

Stock code: 4116

**BENQ MEDICAL TECHNOLOGY CORP.  
AND SUBSIDIARIES**

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

**For the Nine Months Ended September 30, 2022 and 2021**

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

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

## 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	43~48
(8) Pledged Assets	48
(9) Significant Contingent Liabilities and Unrecognized Contractual Commitments	48
(10) Significant Loss from Disaster	48
(11) Significant Subsequent Events	48
(12) Others	48~49
(13) Additional Disclosures	
1. Information on significant transactions	49~50
2. Information on investees	50~51
3. Information on investments in Mainland China	51~52
4. Information on Major Shareholders	52
(14) Segment Information	52~54

**KPMG****KPMG**

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

Telephone no.: + 886 (2) 8101 6666

Fax no.: + 886 (2) 8101 6667

Website: kpmg.com/tw

## **Independent Auditors' Review Report**

The Board of Directors

**BENQ MEDICAL TECHNOLOGY CORP.**

### **Foreword**

We have reviewed the Consolidated Balance Sheets as of September 30, 2022 and 2021, and Consolidated Statements of Comprehensive Income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flows for the nine months ended September 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 as of September 30, 2022 and 2021, and the consolidated financial performance for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, as well as the consolidated cash flows for the nine months ended September 30, 2022 and 2021 do not present fairly.

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

**KPMG**

**Taipei, Taiwan (Republic of China)**

**October 28, 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)**  
**September 30, 2022 and 2021. Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.**  
**BENQ MEDICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**September 30, 2022, and December 31 and September 30, 2021**

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

Assets		2022.09.30		2021.12.31		2021.09.30		Liabilities and Equity		2022.09.30		2021.12.31		2021.09.30	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (Note 6(1))	\$ 592,426	18	369,850	19	252,644	14	2100	Short-term loans (Note 6(12))	\$ 156,934	5	50,271	3	93,217	5
1150-1170	Notes and accounts receivable (Note 6(3) and (21))	517,754	15	179,076	9	185,138	11	2150-2170	Notes and accounts payable	403,740	12	124,389	6	151,912	9
1181	Accounts receivable - related parties (Note 6(3)(21) and 7)	29,290	1	22,197	1	18,312	1	2181	Accounts payable - related parties (Note 7)	15,477	-	24,337	1	10,835	1
1200	Other receivables	11,567	-	3,454	-	1,398	-	2200	Other payable (Note 6(22))	203,433	6	136,664	7	114,124	7
1212	Other receivables - related parties (Note 7)	57	-	1,812	-	5,050	-	2220	Other payable - related parties (Note 7)	1,882	-	1,901	-	2,147	-
130x	Inventories (Note 6(4))	269,781	8	211,390	11	215,969	12	2230	Current income tax liabilities	24,245	1	18,511	1	3,025	-
1410-1470	Prepayments and other current assets (Note 7)	60,280	2	30,980	2	27,200	2	2250	Provisions for liabilities - current (Note 6(15))	10,809	-	9,822	-	8,985	-
1476	Other financial assets-current (Note 6(2) and 8)	159,527	5	51,423	3	58,530	4	2280	Lease liabilities-current (Note 6(14) and 7)	62,593	2	30,817	2	31,663	2
<b>Total current assets</b>		1,640,682	49	870,182	45	764,241	44	2300	Other current liabilities (Note 6(21))	66,716	2	31,942	2	28,712	2
<b>Non-current assets:</b>								2322	Long-term loans due within a year (Note 6(13))	2,500	-	35,000	2	5,000	-
1518	Financial assets measured at fair value through other comprehensive income - non-current	210	-	-	-	-	-	<b>Total current liabilities</b>		948,329	28	463,654	24	449,620	26
1550	Investments accounted for using the equity method (Note 6(5))	33,152	1	131,116	7	29,141	2	<b>Non-current liabilities:</b>							
1600	Property, plant and equipment (Note 6(7), 7 and 8)	839,921	25	668,713	34	677,908	39	2540	Long-term loans (Note 6(13))	430,000	13	331,250	17	162,500	9
1755	Right-of-use assets (Note 6(8))	112,379	3	74,035	4	77,820	4	2570	Deferred income tax liabilities	23,019	1	9,254	1	9,463	1
1760	Investment properties - net (Note 6(9) and 8)	496,332	15	79,448	4	79,840	5	2640	Net defined benefit liabilities - non-current	3,117	-	3,146	-	2,965	-
1780	Intangible assets (Note 6(6) and (10))	151,519	5	86,834	4	88,311	5	2580	Lease liabilities-non-current (Note 6(14) and 7)	230,927	7	44,409	2	47,271	3
1840	Deferred income tax assets	20,024	1	19,621	1	9,814	-	2645	Guarantee deposit received	8,577	-	3,797	-	4,463	-
1900	Other non-current assets (Note 6(11))	46,522	1	25,347	1	26,767	1	<b>Total non-current liabilities</b>		695,640	21	391,856	20	226,662	13
<b>Total non-current assets</b>		1,700,059	51	1,085,114	55	989,601	56	<b>Total liabilities</b>		1,643,969	49	855,510	44	676,282	39
								<b>Equity attributable to shareholders of the parent company (Note 6(19))</b>							
								3110	Common stock	445,660	13	445,660	23	445,660	25
								3200	Capital Surplus	297,921	9	297,921	15	297,921	17
								3300	Retained earnings	432,353	13	297,443	15	285,722	16
								3400	Other equity	(1,392)	-	(2,946)	-	(3,425)	-
									Total equity attributable to shareholders of the parent company	1,174,542	35	1,038,078	53	1,025,878	58
								36XX	<b>Non-controlling interests (Note 6(6) and (19))</b>	522,230	16	61,708	3	51,682	3
									<b>Total equity interest</b>	1,696,772	51	1,099,786	56	1,077,560	61
<b>Total assets</b>		<b>\$ 3,340,741</b>	<b>100</b>	<b>1,955,296</b>	<b>100</b>	<b>1,753,842</b>	<b>100</b>	<b>Total liabilities and equity</b>		<b>\$ 3,340,741</b>	<b>100</b>	<b>1,955,296</b>	<b>100</b>	<b>1,753,842</b>	<b>100</b>

(Please see Notes to Consolidated Financial Statements)

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

**Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.**

**BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the Three Months Ended September 30, 2022 and 2021 and For the Nine Months Ended September 30, 2022 and 2021**

