



TSE: 2352

# QISDA 2019 ANNUAL REPORT

Printed on April 21, 2020

Qisda Annual report is available at <https://www.qisda.com/home.aspx>

## Table of Contents

Letter to Shareholders.....	1
Company Profile.....	3
Corporate Governance.....	5
Capital and Shares.....	43
Overview of Operations.....	51
Financial Highlights.....	62
Review and Analysis of Financial Position and Financial Performance, and Risk Management.....	67
Special Notes.....	76
Appendix 1 Consolidated Financial Statements with Independent Auditors' Report for the most recent years.....	89
Appendix 2 Parent Company Only Financial Statements with Independent Auditors' Report for the most recent years.....	247

## Contact Information

### QISDA CORPORATION

Headquarters  
157 Shan-Ying Road, Gueishan, Taoyuan 333,  
Taiwan, R.O.C.  
Phone: 886-3-359-8800  
Taipei office  
18 Jihu Road, Neihu, Taipei, Taiwan, R.O.C.  
Phone: 886-2-2799-8800

### INVESTOR RELATIONS CONTACTS

Spokesperson  
Jasmin Hung  
CFO  
Phone: 886-3-359-8800  
investor@Qisda.com  
Deputy Spokesperson  
Michael LS Wang  
CIO  
Phone: 886-3-359-8800  
investor@Qisda.com

### QISDA ON THE INTERNET

Qisda's Investor Relations home page on the worldwide website offers a wealth of corporate information, including the latest annual report and financial results.  
Website: Qisda.com

### INDEPENDENT ACCOUNTANTS

Tang, Tzu Chieh & Chang, Huei-Chen CPA  
KPMG Peat Marwick  
68FI, Taipei 101 Tower  
No. 7, Sec.5, Xinyi Road, Taipei 11049,  
Taiwan, R.O.C.  
Phone: 886-2-8101-6666  
<http://www.kpmg.com.tw>

### OVERSEAS SECURITY EXCHANGE LISTING

For further information, visit Qisda worldwide website and Login at Investor Relations  
Qisda Global Depositary Shares  
Luxemburg Stock Exchange  
Website: Qisda.com -Investor Relations

## Letter to Shareholders

Greetings to all of our Valued Shareholders,

Qisda's consolidated sales revenues for 2019 were NT\$169.8 billion. The consolidated operating profit was NT\$6.2 billion. The consolidated earnings after tax was NT\$4.41 billion. The consolidated net income attributed to stockholders of the Company was NT\$3.58 billion. The earnings per share after tax was NT\$1.82.

Driven by the spirit of platforms for group resources, Qisda has actively shifted its focus to form the combined fleets by bringing hidden champions together in recent years. Several domestic Listed Companies get a great sense of identification with the Company and are keep up with such principles and approaches. Therefore, Qisda still has outperformed its significant growth with its consolidated sales revenue hitting new record highs for the second consecutive year following the uncertain factors such as fast changes of industries, slower demand in displays and projectors and rise in global trade war. In 2019, Qisda continues to make a concerted effort to enlarge its wide-ranging businesses following with the four major operating policies.

- A. Optimization on current business operations: The two major products, such as flat panel displays and projectors, continuously gains stable results and leading position. The performance of displays is better than entire industries and is now second in the world rankings, continuously leading the Company as a whole toward the goals of high end, high unit price, professional and medical displays. Qisda's projectors maintain the world-leading position, as well as rank first in the domain of DLP projector. In addition, the Company is the only domestic manufacturer with two main projection technologies including DLP and LCD.
- B. Fast enlargement for medical businesses: Qisda has approached the size of its total consolidated sales revenues in medical fields for 2019 around NT\$12 billion. The revenues of two hospitals in Suzhou and Nanking showed continued growth as well as kept normal operation. Regarding expansion of medical appliances and channels, BenQ Qflux Dialyzer has been successfully exported to Korea and adopted by 20% of hospitals in Taiwan. The Company has invested in BenQ's Biotech to deploy the dialysis market in China; self-developed and self-manufactured portable ultrasound keeps the expansion of bedside healthcare market; meanwhile, the Company's expansion of digital dentistry deployment and long-term efforts of hearing channels will satisfy the demands for global aging and long-term care.
- C. Acceleration on solution development: To make the deployment of Information Technology (IT) and Operational Technology (OT) more completed, Qisda has moved it closer to its goal development toward the role of a system integration service provider of comprehensive software and hardware service. With the investment in AEWIN, Sysage, ACE PILLAR to enlarge the solution alliance in 2019, the Company has steered the consolidated sales revenues of smart solutions over NT\$15 billion. To keep satisfying the six major intelligence vertical market demands, Qisda has cooperated with Cheng Kung University Hospital to foster the smart emergency department as well. The smart factory has obtained the first safety certification of Human-Robot Collaboration (HRC) that assists several chain stores to build next-generation smart catering stores.
- D. Vital component deployment: With bright prospects for Artificial Intelligence over Internet (AIoT) such as Internet of Vehicles (IoV), 5G, etc., Qisda will continue to deepen its investment and deployment.

Looking ahead to 2020, there have been several factors of uncertainty in environmental economics, including the US-China trade war and Novel Coronavirus (COVID-19) that also brings the long-term opportunities for enhancing the automation, accelerate the digital transformation and so on. Qisda will work to focus on four major operating directions and expect further advances to create its long-term value. The plans are listed as follows:

- A. Optimization on current business operations: Qisda will focus in the future on consolidating the displays and projectors in a global leading position, as well as strengthen the market deployment on high-end, high-resolution and high-value products.
- B. Dramatic increase in medical businesses: BENQ Hospital strives to build the first private hospital in China. In terms of medical device industry, Qisda will prioritize the distribution channel, especially in focus areas such as

Asia and newly countries. Meanwhile, we will develop the technology for autonomous products such as ultrasound, hemodialyzer, intra-oral scanners, etc. The Company also integrates the Group's resources to develop medical equipment, medical disposables, integration system of digital dentistry and smart hemodialysis information system. We will also expand the medical industry alliance via win-win merge & acquisition or strategic cooperation model.

C. Acceleration on solution development: Qisda will keep the horizontal integration on internal technology and channels of business will continue to meet different vertical market demands. We also actively integrate the investments in DFI, Partner Tech and Aplex Technology to demonstrate synergy, while connecting to Sysage in IT domain, as well as the international front-line agent brands of Ace Pillar in OT domain, such as world-famous brands including Cisco \ Citrix \ DELL (EMC) \ IBM \ Oracle \ Redhat \ SAP \ VMware. The purpose is to provide the best smart solution and digital transformation for customers.

D. Vital component deployment: Qisda will continue to screen and search for the cooperation opportunities built on the foundation of the current demands and compass-oriented future applications.

Qisda achieves its sustainable competitive advantages through innovation and technical development. Each year, we make effort on product innovation and development, averagely occupying around 2%-3% of sales revenue. We've accumulated nearly 1,131 patent counts by country until now.

Qisda pays close attention to corporate sustainable operation as well. The information on sustainable development indicators regarding economy, environment and society in 2019 still maintained a high level of transparency. The Company not only has garnered external recognition, winning the "Platinum Award for Taiwan Corporate Sustainability Reports" of "2019 Taiwan Corporate Sustainability Awards (TCSA)" from Taiwan Institute for Sustainability Foundation (TAISE), but also has obtained an award of "Corporate Comprehensive Performance Award - TOP50". It sufficiently shows that Qisda has made it a priority to promote sustainable development of economy, environment and society.

At last, we offer our sincerest thanks for your long-term full support and concern. Our management team and all employees will continue striving and seeking for the best interest of the Company and Shareholders.

Finally, we wish everyone good health, good luck and fortune.

Sincerely,

Chairman: Peter Chen



President: Peter Chen



## Company Profile

### I. Date of Founding: April 21, 1984

### II. Company History:

April, 1984	Company established with a registered capital at NT\$140,000,000 (currency for the following monetary amount would all be NT\$ except specifically specified), the paid in capital was 35,000,000.
April, 1993	The Subsidiary "BenQ" established in Suzhou of mainland China.
November, 1993	The Headquarter and Production Base of the Company established in Guishan of Taoyuan.
July, 1996	Officially listed at TWSE.
November, 1996	First issuance of foreign currency convertible bonds with a total value of US\$110,000,000.
January, 1998	Initiation of construction of BenQ Suzhou Science and Technology Park.
December, 1998	First issuance of domestic debenture with a total value of NT\$2,000,000.
June, 2000	First issuance of domestic unsecured convertible bonds with a total value of NT\$4,000,000,000.
February, 2001	Second issuance of foreign currency convertible bonds with a total value of US\$175,000,000.
January, 2002	The Private Brand "BenQ" created and the English name of the Company changed to "BenQ Corporation".
May, 2002	The Board of Directors collectively elected Mr. K.Y. Lee as the Chairman.
June, 2002	The Shuang-shing Plant in Guishan of Taoyuan activated for production.
February, 2003	Established the joint venture with Royal Philips Electronic.
January, 2004	The Susidaary Da-zhou Communication System Co., Ltd. (whose 100% of shares were held by the VCompany) merged and acquired by the Company.
June, 2005	First issuance of domestic debenture with a total value of NT\$4,000,000,000. Initialiton of construction of BenQ Medical Center in Nanjing.
October, 2005	BenQ became the fourth most valuable out of the Top Ten "Branding Taiwan" brands . M&A with mobile departments of Simens became officially effective and the operation of BenQ Mobile GmbH & Co OHG started.
December, 2005	Issuance of overseas depository receipt with total volume of 150,000,000 shares.
January, 2006	The first crossover edition of mobile phone product by BenQ-Siemens hit the market.
April, 2006	Production intergration of optical storage products with Lite-On IT Corporation. The Board of Directors determined to terminate capital increase to BenQ Mobile.
November, 2006	BenQ included into the TOP 10 Leading Brands of Chinese Consumer Electronic Industry, becoming one of the most influential Chinese brands.
January, 2007	First issuance of unsecured exchangeable bonds with a total amount of NT\$4,500,000,000.
June, 2007	The Shareholders' Meeting approved proposals of brand segmentation, capital reduction for cover accumulated deficits and change of corporate name.
July, 2007	The corporate name was changed from BenQ Corporation to Qisda Corporation.
September, 2007	Capital reduction initiated. The listed company name at TWSE changed to Qisda (2352).
April, 2008	Capital increase by private placement of common stock at the amount of NT\$5,000,000,000.
May, 2008	Operation of BenQ Medical Center in Nanjing initiated.
June, 2008	The Shareholders' Meeting approved the proposals of establishing positions of Independnet Directors and the Audit Committee.
July, 2009	Initiation of construction of BenQ Medical Center in Suzhou.
August, 2011	The Board of Directors approved the proposal of establishing the Remuneration Committee.
October, 2011	BenQ won the prize of Best Chinese Enterprise in Human Resources Management for three years in a row and also won the prize of Best Remuneration and Performance Management. BenQ Medical Center in Nanjing rated by the Health Department of Jiangsu Province as the Level 3 Hospital.
September, 2012	Selected by IDB of MOEA as the model enterprise for Outstanding CSR Reports of 2012.

November, 2012	Won the Bronze Medal of Manufacturing Industry of 2012 Taiwan Corporate Sustainability Awards.
May, 2013	Operation of BenQ Medical Center in Suzhou initiated.
October, 2013	BenQ Medical Center was rated the 7 <sup>th</sup> of the top 100 most competitive Chinese private-owned hospitals.
November, 2013	Won the Taiwan Top 50 Corporate Sustainability Report Award and the Climate Leadership Award of 2013 Taiwan Corporate Sustainability Awards
December, 2013	Selected by IDB of MOEA as the model enterprise for Quality CSR Reports of 2013.
November, 2014	Won the Silver Medal of “Large Enterprises, Electronics Industry II” of Taiwan Top 50 Corporate Sustainability Report Awards.
April, 2015	Rated as the top 5% by 2015 Corporate Governance Appraisal System of TWSE.
May, 2015	Won the first prize of Eco-friendly Enterprise of 2015 Global Views Monthly Corporate Sustainability Awards.
May, 2016	Won the prize of Model Enterprise of Electronic Technology Group of 2016 Global Views Monthly Corporate Sustainability Awards.
November, 2016	Won the Gold Medal “Electronic and IT Manufacturing Industry” and the “Climate Leadership Award” of Taiwan Top 50 Corporate Sustainability Report Award of 2016 Taiwan Corporate Sustainability Awards.
April, 2017	Completed the public tender offer of 42.06% of shares of Partner Tech Corp.
May, 2017	“Best Business Continuity Approach of the Year” of StrategicRISK.
November, 2017	“Top 50 Corporate Sustainability Report Awards” and “Top 50 Corporate Sustainability Awards” of 2017 Taiwan Corporate Sustainability Awards of TAISE.
November, 2017	Completed the public tender offer of 36.28% of shares of DFI.
January, 2018	Recognized by Thomson Reuters as one of the entity of the Top 100 Global Technology Leaders.
March, 2018	Recognized as one of the 30 model Taiwanese enterprises by CSRone Reporting.
March, 2018	Participated in the subscription of common stocks from private placement by Alpha Networks Inc. for capital increase by cash with a shareholding ratio of the Company at approximately 18.38%.
August, 2018	Participated in the subscription of common stocks of K2 International Medical Inc. or capital increase by cash with a shareholding ratio of the Company at approximately 29.85%.
November, 2018	Participated in the subscription of common stocks from private placement by Dataimage for capital increase by cash with a shareholding ratio of the Company at approximately 28.82%.
April, 2019	The first safety certification of Human-Robot Collaboration (HRC) around Taiwan
June, 2019	Awarded prize for HR Asia, Best Companies to Work For In Asia Awards
July, 2019	To establish a new joint venture company (BenQ Biotech ( Shanghai ) Co., Ltd) with Shanghai Kunxin Medical Technology Co., Ltd. by cash injection, after the investment, shareholding ratio is 70%.
August, 2019	The Company participates in Topview Optronics Corporation's private placement of common shares with a shareholding ratio of the Company at approximately 20%.
August, 2019	The Company participates in SYSAGE TECHNOLOGY CO., LTD's private placement of common shares with a shareholding ratio of the Company at approximately 35%.
September, 2019	Qisda's Twin Stars Factory has continued to obtain the continuous accreditation to the Green Factory from Industrial Bureau of Taiwan's Ministry of Economic Affairs.
October, 2019	The Subsidiary “Qisda Vietnam Co.,Ltd” established
November, 2019	Awarded prize for Platinum Award for Taiwan Corporate Sustainability Reports “(Electronic Information Manufacturing Industry)” of “2019 Taiwan Corporate Sustainability Awards (TCSA)” from Taiwan Institute for Sustainability Foundation (TAISE) and “Corporate Comprehensive Performance Award.
November, 2019	Qisda Chairman Peter Chen has received an annual award for “EY Entrepreneur Of The Year 2019” and Excellent Business Model Entrepreneur Of The Year.

