	2,800	28.35	79,380

B. Sensitivity analysis

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 December 31, 2021 and 2020, if NTD depreciated/appreciated 1% against USD, all variables remained unchanged. The net profit before tax for January 1 to December 31, 2021 and 2020 would increase/decrease NTD628 thousand and NTD224 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:

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

	2021		2020	
	Foreign exchange gains (loss)	Average forex rate	Foreign exchange gains (loss)	Average forex rate
NTD	\$ (470)	-	(3,310)	-
RMB	(14)	4.3504	(48)	4.3648

(2) Interest rate risk

The Group's bank loans carry 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 the 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 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 by 1%, all variables remained unchanged, the net profit before tax of the Group for January 1 to December 31, 2021 and 2020 would decrease/increase by NTD4, 165 thousand and NTD2, 202 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, R&D expenditures, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

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

1. For the acquisition of right-of-use assets through leases, please see Note 6(8).

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

2. Reconciliation of liabilities arising from financing activities were as follows:

	2021.1.1	Cash flows	Non-cash changes Change of lease	2021.12.31
Short-term loans	\$ 80,234	(29,963)	-	50,271
Long-term loans	140,000	226,250	-	366,250
Lease liabilities	83,075	(35,084)	27,235	75,226
Guarantee deposit received	6,684	(2,887)	-	3,797
Liabilities from financing activities	\$ 309,993	158,316	27,235	495,544

	2020.1.1	Cash flows	Non-cash changes Change of lease	Acquisition through a business combination	2020.12.31
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	\$ 244,815	44,839	12,906	7,433	309,993

7. 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. Its indirect ownership of the outstanding common stocks amounts to 54.96%, 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:

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
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, 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 Materials Corporation (BMC)	Subsidiary of Qisda
BenQ Material (Suzhou), Co., Ltd.	Subsidiary of BMC
Sigma Medical Supplies Corporation (SMS)	Subsidiary of BMC
Nanjing BenQ Hospital Co., Ltd.	Subsidiary of Qisda
BenQ Medical (Shanghai) Co., Ltd.	Subsidiary of Qisda
K2 MEDICAL (THAILAND) CO., LTD.	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
Aewin Technologies Co., Ltd	Subsidiary of Qisda
Global Intelligence Network Co., Ltd.	Subsidiary of Qisda
Sysage Technology Co., Ltd.	Subsidiary of Qisda
BenQ Dialysis Technology Corporation	Subsidiary of Qisda
Partner Tech Corporation	Subsidiary of Qisda
Alpha Networks Inc.	Subsidiary of Qisda
DFI Inc.	Subsidiary of Qisda
Darfon Electronics Corporation	Associates of Qisda
Q.S.Control Corporation	Associates 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>
AU Optronics Corporation (AU Optronics)	Corporate shareholder of Qisda Corporation accounted using the equity method
AUO Education Service Corporation	Subsidiary of AU Optronics
BenQ Foundation	Substantive related party of Qisda

(3) Related-party transactions

1. Operating revenues

The sales to related parties were as follows:

	<u>2021</u>	<u>2020</u>
Ultimate controlling company	\$ 3,226	1,247
Parent company	402	337
Joint venture	16,528	10,969
Other related parties	31,577	22,670
	<u>\$ 51,733</u>	<u>35,223</u>

Except for some merchandise with different specifications, the sales to related parties by the Group were not comparable to the sales prices for third-party customers. For the other transactions, there were no significant differences between the sales prices for related parties and those for third-party customers. Meanwhile, the credit period did not significantly differ from normal sales.

2. Purchases

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

	<u>2021</u>	<u>2020</u>
Ultimate controlling company	\$ 42,354	25,775
Joint venture	58,045	45,620
Other related parties	16,197	13,842
	<u>\$ 116,596</u>	<u>85,237</u>

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

3. Leases

- (1) The Group leases factory plant and offices from Qisda and the rental was set by referring to the rental market of the area. In August 2021, the Group signed an agreement with Qisda to lease an office and recognized right-of-use assets and lease liabilities of the same amount, i.e. NTD 2,007 thousand. For the years ended

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

December 31, 2021 and 2020, the interest expense recognized amounted to NTD426 thousand and NTD565 thousand respectively. As of December 31, 2021 and 2020, the balances of lease liabilities amounted to NTD23, 211 thousand and NTD29, 677 thousand respectively.