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

		July to September 2022		July to September 2021		January to September 2022		January to September 2021	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenues (Note 6 (16) (21), 7 and 14)	\$ 756,161	100	376,873	100	2,172,696	100	1,045,633	100
5000	Costs of revenue (Note 6 (4)(7)(8)(9)(10)(14)(17)(22), 7 and 12)	(535,001)	(71)	(247,008)	(66)	(1,554,993)	(72)	(692,593)	(66)
	Gross profit	221,160	29	129,865	34	617,703	28	353,040	34
5910	Less: Realized (unrealized) sales profit	175	-	(688)	-	(253)	-	(688)	-
	Realized gross profit	221,335	29	129,177	34	617,450	28	352,352	34
	Operating expenses (Note 6 (3)(7)(8)(9)(10)(14)(17)(22), 7 and 12):								
6100	Selling expenses	(114,629)	(15)	(76,689)	(20)	(324,135)	(15)	(210,013)	(20)
6200	General and administrative expenses	(44,413)	(6)	(30,226)	(8)	(132,490)	(6)	(86,320)	(9)
6300	Research and development expenses	(10,000)	(1)	(9,211)	(3)	(28,891)	(1)	(29,826)	(3)
6450	Reversal of gains on loss allowance for expected credit losses	(198)	-	(311)	-	1,863	-	(3,056)	-
	Total operating expenses	(169,240)	(22)	(116,437)	(31)	(483,653)	(22)	(329,215)	(32)
	Operating income	52,095	7	12,740	3	133,797	6	23,137	2
	Non-operating income and loss (Note 6 (5)(6)(14)(16)(23) and 7):								
7100	Interest income	467	-	145	-	941	-	503	-
7010	Other income	3,680	-	5,693	2	91,504	4	14,857	1
7020	Other gains and losses	5,365	1	551	-	8,073	-	141	-
7050	Financing costs	(3,573)	-	(960)	-	(9,463)	-	(2,853)	-
7375	Share of losses of joint ventures accounted for using equity method	2,038	-	78	-	1,304	-	23	-
	Total non-operating income and loss	7,977	1	5,507	2	92,359	4	12,671	1
	Income before income tax	60,072	8	18,247	5	226,156	10	35,808	3
7950	less: Income tax expenses (Note 6(18))	(11,139)	(2)	(4,091)	(1)	(28,156)	(1)	(8,972)	-
	Net income	48,933	6	14,156	4	198,000	9	26,836	3
	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	206	-	(33)	-	570	-	(81)	-
8370	Share of other comprehensive income of joint ventures accounted for using equity method	296	-	(53)	-	984	-	(149)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	502	-	(86)	-	1,554	-	(230)	-
	Other comprehensive income for the period	502	-	(86)	-	1,554	-	(230)	-
	Total comprehensive income for the period	<u>\$ 49,435</u>	<u>6</u>	<u>14,070</u>	<u>4</u>	<u>199,554</u>	<u>9</u>	<u>26,606</u>	<u>3</u>
	Net Income attributable to:								
8610	Owners of the parent	\$ 34,632	4	8,425	2	157,193	7	16,666	2
8620	Non-controlling interests	14,301	2	5,731	2	40,807	2	10,170	1
		<u>\$ 48,933</u>	<u>6</u>	<u>14,156</u>	<u>4</u>	<u>198,000</u>	<u>9</u>	<u>26,836</u>	<u>3</u>
	Comprehensive income (loss) attributable to:								
8710	Owners of the parent	\$ 35,134	4	8,339	2	158,747	7	16,436	2
8720	Non-controlling interests	14,301	2	5,731	2	40,807	2	10,170	1
		<u>\$ 49,435</u>	<u>6</u>	<u>14,070</u>	<u>4</u>	<u>199,554</u>	<u>9</u>	<u>26,606</u>	<u>3</u>
	Earnings per share (in New Taiwan dollars, Note 6 (20))								
9750	Basic earnings per share	<u>\$ 0.78</u>		<u>0.19</u>		<u>3.53</u>		<u>0.37</u>	
9850	Diluted earnings per share	<u>\$ 0.77</u>		<u>0.19</u>		<u>3.51</u>		<u>0.37</u>	

**(Please see Notes to Consolidated Financial Statements)**

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

**Reviewed but unaudited in pursuant to Generally Accepted Auditing Standards.**

**BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the Nine Months Ended September 30, 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	-	-	-	-	16,666	16,666	-	16,666	10,170	26,836
Other comprehensive income for the period	-	-	-	-	-	-	(230)	(230)	-	(230)
Total comprehensive income for the period	-	-	-	-	16,666	16,666	(230)	16,436	10,170	26,606
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 September 30, 2021	\$ 445,660	297,921	102,356	3,195	180,171	285,722	(3,425)	1,025,878	51,682	1,077,560
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	-	-	-	-	157,193	157,193	-	157,193	40,807	198,000
Other comprehensive income for the period	-	-	-	-	-	-	1,554	1,554	-	1,554
Total comprehensive income for the period	-	-	-	-	157,193	157,193	1,554	158,747	40,807	199,554
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 September 30, 2022	\$ 445,660	297,921	105,195	2,945	324,213	432,353	(1,392)	1,174,542	522,230	1,696,772

(Please see Notes to Consolidated Financial Statements)

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

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

	<u>January to September 2022</u>	<u>January to September 2021</u>
<b>Cash flows provided by operating activities:</b>		
<b>Profit before income tax</b>	\$ 226,156	35,808
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation	130,403	66,325
Amortization	9,875	9,451
Interest expense	9,463	2,853
Interest income	(941)	(503)
Gains on lease modification	(1,304)	(23)
Share of losses of joint ventures accounted for using equity method	(610)	(35)
Gain on disposals of property, plant and equipment	253	688
Unrealized sales profit	(265)	(561)
Gain recognized in bargain purchase transaction	<u>(81,089)</u>	<u>-</u>
Total adjustments to reconcile profit (loss)	<u>65,785</u>	<u>78,195</u>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Notes and accounts receivable	(29,281)	8,048
Accounts receivable - related parties	(7,093)	(14,952)
Other receivables	19,787	134
Other receivables - related parties	1,755	(5,000)
Inventories	(7,353)	(11,644)
Prepayments and other current assets	<u>(4,608)</u>	<u>3,178</u>
Total changes in operating assets	<u>(26,793)</u>	<u>(20,236)</u>
Changes in operating liabilities:		
Notes and accounts payable	(5,778)	15,576
Accounts payable - related parties	(8,860)	1,431
Other payables	2,382	(39,218)
Other payables - related parties	(19)	117
Provisions for liabilities	987	(1,316)
Other current liabilities	27,087	2,256
Net defined benefit liabilities	<u>(29)</u>	<u>(577)</u>
Total changes in operating liabilities	<u>15,770</u>	<u>(21,731)</u>
Total changes in operating assets and liabilities	<u>(11,023)</u>	<u>(41,967)</u>
Total adjustments	<u>54,762</u>	<u>36,228</u>
Cash provided by (used in) operations	280,918	72,036
Interest received	867	608
Interest paid	(9,208)	(2,845)
Income tax paid	<u>(29,598)</u>	<u>(18,047)</u>
<b>Net cash inflow provided by operating activities</b>	<u>242,979</u>	<u>51,752</u>

(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 Nine Months Ended September 30, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	January to September 2022	January to September 2021
<b>Cash flows used in investing activities:</b>		
Net cash inflow from merger and acquisition of subsidiaries	\$ 76,241	-
Acquisition of property, plant and equipment	(46,183)	(25,546)
Proceeds from disposals of property, plant and equipment	16,486	157
Increase in refundable deposits	(3,133)	(218)
Acquisition of intangible assets	(2,117)	(1,316)
Decrease (Increase) in other financial assets	(105,327)	29,901
Increase in other non-current assets	<u>(1,396)</u>	<u>(2,960)</u>
<b>Net cash inflow (outflow) provided by (used in) investing activities</b>	<u>(65,429)</u>	<u>18</u>
<b>Cash flows used in financing activities:</b>		
Increase in short-term loans	77,363	12,983
Increase in long-term loans	120,000	160,000
Repayments of long-term loans	(53,750)	(132,500)
Decrease in guarantee deposit received	(20)	(2,221)
Payment of lease liabilities	(46,000)	(26,203)
Payment of Cash dividends	(22,283)	(44,566)
Cash dividends distributed by subsidiaries to non-controlling interests	<u>(30,776)</u>	<u>(21,602)</u>
<b>Net cash inflow (outflow) provided by (used in) financing activities</b>	<u>44,534</u>	<u>(54,109)</u>
<b>Effect of changes in foreign exchange rates</b>	<u>492</u>	<u>(72)</u>
<b>Net increase (decrease) in cash and cash equivalents for the current period</b>	222,576	(2,411)
Cash and cash equivalents at the beginning of the period	<u>369,850</u>	<u>255,055</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><u>\$ 592,426</u></u>	<u><u>252,644</u></u>

**(Please see Notes to Consolidated Financial Statements)**



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

**Notes to Consolidated Financial Statements**

**For the Nine Months Ended September 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 October 28, 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:

<b>Newly issued or amended standards and interpretation</b>	<b>Main content of the amendments</b>	<b>Effective date by International Accounting Standard Board</b>
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 16, “Lease Liability in a Sale and Leaseback”

#### **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
			2022.09.30	2021.12.31	2021.09.30	
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. ("CCD")	Sale of medical drugs, leasing of medical equipment and provision of management consultation services	40.00%	-	-	(Note 1)
The Company and CCD	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 2<sup>nd</sup> 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>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Cash on hand and revolving funds	\$ 5,521	1,553	1,103
Demand deposits and checking accounts	526,905	312,797	185,291
Time deposits with an initial maturity date within three months	<u>60,000</u>	<u>55,500</u>	<u>66,250</u>
	<u><b>\$ 592,426</b></u>	<u><b>369,850</b></u>	<u><b>252,644</b></u>