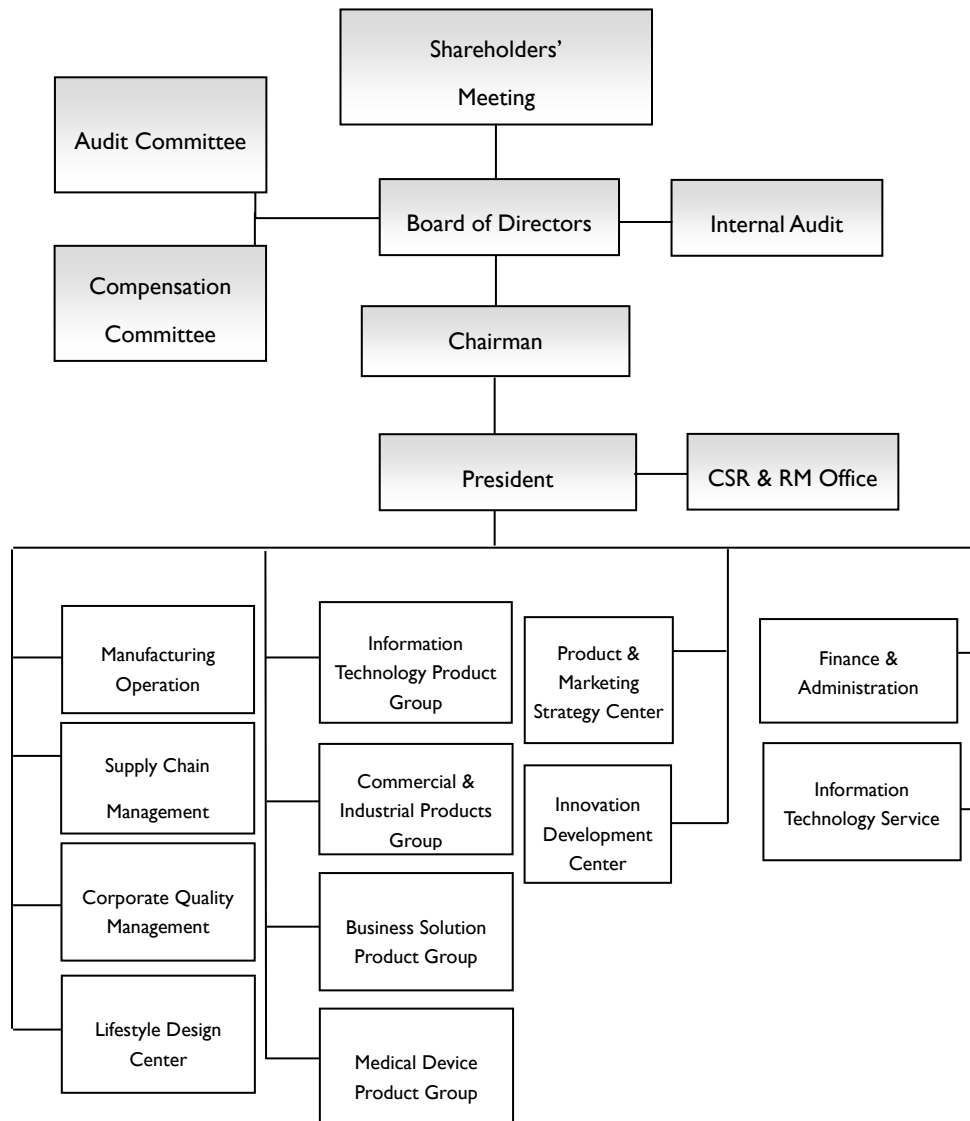
Note: Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI, Dataimage, SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its company history.

# Corporate Governance

## I. Organization

### (I) Organizational Structure

Date: April 21, 2020



(II) Business Scope for Main Department

Departments and Units	Functions and Responsibilities
IT Products Group Commercial and Industrial Products Business Group Smart Solution Business Group Medical Equipment Business Group	<ol style="list-style-type: none"> <li>1. Development and promotion of domestic and foreign market business</li> <li>2. Formulation of marketing plans</li> <li>3. ODM/EMS product development assessment</li> <li>4. Product development and introduction and improvement of new technologies</li> <li>5. Planning of product quality assurance system and preparation of quality management plans</li> </ol>
Manufacturing Headquarter	<ol style="list-style-type: none"> <li>1. Responsible for the manufacturing of various products</li> <li>2. Control and management of yields, capacity planning, and efficiency of production processes</li> <li>3. Coordination of manufacturing resources and completion of required volumes to be shipped</li> <li>4. Implement quality management system to ensure product quality and meet customer needs</li> </ol>
Supply Chains Management	<ol style="list-style-type: none"> <li>1. Global operations planning and management</li> <li>2. Strategic procurement planning and management</li> <li>3. Overall planning and execution of vertical integration of supply chains</li> </ol>
Quality Management	<ol style="list-style-type: none"> <li>1. Promote products quality management supervision and quality strategy planning and implementation</li> <li>2. Promote sustainable business, environmental-friendly and green energy, and continuous improvement activities</li> <li>3. Provide R&amp;D unit measurement with analysis and safety certification application</li> <li>4. Provide customers with after-sales service</li> </ol>
Digital Fashion Design Center	<ol style="list-style-type: none"> <li>1. Product shapes and functions design</li> <li>2. HMI design</li> <li>3. Visual communication design</li> <li>4. Trend analysis of user research and design</li> </ol>
Products and Marketing Strategy Center	<ol style="list-style-type: none"> <li>1. Analysis and planning of syndicate strategy</li> <li>2. Assist each business group in formulating business competition strategies and commercial design</li> <li>3. Assist each business group in STP planning and product portfolio formulation</li> <li>4. Assisting each business group in introduction of design thinking</li> </ol>
Creativity Development Center	<ol style="list-style-type: none"> <li>1. Collect the latest technical information regarding materials, technologies, and products for the Company's product development</li> <li>2. Integrate the Company's new technology and enhance the product development capability</li> <li>3. Seek internal and external resources to resolve major technical problems within the Company</li> </ol>
Finance and Administration Management (Finance/Human Resources/Legal/Patent Engineering/ Investment)	<ol style="list-style-type: none"> <li>1. Accounting system, accounting taxation processing analysis and planning</li> <li>2. Matters related to the acquisition, operation and dispatching of financial funds</li> <li>3. Utilize various financial statement data to provide guidance for business operation directions</li> <li>4. Stock issuance, stock affairs, taxation and other related businesses</li> <li>5. Establishment and management of personnel systems such as manpower planning, staff recruitment, appointment, assessment, and promotion</li> <li>6. Planning, design and management of remuneration system, business travel and expatriate, insurance, and welfare</li> <li>7. Planning, establishment and implementation of system of education training and talent cultivation</li> <li>8. Planning and promotion of corporate culture and employee interactions</li> <li>9. Comprehensive development, review and provision of legal advisory services related to business affairs</li> <li>10. Intellectual property business such as patent copyright trademarks and technology licenses at domestic and abroad</li> <li>11. Comprehensive administration for legal affairs</li> <li>12. Assist each business group to draw up investment radar charts</li> <li>13. Find investment targets and strategies based on investment radar charts</li> <li>14. Assist each business group to formulate investment plans</li> <li>15. Plan the scope of due diligence and summarize the results</li> </ol>
Information Technology Service	<ol style="list-style-type: none"> <li>1. MIS system management</li> <li>2. Application and maintenance of OA equipment</li> <li>3. Establishment of automatic monitoring system</li> </ol>
CSR & RM Office	<ol style="list-style-type: none"> <li>1. Corporate Sustainability Development Planning and Implementation</li> <li>2. Environment, Safety and Health Planning and Implementation</li> <li>3. Enterprise Risk Management Planning and Implementation</li> <li>4. Group Companies Insurance Planning and Implementation</li> </ol>
Internal Audit	To assist inspecting and reviewing defects in the internal control systems as well as measuring operational effectiveness and efficiency.



## II. Documents of directors, president, vice presidents, associate vice presidents, and managers of each departments and divisions

### (I) Director Information

April 21, 2020; Unit of shares: unit

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the names of other persons		Selected Education, Past Positions & Current Positions at Non-profit Organizations	Selected Current Positions at Qisda and Other Companies (Note2)	Note 3
							Shares	%	Shares	%	Shares	%	Shares	%			
Honorary Chairman	Republic of China	K.Y. Lee	Male	2017.06.22	3	1993.02.16	9,719,540	0.49%	9,719,540	0.49%	0	0.00%	Note 1	Note 1	MBA, Switzerland IMD B.S., Electrical Engineering, National Taiwan University Chairman, AU Optronics Corp Chairman, Qisda Corporation	Chairman: BenQ Foundation Director: AU Optronics Corp. Darfon Electronics Corp.	The reason why the chairman also serves as the president is to represent the company externally and effectively coordinating the management team to effectively
Chairman	Republic of China	Peter Chen	Male	2017.06.22	3	2014.01.01	309,919	0.02%	309,919	0.02%	0	0.00%	0	0.00%	M.S., International Business Management, Thunderbird School of Global Management B.S., Electrical Engineering, National Cheng Kung University Technology Product Center EVP, BenQ Corp.	President: Qisda Corp. Director: AU Optronics Corp. Darfon Electronics Corp. Alpha Networks Inc. Hitron technologies inc. BenQ Foundation	implement investment and mergers and acquisitions, lead the value transformation of Qisda, quickly strengthen the medical business and enter the solution business, and play a comprehensive effect.
Director	Republic of China	AU Optronics Corp.	-	2017.06.22	3	2005.05.18	186,363,510	9.48%	335,230,510	17.04%	0	0.00%	0	0.00%	MBA, Heriot-Watt University Chief Executive Officer, AU Optronics Corp.	Chairman and Chief Executive Officer: AU Optronics Corp. Chairman: AU Optronics (Xiamen) Corp. AU Optronics (Suzhou) Corp., Ltd. AU Optronics Manufacturing (Shanghai) Corp., AU Optronics (Kunshan) Corp. Ltd. AUO Foundation Director: Qisda Corp. Darwin Precisions Corp. AU Optronics (L) Corp. AU Optronics Singapore Pte. Ltd.	implement investment and mergers and acquisitions, lead the value transformation of Qisda, quickly strengthen the medical business and enter the solution business, and play a comprehensive effect.
	Republic of China	Representative Paul Peng	Male	2017.06.22	3	2010.06.18	0	0.00%	9,164	0.00%	65,032	0.00%	0	0.00%			
Director	Republic of China	BenQ Foundation	-	2017.06.22	3	2011.06.24	608,083	0.03%	608,083	0.03%	0	0.00%	0	0.00%	EMBA, Tsing Hua University in Beijing MBA, Greenwich University GM of Global Supply Chain General Manager, Qisda COO, BenQ China VP of Global Manufacturing, BenQ	Note 2	
	Republic of China	Representative Joe Huang	Male	2017.06.22	3	2017.06.22	0	0.00%	240,952	0.01%	686	0.00%	0	0.00%			

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the names of other persons		Selected Education, Past Positions & Current Positions at Non-profit Organizations	Selected Current Positions at Qisda and Other Companies (Note2)	Note 3
							Shares	%	Shares	%	Shares	%	Shares	%			
Independent Director	Republic of China	Kane K. Wang	Male	2017.06.22	3	2008.06.13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D., The Structure of Technology, Demand, and Market of US Automobile Industry, MIT M.S., Transportation Planning and B.S., Civil Engineering, National Taiwan University Director and Professor, Graduate Institution of Industrial Economics, National Central University Ministry of education certified professor	Chair Professor: China University of Technology Independent Director: Formosa Taffeta Co., Ltd. Supervisor: Platinum Optics Technology Inc.	At the same time, in order to strengthen the independence and supervision function of the board of directors, the board of directors of the company has three independent directors and more than half of the directors are not an employee or a manager of the Company, so as to improve the operation of the board of directors and comply with the principles of corporate governance.
Independent Director	Republic of China	Allen Fan	Male	2017.06.22	3	2011.06.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	B.S., Electrical Engineering, National Taiwan University General Manager, WKTechnology Fund President, Microsoft Taiwan VP, Twinhead International Corp. VP, HP Taiwan	Chairman: Yu Xuan Corp. Director: K KINGDOM INC. K K INTELLIGENT TECHNOLOGY INC. Independent Director: Wistron Information Technology and Services Corporation	
Independent Director	Republic of China	Jeffrey Y.C. Shen	Male	2017.06.22	3	2011.06.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	EMBA certificate, University of Michigan B.S., Mechanical Engineering, National Cheng Kung University President, Changan Ford Mazda Automobile Company President, Ford Lio Ho Motor Company President of Asia-Pacific, Eagle Ottawa,LLC	None.	
Any Executive, Director, or supervisor who is a spouse or relative within the second degree of kinship: None																	

Note 1: According to the Judgment No. 61 of the major lawsuit in 2009 of Taiwan High Court, Mr. KY Lee held total 2,323,225 shares in the name of others when shares acquired as an Employee's Bonus (including the subsequent stock dividends) in 2000, 2003, and 2004. According to the investigate No. 11642 indictment in 2012 the Prosecutor of Taiwan Taoyuan District Court, Mr. K.Y. Lee held 400,000 shares and 300,000 shares in the name of others in 2003 and 2004. After the company consulted Mr. K.Y. Lee about his holding shares in the name of others as of the date of April 21, 2020, Mr. K.Y. Lee replied this is not confirmed yet due to this case is a long time ago and not being handled by him. For the above information, investors are required to make discretionary judgments to protect their rights and interests.