- (2) The Group has leased offices from Qisda and 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, 2021 and 2020, the rental expense amounted to NTD904 thousand and NTD1, 454 thousand, respectively. As at December 31, 2021 and 2020, the related payables are classified under other payables.

4. Acquisition and disposal of property, plant and equipment

From January 1 to December 31, 2021, the Group purchased fixed assets and intangible assets amounting to NTD1, 748 thousand from Qisda and other related parties. As of December 31, 2021, the related payables are classified under other payables.

In 2020, the Group had purchased fixed assets from other related parties, which amounted to NTD1, 050 thousand. As of December 31, 2020, the related payables had been settled.

5. Others

- (1) The service rendered to the Group by the ultimate controlling company, the parent company and other related parties amounted to NTD794 thousand and NTD1,657 thousand respectively. As at December 31, 2021 and 2020, the related payables were classified under other payables.
- (2) The Group has been making purchases from joint venture, STOMT. The payment terms agreed on payment in advance. As of December 31, 2021 and 2020, the prepayment for purchases amounted to NTD4, 667 thousand and NTD7, 794 thousand respectively, and was classified as prepayment and other current assets.
- (3) For 2021 and 2020, the donation made by the Group to BenQ Foundation amounted to NTD1, 000 thousand and NTD1, 200 thousand respectively, and was classified under general and administrative expenses.
- (4) The Company and its 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.

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

6. Receivables from related parties

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

<u>Account</u>	<u>Related-party categories</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Accounts receivable - related parties	Ultimate controlling company	\$ 289	60
Accounts receivable - related parties	Joint venture	16,987	2,719
Accounts receivable - related parties	Other related parties	4,921	581
Other receivables - related parties	Ultimate controlling company	1,476	-
Other receivables - related parties	Other related parties	336	50
		<u><u>\$ 24,009</u></u>	<u><u>3,410</u></u>

7. Payables to related parties

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

<u>Account</u>	<u>Related-part y categories</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Accounts payable - related parties	Ultimate controlling company	\$ 18,026	2,341
Accounts payable - related parties	Joint venture	1,581	2,242
Accounts payable - related parties	Other related parties	4,730	4,821
Other payables - related parties	Ultimate controlling company	1,376	1,496
Other payables - related parties	Joint venture	9	-
Other payables - related parties	Other related parties	516	534
Lease liabilities - current	Ultimate controlling company	8,838	8,309
Lease liabilities - non-current	Ultimate controlling company	14,373	21,368
		<u><u>\$ 49,449</u></u>	<u><u>41,111</u></u>

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

(4) Transaction with key management personnel

Compensation for key management personnel:

	2021	2020
Short-term employee benefits	\$ 10,012	10,384
Post-employment benefits	108	81
	<u>\$ 10,120</u>	<u>10,465</u>

8. Pledged Assets

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

Pledged Assets	Pledged to secure	2021.12.31	2020.12.31
Other financial assets-current	Performance bond	\$ 2,080	838
Land and buildings	Credit lines of bank loans	460,636	506,998
Investment properties	Credit lines of bank loans	79,448	45,195
		<u>\$ 542,164</u>	<u>553,031</u>

9. Significant Liabilities and Unrecognized Contractual Commitments: Nil.

10. Significant Loss from Disaster: None.

11. Significant Subsequent Events

- (1) On December 27, 2021, by resolution of the Board meeting, to expand its presence in the medical management field and sales channels of medical equipment consumables, while optimizing its existing medical related services and diversifying its medical service portfolio, apart from participating in the private placement of common stock issuance for cash capital increase by Concord Medical Co., Ltd. (hereafter, "Concord") to acquire a shareholding of 25%, the Group also made a public tender offer to acquire the proposed number of Concord common stock of 5,000,000 common shares with NTD18 per share, constituting a shareholding of 15% after the capital increase.

