

Stock code: 4116

**BENQ MEDICAL TECHNOLOGY CORP.
AND SUBSIDIARIES**

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

For the Six Months Ended June 30, 2022 and 2021

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

Table of Contents

Item	Page
I. Cover Page	1
II. Table of Contents	2
III. Independent Auditors' Review Report	3
IV. Consolidated Balance Sheets	4
V. Consolidated Statements of Comprehensive Income	5
VI. Consolidated Statements of Changes in Equity	6
VII. Consolidated Statements of Cash Flows	7
VIII. Notes to Consolidated Financial Statements	
(1) History and Organization	8
(2) Authorization of the Consolidated Financial Statements	8
(3) Application of New Standards, Amendments, and Interpretations	8~9
(4) Summary of Significant Accounting Policies	9~11
(5) Critical Accounting Judgments and key sources of Estimates and Assumptions on Uncertainty	11~12
(6) Significant Accounts Disclosure	12~42
(7) Related-party Transactions	43~47
(8) Pledged Assets	47~48
(9) Significant Contingent Liabilities and Unrecognized Contractual Commitments	48
(10) Significant Loss from Disaster	48
(11) Significant Subsequent Events	48
(12) Others	48
(13) Additional Disclosures	
1. Information on significant transactions	48~50
2. Information on investees	50
3. Information on investments in Mainland China	50~52
4. Information on Major Shareholders	52
(14) Segment Information	52~53

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Independent Auditors' Review Report

The Board of Directors
BENQ MEDICAL TECHNOLOGY CORP.

Foreword

We have reviewed the Consolidated Balance Sheets as of June 30, 2022 and 2021, and Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flows for January 1 to June 30, 2022 and 2021, as well as Notes to consolidated financial statements (including summary of significant accounting policies) of BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES. The Management is responsible for preparing the consolidated financial statements with fair representation in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standards ("IAS") 34, "Interim Financial Reporting" as endorsed by Financial Supervisory Commission of the Republic of China of the Republic of China ("FSC"). Our responsibility is to express a conclusion based on our review of the consolidated financial statements.

Scope of Review

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

Conclusion

Based on the results of our review, nothing has come to our attention that the consolidated financial statements are in any incompliance of "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34, "Interim Financial Reporting" as endorsed by FSC, such that the consolidated financial position of BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES for June 30, 2022 and 2021, and the consolidated financial performance and cash flows statement from January 1 to June 30, 2022 and 2021 are not fairly represented.

KPMG

Taipei, Taiwan (Republic of China)

August 01, 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.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
June 30, 2022 and 2021. Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.
BENQ MEDICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022, and December 31 and June 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

		2022.6.30		2021.12.31		2021.6.30				2022.6.30		2021.12.31		2021.6.30	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (Note 6(1))	\$ 607,252	19	369,850	19	260,183	15	2100	Short-term loans (Note 6(12) and 8)	\$ 172,269	5	50,271	3	69,224	4
1150-1170	Notes and accounts receivable (Note 6(3) and (21))	511,315	16	179,076	9	159,593	9	2150-2170	Notes and accounts payable	371,969	12	124,389	6	124,943	7
1181	Accounts receivable - related parties (Note 6(3)(21) and 7)	20,267	1	22,197	1	8,710	1	2181	Accounts payable - related parties (Note 7)	11,103	-	24,337	1	12,095	1
1200	Other receivables	13,111	-	3,454	-	1,345	-	2200	Other payable (Note 6(22))	217,571	7	136,664	7	163,123	9
1212	Other receivables - related parties (Note 7)	1,923	-	1,812	-	1,809	-	2220	Other payable - related parties (Note 7)	1,633	-	1,901	-	1,805	-
130x	Inventories (Note 6(4))	269,260	8	211,390	11	212,762	12	2230	Current income tax liabilities	19,336	1	18,511	1	4,457	-
1410-1470	Prepayments and other current assets (Note 7)	58,002	2	30,980	2	29,915	2	2250	Provisions for liabilities - current (Note 6(15))	10,459	-	9,822	-	8,544	1
1476	Other financial assets-current (Note 6(2) and 8)	70,814	2	51,423	3	54,234	3	2280	Lease liabilities-current (Note 6(14) and 7)	57,403	2	30,817	2	31,761	2
Total current assets		1,551,944	48	870,182	45	728,551	42	2300	Other current liabilities (Note 6(21))	66,666	2	31,942	2	19,500	1
Non-current assets:								2322	Long-term loans due within a year (Note 6(13))	3,750	-	35,000	2	45,000	3
1518	Financial assets measured at fair value through other comprehensive income - non-current	210	-	-	-	-	-	Total current liabilities		932,159	29	463,654	24	480,452	28
1550	Investments accounted for using the equity method (Note 6(5))	30,642	1	131,116	7	29,804	2	Non-current liabilities:							
1600	Property, plant and equipment (Note 6(7), 7 and 8)	847,216	26	668,713	34	720,043	41	2540	Long-term loans (Note 6(13))	410,000	13	331,250	17	123,750	7
1755	Right-of-use assets (Note 6(8))	96,880	3	74,035	4	82,611	5	2570	Deferred income tax liabilities	23,427	1	9,254	1	9,672	1
1760	Investment properties - net (Note 6(9) and 8)	493,742	15	79,448	4	48,411	3	2640	Net defined benefit liabilities - non-current	3,117	-	3,146	-	3,150	-
1780	Intangible assets (Note 6(6) and (10))	153,784	5	86,834	4	90,674	5	2580	Lease liabilities-non-current (Note 6(14) and 7)	216,474	6	44,409	2	51,842	3
1840	Deferred income tax assets	20,024	1	19,621	1	9,814	-	2645	Guarantee deposit received	8,597	-	3,797	-	5,083	-
1900	Other non-current assets (Note 6(11))	46,669	1	25,347	1	27,531	2	Total non-current liabilities		661,615	20	391,856	20	193,497	11
Total non-current assets		1,689,167	52	1,085,114	55	1,008,888	58	Total liabilities		1,593,774	49	855,510	44	673,949	39
								Equity attributable to shareholders of the parent company (Note 6(19))							
								3110	Common stock	445,660	14	445,660	23	445,660	25
								3200	Capital Surplus	297,921	9	297,921	15	297,921	17
								3300	Retained earnings	397,721	12	297,443	15	277,297	16
								3400	Other equity	(1,894)	-	(2,946)	-	(3,339)	-
								Total equity attributable to shareholders of the parent company		1,139,408	35	1,038,078	53	1,017,539	58
								36XX	Non-controlling interests (Note 6(6)(19))	507,929	16	61,708	3	45,951	3
								Total equity interest		1,647,337	51	1,099,786	56	1,063,490	61
Total assets		\$ 3,241,111	100	1,955,296	100	1,737,439	100	Total liabilities and equity		\$ 3,241,111	100	1,955,296	100	1,737,439	100

(Please see Notes to Consolidated Financial Statements)

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

Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Three Months Ended June 30, 2022 and 2021 and For the Six Months Ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		<u>April to June 2022</u>		<u>April to June 2021</u>		<u>January to June 2022</u>		<u>January to June 2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenues (Note 6 (16) (21), 7 and 14)	\$ 801,514	100	337,193	100	1,416,535	100	668,760	100
5000	Costs of revenue (Note 6 (4)(7)(8)(9)(10)(14)(17)(22), 7 and 12)	<u>(583,068)</u>	<u>(73)</u>	<u>(234,396)</u>	<u>(70)</u>	<u>(1,019,992)</u>	<u>(72)</u>	<u>(445,585)</u>	<u>(67)</u>
	Gross profit	218,446	27	102,797	30	396,543	28	223,175	33
5910	Less: Realized (unrealized) sales profit	<u>734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(428)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Realized gross profit	219,180	27	102,797	30	396,115	28	223,175	33
	Operating expenses (Note 6 (3)(7)(8)(9)(10)(14)(17)(22), 7 and 12):								
6100	Selling expenses	(104,692)	(13)	(63,307)	(19)	(209,506)	(15)	(133,324)	(20)
6200	General and administrative expenses	(42,223)	(5)	(25,937)	(7)	(88,077)	(6)	(56,094)	(8)
6300	Research and development expenses	(10,180)	(1)	(9,195)	(3)	(18,891)	(1)	(20,615)	(3)
6450	Reversal of gains on loss allowance for expected credit losses	<u>57</u>	<u>-</u>	<u>(1,515)</u>	<u>-</u>	<u>2,061</u>	<u>-</u>	<u>(2,745)</u>	<u>-</u>
	Total operating expenses	<u>(157,038)</u>	<u>(19)</u>	<u>(99,954)</u>	<u>(29)</u>	<u>(314,413)</u>	<u>(22)</u>	<u>(212,778)</u>	<u>(31)</u>
	Operating income	62,142	8	2,843	1	81,702	6	10,397	2
	Non-operating income and loss (Note 6 (5)(6)(14)(16)(23) and 7):								
7100	Interest income	286	-	137	-	474	-	358	-
7010	Other income	3,107	-	5,485	1	87,824	6	9,164	1
7020	Other gains and losses	1,082	-	(491)	-	2,708	-	(410)	-
7050	Financing costs	(3,244)	-	(994)	-	(5,890)	-	(1,893)	-
7375	Share of losses of joint ventures accounted for using equity method	<u>(210)</u>	<u>-</u>	<u>106</u>	<u>-</u>	<u>(734)</u>	<u>-</u>	<u>(55)</u>	<u>-</u>
	Total non-operating income and loss	<u>1,021</u>	<u>-</u>	<u>4,243</u>	<u>1</u>	<u>84,382</u>	<u>6</u>	<u>7,164</u>	<u>1</u>
	Income before income tax	63,163	8	7,086	2	166,084	12	17,561	3
7950	less: Income tax expenses (Note 6(18))	<u>(12,666)</u>	<u>(2)</u>	<u>(1,769)</u>	<u>-</u>	<u>(17,017)</u>	<u>(1)</u>	<u>(4,881)</u>	<u>(1)</u>
	Net income	50,497	6	5,317	2	149,067	11	12,680	2
	Other comprehensive income (Note 6 (5)(19)):								
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign operations	(202)	-	(94)	-	364	-	(48)	-
8370	Share of other comprehensive income of joint ventures								
	accounted for using equity method	(421)	-	(195)	-	688	-	(96)	-
8399	Income tax related to items that may be reclassified								
	subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>(623)</u>	<u>-</u>	<u>(289)</u>	<u>-</u>	<u>1,052</u>	<u>-</u>	<u>(144)</u>	<u>-</u>
	Other comprehensive income for the period	<u>(623)</u>	<u>-</u>	<u>(289)</u>	<u>-</u>	<u>1,052</u>	<u>-</u>	<u>(144)</u>	<u>-</u>
	Total comprehensive income for the period	<u>\$ 49,874</u>	<u>6</u>	<u>5,028</u>	<u>2</u>	<u>150,119</u>	<u>11</u>	<u>12,536</u>	<u>2</u>
	Net Income attributable to:								
8610	Owners of the parent	\$ 34,899	4	3,362	1	122,561	9	8,241	1
8620	Non-controlling interests	<u>15,598</u>	<u>2</u>	<u>1,955</u>	<u>1</u>	<u>26,506</u>	<u>2</u>	<u>4,439</u>	<u>1</u>
		<u>\$ 50,497</u>	<u>6</u>	<u>5,317</u>	<u>2</u>	<u>149,067</u>	<u>11</u>	<u>12,680</u>	<u>2</u>
	Comprehensive income (loss) attributable to:								
8710	Owners of the parent	\$ 34,276	4	3,073	1	123,613	9	8,097	1
8720	Non-controlling interests	<u>15,598</u>	<u>2</u>	<u>1,955</u>	<u>1</u>	<u>26,506</u>	<u>2</u>	<u>4,439</u>	<u>1</u>
		<u>\$ 49,874</u>	<u>6</u>	<u>5,028</u>	<u>2</u>	<u>150,119</u>	<u>11</u>	<u>12,536</u>	<u>2</u>
	Earnings per share (in New Taiwan dollars, Note 6 (20))								
9750	Basic earnings per share	<u>\$ 0.78</u>		<u>0.08</u>		<u>2.75</u>		<u>0.18</u>	
9850	Diluted earnings per share	<u>\$ 0.78</u>		<u>0.08</u>		<u>2.74</u>		<u>0.18</u>	