Note 2: Please refer to the section "Directors, supervisors and presidents of affiliates" in annual report.

Note 3: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto must be disclosed.

## Substantial shareholders of the corporate shareholder

Name of corporate shareholders (Note 1)	Substantial shareholders of the corporate shareholders	
	Name	Shareholding Percentage (%)
AU Optronics Corp (Note2)	Qisda Corporation	6.90%
	ADR of AU Optronics Corp.	5.43%
	Quanta Computer Inc.	4.61%
	Fubon Life Insurance Co., Ltd	3.82%
	Trust Holding for Employees for AU Optronics Corp.	3.68%
	Tong Hwei Enterprise Co., Ltd.	1.56%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.15%
	Cathay Life Insurance Co., Ltd.	1.07%
	Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	0.97%
	CTBC bank, Yuanta Taiwan 50 Securities Funds	0.74%
BenQ Foundation	Qisda Corporation (Note 4)	100%

Note 1: For directors acting as the representatives of institutional shareholders

Note 2: Source of information for AUO is recorded as of the book closure date of AUO on July 19, 2019.

Note 3: Where the corporate shareholder is not a company, the aforementioned Name of corporate shareholders and Shareholding Percentage denote the names of investors or donors, and their investment or contribution ratios.

Note 4: Please refer to the list of major shareholders as stated in Chapter 4 Capital Overview of this Annual Report.

## Substantial shareholders of corporate shareholders who are the substantial shareholders of the Company's corporate shareholders.

Name of institutional shareholders	Substantial shareholders of the corporate shareholders	
	Name	Shareholding Percentage (%)
Quanta Computer Inc. (Note1)	Qianyu Investment Co., Ltd.	14.82%
	Barry Lin	10.76%
	Government of Singapore	3.14%
	Cathay Life Insurance Co., Ltd.	3.08%
	Labor Pension	2.53%
	Fubon Life Insurance Co., Ltd.	2.20%
	Liang Tzu Chen	2.14%
	Nan Shan Life Insurance Co., Ltd.	2.10%
	Ho, Sha Trust Property.	2.07%
	Yijiaxin Investment Co., Ltd.	1.71%
Tong Hwei Enterprise Co., Ltd. (Note2)	Tsai Tsung Hsiang	78.93%
	Tsai Ming Hsien	1.91%
	Tsai Tsung Yu	17.25%
	Tsai Lin Su Chin	1.91%
Fubon Life Insurance Co., Ltd. (Note2)	Fubon Financial Holdings Co., Ltd.	100%
Cathay Life Insurance Co., Ltd. (Note2)	Cathay Financial Holding Co., Ltd.	100%

Note 1: Source of information for Quanta Computer Inc. is recorded as of the book closure date of Quanta Computer Inc. on April 21, 2020.

Note 2: Source of information for Department of Commerce, MOEA

Professional qualifications and independence analysis of directors

Name	Condition	Has more than 5 years of work experience and the following professional qualifications			Meet conditions of independence (Note 1)												Number of other public companies where the Director concurrently serves as an Independent Director
		An Instructor or higher position in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	A judge, prosecutor, lawyer, CPA or other specialist or technical professional who is necessary for the Company's business and who has been certified by national examinations and licensed by the competent authorities	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
K.Y. Lee	-	-	✓				✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Peter Chen	-	-	✓			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
AU Optronics Corp. Representative: Paul Peng	-	-	✓		✓	✓		✓		✓	✓	✓	✓	✓	✓		0
BenQ Foundation Representative: Joe Huang	-	-	✓				✓	✓		✓	✓	✓	✓	✓	✓		0
Kane K. Wang	✓	-	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Allen Fan	-	-	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Jeffrey Y.C. Shen	-	-	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note : Please add " " in the field under each criteria number if the director meets the criteria two years prior to being elected and during his/her term of service.

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company's affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons under (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(6) Not a director, supervisor, or employee of other company if a majority of the company's director seats or voting shares and those of that other company are controlled by the same person. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(7) Not a director, supervisor, or employee of other company or institution if the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at that other company or institution are the same person or are spouses.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Do not apply in cases where the specified company or institution holds more than 20 percent but less than 50 percent of the Company's issued shares and are the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not a spouse or a relative within the second degree of kinship to any director.

(11) Not been involved in any of situations defined in Article 30 of the Company Act.

(12) Not elected on behalf of a government agency or corporate or as a representative of these organizations as defined in Article 27 of the Company Act.

## (II) Documents of president, vice president, associate vice president and managers of each department and division

April 21, 2020

Title	Nationality or Place of Registration	Name	Gender	Date Appointed	Number of shares held		Shares held by spouse or underage children		Primary work or academic experiences	Position concurrently held in other companies (Note 2)	Note 3
					Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)			
Chairman and President	Republic of China	Peter Chen	Male	2017.06.22	309,919	0.02%	0	0.00%	M.S., International Business Management, Thunderbird School of Global Management B.S., Electrical Engineering, National Cheng Kung University Technology Product Center EVP, BenQ Corp.	Director: AU Optronics Corp., Darfon Electronics Corp., Alpha Networks Inc. Hitron Technologies Inc. BenQ Foundation	The reason why the chairman also serves as the president is to represent the company externally and effectively coordinating the management team to effectively implement investment and mergers and acquisitions, lead the value transformation of Qisda, quickly strengthen the medical business and enter the solution business, and play a comprehensive effect.  At the same time, in order to strengthen the independence and supervision function of the board of directors, the board of directors of the company has three independent directors and more than half of the directors are not an employee or a manager of the Company, so as to improve the operation of the board of directors and comply with the principles of corporate governance.
Senior Vice President	Republic of China	Joe Huang	Male	2012.12.01	240,952	0.01%	686	0.00%	EMBA, Tsing Hua University in Beijing	Note 2	
Senior Vice President	Republic of China	Mark Hsiao	Male	2007.09.01	122,400	0.01%	0	0.00%	B.S., Chemical Engineering, Tamkang University	Note 2	
Vice President	Republic of China	April Huang	Female	2009.10.15	490,361	0.02%	0	0.00%	EMBA, National Taiwan University	None 2	
Vice President	Republic of China	Harry Yang	Male	2017.03.09	32,000	0.00%	0	0.00%	M.S., Computer Science, University of Florida	Note 2	
Vice President	Republic of China	CY Ho	Male	2014.03.20	418,626	0.02%	0	0.00%	EMBA, National Taiwan University	Note 2	
Vice President	Republic of China	Daniel Hsueh	Male	2019.09.01	303,440	0.02%	0	0.00%	M.S., Business Management National Sun Yat-sen University	Note 2	
Vice President	Republic of China	Michael CH Lee	Male	2019.11.08	128,104	0.01%	6,000	0.00%	Ph.D., Electrical Engineering National Taiwan University	Note 2	
Vice President	Republic of China	Daven Wu	Male	2020.03.27	403,565	0.02%	0	0.00%	M.S., College of Management, Yuan Ze University	None	
Associate vice president	Malaysia	Nick Niek	Male	2011.04.01	0	0.00%	27,772	0.00%	B.S., Electrical Fu Jen Catholic University	None	
Associate vice president	Republic of China	Jack Wang	Male	2010.04.01	41,047	0.00%	0	0.00%	M.S., Business Administration National Central University	None	
Associate vice president	Republic of China	Tony Chao	Male	2010.10.01	151,524	0.01%	0	0.00%	M.S., Mechanical University of Michigan	None	
Associate vice president	Republic of China	Alex Wu	Male	2014.10.01	171,837	0.01%	0	0.00%	National Taipei University of Technology	None	
Associate vice president	Republic of China	Aaron Ho	Male	2014.04.01	32,282	0.00%	2,006	0.00%	M.S., College of Management, Yuan Ze University	None	
Associate vice president	Republic of China	T.S. Wu	Male	2007.03.01	199,341	0.01%	0	0.00%	M.S., Institute of Electrical and Control Engineering National Chiao Tung University	None	
Associate vice president	Republic of China	Tony Lin	Male	2013.10.01	0	0.00%	0	0.00%	M.S., Mechanical Engineering at National Taiwan University	None	
Associate vice president	Republic of China	Eric Lee	Male	2009.04.01	220,824	0.01%	6,000	0.00%	MBA, Pacific Western University	None	
Associate vice president	Republic of China	Rex Wu	Male	2009.04.01	150,000	0.01%	0	0.00%	EMBA, Pacific Western University	None	
Associate vice president	Republic of China	T.H. Lee	Male	2010.04.01	10,616	0.00%	0	0.00%	Electrical Engineering, Cheng Shiu University	None	

Title	Nationality or Place of Registration	Name	Gender	Date Appointed	Number of shares held		Shares held by spouse or underage children		Primary work or academic experiences	Position concurrently held in other companies (Note 2)	Note 3
					Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)			
Associate vice president	Republic of China	Y.S. Cheng	Male	2014.01.01	242	0.00%	0	0.00%	M.S., Mechanical Engineering at National Taiwan University	None	
Associate vice president	Republic of China	Ray Huang	Male	2011.04.01	193,800	0.01%	0	0.00%	EMBA, National Central University	None	
Associate vice president	Republic of China	Joe Lee	Male	2014.04.01	200,907	0.01%	0	0.00%	EMBA, National Central University	None	
Associate vice president	Republic of China	Calvin Jeng	Male	2013.10.01	121,356	0.01%	0	0.00%	M.S., Shanghai Jiao Tong University	None	
Associate vice president	Republic of China	Danny Lin	Male	2012.10.01	0	0.00%	10,000	0.00%	Ph.D., National Kaohsiung University of Science and Technology	None	
Associate vice president	Republic of China	Jasmin Hung	Female	2007.02.01	406,865	0.02%	0	0.00%	MBA, California State University, Fullerton	Director of Visco Vision Inc. Director of Darfon Electronics Corp.	
The Company's shares held by managers in the name of other persons: None. Any spouse or relative within the second degree of kinship of any manager who serves as the Company's executive: None.											

Remarks:

1. Source of information for Number of shares held is recorded as of the book closure date on April 21, 2020
2. Please refer to the section "Directors, supervisors and presidents of affiliates" in annual report.
3. Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto must be disclosed.

(III) Compensation of Directors, Supervisors, President, and Vice President

I. Compensation to Directors

December 31, 2019 Unit: NT\$ 1,000

Title	Name	Director's compensation								Ratio of sum of items A, B, C and D to profit (%) (Note 5)		Remuneration received by directors who is an employee of the Company								Ratio of sum of items A, B, C, D, E, F and G to Profit (%) (Note 5)		Compensation from investees other than Qisda Corp.'s subsidiaries or Parent Company (Note 8)					
		Compensation (A) (Note 1)		Pension upon Retirement (B) (Note 2)		Director's Remuneration (C) (Note 3)		Business execution Expenses (D) (Note 4)				Salary, bonuses, and special expenses (E) (Note 6)		Pension upon retirement (F) (Note 2)		Employee's remuneration (G) (Note 7)											
		The company	Qisda Corp. and its subsidiaries (Note 9)	The company	Qisda Corp. and its subsidiaries (Note 9)	The company	Qisda Corp. and its subsidiaries (Note 9)	The company	Qisda Corp. and its subsidiaries (Note 9)	The company	Qisda Corp. and its subsidiaries (Note 9)	The company	Qisda Corp. and its subsidiaries (Note 9)	The company	Qisda Corp. and its subsidiaries (Note 9)	Cash	Stock	Cash	Stock	The company	Qisda Corp. and its subsidiaries (Note 9)						
Honorary Chairman	K.Y.Lee																										
Chairman	Peter Chen																										
Director	AU Optronics Corp.																										
Corporate Director Representative	AU Optronics Corp. -Paul Peng	8,000	9,000	0	0	19,664	19,935	8,085	9,485	1%	1.07%	18,740	19,168	108	108	19,800	0	19,800	0	2.08%	2.17%					58,488	
Director	BenQ Foundation																										
Corporate Director Representative	BenQ Foundation -Joe Huang																										
Independent Director	Kane K. Wang																										
Independent Director	Allen Fan	4,200	4,200	0	0	11,799	11,799	180	180	0.45%	0.45%	0	0	0	0	0	0	0	0	0.45%	0.45%					0	
Independent Director	Jeffrey Y.C. Shen																										

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:

Compensation for Company Directors have been authorized for distribution by the Board of Directors pursuant to the Company's Articles of Association, based on individual Director's level of participation and contributions to Company operations, and have been paid pursuant to the "Compensation Policy to the Directors and Functional Committee Members" which is in reference to domestic and overseas industry standards. When earnings are present, the Board of Directors will resolve on the amount of Directors' remunerations based on the Company's Articles of Association. Independent directors are ex-officio members of the audit committee. In addition to the general remuneration paid to directors, the Company takes into account of each director's individual responsibilities, risks and investment time, and also determines different reasonable remunerations.