The duration of the public tender offer fell between December 29, 2021 and January 17, 2022. On January 14, 2022, the conditions of the public tender offer for Concord were satisfied. Further, as the amount of securities acquired had exceeded the highest proposed number of securities, on January 20, 2022, the Group acquired 5,000,000 shares of Concord via the public tender offer. In conclusion, the Company has accumulated a shareholding of 40% of Concord and represents the single largest shareholder. Although it holds less than half of the total voting rights, considering the remaining shareholding of Concord does not

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

concentrate on any specific shareholder, and as per the participation level of shareholders in the previous general shareholder's meeting, the Company proved to possess more than half of the total voting rights amongst the shareholders attending the meeting. Thus, the Company deems itself to have control over Concord.

- (2) On November 24, 2021, by resolution of the Board meeting, to optimize its existing medical related services and diversify its medical service portfolio, the subsidiary of the Group, BenQ Healthcare Corporation (hereafter, BHS), proposed to invest in CKCARE CO., LTD. (hereafter, CKCARE). As of January 3, 2022, the Group had made a consideration of NTD105, 300 thousand for 4,362,000 common shares of CKCARE, constituting a shareholding of 60%.

12. Others

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

Item Category	2021			2020		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	113,730	206,597	320,327	108,207	216,271	324,478
Insurance	12,441	19,597	32,038	10,110	17,561	27,671
Pension	4,976	10,100	15,076	4,447	9,734	14,181
Other employee benefits	8,273	4,967	13,240	7,349	6,801	14,150
Depreciation	49,072	39,694	88,766	35,750	37,513	73,263
Amortization	1,383	10,894	12,277	1,280	11,046	12,326

13. Additional Disclosures

- (1) Information on significant transactions

For the fiscal year 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. The accumulated purchase or sale amounts of a single marketable securities for the year exceed NTD300 million or 20% of the paid-in capital:

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

(Amounts in NTD thousand / shares, unless specified otherwise)

Dealing company	Type and name of securities	Accounting item	Counterparty	Relationship	Beginning of period		Buy		Sell				End of period	
					Shares	Amount	Shares	Amount	Shares	Selling price	Book cost	Gains or losses of disposal	Shares	Amount
The Company	Concord Medical Co., Ltd.	Investment accounted for using the equity method (note)	Concord Medical Co., Ltd.	Nil	-	-	8,333	100,000	-	-	-	-	8,333	100,000

(Note) Acquisition of the company's common stock in private placement.

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 on derivative instruments: None.
10. Business relationships and significant inter-company transactions:

No. (Note 1)	Name of Counterparty	Counterparty	Relationship with counterparty (Note 2)	Intercompany Transactions (Note 3)			
				Financial Statement Account	Amount	Trading Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 4)
0	The Company	BHS	1	Sales revenue	23,006	EOM 30 days	1.57%

Note 1. The number is filled in as follows:

1. 0 represents the parent company.
2. Subsidiaries are serial-numbered commencing from 1.

Note 2. The types of relationship with counterparty are noted as follows:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 3. This table discloses the information on inter-company sales and accounts receivable, which accounted for 1% or more of the consolidated net revenue or the consolidated total assets, respectively. The information of the corresponding inter-company purchases and accounts payable is not disclosed further herein.

Note 4. Computed by dividing transaction amount by consolidated net revenue or consolidated total assets.

Note 5. All inter-company transactions have been eliminated when preparing the consolidated financial statements.