(Please see Notes to Consolidated Financial Statements)

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

Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Six Months Ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the Company						Other equity Financial statement translation differences attributable to of foreign operations	Total equity attributed to shareholders of the Company	Non-controlling interest	Total equity
	Retained earnings									
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal				
Balance as of January 1, 2021	\$ 445,660	297,921	95,973	3,309	214,340	313,622	(3,195)	1,054,008	63,114	1,117,122
Net income	-	-	-	-	8,241	8,241	-	8,241	4,439	12,680
Other comprehensive income for the period	-	-	-	-	-	-	(144)	(144)	-	(144)
Total comprehensive income for the period	-	-	-	-	8,241	8,241	(144)	8,097	4,439	12,536
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	6,383	-	(6,383)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(44,566)	(44,566)	-	(44,566)	-	(44,566)
Special reserve	-	-	-	(114)	114	-	-	-	-	-
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	(21,602)	(21,602)
Balance as of June 30, 2021	\$ 445,660	297,921	102,356	3,195	171,746	277,297	(3,339)	1,017,539	45,951	1,063,490
Balance as of January 1, 2022	\$ 445,660	297,921	102,356	3,195	191,892	297,443	(2,946)	1,038,078	61,708	1,099,786
Net income	-	-	-	-	122,561	122,561	-	122,561	26,506	149,067
Other comprehensive income for the period	-	-	-	-	-	-	1,052	1,052	-	1,052
Total comprehensive income for the period	-	-	-	-	122,561	122,561	1,052	123,613	26,506	150,119
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	2,839	-	(2,839)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(22,283)	(22,283)	-	(22,283)	-	(22,283)
Special reserve	-	-	-	(250)	250	-	-	-	-	-
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	(30,776)	(30,776)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	450,491	450,491
Balance as of June 30, 2022	\$ 445,660	297,921	105,195	2,945	289,581	397,721	(1,894)	1,139,408	507,929	1,647,337

(Please see Notes to Consolidated Financial Statements)

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

Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	January to June 2022	January to June 2021
Cash flows provided by operating activities:		
Profit before income tax	\$ 166,084	17,561
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	85,693	43,893
Amortization	6,572	6,493
Interest expense	5,890	1,893
Interest income	(474)	(358)
Gains on lease modification	(138)	(415)
Share of losses of joint ventures accounted for using equity method	734	55
Gain on disposals of property, plant and equipment	(474)	-
Unrealized sales profit	428	-
Gain recognized in bargain purchase transaction	(81,089)	-
Total adjustments to reconcile profit (loss)	17,142	51,561
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	(24,048)	33,593
Accounts receivable - related parties	1,930	(5,350)
Other receivables	18,878	176
Other receivables - related parties	(111)	(1,759)
Inventories	(6,832)	(8,199)
Prepayments and other current assets	(2,240)	463
Total changes in operating assets	(12,423)	18,924
Changes in operating liabilities:		
Notes and accounts payable	(37,549)	(11,393)
Accounts payable - related parties	(13,234)	2,691
Other payables	(5,677)	(35,411)
Other payables - related parties	(268)	(225)
Provisions for liabilities	637	(1,757)
Other current liabilities	27,037	(6,956)
Net defined benefit liabilities	(29)	(392)
Total changes in operating liabilities	(29,083)	(53,443)
Total changes in operating assets and liabilities	(41,506)	(34,519)
Total adjustments	(24,364)	17,042
Cash provided by (used in) operations	141,720	34,603
Interest received	472	474
Interest paid	(5,721)	(1,891)
Income tax paid	(22,960)	(12,315)
Net cash inflow provided by operating activities	113,511	20,871

(Please see Notes to Consolidated Financial Statements)

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BENQ MEDICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued from the preceding page)
For the Six Months Ended June 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	January to June 2022	January to June 2021
Cash flows used in investing activities:		
Net cash inflow from merger and acquisition of subsidiaries	\$ 76,241	-
Acquisition of property, plant and equipment	(18,743)	(23,803)
Proceeds from disposals of property, plant and equipment	8,371	-
Increase in refundable deposits	(985)	(503)
Acquisition of intangible assets	(1,079)	(721)
Decrease (Increase) in other financial assets	(16,614)	34,197
Increase in other non-current assets	(3,282)	(2,015)
Net cash inflow provided by investing activities	43,909	7,155
Cash flows used in financing activities:		
Increase (Decrease) in short-term loans	92,698	(11,010)
Increase in long-term loans	100,000	100,000
Repayments of long-term loans	(52,500)	(71,250)
Decrease in guarantee deposit received	-	(1,601)
Payment of lease liabilities	(29,740)	(17,394)
Cash dividends distributed by subsidiaries to non-controlling interests	(30,776)	(21,602)
Net cash inflow (outflow) provided by (used in) financing activities	79,682	(22,857)
Effect of changes in foreign exchange rates	300	(41)
Net increase in cash and cash equivalents for the current period	237,402	5,128
Cash and cash equivalents at the beginning of the period	369,850	255,055
Cash and cash equivalents at the end of the period	\$ 607,252	260,183

(Please see Notes to Consolidated Financial Statements)

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

Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2022 and 2021

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

1. History and Organization

BENQ MEDICAL TECHNOLOGY CORP. (hereafter the Company), formerly known as Trident Medical Corp., received authorization from the Ministry of Economic Affairs for its incorporation on March 21, 1989, at 7F, No. 46, Zhouzi St., Neihu Dist., Taipei 11493, Taiwan. The main business operation of the Company and Subsidiaries (hereafter the Group) includes the manufacturing, installation, maintenance, repair of medical devices and various types of medical equipment, and the wholesales and retailing of medical devices and equipment, medication and health supplements, as well as the provision of leasing, management and consultation services of medical devices.

2. Authorization of the Consolidated Financial Statements

These Consolidated Financial Statements were approved by the Board of Directors on August 01, 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, 2022 onward, and 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"

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

From January 1, 2023, the Group shall adopt below amendments of International Financial Reporting Standards (IFRSs). And, there is no significant impact on the consolidated financial statements caused by adoption of the IFRSs.

- 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"

- (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

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

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”
- IFRS 17 “Insurance Contracts” and Amendments to IFRS 17
- Amendment to IFRS 17, “Initial application of IFRS 17 and IFRS 9 — Comparative information”

4. Summary of Significant Accounting Policies

(1) Statement of compliance

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

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

Except for the following, the significant accounting policies of these Consolidated Financial Statements are identical to the Consolidated Financial Statements for 2021. For more information, please see Note 4 to Consolidated Financial Statements for 2021.

(2) Basis of consolidation

The basis of consolidation of these Consolidated Financial Statements are identical to the Consolidated Financial Statements for 2021. For more information, please see Note 4(3) to Consolidated Financial Statements for 2021.

1. Subsidiaries included in the Consolidated Financial Statements

Subsidiaries included in these Consolidated Financial Statements:

Investor-	Subsidiary	Main business activities	Ownership (%)			Description
			2022.6.30	2021.12.31	2021.6.30	
The Company	Asiacconnect International Co., Ltd. ("Asiacconnect")	Sales of medical consumables and equipment and wholesaling and retailing of information software	99.75%	99.75%	99.75%	
The Company	Highview Investments Limited ("Highview")	Investment and holding company	100.00%	100.00%	100.00%	
The Company	LILY Medical Corporation ("LILY")	Wholesaling and retailing of medical consumables and equipment	100.00%	100.00%	100.00%	
The Company	BenQ AB DentCare Corporation ("BABD")	Wholesaling and retailing of medical consumables and equipment	88.00%	88.00%	88.00%	
The Company	BenQ Healthcare Corporation ("BHS")	Wholesaling and retailing of medical consumables and equipment	100.00%	100.00%	100.00%	
The Company	Eastech Co., Ltd ("Eastech")	Wholesaling and retailing of medical consumables and equipment	70.00%	70.00%	70.00%	
The Company	Concord Medical Co., Ltd. ("Concord")	Sale of medical drugs, leasing of medical equipment and provision of management consultation services	40.00%	-	-	(Note 1)
The Company and Concord	Concord HealthCare Co., Ltd. ("CCHC")	Wholesaling and retailing of medical consumables and equipment and provision of management consultation services	60.00%	-	-	(Note 3)
LILY	LILY Medical (Suzhou) Co., Ltd. ("ALS")	Wholesaling and retailing of medical consumables and equipment	100.00%	100.00%	100.00%	
Highview	BenQ Medical Technology (Shanghai) Ltd. ("BMTS")	Agency of international and entrepot trade business	100.00%	100.00%	100.00%	

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Name of investor	Subsidiary	Main business activities	Ownership (%)			Description
			2022.6.30	2021.12.31	2021.6.30	
BHS	New Best Hearing International Trade Co., Ltd. ("NBHIT")	Wholesaling and retailing of medical consumables and equipment	52.00%	52.00%	52.00%	
BHS	CKCARE Co., Ltd. ("CKCARE")	Sales of medical drugs	60.00%	-	-	(Note 2)

(Note 1): The Group has a shareholding of 40% of Concord and represents the single largest shareholder.