2. In addition to the information disclosed in the table above, has any Director of the Company provided services to any of the companies included in the Financial Statements and received compensation for such services (e.g provided consultation services in a non-employee capacity): None.

Table of compensation ranges

Compensation range for each Director	Names of Director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	Qisda Corp. and its subsidiaries (Note 9)	The Company	Parent Company Qisda Corp. and its subsidiaries and investees (Note 10)
Less than NT 1,000,000	Paul Peng,	Paul Peng,	Paul Peng	
NT\$1,000,000 (included)~2,000,000 (excluded)	Joe Huang	Joe Huang		
NT\$2,000,000 (included)~3,500,000 (excluded)				
NT\$3,500,000 (included)~5,000,000 (excluded)	AU Optronics Corp. BenQ Foundation	AU Optronics Corp. BenQ Foundation	AU Optronics Corp. BenQ Foundation	AU Optronics Corp.
NT\$5,000,000 (included)~1,000,000 (excluded)	Peter Chen Kane K. Wang Allen Fan Jeffrey Y.C. Shen	Kane K. Wang Allen Fan Jeffrey Y.C. Shen	Kane K. Wang Allen Fan Jeffrey Y.C. Shen	BenQ Foundation Kane K. Wang Allen Fan Jeffrey Y.C. Shen
NT\$10,000,000 (included)~15,000,000 (excluded)	K.Y. Lee	Peter Chen	K.Y. Lee, Joe Huang	Joe Huang
NT\$15,000,000 (included)~30,000,000 (excluded)		K.Y. Lee		K.Y. Lee,
NT\$30,000,000 (included)~50,000,000 (excluded)			Peter Chen	Peter Chen
NT\$50,000,000 (included)~100,000,000 (excluded)				Paul Peng
More than NT\$100,000,000				
Total	9 Persons (including 2 Corporate Directors)	9 Persons (including 2 Corporate Directors)	9 Persons (including 2 Corporate Directors)	9 Persons (including 2 Corporate Directors)

Note 1: Refers to compensation for Directors in 2019 (including salaries, job allowance, severance pay, bonuses, and performance fees).

Note 2: Refers to pension either allocated or paid out per legal requirements in 2019.

Note 3: Refers to Directors' remunerations in 2019.

Note 4: Refers to Directors' business execution expenses in 2019 (including provisions of compensation, transport fees, special expenses, various subsidies, accommodations, or company vehicles and other physical items for those serving as representatives of Corporate Directors or supervisors designated by Qisda Corp. and its subsidiaries)

Note 5: Profit refers to the profit for the year in the 2019 parent company only financial statements of Qisda Corp.

Note 6: Refers to compensation for Directors who also served as President, Vice President, other managers or employees in 2019 including salaries, job remuneration, severance pay, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, company vehicles, and other physical items, etc. Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in compensation.

Note 7: Refers to employee's remuneration (including stock and cash) paid to Directors who also served as President, Vice President, other managers, or employees in 2019, according to the company's board of directors' meeting has approved the distributions of employees' compensation amount on March 27, 2020.

Note 8: Refers to compensation, remunerations (including remunerations for employees, Directors, and supervisors), business execution expenses, and other related payments received by Directors who served as Director, supervisor, or manager in investees other than Qisda Corp.'s subsidiaries in 2019.

Note 9: All consolidated entities in the consolidated financial statements (including the company)

Note 10: Total compensation paid to Qisda Corp.'s Directors.

## 2. Remuneration of Supervisors:

Since June 13, 2008, the Audit Committee has been responsible for the implementation of the Supervisors authority as required by the relevant laws and regulations.



### 3. Compensation for President and Vice Presidents

December 31, 2019 Unit: NT\$ 1,000

Title	Name	Salary(A) ( Note 1 )		Pension upon retirement (B) ( Note 2 )		Bonuses and special expenses etc (C) ( Note 3 )		Employee's remuneration (D) ( Note 4 )				Ratio of sum of items A, B, C and D to profit (%) ( Note 5 )		Compensation from investees other than Qisda Corp.'s subsidiaries or Parent Company ( Note 6 )
		The company	Qisda Corp. and its subsidiaries (Note 7)	The company	Qisda Corp. and its subsidiaries (Note 7)	The company	Qisda Corp. and its subsidiaries (Note 7)	The company		Qisda Corp. and its subsidiaries (Note 7)		The company	Qisda Corp. and its subsidiaries (Note 7)	
								Cash	Stock	Cash	Stock			
President	Peter Chen	25,168	26,348	594	594	20,356	20,577	38,600	0	38,600	0	2.37%	2.41%	164
Senior Vice President	Joe Huang													
Senior Vice President	Mark Hsiao													
Vice President	April Huang													
Vice President	CY Ho													
Vice President	Harry Yang													
Vice President	Michael CH Lee													
Vice President	Daniel Hsueh													

Table of compensation ranges

Compensation range for each President and Vice President	Name of President and Vice President	
	The Company	Parent Company, Qisda Corp. and its subsidiaries and investees ( Note 8 )
Less than NT 1,000,000		
NT\$1,000,000 (included)~2,000,000 (excluded)		
NT\$2,000,000 (included)~3,500,000 (excluded)	Daniel Hsueh	Daniel Hsueh
NT\$3,500,000 (included)~5,000,000 (excluded)	Michael CH Lee	Michael CH Lee
NT\$5,000,000 (included)~10,000,000 (excluded)	CY Ho	CY Ho
NT\$10,000,000 (included)~15,000,000 (excluded)	Joe Huang, Mark Hsiao, April Huang, Harry Yang	Joe Huang, Mark Hsiao, April Huang, Harry Yang
NT\$15,000,000 (included)~30,000,000 (excluded)	Peter Chen	Peter Chen
NT\$30,000,000(included)~50,000,000 (excluded)		
NT\$50,000,000 (included)~100,000,000 (excluded)		
More than NT\$100,000,000		
Total	8 Persons	8 Persons

Note 1: Refers to compensation for president and vice president in 2019, including salaries, job allowance and severance pay.

Note 2: Refers to pension either allocated or paid out per legal requirements in 2019.

Note 3: Refers to compensation for president and vice president in 2019, including bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, company vehicles, and other physical items, etc. Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in compensation.

Note 4: Refers to remunerations for employee in 2019.

Note 5: Profit refers to the profit for the year in the 2019 parent company only financial statements of Qisda Corp.

Note 6: Refers to compensation including compensation, remuneration (including remunerations for employees, Directors, and supervisors), business execution expenses, and other related payments received by president and vice president who served as Director, supervisor, or manager in investees other than Qisda Corp.'s subsidiaries in 2019.

Note 7: All consolidated entities in the consolidated financial statements (including the company)

Note 8: Total compensation paid to managers such as Vice Presidents or above.

4. Names of managers provided with employee's remunerations and state of payments

Unit: NT\$ 1,000

Title (Note 1)	Name (Note 1)	Stock (Note 2)	Cash (Note 2)	Total	Ratio of total amount to the net income after taxes (%)(Note 3)
Chairman and President	Peter Chen	0	59,035	59,035	1.65%
Senior Vice President	Joe Huang				
Senior Vice President	Mark Hsiao				
Vice President	April Huang				
Vice President	CY Ho				
Vice President	Harry Yang				
Vice President	Michael CH Lee				
Vice President	Daniel Hsueh				
Vice President	Daven Wu				
Associate Vice President	Nick Niek				
Associate Vice President	Jack Wang				
Associate Vice President	Tony Chao				
Associate Vice President	Alex Wu				
Associate Vice President	Aaron Ho				
Associate Vice President	T.S. Wu				
Associate Vice President	Tony Lin				
Associate Vice President	Eric Lee				
Associate Vice President	Rex Wu				
Associate Vice President	T.H. Lee				
Associate Vice President	Y.S. Cheng				
Associate Vice President	Ray Huang				
Associate Vice President	Joe Lee				
Associate Vice President	Calvin Jeng				
Associate Vice President	Danny Lin				
Associate Vice President	Jasmin Hung				
Accounting Manager	Billy Liu				

Note 1: Current Company managers as of the end of 2019. Information on titles of managers are accurate as of the publication date of the Annual Report.

Note 2: Refers to remunerations for employees in 2019.

Note 3: Net income after taxes refers to the net income after taxes on the 2019 parent company only financial statements.

(IV) Compare and analyze the total compensation as a percentage of net income after taxes stated in the parent company only or individual financial statements, paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's Directors, supervisors, president and vice president. Describe the policies, standards, and packages for payment of compensation, the procedures for determining compensation, and its linkage to business performance and future risk exposure

1. The total compensation as a percentage of net income after taxes stated in the parent company only financial statement, paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's Directors, supervisors, President and Vice President are as the following:

NT\$ 1,000

Item	Year	
	2019	2018
Net income after taxes on the Company's Parent Company Only Financial Statements	3,575,055	4,035,064
Ratio of compensation for Directors paid by the Company	1.45%	1.35%
Ratio of compensation for Directors paid by all companies listed in the Consolidated Financial Statements	1.52%	1.43%
Ratio of compensation for Managers such as Vice President or above paid by the Company	2.37%	2.15%
Ratio of compensation for Managers such as Vice President or above paid by all companies listed in the Consolidated Financial Statements	2.41%	2.23%

2. Policies, standards, and packages for payment of compensation, as well as the procedures followed for determining the compensation, and their linkages to business performance and future risk exposure.

(1) Compensation for Company Directors have been authorized for distribution by the Board of Directors pursuant to the Company's

Articles of Association, based on individual Director's level of participation and contributions to Company operations, and have been paid pursuant to the "Compensation Policy to the Directors and Functional Committee Members" which is in reference to domestic and overseas industry standards. When earnings are present, the Board of Directors will resolve on the amount of Directors' remunerations based on the Company's Articles of Association.

(2) Compensation for the Company's Directors and managerial officer are handled in accordance with Company's Articles of Association and compensation (salary) related policies also the Remuneration Committee will Review the compensations and submit to the Board's approval.

### III. Implementation of Corporate Governance

Being committed to creating profits for our Shareholders and contributing to the society has always been the basic belief of Qisda. The Company supports and promotes the transparency of operation and the fairness of information transmission, which would allow the Shareholders, customers and stakeholders of the Company may have a unified channel to immediately obtain the business and financial related information of the Company.

The Board of Directors of the Company takes the interests of the Company and its all Shareholders as the top priority when conducting business assessment and major resolutions. The CPAs and Independent Directors also act as roles of supervision and take a cautious attitude to examine the business implementation by the Company and the Board.

Based on relevant regulations, the Company has set up positions of Independent Directors, the Audit Committee and Remuneration Committee to maintain a more robust decision-making and execution organization to continuously improve the Company's operational efficiency and implement corporate governance with practical actions.

#### (I) Operations of the Board of Directors

The Company had convened 6 Board of Directors meetings in 2019 with the following attendance:

Title	Name	Number of actual attendance (B)	Number of proxy attendance	Actual attendance rate (%) (B / A)	Remark
Honorary Chairman	K.Y. Lee	6	0	100%	
Chairman	Peter Chen	6	0	100%	
Director	AU Optronics Corp. Representative: Paul Peng	6	0	100%	
Director	BenQ Foundation Representative: Joe Huang	6	0	100%	
Independent Director	Kane K. Wang	6	0	100%	
Independent Director	Allen Fan	6	0	100%	
Independent Director	Jeffrey Y.C. Shen	6	0	100%	

Other items that shall be recorded:

(I) When one of the following matters occurs during the operation of the Board of Directors, the dates, terms, contents of proposals of the meetings, the opinions of all Independent Directors and the responses by the Company shall be clearly described:

1. Items specified in Article 14-3 of Securities and Exchange Act:

Dates	Terms of 2019	Discussions	Opinions by Independent Directors and Treatment by the Company
Mar. 21, 2019	First	Proposal of 2018 Statement of Internal Control System and Report on the Results of Self-appraisal	1. All Independent Directors and Directors presented at the meeting agreed without objection. 2. Treatment to opinions by Independent Directors: None.
		Approved the proposal of issuance of common stocks for capital increase by cash to participate the issuance of overseas depositary receipt and/or issuance of common stocks for capital increase by cash and/or private placement of common stocks for capital increase by cash and/or private placement of overseas or domestic convertible bonds	
		Approved the amendment to Handling Procedures for Acquisition or Disposal of Assets and Handling Procedures for Conducting Derivative Transactions	
		Approved the amendment to Handling Procedures for Lending Funds to Other Parties and Handling Procedures for Endorsements and Guarantees	
		Approved Donation to BenQ Foundation NTD 5 million	
2019 Professional fee for service of CPAs			
CPA change			
May 08, 2019	Second	To announce the termination of private security offering approved by 2018 shareholders' meeting	
		Proposal for making guarantee for Qisda (L) Corp. with the amount of US\$ 60 million	
July 23, 2019	Third	Approved the amendment of proposal issuance of common stocks for capital increase by cash to participate the issuance of overseas depositary receipt and/or issuance of common stocks for capital increase by cash and/or private placement of common stocks for capital increase by cash and/or private placement of overseas or domestic convertible bonds	
		Approved to establish a new joint venture company (BenQ Biotech ( Shanghai ) Co., Ltd) with Shanghai Kunxin Medical Technology Co., Ltd. by cash injection.	
Aug. 09, 2019	Fourth	Approved the Company participates in SYSAGE TECHNOLOGY CO., LTD's private placement of common shares	
		Approved the Company participates in Topview Optronics Corporation's private placement of common shares	
		Approved to establish Qisda Vietnam Co., Ltd	
Aug. 30, 2019	Fifth	Approved to additional investment in Qisda Vietnam Co., Ltd	
		Approved the Company's CFO and financial officer appointment	
		Approved the Company's accounting officer appointment	

Dates	Terms of 2019	Discussions	Opinions by Independent Directors and Treatment by the Company
Nov. 08, 2019	Sixth	Approved the proposal of 2020 internal audit plan	
		Approved the proposal of acquisition of the right-of-use asset for business use from a related party	
		Proposal for making guarantee for Qisda Labuan with the amount of US\$ 46 million	
		Proposal for making loan for Qisda Labuan with the amount of US\$ 30 million	
		Proposal of 2020 appointment of CPAs by the Company	

2. In addition to the aforementioned matters, any other resolutions from the Board of Directors where an Independent Director expressed a dissenting or qualified opinion that has been recorded or stated by writing: None.