(2) Other financial assets-current

	<u>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Time deposits with an initial maturity date of more than three months	\$ <u>159,527</u>	<u>51,423</u>	<u>58,530</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>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Notes receivable	\$ 79,334	6,608	7,748
Accounts receivable	443,119	176,761	182,949
Less: Loss allowance	<u>(4,699)</u>	<u>(4,293)</u>	<u>(5,559)</u>
	517,754	179,076	185,138
Accounts receivable - related parties	<u>29,290</u>	<u>22,197</u>	<u>18,312</u>
	<u><b>\$ 547,044</b></u>	<u><b>201,273</b></u>	<u><b>203,450</b></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:

	<b>2022.09.30</b>		
	<b>Gross carrying amount notes and accounts receivable</b>	<b>Weighted-average expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
Current	\$ 495,320	0.31%	1,528
Less than 90 days overdue	20,772	1.80%	373
91 - 180 days overdue	3,872	18.72%	725
181 - 270 days overdue	424	1.89%	8
More than 365 days overdue	2,065	100.00%	2,065
	<b><u>\$ 522,453</u></b>		<b><u>4,699</u></b>
	<b>2021.12.31</b>		
	<b>Gross carrying amount notes and accounts receivable</b>	<b>Weighted-average expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
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
	<b><u>\$ 183,369</u></b>		<b><u>4,293</u></b>
	<b>2021.09.30</b>		
	<b>Gross carrying amount notes and accounts receivable</b>	<b>Weighted-average expected credit loss</b>	<b>Loss allowance for expected credit losses</b>
Current	\$ 151,279	0.43%	646
Less than 90 days overdue	34,297	1.81%	621
91 - 180 days overdue	856	42.64%	365
181 - 270 days overdue	126	53.97%	68
271 - 365 days overdue	1,157	75.80%	877
More than 365 days overdue	2,982	100.00%	2,982
	<b><u>\$ 190,697</u></b>		<b><u>5,559</u></b>

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

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

	<u>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Current	\$ 29,290	18,390	16,537
Less than 90 days overdue	-	3,807	1,775
	<u><b>\$ 29,290</b></u>	<u><b>22,197</b></u>	<u><b>18,312</b></u>

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

	<u>January to September 2022</u>	<u>January to September 2021</u>
Beginning balance	\$ 4,293	2,503
Impairment losses	-	3,056
Reversal of impairment losses	(1,863)	-
Impairment losses due to merger and acquisition	2,269	-
End balance	<u><b>\$ 4,699</b></u>	<u><b>5,559</b></u>

(4) Inventory

	<u>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Raw materials	\$ 68,409	72,189	81,740
Work-in-progress	31,526	27,055	26,283
Finished goods	34,362	25,531	30,670
Merchandise Inventories	126,590	82,055	74,280
Inventories in transit	8,894	4,560	2,996
	<u><b>\$ 269,781</b></u>	<u><b>211,390</b></u>	<u><b>215,969</b></u>

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

	<u>July to September 2022</u>	<u>July to September 2021</u>	<u>January to September 2022</u>	<u>January to September 2021</u>
Cost of inventories sold	\$ 510,261	243,118	1,477,599	682,896
Write-down of inventories	2,409	3,665	14,999	11,371
Gains on physical inventories	(9)	(347)	(117)	(2,246)
Write-off of inventories	1,149	572	1,149	572
	<u><b>\$ 513,810</b></u>	<u><b>247,008</b></u>	<u><b>1,493,630</b></u>	<u><b>692,593</b></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>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Joint venture	\$ 33,152	31,116	29,141
Prepayments for investments	-	100,000	-
	<u><b>\$ 33,152</b></u>	<u><b>131,116</b></u>	<u><b>29,141</b></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>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
TDX Medical Technology (Jiangsu) Co., Ltd (TDX)	Wholesaling and retailing of medical consumables and equipment	<u><b>\$ 33,152</b></u>	<u><b>31,116</b></u>	<u><b>29,141</b></u>

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

	<u>July to September 2022</u>	<u>July to September 2021</u>	<u>January to September 2022</u>	<u>January to September 2021</u>
Net Loss	\$ 2,038	78	1,304	23
Other comprehensive income	296	(53)	984	(149)
Total comprehensive income	<u><b>\$ 2,334</b></u>	<u><b>25</b></u>	<u><b>2,288</b></u>	<u><b>(126)</b></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 CCD), the Group also acquired 15% of the shares of CCD via public tender offer on January 20, 2022. In conclusion, the Group has accumulated a shareholding of 40% of CCD and represents the single largest shareholder.



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

Although it holds less than half of the total voting rights, considering the remaining shareholding of CCD 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 CCD, which shall be integrated into the Consolidated Financial Statements.

The main business activities of CCD include sale of medical drugs, leasing of medical equipment and provision of management consultation services. The acquisition of CCD 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 CCD 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 CCD 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 September 30, 2022, the operating results of CCD have been consolidated into the Consolidated Statements of Comprehensive Income of the Group, in which the sales revenue and net profit amounted to NT\$610,086 thousand and NT\$35,125 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 September 30, 2022 would amount to NT\$2,213,800 thousand and NT\$199,781 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 September 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\$225,762 thousand and NT\$10,615 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 September 30, 2022 would amount to NT\$2,172,696 thousand and NT\$198,000 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		
		2022.09.30	2021.12.31	2021.09.30
NBHIT	Taiwan	48%	48%	48%
CCD	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:

	2022.09.30	2021.12.31	2021.09.30
Current assets	\$ 95,227	105,153	60,951
Non-current assets	131,130	126,404	129,116
Current liabilities	(80,045)	(81,475)	(54,378)
Non-current liabilities	(35,239)	(30,191)	(30,648)
Net assets	<u>\$ 111,073</u>	<u>119,891</u>	<u>105,041</u>
The carrying amount in non-controlling interests	<u>\$ 39,795</u>	<u>44,028</u>	<u>36,900</u>

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

	July to September 2022	July to September 2021	January to September 2022	January to September 2021
Operating revenue	<u>\$ 94,261</u>	<u>72,228</u>	<u>248,583</u>	<u>193,293</u>
Net income	\$ 11,011	9,333	22,997	17,525
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>\$ 11,011</u>	<u>9,333</u>	<u>22,997</u>	<u>17,525</u>
Net income attributable to non-controlling interests	<u>\$ 5,286</u>	<u>4,480</u>	<u>11,039</u>	<u>8,412</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 5,286</u>	<u>4,480</u>	<u>11,039</u>	<u>8,412</u>

	January to September 2022	January to September 2021
Cash flows related to operating activities	\$ 43,278	18,324
Cash flows related to investing activities	(16,880)	14,666
Cash flows related to financing activities	(49,361)	(58,632)
Net decrease in cash and cash equivalents	<u>\$ (22,963)</u>	<u>(25,642)</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 CCD:

	<u><b>2022.09.30</b></u>
Current assets	\$ 629,215
Non-current assets	563,882
Current liabilities	(277,552)
Non-current liabilities	<u>(179,359)</u>
Net assets	<u><b>\$ 736,186</b></u>
The carrying amount in non-controlling interests	<u><b>\$ 457,709</b></u>
	<div> <div>July to September 2022</div> <div>2022.01.20~ 2022.09.30</div> </div>
Operating revenue	<u><b>\$ 215,887</b></u>
Net income	\$ 10,530
Other comprehensive income (loss)	<u>-</u>
Total comprehensive income (loss)	<u><b>\$ 10,530</b></u>
Net income attributable to non-controlling interests	<u><b>\$ 6,314</b></u>
Total comprehensive income attributable to non-controlling interests	<u><b>\$ 6,314</b></u>
	<div> <div>2022.01.20~ 2022.09.30</div> </div>
Cash flows related to operating activities	\$ 114,523
Cash flows related to investing activities	(12,591)
Cash flows related to financing activities	<u>8,813</u>
Increase in cash and cash equivalents	<u><b>\$ 110,745</b></u>
Cash dividends paid to non-controlling interests	<u><b>\$ (10,000)</b></u>