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Notes to Consolidated Financial Statements (continued)

(2) Information on investees:

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

(Amounts in NTD thousand / shares, unless specified otherwise)

Name of investor	Name of investee	Location	Main Businesses and Products	Original investment Amount		Balance as of December 31, 2021			Highest shareholding percentage during the period		Net income (loss) of the investee	Investment income	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying amount	Shares	Shareholding Percentage			
The Company	Asiacore International Co., Ltd.	Neihu, Taipei	Wholesaling and retailing of medical equipment and information software	21,984	21,984	1,995	99.75%	27,397	1,995	99.75%	2,281	2,053	(Note)
The Company	Highview Investments Limited	Samoan Islands	Investment and holding company	36,211	36,211	1,062	100.00%	9,843	1,062	100.00%	1,963	1,963	(Note)
The Company	Lily Medical Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	185,000	185,000	10,000	100.00%	241,114	10,000	100.00%	16,087	15,114	(Note)
The Company	BenQ AB DentCare Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	88,000	88,000	8,800	88.00%	59,367	8,800	88.00%	3,615	3,794	(Note)
The Company	BenQ Healthcare Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	100,000	100,000	10,000	100.00%	140,676	10,000	100.00%	33,882	33,882	(Note)
The Company	Eastech Co., Ltd.	Taiwan	Wholesaling and retailing of medical consumables and equipment	20,300	20,300	700	70.00%	30,511	700	70.00%	14,958	9,837	(Note)
The Company	Concord Medical Co., Ltd.	Taiwan	Selling of medical drugs, leasing of medical equipment and providing management consultation services	100,000	-	8,333	25.00%	100,000	8,333	25.00%	-	-	
BHS	New Best Hearing International Trade Co., Ltd.	Taiwan	Wholesaling and retailing of medical consumables and equipment	59,280	59,280	1,092	52.00%	75,819	1,092	52.00%	35,348	17,136	(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 the investee in Mainland China:

Investee in Mainland China	Main Businesses and Products	Total paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021 (Note 2)	Investment inward remittance		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (loss) of the investee	Percentage of ownership of direct and indirect investment	Highest shareholding percentage during the period		Investment income (loss)	Carrying value as of December 31, 2020 (Note 2 and 3)	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow				Shares	Shareholding Percentage			
BenQ Medical Technology (Shanghai) Ltd.	Agency of international and entrepot trade business	27,680 (USD 1,000 thousand)	(1)	27,680 (USD 1,000 thousand)	-	-	27,680 (USD 1,000 thousand)	1,995	100.00 %	(Note 4)	100%	1,995	12,893 (Note 5)	-
LILY Medical (Suzhou) Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	5,813 (USD 210 thousand)	(2)	5,813 (USD 210 thousand)	-	-	5,813 (USD 210 thousand)	(518)	100.00 %	(Note 4)	100%	(518)	2,280 (Note 5)	-
TDX Medical Technology (Jiangsu) Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	86,900 (RMB 20,000 thousand)	(2)	34,760 (RMB 8,000 thousand)	-	-	34,760 (RMB 8,000 thousand)	4,479	40.00 %	(Note 4)	40%	1,792	31,116	-
Suzhou Trident Original Medical Technology Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	8,690	(3)	-	-	-	-	3,987	22.00 %	(Note 4)	22%	714	7,696	-

(Note 1) (1) Indirect investment in Mainland China through a holding company established in a third country; (2) Direct investment in Mainland China companies; (3) Investment through TDX Medical Technology (Jiangsu) Co., Ltd.

(Note 2) The amounts above are translated as per the following exchange rates: USD: NTD = 1:27.680 and RMB: NTD = 1:4.345.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(Note 3) The carrying value as of December 31, 2020 was recognized based on the audited financial statements reviewed with special audit procedures conducted by the auditing firm of the parent company in Taiwan. It is measured using the equity method.

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

(Note 5) The intercompany transactions above have been eliminated when preparing the Consolidated Financial Statements.