(II) When Directors abstain themselves from being a stakeholder in certain proposals, the name of the Directors, the content of the proposal, reasons for abstentions and the results of voting counts should be stated.

1. During the Board of Directors discussing the proposal of making a donation of NT\$5 million to BenQ Foundation on March 21, 2019, the Honorary Chairman of the Board of Directors K.Y. Lee, the Chairman Peter Chen and Paul Peng, the representative of the corporate director AU Optronics Corp., are acting as the directors of BenQ Foundation, and Director Joe Huang is the representative of the BenQ Foundation. This four personnel did not participate in the discussion and voting of such proposal according to Article 206 and 178 of the Company Act. Excluding their participation, all the other Directors presented at the meeting approved such a proposal without objection.
2. During the Board of Directors discussing the proposal of making guarantee for Qisda (L) Corp. with the amount of US\$ 60 million and US\$46million May 8, 2019 and November 8, 2019, the Chairman Peter Chen did not participate in the discussion and voting of such proposal according to Article 206 and 178 of the Company Act due to Peter Chen is the Representative of Qisda (L). Excluding their participation, all the other Directors presented at the meeting approved such a proposal without objection.
3. During the Board of Directors discussing the proposal of making loan for Qisda (L) Corp. with the amount of US\$ 30 million on November 8, 2019, the Chairman Peter Chen did not participate in the discussion and voting of such proposal according to Article 206 and 178 of the Company Act due to Peter Chen is the Representative of Qisda (L). Excluding their participation, all the other Directors presented at the meeting approved such a proposal without objection.

(III) Implementation Status of Board Evaluations

The Board of Directors approved the "The Rules for Performance Assessment of the Board of Directors" on November 7, 2018, which stipulated the requirements of commencing performance appraisal to the Board at least once per annual period. The Company had completed the performance appraisal to the Board by the end of 2019 and reported at the Board meeting in March of 2020 the achievement rate is over 90% indicating the efficient and good operation by the Board.

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Annually	January 2019 to December 2019	Board of Directors	Internal selfassessment made by the Board of Directors	The degree of participation in the Company's operations. The decision-making quality of the Board of Directors. The composition and structure of the Board of Directors. Selection and appointment of directors and continuous education. Internal control.

(IV) Targets for strengthening the functions of the Board of Directors in the current and the most recent year (e.g., setting up an Audit Committee and enhancing information transparency) and evaluation of target implementation:

1. The Company had established positions of Independent Directors and the Audit Committees in 2008 to exercise the functions required by the Securities and Exchange Act, the Company Act and other legal regulations. In 2011, the Remuneration Committee was established to enhance corporate governance and improve the remuneration and compensation system for Directors and Managers of the company.
2. Based on Paragraph 8 of Article 26-3 of the Securities and Exchange Act, Qisda has promulgated the "Rules Governing the Procedures of Meetings of the Board of Directors" which stipulated requirements to contents of meetings of the Board, the operating procedures, the matters to be recorded in the proceedings, the announcements and any other matters. Meetings of Qisda Board shall be convened at least once per quarter. All members of the Board shall exercise the due care of a good administrator and bear fiduciary duty to manage exercise their powers with a high degree of self-discipline and prudence under the guidance of optimization of Shareholders' interest.

## (II) Operations of the Audit Committee

The Company had convened 6 Audit Committee meetings in 2019 with the following attendance:

Title	Name	Attendance in Person(B)	Number of times attended by proxy	Attendance rate (B/A)	Remark
Independent Director	Kane K.Wang	6	0	100%	
Independent Director	Allen Fan	6	0	100%	
Independent Director	Jeffrey Y.C. Shen	6	0	100%	

Other items that shall be recorded:

(I) If any of the following matters occurs during the operation of the Audit Committee, the dates, terms, contents of the proposal of the Board meetings, the opinions of all Independent Directors and the responses by the Company shall be clearly described:

1. Items specified in Article 14-5 of Securities and Exchange Act:

Dates	Terms of 2019	Discussions	Opinions by Independent Directors and Treatment by the Company
Mar. 21, 2019	First	Proposal of 2018 Statement of Internal Control System and Report on the Results of Self-appraisal	
		Approved Qisda's consolidated financial results of 2018.	
		Approved the proposal of issuance of common stocks for capital increase by cash to participate the issuance of overseas depositary receipt and/or issuance of common stocks for capital increase by cash and/or private placement of common stocks for capital increase by cash and/or private placement of overseas or domestic convertible bonds	
		Approved the amendment to Handling Procedures for Acquisition or Disposal of Assets and Handling Procedures for Conducting Derivative Transactions	
		Approved the amendment to Handling Procedures for Lending Funds to Other Parties and Handling Procedures for Endorsements and Guarantees	
		Approved Donation to BenQ Foundation NTD 5 million	
		2019 Professional fee for service of CPAs CPA change	
May 08, 2019	Second	To announce the termination of private security offering approved by 2018 shareholders' meeting Proposal fo making guarantee for Qisda (L) Corp. with the amount of US\$ 60 million	1. All Audit Committee Members presented at the meeting agreed without objection. 2. Treatment to opinions by Audit Committee Members: None.
		Approved the amendment of proposal issuance of common stocks for capital increase by cash to participate the issuance of overseas depositary receipt and/or issuance of common stocks for capital increase by cash and/or private placement of common stocks for capital increase by cash and/or private placement of overseas or domestic convertible bonds	
July 23, 2019	Third	Approved to establish a new joint venture company (BenQ Biotech ( Shanghai ) Co., Ltd) with Shanghai Kunxin Medical Technology Co., Ltd. by cash injection.	
Aug. 09, 2019	Fourth	Approved Qisda's consolidated financial results of Q2 2019.	
		Approved the Company participates in SYSAGE THCHNOLOGY CO., LTD's private placement of common shares.	
		Approved the Company participates in Topview Optronics Corporation's private placement of common shares.	
Aug. 30, 2019	Fifth	Approved to establish Qisda Vietnam Co.,Ltd	
		Approved to additional investment in Qisda Vietnam Co.,Ltd	
		Approved the Company's CFO and financial officer appointment Approved the Company's accounting officer appointment	
Nov. 08, 2019	Sixth	Approved the proposal of 2020 internal audit plan	
		Approved the proposal of acquisition of the right-of-use asset for business use from a related party	
		Proposal for making guarantee for Qisda Labuan with the amount of US\$ 46 million Proposal for making loan for Qisda Labuan with the amount of US\$ 30 million	
		Proposal of 2020 appointment of CPAs by the Company	

2. Other matters except the preceding ones, which are not approved by the Audit Committee but approved by two-thirds or more of the Directors: None.

(II) For the implemntation of Directors' avoidance due to conflicts of interest of Directors, please clearly specify the names of Directors, the content of the proposals, the reasons of avoidance due to conflicts of interest and the participation in the voting amd resolution: None.

(III) Communication between Independent Directors, the Internal Audit Director and CPAs (the major issues, methods and results of the Company's financial and business conditions shall be described in details):

The Audit Committee of the Company would regularly convene inernal meetings and invite CPAs, internal auditors, legal affairs staff, financial accounting staff and other units on a quarterly basis to discuss or discuss the information of discoveries during the examination of financial statements of the most recent period (including the accountant's duties and independence, scope and methos for examination or verification, examination or verification results of Q2 or annual financial report, analysis of key financial ratios, major accounting treatment, major regulatory updates and other related issues), internal audit verification results (including report of verification of current audit, the follow-up report and the important audit regulatory updates after the implementation), major lawsuits, and financial business profiles, etc.. All

Independent Directors had communicated well and efficiently with the Internal Audit Director and CPAs. In order to make the members of the Audit Committee more aware of the relevant laws and regulations and the actual operation of the Company, the Company, on a random basis, also organized meetings for other special reports such as risk management, so that the Audit Committee members can assist investors to ensure the credibility and reliability of the Company's corporate governance and information transparency, further ensuring the interests of shareholders.

#### IV. Annual key functions and operations:

(I) Annual key functions

1. Communicate results of audit report with the head of internal audit regularly according to the annual audit plan.
2. Communicate with CPA regularly over financial statement review or audit results in each quarter.
3. Review financial reports.
4. Assessment of the effectiveness of internal control system.
5. Review the hiring, dismissal, compensation and service matters concerning CPAs
6. Review the Company's operational procedures and material transactions of assets, derivatives, capital lending and endorsement/guarantees.
7. Legal compliance.

(II) 2019 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.

(III) Implementation of Corporate Governance, and Differences with Contents of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons:

Evaluation Item	The Operations		Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons	
	Yes	No		Summary Description
A. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"?	V		With having the prior approval of the board of directors on May 5, 2015, relevant matters were revealed in Qisda's website.	No differences.
B. Corporate Ownership Structure and shareholders' equity establish				No differences.
a. Does the Company establish the internal operating procedures to handle the shareholders' proposals, inquiries, disputes and litigations issues as well as carry out through following procedures?	V		a. Qisda has established the channels including exclusive personnel, investor relations, corporate investor relations websites dedicated to handling the shareholders' proposals or disputes issues.	
b. Does the Company retain at all times a register of major shareholders who have controlling power, and of the persons with ultimate control over those major shareholders?	V		b. Qisda will report the changes in the shareholding according to directors, managerial personnel and major shareholders' shareholdings more than ten percent (10%) of the shares of the Company, as well as regularly announce and file on the Market Observation Post System (MOPS) on a monthly base.	

Evaluation Item	The Operations		Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons																																
	Yes	No		Summary Description																															
c. Does the Company establish and implement the risk management and firewall mechanism between affiliated enterprises?	V		c. Qisda's affiliated enterprises have established the specialized Finance and Sales Departments, as well as the detached factories with data-independent preservation, off-site backup and clear management responsibility. The Company will further, together with its affiliated enterprises, properly conduct an overall risk assessment of major banks they deal with, customers and suppliers, as well as implement the integrated risk assessment to reduce credit risk.																																
d. Does the Company establish the internal guidelines prohibiting company insiders from trading securities using information not disclosed to the market?	V		d. Qisda has established the "Operating Procedures for Handling Material Information and Preventing Insider Trading", which covers the relevant regulations on prevention of insider trading.																																
C. Organization and Responsibilities of the Board of Directors a. Does the Board of Directors formulate the diversified approaches and implement aimed at Board Member organization?	V		<p>a. On May 5, 2015, Qisda passed the "Corporate Governance Principles" of which the diversified approaches have been adopted in "Enhancing the Function of Board of Directors" of Chapter 3. The nomination and selection of Board Members comply with articles of incorporation that the Company adopts the candidate nomination system. Aside from evaluating each candidate's qualifications including education and experience, the Company also refers to stakeholders' opinions as well as comply with "Rules for Director and Supervisor Elections" and "Corporate Governance Principles" in order to ensure the diversity and independency of Board Members.</p> <p>According to Qisda's "Corporate Governance Principles", the composition of Board Members shall be determined by taking diversity into consideration and formulating an appropriate approach on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:</p> <ol style="list-style-type: none"> <li>1. Basic requirements and values: Age, identity, and more.</li> <li>2. Professional knowledge and skills: Professional background, professional skills, industry experience, and more.</li> </ol> <p>The concrete goals of management and results of the Company's diversified policies are as follows:</p> <table border="1"> <thead> <tr> <th>Goals of Management</th> <th>Progress Made</th> </tr> </thead> <tbody> <tr> <td>The director concurrently acting as a corporate manager shall not exist among more than one-third of the number of director seats.</td> <td>Done.</td> </tr> </tbody> </table> <p>The status of implementing diversification of Qisda's Board Members in 2019 is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Name</th> <th rowspan="2">Job Title</th> <th rowspan="2">Gender</th> <th rowspan="2">Employee's Identity</th> <th colspan="2">Age</th> <th colspan="2">Professional Knowledge and Skills</th> </tr> <tr> <th>51-60</th> <th>61-70</th> <th>Industry or Technology</th> <th>Business / Laws / Finance</th> </tr> </thead> <tbody> <tr> <td>KY Lee</td> <td>Director</td> <td>Male</td> <td></td> <td></td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Peter Chen</td> <td>Chairman</td> <td>Male</td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td></td> </tr> </tbody> </table>	Goals of Management	Progress Made	The director concurrently acting as a corporate manager shall not exist among more than one-third of the number of director seats.	Done.	Name	Job Title	Gender	Employee's Identity	Age		Professional Knowledge and Skills		51-60	61-70	Industry or Technology	Business / Laws / Finance	KY Lee	Director	Male			V	V		Peter Chen	Chairman	Male	V	V		V	
Goals of Management	Progress Made																																		
The director concurrently acting as a corporate manager shall not exist among more than one-third of the number of director seats.	Done.																																		
Name	Job Title	Gender	Employee's Identity	Age		Professional Knowledge and Skills																													
				51-60	61-70	Industry or Technology	Business / Laws / Finance																												
KY Lee	Director	Male			V	V																													
Peter Chen	Chairman	Male	V	V		V																													