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

(3) The summarized financial information of CKCARE:

	<u><b>2022.09.30</b></u>	
Current assets	\$	108,592
Non-current assets		175,182
Current liabilities		(100,743)
Non-current liabilities		<u>(27,258)</u>
Net assets	\$	<u><b>155,773</b></u>
The carrying amount in non-controlling interests	\$	<u><b>46,505</b></u>
	<b>July to September 2022</b>	<b>2022.01.3~ 2022.09.30</b>
Operating revenue	<u>\$ 74,368</u>	<u><b>225,762</b></u>
Net income	\$ 2,439	10,615
Other comprehensive income (loss)	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<u>\$ 2,439</u>	<u><b>10,615</b></u>
Net income attributable to non-controlling interests	<u>\$ 976</u>	<u><b>4,246</b></u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 976</u>	<u><b>4,246</b></u>
		<b>2022.01.3~ 2022.09.30</b>
Cash flows related to operating activities	\$	2,964
Cash flows related to investing activities		(6,871)
Cash flows related to financing activities		<u>(13,440)</u>
Net decrease in cash and cash equivalents	\$	<u><b>(17,347)</b></u>
Cash dividends paid to non-controlling interests	\$	<u><b>(1,599)</b></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	4,740	25,473	9,256	6,649	46,183
Disposals	-	-	(6,366)	(91,455)	(6,676)	(693)	(105,190)
Other reclassification	-	-	-	-	-	1,783	1,783
Effect of changes in foreign exchange rates	-	-	-	-	-	46	46
Balance as of September 30, 2022	<u>\$ 346,860</u>	<u>362,780</u>	<u>212,446</u>	<u>201,616</u>	<u>158,395</u>	<u>105,186</u>	<u>1,387,283</u>
Balance as of January 1, 2021	\$ 314,314	362,715	185,275	-	-	124,666	986,970
Additions	-	-	13,129	-	-	7,578	20,707
Disposals	-	-	(304)	-	-	(1,071)	(1,375)
Reclassification to investment properties	(31,822)	-	-	-	-	-	(31,822)
Other reclassification	-	-	13,705	-	-	719	14,424
Effect of changes in foreign exchange rates	-	-	-	-	-	(8)	(8)
Balance as of September 30, 2021	<u>\$ 282,492</u>	<u>362,715</u>	<u>211,805</u>	<u>-</u>	<u>-</u>	<u>131,884</u>	<u>988,896</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	-	8,089	22,174	27,152	15,408	6,858	79,681
Disposals	-	-	(6,250)	(75,746)	(6,625)	(693)	(89,314)
Effect of changes in foreign exchange rates	-	-	-	-	-	42	42
Balance as of September 30, 2022	<u>\$ -</u>	<u>77,862</u>	<u>170,602</u>	<u>109,862</u>	<u>103,901</u>	<u>85,135</u>	<u>547,362</u>
Balance as of January 1, 2021	\$ -	59,037	126,445	-	-	88,367	273,849
Depreciation	-	8,052	21,044	-	-	9,303	38,399
Disposals	-	-	(182)	-	-	(1,071)	(1,253)
Effect of changes in foreign exchange rates	-	-	-	-	-	(7)	(7)
Balance as of September 30, 2021	<u>\$ -</u>	<u>67,089</u>	<u>147,307</u>	<u>-</u>	<u>-</u>	<u>96,592</u>	<u>310,988</u>
Carrying value:							
September 30, 2022	<u>\$ 346,860</u>	<u>284,918</u>	<u>41,844</u>	<u>91,754</u>	<u>54,494</u>	<u>20,051</u>	<u>839,921</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>
September 30, 2021	<u>\$ 282,492</u>	<u>295,626</u>	<u>64,498</u>	<u>-</u>	<u>-</u>	<u>35,292</u>	<u>677,908</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:

	<b>Buildings</b>	<b>Transportation equipment</b>	<b>Total</b>
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	45,280	6,432	51,712
Lease modification	(1,627)	(1,230)	(2,857)
Write-off	(20,672)	(3,575)	(24,247)
Effect of changes in foreign exchange rates	110	-	110
Balance as of September 30, 2022	<b><u>\$ 194,207</u></b>	<b><u>12,552</u></b>	<b><u>206,759</u></b>
Balance as of January 1, 2021	\$ 138,795	8,962	147,757
Additions	21,286	1,230	22,516
Lease modification	107	-	107
Write-off	(6,125)	(213)	(6,338)
Effect of changes in foreign exchange rates	(35)	-	(35)
Balance as of September 30, 2021	<b><u>\$ 154,028</u></b>	<b><u>9,979</u></b>	<b><u>164,007</u></b>
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	32,312	1,967	34,279
Lease modification	(729)	(615)	(1,344)
Write-off	(20,672)	(3,575)	(24,247)
Effect of changes in foreign exchange rates	37	-	37
Balance as of September 30, 2022	<b><u>\$ 89,898</u></b>	<b><u>4,482</u></b>	<b><u>94,380</u></b>
Balance as of January 1, 2021	\$ 61,467	4,336	65,803
Depreciation	24,873	1,876	26,749
Write-off	(6,125)	(213)	(6,338)
Effect of changes in foreign exchange rates	(27)	-	(27)
Balance as of September 30, 2021	<b><u>\$ 80,188</u></b>	<b><u>5,999</u></b>	<b><u>86,187</u></b>
Carrying value:			
September 30, 2022	<b><u>\$ 104,309</u></b>	<b><u>8,070</u></b>	<b><u>112,379</u></b>
January 1, 2022	<b><u>\$ 70,019</u></b>	<b><u>4,016</u></b>	<b><u>74,035</u></b>
September 30, 2021	<b><u>\$ 73,840</u></b>	<b><u>3,980</u></b>	<b><u>77,820</u></b>

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

(9) Investment properties

	<b>Self-owned</b>		<b>Right-of-use assets</b>	
	<b>Land</b>	<b>Buildings</b>	<b>Buildings</b>	<b>Total</b>
Cost:				
Balance as of January 1, 2022	\$ 31,822	54,762	-	86,584
Acquisition through business combination (Note 6(6))	193,26	72,131	232,770	498,162
Addition	-	-	8,627	8,627
Disposals	-	(795)	-	(795)
Balance as of September 30, 2022	<u>\$ 225,082</u>	<u>126,098</u>	<u>241,397</u>	<u>592,578</u>
Balance as of January 1, 2021	\$ -	54,762	-	54,762
Reclassification from Property, plant and equipment	31,822	-	-	31,822
Balance as of September 30, 2021	<u>\$ 31,822</u>	<u>54,762</u>	<u>-</u>	<u>86,584</u>
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	-	3,128	13,315	16,443
Disposals	-	(795)	-	(795)
Balance as of September 30, 2022	<u>\$ -</u>	<u>26,601</u>	<u>69,645</u>	<u>96,246</u>
Balance as of January 1, 2021	\$ -	5,567	-	5,567
Depreciation	-	1,177	-	1,177
Balance as of September 30, 2021	<u>\$ -</u>	<u>6,744</u>	<u>-</u>	<u>6,744</u>
Carrying amount:				
September 30, 2022	<u>\$ 225,082</u>	<u>99,497</u>	<u>171,752</u>	<u>496,332</u>
January 1, 2022	<u>\$ 31,822</u>	<u>47,626</u>	<u>-</u>	<u>79,448</u>
September 30, 2021	<u>\$ 31,822</u>	<u>48,018</u>	<u>-</u>	<u>79,840</u>
Fair value:				
September 30, 2022				<u>\$ 745,321</u>
December 31, 2021				<u>\$ 333,649</u>
September 30, 2021				<u>\$ 293,680</u>

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

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

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 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