The remaining 60% shareholding of Concord does not concentrate on any specific shareholder, and as per the participation level of shareholders in the previous general shareholder's meeting, the Group proved to possess more than half of the total voting rights amongst the shareholders attending the meeting. Thus, the Group deems itself to have control over Concord, which shall be integrated into the Consolidated Financial Statements.

(Note 2): In January 2022, the Group acquired the control of the company and it has become a subsidiary of the Group, which shall be integrated into the Consolidated Financial Statements.

(Note 3): In 2nd Quarter of 2022, the Group established this subsidiary.

2. Subsidiaries not included in the Consolidated Financial Statements: None.

(3) Employee benefits

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

(4) Income tax

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

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

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

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

In pursuant to the Preparation Regulations and the IAS 34, "Interim Financial Reporting" as endorsed by FSC, when preparing for these Consolidated Financial Statements, the

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

Management are required to make judgment, estimates and assumptions, which will impact the adoption of accounting policies and the reporting of assets, liabilities, income, and expenses. The actual amount might differ from the estimated amount.

For the preparation of the Consolidated Financial Statements, the Management makes critical accounting judgments, estimates and assumptions on uncertainty using the accounting policies of the Group, consistent with Note 5 of the Consolidated Financial Reports for 2021.

6. Significant Accounts Disclosure

Except for the following, the details of significant accounts of these Consolidated Financial Statements does not differ with the Consolidated Financial Statements for 2021. For more information, please see Note 6 to the Consolidated Financial Statements for 2021.

(1) Cash and cash equivalents

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Cash on hand and revolving funds	\$ 2,804	1,553	1,111
Demand deposits and checking accounts	566,948	312,797	206,822
Time deposits with an initial maturity date within three months	<u>37,500</u>	<u>55,500</u>	<u>52,250</u>
	<u>\$ 607,252</u>	<u>369,850</u>	<u>260,183</u>

(2) Other financial assets-current

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Time deposits with an initial maturity date of more than three months	\$ <u>70,814</u>	<u>51,423</u>	<u>54,234</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>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Notes receivable	\$ 73,249	6,608	7,291
Accounts receivable	442,567	176,761	157,550
Less: Loss allowance	<u>(4,501)</u>	<u>(4,293)</u>	<u>(5,248)</u>
	511,315	179,076	159,593
Accounts receivable - related parties	<u>20,267</u>	<u>22,197</u>	<u>8,710</u>
	<u>\$ 531,582</u>	<u>201,273</u>	<u>168,303</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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:

	2022.6.30		
	Gross carrying amount notes and accounts receivable	Weighted-average expected credit loss	Loss allowance for expected credit losses
Current	\$ 485,409	0.35%	1,686
Less than 90 days overdue	27,172	1.87%	507
91 - 180 days overdue	1,023	9.38%	96
More than 365 days overdue	2,212	100.00%	2,212
	\$ 515,816		4,501
	2021.12.31		
	Gross carrying amount notes and accounts receivable	Weighted-average 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	2,841	100.00%	2,841
	\$ 183,369		4,293
	2021.6.30		
	Gross carrying amount notes and accounts receivable	Weighted-average expected credit loss	Loss allowance for expected credit losses
Current	\$ 144,920	0.41%	590
Less than 90 days overdue	13,107	2.20%	289
91 - 180 days overdue	1,639	41.55%	681
181 - 270 days overdue	1,237	32.26%	399
271 - 365 days overdue	1,431	54.65%	782
More than 365 days overdue	2,507	100.00%	2,507
	\$ 164,841		5,248

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

As of June 30, 2022, and December 31 and June 30, 2021, the Group has no expected credit losses from accounts receivable - related parties. The aging analysis is as follows:

	2022.6.30	2021.12.31	2021.6.30
Current	\$ 14,671	18,390	8,710
Less than 90 days overdue	5,596	3,807	-
	<u>\$ 20,267</u>	<u>22,197</u>	<u>8,710</u>

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

	January to June 2022	January to June 2021
Beginning balance	\$ 4,293	2,503
Impairment losses	-	2,745
Reversal of impairment losses	(2,061)	-
Impairment losses due to merger and acquisition	2,269	-
End balance	<u>\$ 4,501</u>	<u>5,248</u>

(4) Inventory

	2022.6.30	2021.12.31	2021.6.30
Raw materials	\$ 75,445	72,189	69,382
Work-in-progress	26,063	27,055	30,210
Finished goods	35,921	25,531	30,191
Merchandise Inventories	129,047	82,055	78,551
Inventories in transit	2,784	4,560	4,428
	<u>\$ 269,260</u>	<u>211,390</u>	<u>212,762</u>

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

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Cost of inventories sold	\$ 556,041	230,484	967,338	439,778
Write-down of inventories	5,208	4,666	12,590	7,706
Gains on physical inventories	(108)	(754)	(108)	(1,899)
	<u>\$ 561,141</u>	<u>234,396</u>	<u>979,820</u>	<u>445,585</u>

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

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

(5) Investments accounted for using the equity method

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

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Joint venture	\$ 30,642	31,116	29,804
Prepayments for investments	-	100,000	-
	<u>\$ 30,642</u>	<u>131,116</u>	<u>29,804</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:

<u>Investee company</u>	<u>Main business activities</u>	<u>Carrying amount</u>		
		<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
TDX Medical Technology (Jiangsu) Co., Ltd (TDX)	Wholesaling and retailing of medical consumables and equipment	<u>\$ 30,642</u>	<u>31,116</u>	<u>29,804</u>

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

	<u>April to June 2022</u>	<u>April to June 2021</u>	<u>January to June 2022</u>	<u>January to June 2021</u>
Net Loss	\$ (210)	106	(734)	(55)
Other comprehensive income	(421)	(195)	688	(96)
Total comprehensive income	<u>\$ (631)</u>	<u>(89)</u>	<u>(46)</u>	<u>(151)</u>

2. As of December 31, 2021, the prepayments for investments amounting to NT\$100,000 were for payment for 25% of the privately placed shares of Concord. Please see Note 6(6) for more details.

(6) Subsidiaries

1. Acquisition of subsidiary - Concord Medical Co., Ltd.

On December 27, 2021, the Board of Director resolved that apart from participating in the cash capital increase via private placement to acquire 25% of the shares of Concord Medical Co., Ltd. (hereafter Concord), the Group also acquired 15% of the shares of Concord via public tender offer on January 20, 2022. In conclusion, the Group has accumulated a shareholding of 40% of Concord and represents the single largest

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

shareholder. Although it holds less than half of the total voting rights, considering the remaining shareholding of Concord does not concentrate on any specific shareholder, and as per the participation level of shareholders in the previous general shareholder's meeting, the Group 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, which shall be integrated into the Consolidated Financial Statements.

The main business activities of Concord include sale of medical drugs, leasing of medical equipment and provision of management consultation services. The acquisition of Concord allows the Group to expand the sales distribution channels of medical management services and medical consumables and optimize the medical related services, thus expanding the diversity of medical services.

(1) Consideration transferred

On December 30, 2021, the Group acquired a shareholding of 25% of Concord with cash of NT\$100,000 thousand by participating in the private placement. Furthermore, via public tender offer, on January 20, 2022, the Group acquired a shareholding of 15% of Concord with cash of NT\$90,000 thousand. No contingent consideration or other equity instrument serves 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:

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

Consideration transferred:

Cash	\$	190,000
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Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)		406,633
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Identifiable net assets acquired at fair value:

Cash and cash equivalents	\$	206,843
Notes and accounts receivable		312,836
Inventories		13,363
Other receivables		12,474
Other current financial assets -		2,777
Prepayments and other current assets		25,682
Property, plant and equipment		143,993
Right-of-use assets		5,841
Investment properties		424,700
Intangible asset		1,745
Deferred income tax assets		403
Refundable Deposits		3,656
Other non-current assets		6,036
Contract liabilities - current		(38)
Income tax payable		(5,964)
Notes and accounts payable		(257,718)
Other payables		(14,315)
Lease liabilities (current and non-current)		(189,200)
Other current liabilities		(1,628)
Other non-current liabilities		(4,800)
Deferred income tax liabilities		(8,964)
		677,722

Gain recognized in bargain purchase transaction	\$	<u>(81,089)</u>
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BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

(3) Pro forma information

From January 20, 2022 (acquisition date) to June 30, 2022, the operating results of Concord have been consolidated into the Consolidated Statements of Comprehensive Income of the Group, in which the sales revenue and net profit amounted to NT\$402,001 thousand and NT\$24,601 thousand respectively. If the acquisition had occurred on January 01, 2022, the pro forma projection for sales revenue and net profit after tax of the Group for the period between January 1 to June 30, 2022 would amount to NT\$1,457,639 thousand and NT\$150,849 thousand, respectively.

2. Acquisition of subsidiary - CKCARE Co., Ltd.

On November 24, 2021, the Board of Directors approved by resolution the acquisition of a 60% shareholding of CKCARE Co., Ltd. (hereafter CKCARE) by the subsidiary of the Group, BenQ Healthcare Corporation (hereafter BHS). From the acquisition date (January 3, 2022) onward, CKCARE shall be incorporated into the Consolidated Financial Statements. The main business of CKCARE are running regional professional chain compounding pharmacies which mainly engages in sale of over-the-counter drugs, baby formula, paper products and medical devices. The acquisition of CKCARE allows the Group to expand the sales distribution channels of medical products and optimize the medical related services, thus expanding the diversity of medical services.

(1) Consideration transferred

According to the equity interest transfer agreement, on January 3, 2022, the Company purchased a 60% stake of CKCARE with cash payment of NT\$105,300 thousand, and without contingent consideration or other equity instrument as consideration transferred.

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

- (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	\$	105,300
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Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)		43,858
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Identifiable net assets acquired at fair value:

Cash and cash equivalents	\$	64,698
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Notes and accounts receivable		1,474
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Other receivables		18,340
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Inventories		37,675
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Property, plant and equipment		74,802
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Intangible asset - branding		20,417
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Intangible asset - customer relationship		9,648
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Intangible asset - computer software		220
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Right-of-use assets		16,510
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Financial assets measured at fair value through		210
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other comprehensive income

Refundable Deposits		746
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Short-term loans		(29,300)
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Notes and accounts payable		(27,411)
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Other payables		(49,817)
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Lease liabilities (current and non-current)		(16,533)
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Other current liabilities		(6,021)
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Deferred income tax liabilities	(6,013)	109,645
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Goodwill		<u><u>\$ 39,513</u></u>
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- (3) Intangible asset

Intangible asset -- branding is amortized over the estimated future economic useful life of 10 years according to straight-line amortization.