Evaluation Item	The Operations								Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons	
	Yes	No	Summary Description							
<p>b. Aside from establishing the Remuneration Committee and Audit Committee, does the Company also voluntarily establish other types of functional committees?</p> <p>c. Does the Company establish the rules for the board performance evaluation and its assessment methods for annual performance evaluation on an annual basis, as well as report its result to the Board of Directors by applying that as a reference to remuneration of individual director and to nomination and continuous employment?</p>	V		Paul Peng	Director	Male		V		V	
			Joe Huang	Director	Male	V	V		V	
			Kane K. Wang	Independent Director	Male			V		V
			Allen Fan	Independent Director	Male			V	V	
			Jeffrey Y.C. Shen	Independent Director	Male			V	V	
			<p>In consideration of the list for Qisda's Board Members, the Directors KY Lee and Peter Chen are good at leadership, judgment of operation, operating management and risk management; the Director Joe Huang makes a positive contribution to public utilities; the three Independent Directors including Kane K. Wang, Allen Fan and Jeffrey Y.C. Shen possess industry knowledge and view of international markets. Moreover, the Directors Paul Peng has always provided a long-term support to AU Optronics Corporation ( AUO ), in ways that benefit the Company's business operation.</p> <p>b. Qisda has established the Risk Management Committee. For more details on Operations, please see the chapter (P69) regarding risk management of the annual report. On the other hand, although the Company does not establish the Nomination Committee, it adopts the candidate nomination system for the election of the directors (including independent directors) in terms of practical operations. The candidate list of the existing directors (including independent directors) shall be submitted by the shareholders holding more than 1% of the total number of outstanding Shares or by the Board of Directors. Meanwhile, the Board of Directors shall review and approve in advance the candidate list in accordance with the laws, and shall report to the regular shareholders' meeting for election.</p> <p>c. On November 7, 2018, the Board of Directors of the Company has passed the "Rules for Board Performance Evaluation". The internal board performance evaluation for the current year shall be conducted at least once a year as well as be conducted by external independent institutions or panel of external experts and scholars at least once every three years.</p> <p>Qisda has completed the board evaluation by the end of 2019. And it is expected that the Company will hold a Board meeting to report the evaluation results in March, 2020.</p> <p>The Company shall take into consideration its condition and needs when establishing the criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects:</p> <p>(1) Participation in the operation of the company;</p> <p>(2) Improvement of the quality of the board of directors' decision making;</p> <p>(3) Composition and structure of the board of directors;</p> <p>(4) Election and continuing education of the directors; and</p> <p>(5) Internal control.</p> <p>This performance evaluation was conducted in the way of internal questionnaire based on operation of the Board and directors'</p>							



Evaluation Item	The Operations		Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	
d. Does the Company regularly evaluate and the independency of an attesting CPA?	V		<p>participation that enables directors to evaluate their functions over the operation of the Board. The evaluation results showed that the achievement rate is above 90%. According to results of the Board evaluation in 2019, the overall operation of the Board performed at a consistently high efficiency level.</p> <p>According to the provisions in Article 16 specified in the Articles of Incorporation, the Company's director compensation shall not exceed the 1% of annual profit. The directors' compensation is prescribed based on the Company's operating results and the "Remuneration Guidelines for Directors and Committee Members of Functional Committee" with reference to evaluation results of Board performance by the Remuneration Committee and Board of Directors.</p> <p>d. Qisda may, by a resolution adopted by the Audit Committee and Board of Directors, regularly hire the attesting CPA (including independence assessment) on an annual basis. The Company shall require the CPA to provide the independence statement and his / her brief biography document before meeting, ensure that the accounting firm (attesting CPAs and members of audit team) follows the request for independence, as well as require that there shall be no matters bearing on other financial interest and business dealings aside from the financial statement attestation between CPAs and the Company and expenditure review regarding financial information from invested target companies. Moreover, the independence statement and biography document shall be ready as mentioned above for Audit Committee and Board of Directors to evaluate the adaptability and independence.</p>
D. Does the TWSE/GTSM Listed Companies allocate the adaptation and appropriate number of corporate governance personnel as well as assign the corporate governance supervisors to be responsible for matters related to corporate governance (including but not limited to required information provided to directors and supervisors performing their duties, assistance provided to directors, legal compliance of supervisors, handling matters related to Board of Directors' and shareholders' meeting in accordance with the laws, preparation of the minutes of Board of Directors' and shareholders' meeting, and more.)?	V		<p>On August 30, 2019, Qisda may, after having a resolution adopted by the Board of Directors, hire Jasmin Hung to take part as a role of corporate governance personnel responsible for supervision and planning of corporate governance. Hung's qualifications for the position meet the provisions regarding Corporate Governance Supervisors set out in Paragraph One of Article 3-1 of Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies. The official powers performed by the corporate governance supervisors include: Providing the information required by the directors and Audit Committee and the latest regulations regarding corporate operation, providing assistance in legal Compliance of the directors and Audit Committee, regularly reporting the operations of corporate governance to Corporate Governance Committee and Board of Directors on an annual basis, handling matters related to Board of Directors' and shareholders' meeting in accordance with the laws, preparation of the minutes of Board of Directors' and shareholders' meeting, providing assistance in assuming office to directors and Audit Committee members and continuing education.</p> <p>The operation in 2019 is updated as follows:</p> <ol style="list-style-type: none"> <li>1. Assist the independent directors and general directors to perform their duties, provide the required information and arrange the continuing education for directors.</li> <li>2. Regularly inform the Board members dedicated to the revised regulations regarding corporate operating domain and corporate governance.</li> <li>3. Inspect the confidential levels of relevant information and provide the</li> </ol>

Evaluation Item	The Operations		Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons	
	Yes	No		Summary Description
			<p>corporate information required by the directors to maintain the communication and smooth interaction between directors and supervisors.</p> <p>4. Review the release of announcement of material news upon the adoption of important resolutions after meetings to ensure the lawfulness and correctness as well as protect the equal information on transactions for investors.</p> <p>5. The Company has convened six times of the Board of Directors and six times of Audit Committee in 2019.</p> <p>6. The Company has convened the regular shareholders' meeting once in 2019.</p> <p>7. The Board members have completed at least six credits of continuing education.</p> <p>8. Qisda has helped the directors and important employees apply for liability insurance and has reported to the Board of Directors after renewal of insurance.</p> <p>9. The Company has engaged a board performance evaluation and the evaluation result showed excellence.</p> <p>10. Qisda has been ranked 6-20 % from the evaluation result of "the 5th Corporate Governance Evaluation" and was added to Corporate Governance 100 Index in 2019.</p>	
E. Does the Company build the channels of communication with stakeholders (including but not limited to shareholders, employees, customers, suppliers and so on.) as well as designate a stakeholder area on its website in response to important issues on corporate social responsibility concerned by stakeholders in a proper manner and in good faith?	V		<p>Qisda has built the stakeholder mailbox on its website that is used as the channels of communication in response to important issues on corporate social responsibility concerned by stakeholders in a proper manner and in good faith. We also regularly disclose the financial and business information of financial conditions and operations on the Market Observation Post System (MOPS) and on the website established by the Company. Moreover, we will timely release announcement of material news dedicated to events that result in significant impact on stakeholders.</p>	No differences.
F. Does the Company engage a professional shareholder services agent to handle shareholders meeting matters?	V		<p>Qisda has appointed Taishin International Bank Stock Affairs Department that plays a role of its shareholder services agent to handle shareholders meeting matters.</p>	No differences.
G. Information Disclosure a. Does the Company set up a website containing the information regarding financial or business operations as well as corporate governance? b. Does the Company adopt other methods of information disclosure (such as set up the English website, appoint personnel	V  V		<p>a. Qisda has established the Investor Relations in its website in Chinese and English (Qisda.com) that discloses the information regarding financial or business operations as well as corporate governance.</p> <p>b. Qisda has adopted various methods of information disclosure, such as set up the English website, specified personnel responsible for gathering and disclosing the information, establish a spokesperson system, regularly or irregularly hold the operations conference briefing and upload the presentation materials to the Company's</p>	No differences.

Evaluation Item	The Operations		Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	
<p>responsible for gathering and disclosing the information, establish a spokesperson system, display the Company's website during the investor conference briefing, and more.)?</p> <p>c. Does the Company publicly announce the annual financial reports within two months after the close of each fiscal year, as well as the financial reports in Q1, Q2 and Q3, plus the addition of monthly operating status prior to the designated deadlines in advance?</p>	V		<p>website and establish investor mailbox in response to investors' questions.</p> <p>c. On March 27, 2020, Qisda has publicly announced the consolidated and Standalone financial reports in 2019; the financial reports in 2019 Q1 have been publicly announced within the designated deadlines. The financial reports in 2019 Q2 and Q3, plus the addition of monthly operating status have been publicly announced on the Market Observation Post System (MOPS) prior to the designated deadlines and then upload them to the Company's website.</p>
<p>H. Does the Company have other important information helping understand the operations of corporate governance as follows?</p> <p>a. Employee rights and caring for the employees</p> <p>b. Investor relations</p> <p>c. Supplier relationship</p> <p>d. Stakeholder rights</p>	V		<p>No differences.</p> <p>a. Promoting the ideal of building a happy and healthy workplace, Qisda plans the diverse employee benefits allowing all colleagues to experience the ideal workplace environment and wellbeing corporate culture. The Company creates various benefit plans, and the Welfare Committee consists of the Company's colleagues. For more details on employee rights, please see Labor-Management Relations (P 58-61) of Business Overview in Chapter 5.</p> <p>b. Qisda's specified personnel shall publicly announce with timely information on company financial conditions, businesses and event of changes regarding insider shareholdings on the Market Observation Post System (MOPS) in accordance with the provisions to achieve the information disclosure and transparency. Moreover, the information regarding investor contact person on the Company's official website.</p> <p>c. Qisda has established the hiring procedure for suppliers based on the future products in demand and purchase strategies. The purpose is to investigate whether a potential supplier's management system can meet the Company's requirements used as the basis for future hiring. This includes capacity, technological innovation capability, quality and service. Moreover, comply with revised "Operation Procedure for Regulations Governing the Review of Hiring Suppliers" as well as online system update in 2015, we've added three indicators (such as environment, human rights and morality as well as worker interests) to investigation items of new suppliers so as to screen the new suppliers through environmental and social items.</p> <p>d. The setup of Qisda's official website provides different interaction ways of different stakeholders that is disclosed annually in the corporate social responsibility report; in addition, the Company shall report to the Board of Directors aimed at communication with stakeholders at the beginning of every year that allows the Board to understand and listen to stakeholders' opinions.</p>

Evaluation Item	The Operations		Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	
e. Progress of training of directors and supervisors.			e. Qisda unregularly informs the directors and supervisors of the Company and its subsidiaries to participate in continuous education on relevant professional knowledge. In addition, we have also arranged the directors to participate in courses held by Taiwan Corporate Governance Association dated May and November 2019 aimed at "The Global Risks Trend 2019" and "Introduction on Key Rules in Fair Trade Law and Effect of Enforcement of Global Antitrust Law on Taiwan Companies.
f. Risk management policy and execution of risk measurement standards			f. Qisda has established the Risk Management Committee to formulate the risk management policies and regularly evaluate the Company's risk for risk mitigation. For more details on relevant information, please see Book Chapter Risk Management (P69).
g. Execution of customer policy			g. Qisda will get primary consideration for enhancing customer and business partner satisfaction that fulfills the promises of satisfaction on due date, cost, technology, quality, customer service, relevant regulations, overall evaluation to continuously ensure satisfying customers' needs. In order to timely respond and satisfy customers' various needs, the Company has established the Customer Service Division (CSD) to fully understand and listen to the Voice of Customer as well as help customers resolve problems.
h. Liability insurance purchased by the Company for directors and supervisors.			h. Qisda and its subsidiaries have purchased the liability insurance for directors and supervisors so that it can carefully execute the business operations as starting point for investor rights without worries. i. Qisda has donated and established the BenQ Foundation since 2003 dedicated to enhancing the society, culture and education, increasing self / communities relations, promoting quality of life as well as caring for disadvantaged groups. For more details on social responsibility practices, please see Status of Social Responsibility Status (P28).
<p>i. Please describe the improvement status according to the evaluation results of Corporate Governance Evaluation publicly announced by Governance Center of Taiwan Stock Exchange Corporate (TWSE) in recent years. In addition, the Company shall propose the matters and measures given priority to strengthen.</p> <p>The evaluation results of Corporate Governance Evaluation for Qisda in 2017, 2018 and 2019 were classified into three groups, which are the top 21% to 35%, 6% to 20%, and 6% to 20%, respectively.</p> <p>Qisda has designated a stakeholder area on its website in response to important issues on corporate social responsibility concerned by stakeholders. We will continue to strengthen the items for improvement relating to the following: Protection of shareholders' rights, equal treatment of shareholders, reinforcement of the Board structure and operations, improvement of information transparency, actual implementation of the corporate social responsibility, and more.</p>			

Note: Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI, Dataimage, SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its corporate governance.