	<b>Goodwill</b>	<b>Computer software</b>	<b>Customer relationships and sales channels</b>	<b>Other intangible assets</b>	<b>Total</b>
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	-	2,117	-	-	2,117
Write-off	-	(1,493)	-	(1,089)	(2,582)
Reclassification	-	900	-	-	900
Balance as of September 30, 2022	<u>\$ 96,386</u>	<u>18,839</u>	<u>57,659</u>	<u>47,225</u>	<u>220,109</u>
Balance as of January 1, 2021	\$ 56,873	27,017	48,011	29,582	161,483
Addition	-	1,316	-	-	1,316
Write-off	-	(17,266)	-	(2,000)	(19,266)
Reclassification	-	1,065	-	-	1,065
Balance as of September 30, 2021	<u>\$ 56,873</u>	<u>12,132</u>	<u>48,011</u>	<u>27,582</u>	<u>144,598</u>
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	-	2,501	3,372	4,002	9,875
Write-off	-	(1,493)	-	(1,089)	(2,582)
September 30, 2022	<u>\$ -</u>	<u>12,196</u>	<u>31,905</u>	<u>24,489</u>	<u>68,590</u>
Balance as of January 1, 2021	\$ -	22,396	24,634	19,072	66,102
Amortization	-	3,194	3,702	2,555	9,451
Write-off	-	(17,266)	-	(2,000)	(19,266)
Reclassification	-	-	(1,038)	1,038	-
Balance as of September 30, 2021	<u>\$ -</u>	<u>8,324</u>	<u>27,298</u>	<u>20,665</u>	<u>56,287</u>
Carrying value:					
September 30, 2022	<u>\$ 96,386</u>	<u>6,643</u>	<u>25,754</u>	<u>22,736</u>	<u>151,519</u>
January 1, 2022	<u>\$ 56,873</u>	<u>4,382</u>	<u>19,478</u>	<u>6,101</u>	<u>86,834</u>
September 30, 2021	<u>\$ 56,873</u>	<u>3,808</u>	<u>20,713</u>	<u>6,917</u>	<u>88,311</u>

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

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

details, please see Note 6(10) to the Consolidated Financial Report for 2021. On September 30, 2022, the Group conducted an assessment based on the sales revenue meeting target for the period between January 1, 2022 and September 30, 2022, and concluded that no impairment was incurred.

(11) Other non-current assets

	<u>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Prepayments for equipment	\$ 11,619	6,681	8,075
Pension plan assets	3,387	2,833	3,031
Refundable Deposits	23,368	15,833	15,661
Long-term accounts receivable	4,913	-	-
Other receivables -long-term	2,988	-	-
Others	247	-	-
	<u><u>\$ 46,522</u></u>	<u><u>25,347</u></u>	<u><u>26,767</u></u>

(12) Short-term loans

	<u>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Unsecured bank loans	\$ 133,434	50,271	93,217
Secured bank loans	23,500	-	-
	<u><u>\$ 156,934</u></u>	<u><u>50,271</u></u>	<u><u>93,217</u></u>
Unused credit facilities	<u><u>\$ 1,396,341</u></u>	<u><u>1,124,993</u></u>	<u><u>1,172,615</u></u>
Interest rate bracket	<u><u>1.35%~3.93%</u></u>	<u><u>0.68%~1.10%</u></u>	<u><u>0.65%~1.5%</u></u>

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

(13) Long-term loans

	<u>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Unsecured bank loans	\$ 432,500	366,250	167,500
Less: current portion of long-term debt	(2,500)	(35,000)	(5,000)
	<u><u>\$ 430,000</u></u>	<u><u>331,250</u></u>	<u><u>162,500</u></u>
Unused credit facilities	<u><u>\$ 400,000</u></u>	<u><u>460,000</u></u>	<u><u>645,000</u></u>
Interest rate bracket	<u><u>1.38%~1.93%</u></u>	<u><u>1.03%~1.19%</u></u>	<u><u>1.03%~1.19%</u></u>

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

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

(14) Lease liabilities

The lease liabilities of the Group are as follows:

	2022.09.30	2021.12.31	2021.09.30
Current	\$ 62,593	30,817	31,663
Non-current	\$ 230,927	44,409	47,271

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

Profit and loss recognized are as follows:

	July to September 2022	July to September 2021	January to September 2022	January to September 2021
Interest expense of lease liabilities	\$ 1,234	314	3,440	1,004
Current lease payments not included as lease liability measurement	\$ -	1	-	1,159
Short-term lease expense	\$ 885	857	3,067	2,672

Items recognized in Cash Flows Statement:

	January to September 2022	January to September 2021
Total cash outflow for leases	\$ 52,507	31,038

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

	2022.09.30	2021.12.31	2021.09.30
Provision for product warranty	\$ 10,809	9,822	8,985

From January 1 to September 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

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

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 lease payments after the reporting date is as follows:

	<u>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Less than 1 year	\$ 53,166	5,760	5,760
1 to 2 years	18,840	5,280	5,760
2 to 3 years	9,109	-	2,400
3 to 4 years	8,236	-	-
4 to 5 years	6,065	-	-
More than 5 years	832	-	-
Total undiscounted lease payments	<u>\$ 96,248</u>	<u>11,040</u>	<u>13,920</u>

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

	<u>July to September 2022</u>	<u>July to September 2021</u>	<u>January to September 2022</u>	<u>January to September 2021</u>
Recognized as operating revenue:				
Property, plant and equipment	\$ 12,380	-	35,405	-
Investment properties	8,179	-	22,396	-
	<u>\$ 20,559</u>	<u>-</u>	<u>57,801</u>	<u>-</u>
Recognized as non-operating income and expenses:				
Property, plant and equipment	\$ 1,522	1,967	4,574	5,302
Investment properties	1,443	963	4,327	3,847
	<u>\$ 2,965</u>	<u>2,930</u>	<u>8,901</u>	<u>9,149</u>

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

(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.

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

	<u>July to September 2022</u>	<u>July to September 2021</u>	<u>January to September 2022</u>	<u>January to September 2021</u>
Operating costs	\$ -	-	11	10
Operating expenses	<u>(1)</u>	<u>-</u>	<u>(12)</u>	<u>(12)</u>
	<u><b>\$ (1)</b></u>	<u><b>-</b></u>	<u><b>(1)</b></u>	<u><b>(2)</b></u>

2. Defined contribution plans

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

	<u>July to September 2022</u>	<u>July to September 2021</u>	<u>January to September 2022</u>	<u>January to September 2021</u>
Operating costs	\$ 1,317	1,187	3,872	3,786
Operating expenses	<u>3,331</u>	<u>2,419</u>	<u>9,926</u>	<u>7,652</u>
	<u><b>\$ 4,648</b></u>	<u><b>3,606</b></u>	<u><b>13,798</b></u>	<u><b>11,438</b></u>

(18) Income tax

1. Income tax expense

	<u>July to September 2022</u>	<u>July to September 2021</u>	<u>January to September 2022</u>	<u>January to September 2021</u>
Current income tax expense	<u><b>\$ 11,139</b></u>	<u><b>4,091</b></u>	<u><b>28,156</b></u>	<u><b>8,972</b></u>

2. From January 1 to September 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 2020 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 September 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.



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

1. Common shares

As of September 30, 2022, and December 31 and September 30, 2021, the Company's authorized share capital amounted to NT\$1,500,000 thousand, with par value of NT\$10 per share. The number of common stocks amounted to 150,000 thousand shares, of which 44,566 thousand shares were issued and outstanding.