Intangible asset -- customer relationship is amortized over the estimated future economic useful life of 12 years according to straight-line amortization.

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

Goodwill is mainly arising from the profitability of CKCARE in the retail pharmacy market. No income tax effect is expected.

(4) Pro forma information

From January 3, 2022 (acquisition date) to June 30, 2022, the operating results of CKCARE have been consolidated into the Consolidated Statements of Comprehensive Income of the Group, in which the sales revenue and net profit amounted to NT\$151,394 thousand and NT\$8,176 thousand respectively. If the acquisition had occurred on January 1, 2022, the pro forma projection for sales revenue and net profit after tax of the Group for the period between January 1 to June 30, 2022 would amount to NT\$1,416,535 thousand and NT\$149,067 thousand, respectively.

3. 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		
		2022.6.30	2021.12.31	2021.6.30
NBHIT	Taiwan	48%	48%	48%
Concord	Taiwan	60%	-	-
CKCARE	Taiwan	40%	-	-

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:

(1) The summarized financial information of NBHIT:

	2022.6.30	2021.12.31	2021.6.30
Current assets	\$ 70,960	105,153	47,703
Non-current assets	128,991	126,404	135,675
Current liabilities	(66,084)	(81,475)	(53,642)
Non-current liabilities	(33,805)	(30,191)	(34,029)
Net assets	<u>\$ 100,062</u>	<u>119,891</u>	<u>95,707</u>
The carrying amount in non-controlling interests	<u>\$ 34,510</u>	<u>44,028</u>	<u>32,420</u>

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

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Operating revenue	<u>\$ 74,488</u>	<u>57,230</u>	<u>154,322</u>	<u>121,065</u>
Net income	\$ 5,648	3,592	11,986	8,192
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>\$ 5,648</u>	<u>3,592</u>	<u>11,986</u>	<u>8,192</u>
Net income attributable to non-controlling interests	<u>\$ 2,711</u>	<u>1,724</u>	<u>5,753</u>	<u>3,932</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 2,711</u>	<u>1,724</u>	<u>5,753</u>	<u>3,932</u>

	January to June 2022	January to June 2021
Cash flows provided by (used in)operating activities	\$ 8,843	(241)
Cash flows used in investing activities	(12,034)	12,394
Cash flows used in financing activities	(43,396)	(53,280)
Net decrease in cash and cash equivalents	<u>\$ (46,587)</u>	<u>(41,127)</u>
Cash dividends paid to non-controlling interests	<u>\$ 15,271</u>	<u>20,402</u>

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

(2) The summarized financial information of Concord:

	<u>2022.6.30</u>
Current assets	\$ 620,404
Non-current assets	565,677
Current liabilities	(284,166)
Non-current liabilities	<u>(176,258)</u>
Net assets	<u>\$ 725,657</u>
The carrying amount in non-controlling interests	<u>\$ 451,394</u>
	<div style="display: flex; justify-content: space-between;"> <div style="text-align: center;"> April to June 2022 </div> <div style="text-align: center;"> 2022.1.20～ 2022.6.30 </div> </div>
Operating revenue	<u>\$ 247,708</u>
Net income	<u>\$ 15,248</u>
Other comprehensive income (loss)	<u>-</u>
Total comprehensive income (loss)	<u>\$ 15,248</u>
Net income attributable to non-controlling interests	<u>\$ 9,149</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 9,149</u>
	<div style="text-align: center;"> 2022.1.20～ 2022.6.30 </div>
Cash flows provided by operating activities	\$ 91,049
Cash flows used in investing activities	(5,664)
Cash flows used in financing activities	<u>30,604</u>
Increase in cash and cash equivalents	<u>\$ 115,989</u>
Cash dividends paid to non-controlling interests	<u>\$ (10,000)</u>

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

(3) The summarized financial information of CKCARE:

	<u>2022.6.30</u>
Current assets	\$ 137,571
Non-current assets	156,723
Current liabilities	(124,960)
Non-current liabilities	<u>(15,999)</u>
Net assets	<u>\$ 153,335</u>
The carrying amount in non-controlling interests	<u>\$ 45,529</u>
	April and June 2022
	2022.1.3～2022.6.30
Operating revenue	<u>\$ 83,517</u>
Net income	\$ 6,423
Other comprehensive income (loss)	-
Total comprehensive income (loss)	<u>\$ 6,423</u>
Net income attributable to non-controlling interests	<u>\$ 2,569</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 2,569</u>
	2022.1.3～2022.6.30
Cash flows used in operating activities	\$ (5,694)
Cash flows used in investing activities	-
Cash flows used in financing activities	(12,061)
Net decrease in cash and cash equivalents	<u>\$ (17,755)</u>
Cash dividends paid to non-controlling interests	<u>\$ (1,599)</u>

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

(7) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Instruments (for lease)</u>	<u>Leasehold improvement</u>	<u>Office and other equipment</u>	<u>Total</u>
Cost:							
Balance as of January 1, 2022	\$ 282,492	362,715	213,152	-	53,659	78,829	990,847
Acquisition through business combination (Note 6(6))	64,368	-	920	267,598	102,156	18,572	453,614
Additions	-	65	2,924	12,635	1,904	1,215	18,743
Disposals	-	-	(6,366)	(42,990)	(1,552)	(605)	(51,513)
Other reclassification	-	-	-	-	-	1,783	1,783
Effect of changes in foreign exchange rates	-	-	-	-	-	32	32
Balance as of June 30, 2022	<u>\$ 346,860</u>	<u>362,780</u>	<u>210,630</u>	<u>237,243</u>	<u>156,167</u>	<u>99,826</u>	<u>1,413,506</u>
Balance as of January 1, 2021	\$ 314,314	362,715	185,275	-	49,208	75,458	986,970
Additions	-	-	12,282	-	4,021	3,293	19,596
Disposals	-	-	(132)	-	-	-	(132)
Reclassification	-	-	12,043	-	-	719	12,762
Effect of changes in foreign exchange rates	-	-	-	-	-	(5)	(5)
Balance as of June 30, 2021	<u>\$ 314,314</u>	<u>362,715</u>	<u>209,468</u>	<u>-</u>	<u>53,229</u>	<u>79,465</u>	<u>1,019,191</u>
Accumulated depreciation and impairment loss:							
Balance as of January 1, 2022	\$ -	69,773	154,485	-	29,093	68,783	322,134
Acquisition through business combination (Note 6(6))	-	-	193	158,456	66,025	10,145	234,819
Depreciation	-	5,390	14,852	17,938	10,247	4,496	52,923
Disposals	-	-	(6,250)	(35,209)	(1,552)	(605)	(43,616)
Effect of changes in foreign exchange rates	-	-	-	-	-	30	30
Balance as of June 30, 2022	<u>\$ -</u>	<u>75,163</u>	<u>163,280</u>	<u>141,185</u>	<u>103,813</u>	<u>82,849</u>	<u>566,290</u>
Balance as of January 1, 2021	\$ -	59,037	126,445	-	22,284	66,083	273,849
Depreciation	-	5,368	13,835	-	3,359	2,874	25,436
Disposals	-	-	(132)	-	-	-	(132)
Effect of changes in foreign exchange rates	-	-	-	-	-	(5)	(5)
Balance as of June 30, 2021	<u>\$ -</u>	<u>64,405</u>	<u>140,148</u>	<u>-</u>	<u>25,643</u>	<u>68,952</u>	<u>299,148</u>
Carrying value:							
June 30, 2022	<u>\$ 346,860</u>	<u>287,617</u>	<u>47,350</u>	<u>96,058</u>	<u>52,354</u>	<u>16,977</u>	<u>847,216</u>
January 1, 2022	<u>\$ 282,492</u>	<u>292,942</u>	<u>58,667</u>	<u>-</u>	<u>24,566</u>	<u>10,046</u>	<u>668,713</u>
June 30, 2021	<u>\$ 314,314</u>	<u>298,310</u>	<u>69,320</u>	<u>-</u>	<u>27,586</u>	<u>10,513</u>	<u>720,043</u>

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, 2022	\$ 145,530	9,710	155,240
Acquisition through business combination (Note 6(6))	25,586	1,215	26,801
Additions	22,121	1,655	23,776
Lease modification	(1,708)	-	(1,708)
Write-off	(13,650)	(1,709)	(15,359)
Effect of changes in foreign exchange rates	84	-	84
Balance as of June 30, 2022	<u>\$ 177,963</u>	<u>10,871</u>	<u>188,834</u>
Balance as of January 1, 2021	\$ 138,795	8,962	147,757
Additions	16,990	1,230	18,220
Lease modification	117	-	117
Write-off	(3,052)	-	(3,052)
Effect of changes in foreign exchange rates	(25)	-	(25)
Balance as of June 30, 2021	<u>\$ 152,825</u>	<u>10,192</u>	<u>163,017</u>
Accumulated depreciation of right-of-use assets:			
Balance as of January 1, 2022	\$ 75,511	5,694	81,205
Acquisition through business combination (Note 6(6))	3,439	1,011	4,450
Depreciation for the current period	21,139	1,225	22,364
Write-off	(729)	-	(729)
Effect of changes in foreign exchange rates	(13,650)	(1,709)	(15,359)
Balance as of June 30, 2022	23	-	23
Balance as of January 1, 2021	<u>\$ 85,733</u>	<u>6,221</u>	<u>91,954</u>
Depreciation for the current period	\$ 61,467	4,336	65,803
Write-off	16,398	1,275	17,673
Effect of changes in foreign exchange rates	(3,052)	-	(3,052)
Balance as of June 30, 2021	(18)	-	(18)
Carrying value:	<u>\$ 74,795</u>	<u>5,611</u>	<u>80,406</u>
June 30, 2022			
January 1, 2022	<u>\$ 92,230</u>	<u>4,650</u>	<u>96,880</u>
June 30, 2021	<u>\$ 70,019</u>	<u>4,016</u>	<u>74,035</u>