## (IV) Composition, duties, and operations of the Company's Remuneration Committee:

## I. Information on the members of the Remuneration Committee

Position	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Remark		
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10				
Independent Director	Kane K.Wang	√	-	√	√	√	√	√	√	√	√	√	√	√	√	√	1	None
Independent Director	Allen Fan	-	-	√	√	√	√	√	√	√	√	√	√	√	√	√	1	
Independent Director	Jeffrey Y.C. Shen	-	-	√	√	√	√	√	√	√	√	√	√	√	√	√	0	

Note 1: Please add "√" in the field under each criteria number if the member meets the criteria two years prior to being elected and during his/her term of service.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or is ranked in the top 10 in shareholdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons under (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(6) Not a director, supervisor, or employee of other company if a majority of the company's director seats or voting shares and those of that other company are controlled by the same person. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(7) Not a director, supervisor, or employee of other company or institution if the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at that other company or institution are the same person or are spouses.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Do not apply in cases where the specified company or institution holds more than 20 percent but less than 50 percent of the Company's issued shares and are the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not been involved in any of situations defined in Article 30 of the Company Act.

## 2. Responsibilities of the Remuneration Committee:

Establish a performance-based compensation system for the Company through an independent standpoint, fulfill functional authority given by the Board of Directors, and regularly submit proposals or recommendations on the compensation system to be discussed at Board meetings.

## 3. Operation of Remuneration Committee:

(1) The Company has a Remuneration Committee composed of three members.

(2) Term of the current Committee: From June 22, 2017 to June 21, 2020.

The Company had convened third (A) Remuneration Committee meetings in 2019 with the following attendance:

Position	Name	Attendance in Person (B)	Attended by Proxy	Attendance Rate (%) (B/A) (Note)	Remark
Convener	Kane K.Wang	4	0	100%	
Committee Member	Allen Fan	4	0	100%	
Committee Member	Jeffrey Y.C. Shen	4	0	100%	

(3) Discussion from the Remuneration Committee, resolutions, and ways the Company handled opinions from committee members:

Remuneration Committee meeting	Item	Resolutions	The Company handled opinions from committee members
First March 21 2019	1. Approved the 2018 distribution of employees and directors' remuneration. 2. Proposed the 2019 compensation distributions to senior managerial officers.	Convener of the Remuneration Committee consulted the opinion of all attending remuneration committee members.	The proposal was approved without dissent and submitted for resolution at the Board meeting.

Other items that shall be recorded:

1. If the Board of Directors chooses not to adopt or revise recommendations proposed by the Remuneration Committee, the date of the Directors' Meeting, session, contents of proposals, results of meeting resolutions, and the Company's disposition of opinions provided by the Remuneration Committee shall be described in detail (also, where the salary and compensation approved by the Directors' Meeting is better than that recommended by the Remuneration Committee, the differences and the reason for the approval shall be described in detail): None.
2. For the decisions made by the Remuneration Committee, if there are members who hold objection or reservation to a resolution and such objection or reservation is on record or raised through a written statement, the date, session, contents of proposals, all members' opinions, and ways in handling these opinions should be elaborated: None

(V) Status on Performing Social Responsibility: The systems and measures adopted by the Company aimed at environmental protection, Community Involvement, social contribution, social service, public welfare, consumer rights, human rights, safety and health as well as other social responsibility activities, and its practices.

Evaluation	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	Summary Description	
A. Does the Company conduct the risk assessment on environmental, social and corporate governance issues related to corporate operation according to materiality principle? And any establishment of relevant risk management policy or strategies?	V		A. Qisda annually conducts the risk evaluation through material issues and identification by complying with GRI Standards. The Company regularly send out questionnaires on an annual basis to know the material issues of four major aspects with which the stakeholders are mostly concerned as follows: Economy / governance, environment, society, health and safety. We not only review the meaning of material issues identified in the year for Qisda as well as the scope, but also establish the annual target control of risk management. The results of target management are disclosed from the annual target check.	No differences.
B. Does the Company establish the specified (concurrent) units to promote the corporate social responsibility while being handled by the senior management authorized by the Board of Directors as well as being reported to the Board of Directors regarding the process status?	V		B. Since 2010, Qisda has formally established the "Corporate Sustainable Development Commission" that is in charge of presentation and implementation on corporate social responsibility policies, systems or relevant management approaches as well as concrete promotion programs. The President is selected to serves as the Chairperson of the committee, and senior executives of each department are selected to serves as the members of each aspect. The chief executive is responsible for coordinating and promoting the cross department matters relating to corporate sustainable development, as well as integrating the related departments to draft and promote the goals and KPI aimed at five major aspects are as follows: eco-friendly products, green building operations, green supply chain, corporate social responsibility and financial performance. There will be quarterly presentation reports and examination of implementation performance regarding each aspect by turns. The information will be integrated to control the KPI progress through management platform that shall be regularly reported to the Board of Directors on an annual basis.	No differences.

Evaluation	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	Summary Description	
<p><b>C. Environmental Issues</b></p> <p>a. Does the Company establish a suitable environmental management system according to its industrial characteristics?</p> <p>b. Does the Company dedicate to enhance the use efficiency of various resources and use the recycled materials with low impact on environmental load?</p> <p>c. Does the Company evaluate the current and future potential risks and opportunities of the enterprises brought about by climate change and adopt response measures of climate-related issues?</p> <p>d. Does the Company tabulate the greenhouse gas emissions, water consumption and total weight of waste over the past two years and formulate policies regarding carbon reduction, greenhouse gas reduction, less water consumption or other waste management?</p>	V		<p>a. Since 1997, Qisda has obtained ISO14001 environmental management system certification. The internal and external audits will be regularly implemented on an annual basis in worldwide manufacturing areas to ensure the operations of each environmental management rules. Moreover, the Company has obtained the ISO 50001 energy management system certifications and then passed the certifications in 2019 so as to improve the energy performance as well as further decrease the greenhouse gas emission.</p> <p>b. Qisda is dedicated to increasing the utilization efficiency of resources. In the aspect of source management, we actively implement resource recycling and sorting to substantially reduce the waste generation and create the volume of resource recycling. The proportion of waste on resource recycling and reuse has reached to 93% in 2019. In the aspect of water resource management, there is no wastewater generated in the manufacturing process. Due to only household sewage in each manufacturing area, the risk of no water use and water pollution is extremely low. Moreover, the wastewater reuse system is set up in the manufacturing areas of the world. The recycled household sewage is mostly used for watering the green plants planted in the factories. In the aspect of products, the self-produced products covering from research design to manufacture stage begin from eco-friendly products as a starting point by taking into consideration certain basic topics including prolonging the product life cycle, energy saving, easy recycling, low toxicity, decreasing environmental hazard, and more.</p> <p>c. According to corporate internal risk identification process, Qisda will evaluate climate change risks and opportunities derived from regulations, climate change and other weather. Through the operations of Corporate Sustainable Development Commission, the Company will individually develop the goals of strategies and management dedicated to “eco-friendly products”, “green building operations” and “green supply chain” that are managed by Key Performance Indicator (KPI).</p> <p>d. Qisda performs the annual statistics on total weight of greenhouse gas emissions, water use and waste disposal are as follows:</p> <ol style="list-style-type: none"> <li>1. Greenhouse gas emissions: 95,100 metric tons in 2019, 90,500 metric tons in 2018.</li> <li>2. Water use: 496,000 metric tons in 2019, 430,000 metric tons in 2018.</li> <li>3. Total weight of waste disposal: 31,000 metric tons in 2019, 34,000 metric tons in 2018.</li> </ol> <p>The Company has drawn up the policies on pollution prevention and waste reduction, on-going improvement of energy saving and water saving in social responsibility and management procedures for environment, safety and health. The waste reduction project embraces the themes regarding engineering improvement and administration management.</p>	No differences.
<p><b>D. Social Issues</b></p> <p>a. Does the Company follow relevant laws and regulations as well as the International Bill of Human Rights to establish related management</p>	V		<p>a. Since 2001, Qisda has obtained ISO45001 Occupational Safety and Health Management System certification and then obtained SA 8000 Social Accountability System</p>	No differences.

Evaluation	The Operations		Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	
<p>policies and procedures?</p> <p>b. Does the Company establish and implement the rational employee benefit measures (including remuneration, paid vacation and other benefits...etc.)? And any reflection on the corporate business performance or achievements in the employee remuneration?</p> <p>c. Does the Company provide a safe and healthy working environment to employees? And any regular implementation on safety and health education for employees?</p> <p>d. Does the Company build the efficient training programs of career planning ability for employees?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>certification in 2006. It shows that the Company has earned the international recognition on management of employee safety and health as well as labor conditions. Moreover, according to the Company's hiring principles, the public recruitment and selection will be performed based on actual business requests. We will put our company's talent to better use and allocate such talent to areas where they can thrive. No matter the ethnic or national origin of the person, race, colour, age, gender, sexual orientation, gender identity, expression, nationality or area, physical disabilities, pregnancy, belief, political inclination, groups' background, family responsibility, identity of soldiers discharged from the military, genetic informatics or marital status and only it is otherwise expressly provided by the act, there shall be no unequal treatment or behaviors. And, we never hire child workers and ban forced labor.</p> <p>b. Qisda consistently applies its management philosophy based on respect for human dignity and care of employees. In order to fully support the mental and physical health of employees and their families and build life guarantees, we specifically provide the bonuses for Taiwan's three main annual festivals, performance bonuses, operation bonus, paid vacation, group insurance, health inspections, dormitories and employees' continuing education programs. Moreover, relevant regulations on remuneration, attendance requirements and wide-ranging benefits have been established in the work rules so that our employees can concentrate their attention to put considerable effort into work.</p> <p>c. Since 2007, Qisda has introduced the Responsible Business Alliance (RBA) to the corporate management system. The management system covers several aspects such as labors, environmental protection, safety and health, as well as morality. In the aspect of safety and health, the Company continued to obtain the ISO 45001 certification to further solidify its compliance management. Moreover, we have established the sport venues and facilities in factories for employees to exercise for fitness as well as arranged the doctors in attendance. The Company regularly promotes health inspections and organizes periodic healthy activities for employees on an annual basis to support their mental and physical health.</p> <p>d. Qisda also puts a premium on employees' training and development. Resources are continually invested in providing the specific career development blueprint. Both physical and network learning platforms are provided to create a diverse array of training courses. The internal and external resources are also drawn on to establish Qisda Academy for training employees; the performance communication procedure held once in half a year regularly helps the employees evaluate their personal development plans and communicate with supervisors on matters as needed. Meanwhile, the talent review is annually conducted to confirm the status of organization and talent, unearth the potential employees to accelerate the job rotation or promotions, or help employees strengthen the items which should be developed. Qisda effectively provides the assistance of career plans and development to</p>	



Evaluation	The Operations		Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	
e. For customer health and safety, customer privacy, marketing and labeling regarding the Company's products and services, does the Company follow relevant laws, regulations and international guidelines? And any establishment of policies on consumer rights and interests as well as procedures for accepting consumer complaints?	V		<p>our employees through the methods mentioned above.</p> <p>e. The health and safety for products, service marketing and content designators of Qisda can be divided into hazardous substances and product waste. The description is as follows:</p> <ol style="list-style-type: none"> <li>1. Hazardous substance management: The "Hazardous Chemical Substance Control List" is established according to international regulations and customers' requirements. The purpose is to ensure that the products can comply with the international regulations and meet the customers' requirements through strict control toward an effective recognition of the components and final inspection. Since 2008, Qisda has passed IECQ QC 080000 Hazardous Substance Process Management System Certification.</li> <li>2. Product waste and recycling: The RD engineers are required to consider the product recycling rate and degree of difficulty for breakdown. The internal platform of breakdown and evaluation study for WEEE is used to calculate the product recycling rate in Mid-term design so as to ensure that the standards of recycling rate have fulfilled the WEEE requirements. Moreover, the major consideration before entering in the next design stage is the need of WEEE recycling logo and marking location or not.</li> </ol> <p>In the aspect of customer privacy, when Qisda's employees download the confidential document, the document background will show "Confidential" and the employee's name via watermark to remind the sensitivity and confidentiality of document, provide customer privacy and corporate assets various layers of protection against information disclosure; based on the fundamental principles and common legal requirements of General Data Protection Regulation (GDPR), the Company has established the personal information protection and code of conduct regarding management, which will be used as the behavior framework complied by the corporate and all employees. Such engagement in corporate operations and business practices will not violate the code of conduct.</p> <p>In the aspect of customer rights and complaints, Qisda regularly conducts the customer satisfaction surveys to ensure the understanding and satisfaction for the individual's needs. And, customers' complaints and reports requiring the Company to improve or help can be handled through the questionnaire. Qisda also conducts a comprehensive customer service satisfaction survey in January and July of each year. The Customer Service Department will send out the notification letters to customers' corresponding contact window and ask the customers to perform the scoring in Qisda Questionnaires Evaluation System.</p>
f. Does the Company establish the supplier management policy and ask the suppliers to follow the related rules for the issues such as environmental protection, occupational safety and health or labor and human rights? And any implementation status?	V		<p>f. Qisda provides layers of inspection to evaluate the suppliers through hiring procedure for suppliers. The aspects of inspection include corporate basic information, product information, major customers and financial status, contracts related to purchasing liabilities and obligations with the Corporate as well as hazardous and harmless Substance control document. Moreover, we abide the "Qisda Supplier</p>