2. Capital Surplus

	<u>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Additional paid-in capital in excess of par issued	\$ 297,921	297,921	297,921

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>	
	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)	Amount
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 September 2022	January to September 2021
Beginning balance	\$ (2,946)	(3,195)
Foreign exchange differences arising from the translation of foreign operations	570	(81)
Shares of foreign currency translation differences of joint ventures	984	(149)
End balance	<u>\$ (1,392)</u>	<u>(3,425)</u>

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

	January to September 2022	January to September 2021
Beginning balance	\$ 61,708	63,114
Equity attributable to non-controlling interests:		
Net income	40,807	10,170
Cash dividends	(30,776)	(21,602)
Increase in non-controlling interests	450,491	-
End balance	<u>\$ 522,230</u>	<u>51,682</u>

(20) Earnings per share (EPS)

1. Basic EPS

	July to September 2022	July to September 2021	January to September 2022	January to September 2021
Net income attributable to shareholders of the Company	<u>\$ 34,632</u>	<u>8,425</u>	<u>157,193</u>	<u>16,666</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>0.19</u>	<u>3.53</u>	<u>0.37</u>

2. Diluted EPS

	July to September 2022	July to September 2021	January to September 2022	January to September 2021
Net income attributable to shareholders of the Company	<u>\$ 34,632</u>	<u>8,425</u>	<u>157,193</u>	<u>16,666</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	251	45	265	91
Weighted-average number of ordinary shares outstanding (diluted) (in thousands)	<u>44,817</u>	<u>44,611</u>	<u>44,831</u>	<u>44,657</u>
Diluted EPS (NT\$)	<u>\$ 0.77</u>	<u>0.19</u>	<u>3.51</u>	<u>0.37</u>

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

(21) Revenue from contracts with customers

1. Disaggregation of revenue

	July to September 2022	July to September 2021	January to September 2022	January to September 2021
Primary geographical markets:				
Taiwan	\$ 608,419	231,816	1,756,981	634,145
Mainland China	93,191	99,897	220,061	297,072
Italy	296	343	42,950	343
India	13,621	8,834	49,758	27,674
Others	40,634	35,983	102,946	86,399
	<b>\$ 756,161</b>	<b>376,873</b>	<b>2,172,696</b>	<b>1,045,633</b>
Main products:				
Medical equipment	\$ 183,420	154,668	471,181	426,175
Medical consumables	250,957	127,068	806,545	362,386
Medical services	321,784	95,137	894,970	257,072
	<b>\$ 756,161</b>	<b>376,873</b>	<b>2,172,696</b>	<b>1,045,633</b>
When to recognize revenue:				
A point of time	\$ 725,932	376,873	2,088,446	1,045,633
Over time	9,670	-	26,449	-
Lease revenue	20,559	-	57,801	-
	<b>\$ 756,161</b>	<b>376,873</b>	<b>2,172,696</b>	<b>1,045,633</b>

2. Contract balances

	2022.09.30	2021.12.31	2021.09.30
Notes and accounts receivable (including related parties)	\$ 551,743	205,566	209,009
Less: Loss allowance	(4,699)	(4,293)	(5,559)
	<b>\$ 547,044</b>	<b>201,273</b>	<b>203,450</b>
Contract liabilities (listed as other current liabilities)	<b>\$ 57,898</b>	<b>25,242</b>	<b>22,067</b>

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\$596 thousand and NT\$2,299 thousand for the three months ended September 30, 2022 and 2021 respectively and NT\$18,470

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

thousand and NT\$18,690 thousand for the nine months ended September 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% 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 September 30, 2022 and 2021 amounted to NT\$3,440 thousand and NT\$713 thousand respectively and for the nine months ended September 30, 2022 and 2021 amounting to NT\$15,261 thousand and NT\$1,245 thousand respectively; and, the remuneration of Directors amounted for the three months ended September 30, 2022 and 2021 amounting to NT\$286 thousand and NT\$60 thousand respectively and for the nine months ended September 30, 2022 and 2021 amounting to NT\$1,271 thousand and NT\$104 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

	July to September 2022	July to September 2021	January to September 2022	January to September 2021
Interest income from bank deposits	\$ 467	145	941	503

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

2. Other income

	July to September 2022	July to September 2021	January to September 2022	January to September 2021
Rental income	\$ 2,965	2,930	8,901	9,149
Gain recognized in bargain purchase transaction (Note 6(6))	-	-	81,089	-
Others	715	2,763	1,514	5,708
	<u>\$ 3,680</u>	<u>5,693</u>	<u>91,504</u>	<u>14,857</u>

3. Other gains and losses

	July to September 2022	July to September 2021	January to September 2022	January to September 2021
Gains on disposal of property, plant and equipment, net	\$ 136	35	610	35
Foreign currency exchange losses	5,103	370	7,198	(455)
Gains on lease modification	126	146	265	561
	<u>\$ 5,365</u>	<u>551</u>	<u>8,073</u>	<u>141</u>

4. Financing costs

	July to September 2022	July to September 2021	January to September 2022	January to September 2021
Interest expense of bank loans	\$ 2,339	646	6,023	1,849
Financial expense of lease liabilities	1,234	314	3,440	1,004
	<u>\$ 3,573</u>	<u>960</u>	<u>9,463</u>	<u>2,853</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>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Financial assets measured at fair value through other comprehensive income	\$ 210	-	-
Financial assets measured at amortized cost:			
Cash and cash equivalents	592,426	369,850	252,644
Notes and accounts receivable and other receivables (including related parties)	558,668	206,539	209,898
Other financial assets-current	159,527	51,423	58,530
Other non-current assets - refundable deposits	23,368	15,833	15,661
Other non-current assets - long-term receivables	7,901	-	-
	<u><b>\$ 1,342,100</b></u>	<u><b>643,645</b></u>	<u><b>536,733</b></u>

(2) Financial liabilities

	<u>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Financial liabilities measured at amortized cost:			
Short-term loans	\$ 156,934	50,271	93,217
Notes and accounts payable and other payables (including related parties)	624,532	287,291	279,018
Lease liabilities (current and non-current)	293,520	75,226	78,934
Long-term debt (including current portion)	432,500	366,250	167,500
Guarantee deposit received	8,577	3,797	4,463
	<u><b>\$ 1,516,063</b></u>	<u><b>782,835</b></u>	<u><b>623,132</b></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).

	<b>2022.09.30</b>			
	<b>Fair value</b>			
	<b>Level 1 inputs</b>	<b>Level 2 inputs</b>	<b>Level 3 inputs</b>	<b>Total</b>
Financial assets measured at fair value through other comprehensive income: Share of non-public companies	\$ -	-	210	210

(3) Fluctuation of level 3 inputs:

	<b>January to September 2022</b>
	<b>Financial assets measured at fair value through other comprehensive income</b>
Balance as of January 1	\$ -
Acquired from merger and acquisition	210
Balance as of September 30	<u><u>\$ 210</u></u>

**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 September 30, 2022, and December 31 and September 30, 2021, the unused credit facilities of the Group amounted to NT\$1,796,341 thousand, NT\$1,584,993 thousand and NT\$1,817,615 thousand respectively.

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



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

	<b>Contractual cash flows</b>	<b>Within 6 months</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>More than 2 years</b>
<b>September 30, 2022</b>					
Non-derivative financial liabilities:					
Short-term loans	\$ 158,453	14,450	144,003	-	-
Long-term debt (including current portion)	441,692	5,317	3,729	432,646	-
Notes and accounts payable and other payables (including related parties)	624,532	624,532	-	-	-
Guarantee deposit received	8,577	235	-	-	8,342
Lease liabilities	305,066	33,718	31,347	52,120	187,881
	<b>\$ 1,538,320</b>	<b>678,252</b>	<b>179,079</b>	<b>484,766</b>	<b>196,223</b>
<b>December 31, 2021</b>					
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
	<b>\$ 790,897</b>	<b>388,532</b>	<b>19,380</b>	<b>278,518</b>	<b>104,467</b>
<b>September 30, 2021</b>					
Non-derivative financial liabilities:					
Short-term loans	\$ 93,217	93,217	-	-	-
Long-term debt (including current portion)	170,655	3,012	3,857	133,633	30,153
Notes and accounts payable and other payables (including related parties)	279,018	279,018	-	-	-
Guarantee deposit received	4,463	200	-	-	4,263
Lease liabilities	80,504	17,221	14,596	23,465	25,222
	<b>\$ 627,857</b>	<b>392,668</b>	<b>18,453</b>	<b>157,098</b>	<b>59,638</b>

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:

	<b>2022.09.30</b>			<b>2021.12.31</b>			<b>2021.09.30</b>		
	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>NT\$ (in thousands)</b>	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>NT\$ (in thousands)</b>	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>NT\$ (in thousands)</b>
Financial assets									
Monetary									
Items									
USD	\$ 3,761	31.750	119,412	3,980	27.680	110,166	4,547	27.840	126,588
Financial liabilities									
Monetary									
Items									
USD	744	31.750	23,622	1,712	27.680	47,388	2,447	27.840	68,124

**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 September 30, 2022 and 2021, if NTD depreciated/appreciated 1% against USD, all variables remained unchanged, the net profit before tax for January 1 to September 30, 2022 and 2021 would increase/decrease NT\$958 thousand and NT\$585 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:

	<b>January to September 2022</b>		<b>January to September 2021</b>	
	<b>Foreign exchange gains (loss)</b>	<b>Average forex rate</b>	<b>Foreign exchange gains (loss)</b>	<b>Average forex rate</b>
NTD	\$ 7,224	-	(392)	-
RMB	(33)	4.3936	(15)	4.3107

(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 September 30, 2022

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

and 2021 would decrease/increase NT\$4,421 thousand and NT\$1,955 thousand 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:

			<u>Non-cash changes</u>		
	<u>2022.1.1</u>	<u>Cash flows</u>	<u>Change of lease</u>	<u>Acquisition through a business combination</u>	<u>2022.09.30</u>
Short-term loans	\$ 50,271	77,363	-	29,300	156,934
Long-term loans	366,250	66,250	-	-	432,500
Lease liabilities	75,226	(46,000)	58,561	205,733	293,520
Guarantee deposit received	3,797	(20)	-	4,800	8,577
Liabilities from financing activities	<u>\$ 495,544</u>	<u>97,593</u>	<u>58,561</u>	<u>239,833</u>	<u>891,531</u>

			<u>Non-cash changes</u>		
	<u>2021.1.1</u>	<u>Cash flows</u>	<u>Change of lease</u>	<u>2021.09.30</u>	
Short-term loans	\$ 80,234	12,983	-	93,217	
Long-term loans	140,000	27,500	-	167,500	
Lease liabilities	83,075	(26,203)	22,062	78,934	
Guarantee deposit received	6,684	(2,221)	-	4,463	
Liabilities from financing activities	<u>\$ 309,993</u>	<u>12,059</u>	<u>22,062</u>	<u>344,114</u>	

**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:

<b>Name of related party</b>	<b>Relationship with the Group</b>
Qisda Corporation (Qisda)	Ultimate controlling company of the Group
BenQ Corporation (BenQ)	The parent company of the Group
TDX Medical Technology (Jiangsu) Co., Ltd (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 (note)
BenQ Technology (Shanghai) Co., Ltd.	Subsidiary of BenQ
BenQ Intelligent Technology (Shanghai) Co., Ltd	Subsidiary of BenQ
BenQ Materials Corporation (BMC)	Subsidiary of Qisda
Suzhou BenQ Hospital Co., Ltd.	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

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

Name of related party	Relationship with the Group
Standard Technology Corp.	Subsidiary of ACE
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

(Note) BenQ disposes 100% shares in BenQ Co., Ltd. on September 30, 2022; therefore, BenQ Co., Ltd. is not the related party of the Group.

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

(3) Related-party transactions

1. Operating revenues

The sales to related parties were as follows:

	July to September 2022	July to September 2021	January to September 2022	January to September 2021
Ultimate controlling company	\$ 1,923	989	8,793	2,992
Parent company	516	362	981	402
Joint venture	4,037	3,667	6,502	6,702
Other related parties	10,364	11,640	31,264	29,638
	<b>\$ 16,840</b>	<b>16,658</b>	<b>47,540</b>	<b>39,734</b>

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:

	July to September 2022	July to September 2021	January to September 2022	January to September 2021
Ultimate controlling company	\$ 3,849	6,952	42,526	19,752
Joint venture	23,405	13,600	44,345	44,204
Other related parties	7,891	3,998	19,909	12,295
	<b>\$ 35,145</b>	<b>24,550</b>	<b>106,780</b>	<b>76,251</b>

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 September 30, 2022 and 2021 amounted to NT\$71 thousand and NT\$104 thousand respectively and for the nine months ended September 30, 2022 and 2021 amounted to NT\$239 thousand and NT\$329 thousand respectively. As of September 30, 2022 and December 31 and September 30, 2021, the lease liabilities balances amounted to NT\$16,596 thousand, NT\$23,211 thousand and NT\$25,399 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

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

recognize the related right-of-use assets and lease liabilities. The rental expense recognized for the three months ended September 30, 2022 and 2021 amounted to NT\$220 thousand and NT\$229 thousand respectively and for the nine months ended September 30, 2022 and 2021 amounted to NT\$657 thousand and NT\$681 thousand respectively. On September 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 September 30, 2022, the Group purchased intangible assets and fixed assets from Qisda and other related parties which amounted to NT\$1,981 thousand and NT\$2,426 thousand respectively. As of September 30, 2022, the related payables were fully settled.

5. Others

- (1) For the three months and nine months ended September 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\$208 thousand, NT\$204 thousand, NT\$638 thousand, and NT\$598 thousand respectively. As at September 30, 2022 and 2021, the related payables were classified under other payables.

(2) Prepayment for goods

The Group has been making purchases from joint venture, STOMT. The payment terms agreed on payment in advance. As of September 30, 2022, and December 31, 2021 and September 30, 2021, the prepayments for purchases amounted to NT\$3,784 thousand, NT\$4,667 thousand and NT\$3,762 thousand respectively, and was classified as prepayments and other current assets.

The Group has been making purchases from joint venture, TDX. The payment terms agreed on payment in advance and ME 60 days. As of September 30, 2022, and December 31, 2021 and September 30, 2021, the prepayments for purchases amounted to NT\$3,756 thousand, NT\$795 thousand and NT\$188 thousand respectively, and was classified as prepayments and other current assets.

- (3) For the nine months ended September 30, 2022 and 2021, the donations that the Group made to BenQ Foundation amounted to NT\$1,125 thousand and NT\$760 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.

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

6. Receivables from related parties

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

<u>Account</u>	<u>Related-party categories</u>	<u>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</u>
Net amount of Accounts receivable - related parties	Ultimate controlling company	\$ 269	289	936
Net amount of Accounts receivable - related parties	Parent company	-	-	220
Net amount of Accounts receivable - related parties	Joint venture	16,111	16,987	7,522
Net amount of Accounts receivable - related parties	Other related parties	12,910	4,921	9,634
Other receivables - related parties	Ultimate controlling company	-	1,476	4,998
Other receivables - related parties	Other related parties	57	336	52
		<u>\$ 29,347</u>	<u>24,009</u>	<u>23,362</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>2022.09.30</u>	<u>2021.12.31</u>	<u>2021.09.30</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	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>



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

(4) Transaction with key management personnel

Compensation for key management personnel:

	July to September 2022	July to September 2021	January to September 2022	January to September 2021
Short-term employee benefits	\$ 3,060	2,393	9,260	7,303
Post-employment benefits	27	27	81	81
	<u>\$ 3,087</u>	<u>2,420</u>	<u>9,341</u>	<u>7,384</u>

**8. Pledged Assets**

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

Pledged Assets	Pledged to secure	2022.09.30	2021.12.31	2021.09.30
Other financial assets-current	Performance bond	\$ 5,680	2,080	80
Land and buildings	Credit lines of bank loans	510,640	460,636	463,271
Investment Property	Credit lines of bank loans	278,146	79,448	79,840
		<u>\$ 794,466</u>	<u>542,164</u>	<u>543,191</u>

**9. Significant Contingent Liabilities and Unrecognized Contractual Commitments**

(1) Significant unrecognized contractual commitments:

	2022.09.30	2021.12.31	2021.09.30
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:

Category	Item	July to September 2022			July to September 2021		
		Cost of Revenue	Operating expenses	Total	Cost of Revenue	Operating expenses	Total
Employee benefits							
Salaries		29,071	70,762	99,833	25,300	57,469	82,769
Insurance		3,047	6,495	9,542	2,878	4,560	7,438
Pension		1,317	3,330	4,647	1,187	2,419	3,606
Other employee benefits		2,011	2,081	4,092	1,974	1,238	3,212
Depreciation		30,600	14,110	44,710	12,349	10,083	22,432
Amortization		280	3,023	3,303	362	2,596	2,958