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

(9) Investment properties

	Self-owned		Right-of-use assets	
	Land	Buildings	Buildings	Total
Cost:				
Balance as of January 1, 2022	\$ 31,822	54,762	-	86,584
Acquisition through business combination (Note 6(6))	193,261	72,131	232,770	498,162
Disposals	-	(795)	-	(795)
Balance as of June 30, 2022	\$ 225,083	126,098	232,770	583,951
Balance as of January 1, 2021 (i.e. balance as of June 30, 2021)	\$ -	54,762	-	54,762
Accumulated depreciation:				
Balance as of January 1, 2022	\$ -	7,136	-	7,136
Acquisition through business combination (Note 6(6))	-	17,132	56,330	73,462
Depreciation	-	2,038	8,368	10,406
Disposals	-	(795)	-	(795)
Balance as of June 30, 2022	\$ -	25,511	64,698	90,209
Balance as of January 1, 2021	\$ -	5,567	-	5,567
Depreciation	-	784	-	784
Balance as of June 30, 2021	\$ -	6,351	-	6,351
Carrying amount:				
June 30, 2022	\$ 225,083	100,587	168,072	493,742
January 1, 2022	\$ 31,822	47,626	-	79,448
June 30, 2021	\$ -	48,411	-	48,411
Fair value:				
June 30, 2022				\$ 749,981
December 31, 2021				\$ 333,649
June 30, 2021				\$ 293,680

For investment properties leased to third parties, the proportion of land ownership, and right-of-use assets sub-leased to other parties, please see Note 6(16). The fair value evaluation of the aforementioned self-owned investment properties was performed by the management based on transaction prices of similar properties in the same area or by

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

independent valuer. As for the right-of-use assets that are for sub-leasing purposes, the fair value evaluation is estimated by discounting future cash flow. The inputs to valuation technique for the aforementioned fair value are level 3 inputs.

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

(10) Intangible asset

	Goodwill	Computer software	Customer relationships and sales channels	Other intangible assets	Total
Costs:					
Balance as of January 1, 2022	\$ 56,873	13,481	48,011	27,582	145,947
Acquisition through business combination (Note 6(6))	39,513	3,834	9,648	20,732	73,727
Addition	-	1,079	-	-	1,079
Write-off	-	(1,493)	-	(1,089)	(2,582)
Reclassification	-	900	-	-	900
Balance as of June 30, 2022	\$ 96,386	17,801	57,659	47,225	219,071
Balance as of January 1, 2021	\$ 56,873	27,017	48,011	29,582	161,483
Addition	-	721	-	-	721
Write-off	-	(10,349)	-	(2,000)	(12,349)
Reclassification	-	1,065	-	-	1,065
Balance as of June 30, 2021	\$ 56,873	18,454	48,011	27,582	150,920
Accumulated amortization:					
Balance as of January 1, 2022	\$ -	9,099	28,533	21,481	59,113
Acquisition through business combination (Note 6(6))	-	2,089	-	95	2,184
Amortization	-	1,629	2,275	2,668	6,572
Write-off	-	(1,493)	-	(1,089)	(2,582)
June 30, 2022	\$ -	11,324	30,808	23,155	65,287
Balance as of January 1, 2021	\$ -	22,396	24,634	19,072	66,102
Amortization	-	2,321	2,468	1,704	6,493
Write-off	-	(10,349)	-	(2,000)	(12,349)
Reclassification	-	-	(1,038)	1,038	-
Balance as of June 30, 2021	\$ -	14,368	26,064	19,814	60,246
Carrying value:					
June 30, 2022	\$ 96,386	6,477	26,851	24,070	153,784
January 1, 2022	\$ 56,873	4,382	19,478	6,101	86,834
June 30, 2021	\$ 56,873	4,086	21,947	7,768	90,674

According to IAS 36, the goodwill acquired by the Group must undergo assessment for impairment at least once a year. Pursuant to the assessment for impairment conducted by the Group on December 31, 2021, goodwill has not suffered any impairment. For details, please see Note 6(10) to the Consolidated Financial Report for 2021. On June 30, 2022, the Group conducted an assessment based on the sales revenue meeting target for

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

the period between January 1, 2022 and June 30, 2022, and concluded that no impairment was incurred.

(11) Other non-current assets

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Prepayments for equipment	\$ 13,582	6,681	8,554
Pension plan assets	3,202	2,833	3,031
Refundable Deposits	21,220	15,833	15,946
Long-term accounts receivable	6,119	-	-
Other receivables -long-term	2,281	-	-
Others	265	-	-
	<u><u>\$ 46,669</u></u>	<u><u>25,347</u></u>	<u><u>27,531</u></u>

(12) Short-term loans

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Unsecured bank loans	\$ 148,769	50,271	69,224
Secured bank loans	23,500	-	-
	<u><u>\$ 172,269</u></u>	<u><u>50,271</u></u>	<u><u>69,224</u></u>
Unused credit facilities	<u><u>\$ 1,341,827</u></u>	<u><u>1,124,993</u></u>	<u><u>1,197,233</u></u>
Interest rate bracket	<u><u>1.21%~2.25%</u></u>	<u><u>0.68%~1.10%</u></u>	<u><u>0.68%~1.50%</u></u>

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

(13) Long-term loans

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Unsecured bank loans	\$ 413,750	366,250	168,750
Less: current portion of long-term debt	(3,750)	(35,000)	(45,000)
	<u><u>\$ 410,000</u></u>	<u><u>331,250</u></u>	<u><u>123,750</u></u>
Unused credit facilities	<u><u>\$ 420,000</u></u>	<u><u>460,000</u></u>	<u><u>525,000</u></u>
Interest rate bracket	<u><u>1.30%~2.05%</u></u>	<u><u>1.03%~1.19%</u></u>	<u><u>1.03%~1.29%</u></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>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Current	<u><u>\$ 57,403</u></u>	<u><u>30,817</u></u>	<u><u>31,761</u></u>
Non-current	<u><u>\$ 216,474</u></u>	<u><u>44,409</u></u>	<u><u>51,842</u></u>

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

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

Profit and loss recognized are as follows:

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Interest expense of lease liabilities	<u>\$ 1,183</u>	<u>340</u>	<u>2,206</u>	<u>690</u>
Current lease payments not included as				
lease liability measurement	<u>\$ -</u>	<u>344</u>	<u>-</u>	<u>1,158</u>
Short-term lease expense	<u>\$ 924</u>	<u>986</u>	<u>2,182</u>	<u>1,815</u>

Items recognized in Cash Flows Statement:

	January to June 2022	January to June 2021
Total cash outflow for leases	<u>\$ 34,128</u>	<u>21,057</u>

1. Lease of buildings

Pertaining to office spaces and branch offices of the Group, the lease tenors for office spaces range from 3 to 20 years, and for branch offices, 3 to 9 years, of which some of the leases have a renewal option for tenor as per the original lease contract. Part of the right-of-use assets are subleased to other parties to earn rental income. For more information, please see Note 6(9).

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

	2022.6.30	2021.12.31	2021.6.30
Provision for product warranty	<u>\$ 10,459</u>	<u>9,822</u>	<u>8,544</u>

From January 1 to June 30, 2022 and 2021, the Group did not have major changes in the provision for product warranty. For details, please see Note 6(15) to Consolidated Financial Statements for 2021.

(16) Operating leases - lessor

The Group leases out its property, plant and equipment (instruments in major) and 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.

The maturity analysis of the lease payments receivable showing the undiscounted

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

lease payments after the reporting date is as follows:

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Less than 1 year	\$ 60,568	5,760	5,760
1 to 2 years	21,717	5,280	5,760
2 to 3 years	6,249	-	2,400
3 to 4 years	4,465	-	-
4 to 5 years	3,531	-	-
More than 5 years	1,248	-	-
Total undiscounted lease payments	<u><u>\$ 97,778</u></u>	<u><u>11,040</u></u>	<u><u>13,920</u></u>

For the period between January 1 and June 30, 2022, the rental income given rise by property, plant and equipment and investment properties is as follows:

	<u>April to June 2022</u>	<u>April to June 2021</u>	<u>January to June 2022</u>	<u>January to June 2021</u>
Recognized as operating revenue:				
Property, plant and equipment	\$ 12,663	-	23,025	-
Investment properties	7,832	-	14,217	-
	<u><u>\$ 20,495</u></u>	<u><u>-</u></u>	<u><u>37,242</u></u>	<u><u>-</u></u>
	<u>April to June 2022</u>	<u>April to June 2021</u>	<u>January to June 2022</u>	<u>January to June 2021</u>
Recognized as non-operating income and expenses:				
Property, plant and equipment	\$ 1,485	1,603	3,052	3,335
Investment properties	1,442	2,884	2,884	2,884
	<u><u>\$ 2,927</u></u>	<u><u>3,844</u></u>	<u><u>5,936</u></u>	<u><u>6,219</u></u>

(17) Employee benefits

1. Defined benefit plans

As no significant market fluctuation, reduction, settlement or other significant one-off events have occurred since the last yearly reporting date, the Group has adopted actuarial valuation as at December 31, 2021 and 2020 for pension cost measurement and pension cost for interim period disclosure.

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

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

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Operating costs	\$ -	-	11	10
Operating expenses	-	(12)	(11)	(12)
	<u>\$ -</u>	<u>(12)</u>	<u>-</u>	<u>(2)</u>

2. Defined contribution plans

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

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Operating costs	\$ 1,297	1,25	2,555	2,599
Operating expenses	3,412	2,58	6,595	5,233
	<u>\$ 4,709</u>	<u>3,84</u>	<u>9,150</u>	<u>7,832</u>

(18) Income tax

1. Income tax expense

	April to June 2022	April to June 2022	January to June 2022	January to June 2021
Current income tax expense	\$ <u>12,666</u>	<u>1,769</u>	<u>17,017</u>	<u>4,881</u>

2. From January 1 to June 30, 2022 and 2021, no income tax had been directly recognized under equity and other comprehensive income or loss items.

3. Income tax audit

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

(19) Capital and other equity interests

Except for the following, from January 1 to June 30, 2022 and 2021, there was no major change in capital and other equity interests. For details, please see Notes 6(19) of Consolidated Financial Statements for 2021.

1. Common shares

As of June 30, 2022, and December 31 and June 30, 2021, the Company's authorized share capital amounted to NT\$1,500,000 thousand, NT\$1,500,000 thousand and NT\$520,000 thousand respectively, with par value of NT\$10 per share. The number of common stocks amounted to 150,000 thousand shares, 150,000 thousand shares and

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

52,000 thousand shares respectively, of which 44,566 thousand shares were issued and outstanding.