2. Limits on investments in Mainland China:

Unit: NTD thousand/foreign currency in thousand

Company Name	Accumulated investment in Mainland China as of December 31, 2020	Investment amounts authorized by Investment Commission, MOEA	Upper Limit on Investment authorized by Investment Commission, MOEA
The Company	62,440 (USD1,000 and RMB8,000)	78,251 (USD2,827)	622,847
LILY	5,813 (USD210)	5,813 (USD210)	110,007

3. Significant transactions with investee companies in Mainland China:

Name of related party	Nature of relationship with related party	Trading Terms					Notes and accounts receivable (payable)		Unrealized losses (gains)
		Type	Amount	Price	Term of payment	As compared with transactions with third parties	Balance	Percentage	
TDX Medical Technology (Jiangsu) Co., Ltd	Joint venture directly held by the Company	Purchases	8,20	Prices as per negotiation between both parties	EOM 60 days	No significant differences with transactions with third parties	(1,582)	(2.80)%	-
Suzhou Trident Original Medical Technology Co., Ltd.	Subsidiary of the Company's joint venture company	Purchases	3,39	Prices as per negotiation between both parties	Prepayment for purchases	No significant differences with transactions with third parties	-	-	-
TDX Medical Technology (Jiangsu) Co., Ltd	Joint venture directly held by the Company	Sales	16,52	Prices as per negotiation between both parties	EOM 60 days	(Note 1)	16,987	17.60%	(806)
BenQ Medical Technology (Shanghai) Ltd.	Subsidiary of the Company	Sales	5,53 (Note 2)	Prices as per negotiation between both parties	EOM 60 days	(Note 1)	316 (Note 2)	0.33%	(1,514)

(Note 1): The sales prices to related parties by the Company were not comparable to the sales prices for third-party customers as some of the product specifications were different. Meanwhile, the sales prices of the transactions did not significantly differ from regular sales.

(Note 2): The intercompany transactions above have been eliminated when preparing the Consolidated Financial Statements.

4. Provision of endorsement and guarantee, or collateral for direct investment in Mainland China or through a holding company established in a third country: Nil.
5. Provision of funds and loans for direct investment in Mainland China or through a holding company established in a third country: Nil.
6. Other significant transactions that affect the profit and loss or financial condition of the current period: Nil.

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

(4) Information on Major Shareholders:

Unit: share

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%

14. 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 Division engages in sales of various medical services and products.

The profit and loss of operating segments are mainly measured by the operating profit, 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 differ significantly from the material policies of the Group.

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

	2021			
	R&D and Manufacturing Division	Retail Division	Adjustment and Elimination	Total
External revenue	\$ 1,170,504	294,090	-	1,464,594
Intra-group revenue	499	2	(501)	-
Total segment revenue	<u><u>\$ 1,171,003</u></u>	<u><u>294,092</u></u>	<u><u>(501)</u></u>	<u><u>1,464,594</u></u>
Segment profit (loss)	<u><u>\$ 9,369</u></u>	<u><u>39,317</u></u>	<u><u>(2,226)</u></u>	<u><u>46,460</u></u>
	2020			
	R&D and Manufacturing Division	Retail Division	Adjustment and Elimination	Total
External revenue	\$ 1,087,766	313,084	-	1,400,850
Intra-group revenue	487	1	(488)	-
Total segment revenue	<u><u>\$ 1,088,253</u></u>	<u><u>313,085</u></u>	<u><u>(488)</u></u>	<u><u>1,400,850</u></u>
Segment profit (loss)	<u><u>\$ 44,237</u></u>	<u><u>55,647</u></u>	<u><u>(2,673)</u></u>	<u><u>97,211</u></u>

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

(2) Information on major products and services

The revenue generated from external customers is as follows:

Major products and services	2021	2020
Medical equipment	\$ 588,613	553,434
Medical services	382,951	406,420
Medical consumables	493,030	440,996
	<u>\$ 1,464,594</u>	<u>1,400,850</u>

(3) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets.

Region	2021	2020
Revenue from external customers:		
Taiwan	\$ 914,636	858,153
Mainland China	382,854	390,001
India	38,950	44,341
Others	128,154	108,355
	<u>\$ 1,464,594</u>	<u>1,400,850</u>
Non-current assets:		
Taiwan	\$ 913,156	959,278
Mainland China	2,555	738
	<u>\$ 915,711</u>	<u>960,016</u>

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 Shareholders

	2021	2020
Revenue generating from Customer A	\$ 149,321	141,369