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

Category	Item	January to September 2022			January to September 2021		
		Cost of Revenue	Operating expenses	Total	Cost of Revenue	Operating expenses	Total
Employee benefits							
Salaries		90,385	206,852	297,237	89,450	149,557	239,007
Insurance		8,841	19,801	28,642	9,533	14,573	24,106
Pension		3,883	9,914	13,797	3,796	7,640	11,436
Other employee benefits		6,269	5,753	12,022	6,344	3,830	10,174
Depreciation		89,160	41,243	130,403	36,926	29,399	66,325
Amortization		852	9,023	9,875	1,082	8,369	9,451

(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 September 30, 2022, according to the Preparation Regulations, the information on significant transactions is as follows:

1. Financing provided to other parties: None.
2. Guarantees and endorsements provided to other parties: None.
3. Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and joint ventures):

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	278,163
BHS	Shares of CKCARE Co., Ltd.	Investment accounted for using the equity method	Natural person shareholders of CKCAR E Co., Ltd.	-	-	-	4,362	105,300	-	-	-	-	4,362	109,270

(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:

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

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	23,719	ME 60 Days	1.09%

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

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

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

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

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

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

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

### (2) Information on investees:

For January 1 to September 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 September 30, 2022			Net income (loss) of the investee	Investment income	Note
				September 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%	25,123	(67)	155	(Note)
The Company	Highview Investments Limited	Samoan Islands	Investment and holding company	36,211	36,211	1,062	100.00%	15,964	5,184	5,184	(Note)
The Company	Lily Medical Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	185,000	185,000	10,000	100.00%	246,307	20,101	20,305	(Note)
The Company	BenQ AB DentCare Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	88,000	88,000	8,800	88.00%	62,169	3,127	2,823	(Note)
The Company	BenQ Healthcare Corporation	Taiwan	Wholesaling and retailing of medical consumables and equipment	100,000	100,000	10,000	100.00%	154,560	44,585	44,585	(Note)
The Company	Eastech Co., Ltd.	Taiwan	Wholesaling and retailing of medical consumables and equipment	20,300	20,300	700	70.00%	30,880	14,252	9,501	(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%	278,163	26,840	14,050	(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%	40,006	18	6	(Note)

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

Name of investor	Name of investee	Location	Main Businesses and Products	Original investment Amount		Balance as of September 30, 2022			Net income (loss) of the investee	Investment income	Note
				September 30, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying amount			
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%	80,012	18	12	(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%	71,274	25,226	11,958	(Note)
BHS	CKCARE Co., Ltd.	Taiwan	Retail of medical devices, over-the-counter drugs, and health supplements.	105,300	-	4,362	60.00%	109,270	12,323	6,369	(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:

Unit: NT\$ thousand / foreign currency in thousand

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 September 30, 2022	Net income (loss) of the investee	Percentage of ownership of direct and indirect investment	Investment income (loss)	Carrying value as of September 30, 2022 (Note 2)	Accumulated inward remittance of earnings as of September 30, 2022
					Outflow	Inflow						
BenQ Medical Technology (Shanghai) Ltd.	Agency of international and entrepot trade business	31,750 (USD 1,000)	(1)	29,720 (USD 1,000)	-	-	29,720 (USD 1,000)	5,213	100.00 %	5,213	18,560 (Note 3 and 5)	-
LILY Medical (Suzhou) Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	6,668 (USD 210)	(2)	6,241 (USD 210)	-	-	6,241 (USD 210)	(401)	100.00 %	(401)	1,943 (Note 4 and 5)	-
TDX Medical Technology (Jiangsu) Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	89,528 (RMB20,000)	(2)	35,811 (RMB 8,000 )	-	-	35,811 (RMB 8,000 )	3,261	40.00 %	1,304	33,152 (Note 4)	-
Suzhou Trident Original Medical Technology Co., Ltd.	Wholesaling and retailing of medical consumables and equipment	8,953 (RMB2,000)	(3)	-	-	-	-	1,343	22.00 %	237	8,170 (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 = 1:31.7500 and RMB: NTD = 1:4.4764.

(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 September 30, 2022	Investment amounts authorized by Investment Commission, MOEA	Upper Limit on Investment authorized by Investment Commission, MOEA
The Company	67,561 (USD1,000 and RMB8,000)	89,757 (USD2,827)	704,725
LILY	6,668 (USD210)	6,668 (USD210)	113,106

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

3. Significant transactions with investee companies in Mainland China:

Name of related party	Nature of relationship with related party	Trading Terms					Notes and accounts receivable (payable)		Unrealized losses (gains)
		Type	Amount	Price	Term of payment	As compared with transactions with third parties	Balance	Percentage	
TDX Medical Technology (Jiangsu) Co., Ltd	Joint venture directly held by the Company	Purchases	8,274	Prices as per negotiation between both parties	Prepayment and ME 60 days	No significant differences with transactions with third parties	(699)	0.17%	-
Suzhou Trident Original Medical Technology Co., Ltd.	Subsidiary of the Company's joint venture company	Purchases	36,071	Prices as per negotiation between both parties	Prepayment	No significant differences with transactions with third parties	-	-	-
TDX Medical Technology (Jiangsu) Co., Ltd	Joint venture directly held by the Company	Sales	6,407	Prices as per negotiation between both parties	ME 60 days	(Note 1)	16,111	2.95%	(253)
BenQ Medical Technology (Shanghai) Ltd.	Subsidiary of the Company	Sales	8,221 (Note 2)	Prices as per negotiation between both parties	ME 60 days	(Note 1)	4,820	0.88%	431
Suzhou Trident Original Medical Technology Co., Ltd.	Subsidiary of the Company's joint venture company	Sales	95	Prices as per negotiation between both parties	Prepayment for purchases	No significant differences with transactions with third parties	-	-	-

(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 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

# BENQ MEDICAL TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

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:

	July to September 2022			
	R&D and Manufacturing Division	Medical Services Division	Adjustment and Elimination	Total
External revenue	\$ 281,974	474,187	-	756,161
Intra-group revenue	14,224	39	(14,263)	-
Total segment revenue	<b>\$ 296,198</b>	<b>474,226</b>	<b>(14,263)</b>	<b>756,161</b>
Segment profit (loss)	<b>\$ 11,835</b>	<b>39,616</b>	<b>644</b>	<b>52,095</b>

	July to September 2021			
	R&D and Manufacturing Division	Medical Services Division	Adjustment and Elimination	Total
External revenue	\$ 248,896	127,977	-	376,873
Intra-group revenue	4,600	947	(5,547)	-
Total segment revenue	<b>\$ 253,496</b>	<b>128,924</b>	<b>(5,547)</b>	<b>376,873</b>
Segment profit (loss)	<b>\$ (3,025)</b>	<b>17,160</b>	<b>(1,395)</b>	<b>12,740</b>

	January to September 2022			
	R&D and Manufacturing Division	Medical Services Division	Adjustment and Elimination	Total
External revenue	\$ 770,603	1,402,093	-	2,172,696
Intra-group revenue	45,660	463	(46,123)	-
Total segment revenue	<b>\$ 816,263</b>	<b>1,402,556</b>	<b>(46,123)</b>	<b>2,172,696</b>
Segment profit (loss)	<b>\$ 7,843</b>	<b>124,888</b>	<b>1,066</b>	<b>133,797</b>

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

	<b>January to September 2021</b>			
	<b>R&amp;D and Manufacturing Division</b>	<b>Medical Services Division</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
External revenue	\$ 729,246	316,387	-	1,045,633
Intra-group revenue	27,135	6,184	(33,319)	-
Total segment revenue	<b>\$ 756,381</b>	<b>322,571</b>	<b>(33,319)</b>	<b>1,045,633</b>
Segment profit (loss)	<b>\$ (16,349)</b>	<b>40,287</b>	<b>(801)</b>	<b>23,137</b>