2. Capital Surplus

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Additional paid-in capital in excess of par issued	\$ <u>297,921</u>	<u>297,921</u>	<u>297,921</u>

3. Retained earnings

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

The Company adopts a residual dividend policy to enhance future growth and sustainable development. If profit is available, the distribution of 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.

By resolutions of the Board meeting on March 7, 2022 and April 22, 2021, the cash dividend of earnings distribution for 2021 and 2020 is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Dividend per share (NT\$)</u>	<u>Amount</u>	<u>Dividend per share (NT\$)</u>	<u>Amount</u>
Dividends per share:				
Cash	\$ 0.50	<u>22,283</u>	1.00	<u>44,566</u>

4. Other equity interest (net after tax)

Exchange differences on translation of foreign operations

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

	January to June 2022	January to June 2021
Beginning balance	\$ (2,946)	(3,195)
Foreign exchange differences arising from the translation of foreign operations	364	(48)
Shares of foreign currency translation differences of joint ventures	688	(96)
End balance	<u>\$ (1,894)</u>	<u>(3,339)</u>

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

	January to June 2022	January to June 2021
Beginning balance	\$ 61,708	63,114
Equity attributable to non-controlling interests:		
Net income	26,506	4,439
Cash dividends	(30,776)	(21,602)
Increase in non-controlling interests	450,491	-
End balance	<u>\$ 507,929</u>	<u>45,951</u>

(20) Earnings per share (EPS)

1. Basic EPS

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Net income attributable to shareholders of the Company	<u>\$ 34,899</u>	<u>3,36</u>	<u>122,561</u>	<u>8,241</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>44,566</u>	<u>44,566</u>	<u>44,566</u>	<u>44,566</u>
Basic EPS (NT\$)	<u>\$ 0.78</u>	<u>0.08</u>	<u>2.75</u>	<u>0.18</u>

2. Diluted EPS

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Net income attributable to shareholders of the Company	<u>\$ 34,899</u>	<u>3,36</u>	<u>122,561</u>	<u>8,241</u>
Weighted-average number of ordinary shares outstanding (basic) (in thousands)	44,566	44,566	44,566	44,566
Effect of dilutive potential common stock (in thousands)				
Effect of employee bonuses	158	17	179	85
Weighted-average number of ordinary shares outstanding (diluted) (in thousands)	<u>44,724</u>	<u>44,583</u>	<u>44,745</u>	<u>44,651</u>
Diluted EPS (NT\$)	<u>\$ 0.78</u>	<u>0.08</u>	<u>2.74</u>	<u>0.18</u>

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

(21) Revenue from contracts with customers

1. Disaggregation of revenue

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Primary geographical markets:				
Taiwan	\$ 654,189	202,828	1,148,562	402,329
Mainland China	63,731	100,482	126,870	197,175
Italy	25,581	-	42,654	-
India	28,770	10,049	36,137	18,840
Others	29,243	23,834	62,312	50,416
	\$ 801,514	337,193	1,416,535	668,760
Main products:				
Medical equipment	\$ 173,041	145,049	287,761	271,507
Medical consumables	397,607	70,656	555,588	161,935
Medical services	230,866	121,488	573,186	235,318
	\$ 801,514	337,193	1,416,535	668,760

2. Contract balances

	2022.6.30	2021.12.31	2021.6.30
Notes and accounts receivable (including related parties)	\$ 536,083	205,566	173,551
Less: Loss allowance	(4,501)	(4,293)	(5,248)
	\$ 531,582	201,273	168,303
Contract liabilities (listed as other current liabilities)	\$ 55,733	25,24	15,139

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 Group recognized revenue from the beginning balance of contract liability as of January 1, 2022 and 2021, which amounted to NT\$3,106 thousand and NT\$961 thousand for the three months ended June 30, 2022 and 2021 respectively and NT\$17,874 thousand and NT\$16,391 thousand for the six months Ended June 30, 2022 and 2021 respectively.

(22) Remuneration to employees and Directors

According to the Articles of Incorporation, if any profit is available, 5% to 20%

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

should be set aside as employee compensation and no more than 1% should be set aside as Directors' remuneration. However, the profit should be appropriated to 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.

The compensation of employees for the three months ended June 30, 2022 and 2021 amounted to NT\$4,510 thousand and NT\$45 thousand respectively and for the six months ended June 30, 2022 and 2021 amounting to NT\$11,821 thousand and NT\$532 thousand respectively; and, the remuneration of Directors amounted for the three months ended June 30, 2022 and 2021 amounting to NT\$376 thousand and NT\$3 thousand respectively and for the six months ended June 30, 2022 and 2021 amounting to NT\$985 thousand and NT\$44 thousand respectively. The compensation of employees and the remuneration of Directors were estimated by multiplying pre-tax income prior to being deducted by remuneration to employees and Directors of the period with the distribution percentage of remuneration to employees and Directors. The compensation and remuneration were classified as the costs of revenue or expenses for the period. If the actual disbursement in the following year differs from the estimated amount, the difference is treated as change in accounting estimation, and recognized in the profit and loss in the next annual period.

The estimated amounts of employee compensation for 2021 and 2020 amounted to NT\$2,007 thousand and NT\$6,707 thousand respectively; and the estimated amounts of Director remuneration amounted to NT\$167 thousand and NT\$559 thousand respectively. The aforementioned amounts did not differ from the employee compensation and Director remuneration approved by the Board, and were all disbursed in cash. For details, please see the Market Observation Post System.

(23) Non-operating income and loss

1. Interest income

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Interest income from bank deposits	\$ 286	137	474	358

2. Other income

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Rental income	\$ 2,927	3,045	5,936	6,219
Gain recognized in bargain purchase transaction (Note 6(6))	-	-	81,089	-
Others	180	2,440	799	2,945
	<u>\$ 3,107</u>	<u>5,485</u>	<u>87,824</u>	<u>9,164</u>

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

3. Other gains and losses

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Gains on disposal of property, plant and equipment, net	\$ 113	-	474	-
Foreign currency exchange losses	897	(699)	2,096	(825)
Gains on lease modification	72	208	138	415
	<u>\$ 1,082</u>	<u>(491)</u>	<u>2,708</u>	<u>(410)</u>

4. Financing costs

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Interest expense of bank loans	\$ 2,061	654	3,684	1,203
Financial expense of lease liabilities	1,183	340	2,206	690
	<u>\$ 3,244</u>	<u>994</u>	<u>5,890</u>	<u>1,893</u>

(24) Financial instruments

Except for the following, the fair value of the financial instruments and the credit, liquidity and market risks exposed due to the financial instruments have no significant changes. For details, please see Notes 6(24) and (25) of Consolidated Financial Statements for 2021.

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

1. Categories of financial instruments

(1) Financial assets

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Financial assets measured at fair value through other comprehensive income:			
	\$ 210	-	-
Financial assets measured at amortized cost:			
Cash and cash equivalents	607,252	369,850	260,183
Notes and accounts receivable and other receivables			
(including related parties)	546,616	206,539	171,457
Other financial assets-current	70,814	51,423	54,234
Other non-current assets - refundable deposits	21,220	15,833	15,946
Other non-current assets - long-term receivables	8,400	-	-
	<u>\$ 1,254,512</u>	<u>643,645</u>	<u>501,820</u>

(2) Financial liabilities

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Financial liabilities measured at amortized cost:			
Short-term loans	\$ 172,269	50,271	69,224
Notes and accounts payable and other payables			
(including related parties)	602,276	287,291	301,966
Lease liabilities (current and non-current)	273,877	75,226	83,603
Long-term debt (including current portion)	413,750	366,250	168,750
Guarantee deposit received	8,597	3,797	5,083
	<u>\$ 1,470,769</u>	<u>782,835</u>	<u>628,626</u>

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

2. Fair value

(1) Financial instruments not measured at fair value

The Management of the Group 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.

(2) Financial instruments measured at fair value

The following financial instruments are measured at fair value on a recurring basis. The following table provides analysis of financial instrument measured at fair value subsequent to the initial recognition according to observable inputs from level 1 to 3. The definitions of fair value hierarchy are as follows:

- A. Level 1 inputs: Similar assets or liabilities with quoted prices in an active market (unadjusted).
- B. Level 2 inputs: Apart from quoted prices in level 1 inputs, the inputs for assets or liabilities are directly (i.e. prices) or indirectly (i.e. derived from prices) observable.
- C. Level 3 inputs: The inputs for assets or liabilities are not based on observable market information (non-observable parameters).

	2022.6.30			
	Fair value			
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
Financial assets measured at fair value through other comprehensive income: Share of non-public companies	\$ -	-	210	210

(3) Fluctuation of level 3 inputs:

	January to June 2022
	Financial assets measured at fair value through other comprehensive income
Balance as of January 1	\$ -
Acquired from merger and acquisition	210
Balance as of June 30	\$ 210

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

(4) Valuation technique and inputs of financial instruments measured at fair value

Fair value of level 3 inputs for share of non-public companies are fair value measured using the market approach. The determination takes into consideration recent financing activities and net worth of the Company, market condition and other economic indicators. Meanwhile, material and yet unobservable inputs are mainly liquidity discount. Nevertheless, as the potential fluctuation of liquidity discount shall not give rise to material potential financial influence, the quantification information is deemed not to be necessary for disclosure.

3. 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 bank deposits (including bank deposits listed under other financial assets - current), accounts receivable and other financial assets. The maximum exposure to credit risk amounts to the carrying amount in the Group's financial assets.

The Group's bank deposits are in reputable financial institutions, resulting in no significant credit risk.

The transactions of the Group have not concentrated on a group of customers or a single customer. The Group has established a credit policy and determined the credit limit of specific customers according to their financial status pursuant to the policy. The Group shall also evaluate the customer financial condition on a regular basis to reduce credit risk. For information on maximum exposure to credit risk that arises from notes and accounts receivable, please see Note 6(3).

4. 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 and maintaining adequate cash and cash equivalents and line of credit at banking facilities. As at June 30, 2022, and December 31 and June 30, 2021, the unused credit facilities of the Group amounted to NT\$1,761,827 thousand, NT\$1,584,993 thousand and NT\$1,722,233thousand respectively.

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

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

	Contractual cash flows	Within 6 months	6-12 months	1-2 years	More than 2 years
June 30, 2022					
Non-derivative financial liabilities:					
Short-term loans	\$ 172,269	172,269	-	-	-
Long-term debt (including current portion)	422,450	5,180	4,833	412,437	-
Notes and accounts payable and other payables (including related parties)	602,276	602,276	-	-	-
Guarantee deposit received	8,597	215	-	-	8,382
Lease liabilities	294,048	31,837	29,632	51,995	180,584
	\$ 1,499,640	811,777	34,465	464,432	188,966
December 31, 2021					
Non-derivative financial liabilities:					
Short-term loans	\$ 50,271	50,271	-	-	-
Long-term debt (including current portion)	373,014	33,913	4,780	254,171	80,150
Notes and 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
June 30, 2021					
Non-derivative financial liabilities:					
Short-term loans	\$ 69,224	69,224	-	-	-
Long-term debt (including current portion)	172,113	13,027	33,705	64,857	60,524
Notes and accounts payable and other payables (including related parties)	301,966	301,966	-	-	-
Guarantee deposit received	5,083	125	-	-	4,958
Lease liabilities	84,813	17,501	14,732	23,944	28,636
	\$ 633,199	401,843	48,437	88,801	94,118

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

5. Market risk

(1) Foreign exchange risk

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

	2022.6.30			2021.12.31			2021.6.30		
	Foreign currency (in thousands)	Exchange rate	NT\$ (in thousands)	Foreign currency (in thousands)	Exchange rate	NT\$ (in thousands)	Foreign currency (in thousands)	Exchange rate	NT\$ (in thousands)
<u>Financial assets</u>									
<u>Monetary</u>									
<u>Items</u>									
USD	\$ 4,107	29.720	122,060	3,980	27.680	110,116	3,597	27.868	100,241
<u>Financial</u>									
<u>liabilities</u>									
<u>Monetary</u>									
<u>Items</u>									
USD	1,070	29.720	31,800	1,712	27.680	47,388	2,274	27.868	63,372

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

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 June 30, 2022 and 2021, if NTD depreciated/appreciated 1% against USD, all variables remained unchanged, the net profit before tax for January 1 to June 30, 2022 and 2021 would increase/decrease NT\$903 thousand and NT\$369 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:

	<u>January to June 2022</u>		<u>January to June 2021</u>	
	<u>Foreign exchange gains (loss)</u>	<u>Average forex rate</u>	<u>Foreign exchange gains (loss)</u>	<u>Average forex rate</u>
NTD	\$ 1,999	-	(763)	-
RMB	20	4.4407	(14)	4.3547

(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 of the Group to the Management on the fluctuation of 1% increase or decrease in yearly interest rate also represents the evaluation of the Management on the reasonable changes of the interest rate.

If the yearly interest rate increases/decreases 1%, all variables remained unchanged, the net profit before tax of the Group for January 1 to June 30, 2022 and 2021 would increase/decrease NT\$2,930 thousand and NT\$1,190 thousand

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

respectively.

(25) Financial risk management

The goal and policy of the financial risk management of the Group and the disclosure made at Notes 6(25) of Consolidated Financial Statements for 2021 undergo no significant changes.

(26) Capital management

The goal, policy and procedures of capital management of the Group does not differ from the disclosure made at the Consolidated Financial Statements for 2021. For details, please see Notes 6(26) of Consolidated Financial Statements for 2021.

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

			Non-cash changes		
	2022.1.1	Cash flows	Change of lease	Acquisition through a business combination	2022.6.30
Short-term loans	\$ 50,271	92,698	-	29,300	172,269
Long-term loans	366,250	47,500	-	-	413,750
Lease liabilities	75,226	(29,740)	22,658	205,733	273,877
Guarantee deposit received	3,797	-	-	4,800	8,597
Liabilities from financing activities	\$ 495,544	110,458	22,658	239,833	868,493

			Non-cash changes		
	2021.1.1	Cash flows	Change of lease	2021.6.30	
Short-term loans	\$ 50,271	92,698	-	29,300	
Long-term loans	366,250	47,500	-	-	
Lease liabilities	75,226	(29,740)	22,658	205,733	
Guarantee deposit received	3,797	-	-	4,800	
Liabilities from financing activities	\$ 495,544	110,458	22,658	239,833	

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

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:

<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
BenQ Materials Medical Supplies (Suzhou) Co., Ltd	Subsidiary of BMC
Visco Vision Inc.	Invested company of BMC, accounted by the equity method
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. (ACE)	Subsidiary of Qisda
Standard Technology Corp.	Subsidiary of Qisda

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

Name of related party	Relationship with the Group
Golden Spirit Co., Ltd.	Subsidiary of Qisda
Data Image Corporation	Subsidiary of Qisda
HITRON TECHNOLOGIES INC.	Subsidiary of Qisda
Aewin Technologies Co., Ltd	Subsidiary of Qisda
SIMULA TECHNOLOGY INC.	Subsidiary of Qisda
Action Star Technology Co., Ltd.	Subsidiary of Qisda
Interactive Digital Technologies Inc.	Subsidiary of Qisda
ACE Energy Co., Ltd. (Originally, BenQ ESCO Corp.)	Subsidiary of Qisda
BenQ Dialysis Technology Corp.	Subsidiary of Qisda
Metaage Corporation (MTG, originally, Sysage Technology Co., Ltd.)	Subsidiary of Qisda
EPIC CLOUD INFORMATION INTEGRATION CORP.	Subsidiary of MTG
Global Intelligence Network Co., Ltd.	Subsidiary of MTG
STATINC COMPANY	Subsidiary of MTG
Partner Tech Corporation	Subsidiary of Qisda
Alpha Networks Inc.	Subsidiary of Qisda
DFI Inc.	Subsidiary of Qisda
Lafresh information Co., Ltd	Subsidiary of Qisda
Mace Digital Corporation	Subsidiary of Qisda
E-STRONG MEDICAL TECHNOLOGY CO., LTD.	Subsidiary of Qisda
DIVA Laboratories. Ltd.	Subsidiary of Qisda
Darfon Electronics Corporation (Darfon)	Associates of Qisda
Darad Innovation Corporation	Subsidiary of Darfon
Astro Tech Co., Ltd.	Subsidiary of Darfon
Q.S.Control Corporation	Associates of Qisda
AU Optronics Corporation (AUTW)	Corporate shareholder of Qisda, accounted by the equity method
AUO Education Service Corporation	Subsidiary of AUTW
DARWIN PRECISIONS CORPORATION	Subsidiary of AUTW
BenQ Foundation	Substantive related party of Qisda

(3) Related-party transactions

1. Operating revenues

The sales to related parties were as follows:

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

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Ultimate controlling company	\$ 5,343	1,949	6,870	2,003
Parent company	465	-	465	40
Joint venture	1,454	1,914	2,465	3,035
Other related parties	8,304	4,774	20,900	17,998
	\$ 15,566	8,637	30,700	23,076

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:

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Ultimate controlling company	\$ 8,135	5,679	38,677	12,800
Joint venture	13,443	16,283	20,940	30,604
Other related parties	5,611	4,124	12,018	8,297
	\$ 27,189	26,086	71,635	51,701

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. NT\$ 2,007 thousand. The interest expense recognized for the three months ended June 30, 2022 and 2021 amounted to NT\$80 thousand and NT\$108 thousand respectively and for the six months ended June 30, 2022 and 2021 amounted to NT\$168 thousand and NT\$225 thousand respectively. As of June 30, 2022 and December 31 and June 30, 2021, the lease liabilities balances amounted to NT\$18,810 thousand, NT\$23,211 thousand and NT\$25,539 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. The rental expense recognized for the three months ended June 30, 2022 and 2021 amounted to NT\$218 thousand and NT\$226 thousand respectively and for the six months ended June 30,

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

2022 and 2021 amounted to NT\$437 thousand and NT\$452 thousand respectively. On June 30, 2022 and 2021, the related payables are classified under other payables.

4. Acquisition and disposal of property, plant and equipment

For January 1 to June 30, 2022, the Group purchased fixed assets from other related parties which amounted to NT\$2,150 thousand. As of June 30, 2022, the related payables were fully settled.

5. Others

- (1) For the three months and six months ended June 30, 2022 and 2021, the service rendered to the Group by the ultimate controlling company, the parent company and other related parties amounted to NT\$204 thousand, NT\$203 thousand, NT\$430 thousand, and NT\$394 thousand respectively. As at June 30, 2022 and 2021, 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 June 30, 2022, and December 31, 2021 and June 30, 2021, the prepayments for purchases amounted to NT\$4,069 thousand, NT\$4,667 thousand and NT\$5,010 thousand respectively, and was classified as prepayments and other current assets.
- (3) For the six months ended June 30, 2022 and 2021, the donations that the Group made to BenQ Foundation amounted to NT\$750 thousand and NT\$500 thousand respectively and were recognized as 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.

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>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Accounts receivable - related parties	Ultimate controlling company	\$ 3,551	289	2,035
Accounts receivable - related parties	Joint venture	11,055	16,987	3,693
Accounts receivable - related parties	Other related parties	5,661	4,921	2,982
Other receivables - related parties	Ultimate controlling company	1,866	1,476	1,576

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

<u>Account</u>	<u>Related-party categories</u>	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Other receivables - related parties	Joint venture	-	-	182
Other receivables - related parties	Other related parties	57	336	51
		<u>\$ 22,190</u>	<u>24,009</u>	<u>10,519</u>

7. Payables to related parties

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

<u>Account</u>	<u>Related-party categories</u>	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Accounts payable - related parties	Ultimate controlling company	\$ 2,424	18,026	4,643
Accounts payable - related parties	Joint venture	1,490	1,581	2,033
Accounts payable - related parties	Other related parties	7,189	4,730	5,419
Other payables - related parties	Ultimate controlling company	1,367	1,376	1,334
Other payables - related parties	Parent company	117	-	375
Other payables - related parties	Joint venture	-	9	-
Other payables - related parties	Other related parties	149	516	96
Lease liabilities - current	Ultimate controlling company	8,909	8,838	8,376
Lease liabilities - non-current	Ultimate controlling company	9,901	14,373	17,163
		<u>\$ 31,546</u>	<u>49,449</u>	<u>39,439</u>

(4) Transaction with key management personnel

Compensation for key management personnel:

	<u>April to June 2022</u>	<u>April to June 2021</u>	<u>January to June 2022</u>	<u>January to June 2021</u>
Short-term employee benefits	\$ 3,065	2,449	6,200	4,910
Post-employment benefits	27	27	54	54
	<u>\$ 3,092</u>	<u>2,476</u>	<u>6,254</u>	<u>4,964</u>

8. Pledged Assets

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

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

Pledged Assets	Pledged to secure	2022.6.30	2021.12.31	2021.6.30
Other financial assets-current	Performance bond	\$ 5,680	2,080	80
Land and buildings	Credit lines of bank loans	513,291	460,636	497,728
Investment Property	Credit lines of bank loans	278,951	79,448	48,411
		<u>\$ 797,922</u>	<u>542,164</u>	<u>546,219</u>

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

(1) Significant unrecognized contractual commitments:

	2022.6.30	2021.12.31	2021.6.30
Letter of credit issued and yet to be used	<u>\$ 34,000</u>	<u>-</u>	<u>-</u>

10. Significant Loss from Disaster: None.

11. Significant Subsequent Events: None.

12. Others

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

Item	April to June 2022			April to June 2021		
	Cost of Revenue	Operating expenses	Total	Cost of Revenue	Operating expenses	Total
Category						
Employee benefits						
Salaries	33,502	59,702	93,204	30,729	43,639	74,368
Insurance	3,025	6,105	9,130	3,206	4,948	8,154
Pension	1,297	3,412	4,709	1,257	2,575	3,832
Other employee benefits	2,196	1,974	4,170	2,140	1,224	3,364
Depreciation	31,014	13,656	44,670	12,634	9,921	22,555
Amortization	280	2,998	3,278	356	2,861	3,217

Item	January to June 2022			January to June 2021		
	Cost of Revenue	Operating expenses	Total	Cost of Revenue	Operating expenses	Total
Category						
Employee benefits						
Salaries	61,314	136,090	197,404	64,150	92,088	156,238
Insurance	5,794	13,306	19,100	6,655	10,013	16,668
Pension	2,566	6,584	9,150	2,609	5,221	7,830
Other employee benefits	4,258	3,672	7,930	4,370	2,592	6,962
Depreciation	58,560	27,133	85,693	24,577	19,316	43,893
Amortization	572	6,000	6,572	720	5,773	6,493

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

13. Additional Disclosures

(1) Information on significant transactions

For January 1 to June 30, 2022, according to the Preparation Regulations, the

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

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):

Unit: NT\$ thousand/thousand shares

Company held	Type and name of securities	Relationship with securities issuer	Accounting item	End of period				
				Shares held	Carrying amount	Shareholding Percentage	Fair value	Note
CKCARE Co., Ltd.	Yao Lien Biotechnology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income	17.50	210	0.20 %	210	

4. The accumulated purchase or sale amounts of a single marketable securities for the year exceed NT\$300 million or 20% of the paid-in capital:

Unit: thousand shares

Dealing company	Type and name of securities	Accounting item	Counter party	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 (Note 2)
The Company	Shares of Concord Medical Co., Ltd.	Investment accounted for using the equity method	(Note 1)	-	8,333	100,000	5,000	90,000	-	-	-	-	13,333	274,019
BHS	Shares of CKCARE Co., Ltd.	Investment accounted for using the equity method	Natural person shareholders of CKCARE Co., Ltd.	-	-	-	4,362	105,300	-	-	-	-	4,362	107,807

(Note 1) Acquisition of common stock of companies in public tender offer.

(Note 2) Adjusted profit or loss accounted for using the equity method for the period and the other adjusted end balances.

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 intercompany transactions: None.

Number (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions(Note 3)				Percentage of Consolidated Net Revenue or Total Assets(Note 4)
				Account	Amount	Transaction Terms		
0	The Company	BHS	1	Sales	16,965	ME 60 Days		1.20%

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

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

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

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

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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

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

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

(2) Information on investees:

For January 1 to June 30, 2022, the information on investees is as follows (excluding investments in Mainland China):

Unit: thousand shares

Name of investor	Name of investee	Location	Main Businesses and Products	Original investment Amount		Balance as of June 30, 2022			Net income (loss) of the investee	Investment income	Note
				June 30, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying amount			
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%	25,218	(85)	137	(Note)
The Company	Highview Investments Limited	Samoan Islands	Investment and holding company	36,211	36,211	1,062	100.00%	11,347	1,357	1,357	(Note)
The Company	Lily Medical Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	185,000	185,000	10,000	100.00%	240,739	14,468	14,576	(Note)
The Company	BenQ AB DentCare Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	88,000	88,000	8,800	88.00%	62,471	3,444	3,102	(Note)
The Company	BenQ Healthcare Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	100,000	100,000	10,000	100.00%	139,028	28,805	28,805	(Note)
The Company	Eastech Co., Ltd.	Taiwan	Wholesaling and retailing of medical consumables and equipment	20,300	20,300	700	70.00%	26,822	8,148	5,387	(Note)
The Company	Concord Medical Co., Ltd.	Taiwan	Sales of medical drugs, leasing of medical equipment and providing management consultation services	190,000	100,000	13,333	40.00%	274,019	26,840	9,841	(Note)
The Company	Concord HealthCare Co., Ltd.	Taiwan	Wholesaling and retailing of medical consumables and equipment and provision of management consultation services	40,000	-	4,000	33.33%	40,000	-	-	(Note)
Concord	Concord HealthCare Co., Ltd.	Taiwan	Wholesaling and retailing of medical consumables and equipment and provision of management consultation services	80,000	-	8,000	66.67%	80,000	-	-	(Note)
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%	65,551	13,472	6,232	(Note)
BHS	CKCARE Co., Ltd.	Taiwan	Retail of medical devices, over-the-counter drugs, and health supplements.	105,300	-	4,362	60.00%	107,807	9,314	4,906	(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, 2022 (Note 2)	Investment amount of outflow or inflow		Accumulated outflow of investment from Taiwan as of June 30, 2022	Net income (loss) of the investee	Percentage of ownership of direct and indirect investment	Investment income (loss)	Carrying value as of June 30, 2022 (Note 2)	Accumulated inward remittance of earnings as of June 30, 2022
					Outflow	Inflow						
BenQ Medical Technology (Shanghai) Ltd.	Agency of international and entrapot trade business	29,720 (USD 1,000 thousand)	(1)	29,720 (USD 1,000 thousand)	-	-	29,720 (USD 1,000 thousand)	1,351	100.00 %	1,351	14,533 (Note 3 and 5)	-
LILY Medical (Suzhou) Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	6,241 (USD 210 thousand)	(2)	6,241 (USD 210 thousand)	-	-	6,241 (USD 210 thousand)	(287)	100.00 %	(287)	2,041 (Note 4 and 5)	-

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investee in Mainland China	Main Businesses and Products	Total paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022 (Note 2)	Investment amount of outflow or inflow		Accumulated outflow of investment from Taiwan as of June 30, 2022	Net income (loss) of the investee	Percentage of ownership of direct and indirect investment	Investment income (loss)	Carrying value as of June 30, 2022	Accumulated inward remittance of earnings as of June 30, 2022
					Outflow	Inflow						
TDX Medical Technology (Jiangsu) Co., Ltd	Wholesaling and retailing of medical consumables and equipment	88,782 (RMB20,000 thousand)	(2)	35,513 (RMB 8,000 thousand)	-	-	35,513 (RMB 8,000 thousand)	(1,834)	40.00 %	(734)	30,642 (Note 4)	-
Suzhou Trident Original Medical Technology Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	8,878 (RMB20,000 thousand)	(3)	-	-	-	-	(1,295)	22.00 %	(344)	7,516 (Note 4)	-

(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 = 1:29.7200 and RMB: NTD = 1:4.4391.

(Note 3) Recognized based on reviewed and unaudited financial statements of investee companies by independent auditors of the parent company.

(Note 4) The recognition basis for the investment profit or loss is based on unaudited financial statements prepared by investee companies.

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

2. Limits on investments in Mainland China:

Unit: NT\$ thousand/foreign currency in thousand

Company Name	Accumulated investment in Mainland China as of June 30, 2022	Investment amounts authorized by Investment Commission, MOEA	Upper Limit on Investment authorized by Investment Commission, MOEA
The Company	65,233 (USD1,000 and RMB8,000)	84,018 (USD2,827)	683,645
LILY	6,241 (USD210)	6,241 (USD210)	109,717

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	2,662	Prices as per negotiation between both parties	ME 60 days	No significant differences with transactions with third parties	(1,490)	0.39%	-
Suzhou Trident Original Medical Technology Co., Ltd.	Subsidiary of the Company's joint venture company	Purchases	18,278	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	2,465	Prices as per negotiation between both parties	ME 60 days	(Note 1)	11,055	2.08%	(428)
BenQ Medical Technology (Shanghai) Ltd.	Subsidiary of the Company	Sales	3,653 (Note 2)	Prices as per negotiation between both parties	ME 60 days	(Note 1)	2,136 (Note 2)	0.40%	(169)

(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: None.
5. Provision of funds and loans for direct investment in Mainland China or through a

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

holding company established in a third country: None.

6. Other significant transactions that affect the profit and loss or financial condition of the current period: None.

(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 operational divisions of the Group consist of R&D and manufacturing divisions, as well as medical services divisions. R&D and manufacturing divisions mainly engage in manufacturing, assembly, maintenance, and repair of medical equipment and facilities. The main business activities of medical services divisions are the wholesaling and retailing of medical devices, medical equipment, drugs and health supplements, as well as the provision of leasing, management and consultation services for medical devices.

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:

	April to June 2022			
	R&D and Manufacturing Division	Medical Services Division	Adjustment and Elimination	Total
External revenue	\$ 270,906	530,608	-	801,514
Intra-group revenue	26,748	43	(26,791)	-
Total segment revenue	<u>\$ 297,654</u>	<u>530,651</u>	<u>(26,791)</u>	<u>801,514</u>
Segment profit (loss)	<u>\$ 10,870</u>	<u>51,102</u>	<u>170</u>	<u>62,142</u>

BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	April to June 2021			
	R&D and Manufacturing Division	Medical Services Division	Adjustment and Elimination	Total
External revenue	\$ 242,814	94,379	-	337,193
Intra-group revenue	9,209	5,048	(14,257)	-
Total segment revenue	\$ 252,023	99,427	(14,257)	337,193
Segment profit (loss)	\$ (11,350)	14,029	164	2,843

	January to June 2022			
	R&D and Manufacturing Division	Medical Services Division	Adjustment and Elimination	Total
External revenue	\$ 488,629	927,906	-	1,416,535
Intra-group revenue	31,436	424	(31,860)	-
Total segment revenue	\$ 520,065	928,330	(31,860)	1,416,535
Segment profit (loss)	\$ (3,992)	85,272	422	81,702

	January to June 2021			
	R&D and Manufacturing Division	Medical Services Division	Adjustment and Elimination	Total
External revenue	\$ 480,350	188,410	-	668,760
Intra-group revenue	22,535	5,237	(27,772)	-
Total segment revenue	\$ 502,885	193,647	(27,772)	668,760
Segment profit (loss)	\$ (13,324)	23,127	594	10,397