Evaluation	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	Summary Description	
			Social Responsibility and Procedures for Environmental Safety and Health Audit Management".The purpose is to cover the topics (including environmental protection, occupational health and safety or labor and human rights) in annual survey of key suppliers, as well as confirm the matching degree of topics and having obtained relevant certifications or not.	
E. Does the Company prescribe the report on nonfinancial information disclosure such as CSR report by referring to international reports to prescribe the standards or guidelines? Does the Company obtain a third-party assurance or verification for the foregoing reports?	V		Since 2009, in order to ensure the quality of "Qisda Corporate Social Responsibility Report", create the GRI standard ((G3, G3.1, G4, Standards) and matching degree of AA1000AS (Account Ability 1000 Assurance Standard), the Company commissions an independent third-party assurance to verify the Report. Our reports starting from 2009 have been passed the verification of GRI G3 &G3.1 A+ &G4 Core & G4 &Standards Comprehensive as well as AA 1000AS Standard.The Reports starting from 2009 were conducted by Bureau Veritas Certification (Taiwan) Co., Ltd. (BVC). (The 2018 Report has been issued in June, 2019.And, the 2019 Report is expected to be published in June, 2020.)	No differences.
F. For the companies establishing their own corporate social responsibility principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please describe the operations and comparisons. Qisda has formally established the "Corporate Sustainable Development Commission" since 2010 that is responsible for promoting activities related to corporate sustainable development and social responsibility. Since 2007, Qisda has published the "Corporate Social Responsibility Report". For more details on operations, please see P 28-31. In 2015, we established the "Corporate Social Responsibility Practice Principles", and there is no material difference between the overall operations and "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies".				
G. Other important information that helps to understand the operations of corporate social responsibility: As the aforesaid operations. For more details on Qisda's corporate sustainable development and corporate social responsibility as well as published environmental reports in recent years and content of corporate responsibility report, please go to the Corporate Social Responsibility Section of our official website Qisda.com.				
H. Other important information that helps to understand the operations of corporate social responsibility: 1. Using 24" LCD Monitor (EW2430) to obtain the China's CarbonLabel by complying with customer's needs in 2011; the projectors (MP772ST) has obtained the dual certification of EPD and CarbonLabel from Taiwan Environmental Protection Agency. In 2013, Qisda obtained the certifications of integrated design ISO 14006 ( Incorporating Ecodesign ) and eco design IEC 62430 ( Environmentally Conscious Design for electrical and electronic products and systems ) regarding the products such as displays, projectors, smart phones, scanners, multimedia players and lights.And the lighting products (Be-Light) also won the 3rd Green Classics Product Award. In 2015, the Company further received the first prize in Environmentally Friendly Group in the Corporate Sustainability Award from Global Views Monthly. 2. In addition to factory greening planting and greenery, plus the addition of having received the first prize in the National "2011 Plant Greening Contest" from Industrial Development Bureau, Ministry of Economic Affaris (MOEA), Qisda puts effort into green factory and clean production. In 2012, Qisda passed the clean production certification, obtained the first green factory certification in 2017, and then the continuing certification of green factory in 2019. 3. In 2011, Qisda received the Gold Prize in Corporate Branding for Ranking of Well-Being Marriage and Fertility Index Around Taiwan held by Ministry of the Interior, Executive Yuan. The Company outshone the other corporates participating in evaluation, earning the highest honors.This shows that Qisda's performance on being continuously promoted to build a friendly and healthy workplace has earned recognition from national awards.The Company further has been included in the 2012 Best Companies to Work For Award from Taipei City Government, received the "Relaxed Work Award" from Department of Labor and Employment in 2016, and won the "Best Companies to Work for in Asia 2019 Awards" in 2019. 4. In 2011, Qisda obtained the "Bronze Medal Award in Manufacturing Industry for 2012 Taiwan Corporate Sustainability Report Awards" by using CSR Reports, and then "Top 50 Excellent Enterprise Awards in Manufacturing Industry for "2013 Taiwan CSR (Corporate Sustainability Reports) Awards".The Company were also simultaneously given the "The Model of The Best Climate Leadership Awards" with excellent weather change strategies and carbon management. 5. In 2012 and 2013, Qisda has been included in the excellent entrepreneur for "Excellent Cases of CSR Reports" from Industrial Development Bureau, Ministry of Economic Affaris (MOEA).The invited content of reports will be presented in the excellent case introduction on the topic of "Implementation of Low Carbon and Effort of Green Growth" from Industrial Development Bureau. 6. In 2014, Qisda obtained the "Silver Award in Corporate Sustainability Reporting of Computer-Related Manufacturing for Large-Scale Enterprises" for "2014 Taiwan CSR (Corporate Sustainability Reports) Awards" by using the 2013 CSR Reports. In 2016, the Company also obtained the Gold Award in "Electronic and Information Manufacturing" of Top 50 Taiwan Corporate Sustainability Report for "2016 Taiwan Corporate Sustainability Awards (TCSA)" as well as "Climate Leadership Awards". In 2017, Qisda has obtained the "Gold Award				

Evaluation	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	Summary Description	
<p>in Taiwan CSR (Corporate Sustainability Reports) Awards” and “Corporate Comprehensive Performance Awards - Taiwan Top 50” of “2017 Taiwan Corporate Sustainability Awards (TCSA)”. In 2018, Qisda obtained the “Gold Award in Taiwan CSR (Corporate Sustainability Reports) Awards” and “Corporate Comprehensive Performance Awards”. In 2019, Qisda further received the Platinum Award in “Electronic and Information Manufacturing” of Corporate Sustainability Report Category for “2019 Taiwan Corporate Sustainability Awards (TCSA)” and “Corporate Comprehensive Performance Awards” with the most excellent grades in recent years. Both the quality of reports and transparency have earned further recognition.</p> <p>7. Qisda’s performance on corporate social responsibility ranked twelfth in the 2015 Asia Sustainable Development Index, and then ranked fifth in 2016. In 2016, the Company was also simultaneously given the “The Model of Electronic Technology Group for Corporate Social Responsibility Awards” from Global Views Monthly.</p> <p>8. Qisda was selected as a member of the Hong Kong and South East Asia Climate Disclosure Leadership Index, HK-SE CDLI for 2015 Carbon Disclosure Project (CDP). Similarly, Qisda has received an “A-“ rating at leadership level for a second straight year since 2016.</p> <p>9. In 2017, Qisda obtained the “Annual Best Business Continuity Management (BCM) Awards” from StrategicRISK. In 2018, the Company was named as a member of the Top 100 Global Technology Leaders by Thomson Reuters.</p> <p>10. In 2018, Qisda was named a member of Taiwan 30 Benchmarking Enterprises for “CSRone Sustainability Reporting Platform”. At the same time, the Company was named as a constituent of the “Taiwan Sustainability Index (TWSI)”.</p> <p>11. In 2018, Qisda was significantly introduced by the “Sustainable Industrial Development Quarterly” from Industrial Development Bureau, Ministry of Economic Affairs (MOEA) by using its “Integrated Design Management System”, in which the invited content will be presented in the category of “Sustainable Innovation” for “Corporate Sustainable Development Story Collection”.</p> <p>12. In 2019, Qisda passed the first safety certification of Human-Robot Collaboration (HRC) around Taiwan.</p> <p>13. Qisda Chairman Peter Chen has received an annual award for “EY Entrepreneur Of The Year 2019” and Excellent Business Model Entrepreneur Of The Year.</p>				

Note: Please refer to the 2019 Annual Reports of the Company’s Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI, Dataimage, SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its fulfillment of social responsibilities.

(VI) Implementation of Ethical Management and Implemented Measures:

Evaluation Item	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	Summary Description	
<p>A. Establish ethical management policies and plans</p> <p>a. Does the Company establish the ethical management policies passed by the Board of Directors and then publicly specify the policies and methodology of ethical management in regulations and document as well as the commitment in terms of management policies actively fulfilled by the Board of Directors and senior management?</p> <p>b. Does the Company establish the evaluation mechanism on higher risk of unethical behavior, regularly analyze and evaluate the business activities with higher risk of unethical behavior, as well as adopt the preventative measures at least covering the Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies?</p>	<p>V</p> <p>V</p>		<p>a. “Treat customers, suppliers, creditors, shareholders, employees and public with integrity” serves as Qisda’s corporate mission and all employees’ responsibility. Qisda prohibits any behavior such as corruption, bribery and extortion. We ask our employees to aggressively clarify and actively improve our daily practices so as to increase our ethical integrity. Qisda has created the “Integrity Handbook” and “Ethical Corporate Management Best Practice Principles for Qisda Corporation” passed by the Board of Directors that shows the concrete norms of behavior aimed at policies or methodology of ethical management.</p> <p>b. Integrity Handbook serves as the highest code of conduct for all Qisda employees in proceeding with business activities. New employees are reminded to abide the relevant rules through education training while joining in the Company. We will strengthen the promotional efforts on code of conduct such as “Do not receive external gifts” at major holidays such as dragon-boat and mid-autumn festivals and Chinese New Year, as well as our employees’ awareness of integrity. Qisda employees must absolutely abide the related regulations in Integrity Handbook. Any employee, in case of an event in the form of corruptions and</p>	<p>No differences.</p>

Evaluation Item	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	Summary Description	
c. Are the operational procedures, guidelines, disciplinary and appeal system of impairment included in the Company's prevention programs of unethical behavior thorough implementation? And any regular review of the foregoing programs for better implementation?	V		<p>fraud occurring, may be most severely punished by the expulsion according to the Company's "Management Guidelines for Punishment". The serious inappropriate manners, such as practices graft and fraud, embezzlement, any person who accepts of a bribe and commission; where the conflicts occurred between the Company's interest and business is materially affected due to external engagement in operating other enterprises; imitating the immediate supervisor's signature or misappropriation of seals, shall be regarded as violation cases where expulsion shall be made. The Risk Management Department regularly evaluates the risk of unethical behavior on an annual basis so as to adopt the preventative measures.</p> <p>c. The code of conduct regarding "Conflicts of Interest", "Legal Compliance" as well as "Trade Secret and Corporate Asset" are specified in Qisda's Integrity Handbook. Once we discover violation of integrity philosophy by someone or related to some matter, or regulations of integrity principles are violated, it will be delivered for the Material Disciplinary Committee consisting of cross department senior managers to review. Should the material matter related to violation of integrity principles occurred, it will be reported to the Audit Committee or the Board of Directors in accordance with the relevant laws and operating procedures. The Risk Management Auditing Office will conduct a random assessment aimed at relevant processes and operation description to avoid the possible unethical behavior occurring. In November 2015, Qisda established the "Prevention and Management Guidelines for Serious Misconduct" to enhance the corporate governance, in which the Company strengthen the management system covering from three major aspects of prevention, detection and response dedicated to serious misconduct, such as conflicts of interest, inappropriate acceptance of a bribe, and more. The Human Resources Department will deliver the reminder of ethical conduct such as "Principles for External Gifts" as e-newsletters to the email account of each employee at major holidays.</p>	
<p>B. Implementation on ethical management</p> <p>a. Does the Company consider the ethical practices of the transaction partner as well as the clauses regarding ethical conduct contained in the agreement with the other party?</p> <p>b. Does the Company establish the designated unit set up under the Board of Directors responsible for promoting the corporate ethical management and regularly (at least once a year) reporting its ethical management policies, prevention programs of unethical behavior and implementation to the Board of Directors?</p> <p>c. Does the Company establish the policies for preventing conflicts of interest, provide the appropriate presentation channel and implement?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>a. Qisda clearly stipulates the cooperative principle of honesty and integrity in the purchase contract. Should the matter related to violation of integrity principles occurred, it allows the Company to terminate the contract or permanently stop the cooperation with the suppliers if the other party is involved in unethical conduct.</p> <p>b. The Ethical Management Task Force Team is contained in Qisda's organization. The group's members are professional personnel drawn mainly from human resources, risk management, and audit. The group is responsible for formulating rules, organizing educational training sessions, appeal channels and reviews on ethical risk as well as reporting their findings to the Board of Directors.</p> <p>c. Regarding conflicts of interest, Qisda has created the "Integrity Handbook", "Code of Ethical Conduct of the Board Directors and Executives", "Ethical Corporate Management Best Practice Principles", "Management Guidelines for Whistleblowing and Appeal Procedures", "Prevention and Management Guidelines for Serious Misconduct" and "Investigation and Management Guidelines for Serious Misconduct". The Company conducts the implementation status on norms of behavior, misconduct</p>	No differences.

Evaluation Item	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	Summary Description	
<p>d. Has the Company established the effective accounting system and internal control system for implementing the ethical management, where the relevant audit plans are devised based on evaluation results of the risk of unethical behavior by internal audit unit, or by commissioning the accountant to review the information related to prevention programs of unethical behavior?</p> <p>e. Does the Company regularly organize the internal and external training sessions on ethical management?</p>	V		<p>prevention, informing as well as investigation on each aspect.</p> <p>d. Qisda complies with legal requirements, continuously revises the internal control system as well as review and evaluate the effectiveness of internal control system implementation. The Auditing Office devises the relevant audit plans according to evaluation results of the risk of unethical behavior as well as regularly reviews the related information. The legal requirements of Auditing Office are covered in annual review items, and the relevant results and improvement status are quarterly reported to the Audit Committee and the Board of Directors. All the corporate accounting system will follow the legal requirements to establish the regulations. The attesting CPA also quarterly reviews or evaluates the Company's financial statements, issues the reports and regularly reports on evaluation results to the Audit Committee members in Audit Committee.</p> <p>e. Qisda annually provides an online training session regarding overview of Integrity Handbook to all employees.</p>	
<p>C. The operations of corporate whistleblowing system</p> <p>a. Does the Company establish the concrete whistleblowing and rewards systems, set up the convenient reporting channel as well as assign the appropriate special personnel to process complaints dedicated to the person being accused?</p> <p>b. Does the Company establish the standard operating procedures for the investigation, as well as the follow-up measures and relevant confidentiality mechanisms that shall be adopted after investigation?</p> <p>c. Does the Company adopt the measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistleblowing?</p>	V	V	V	No differences.
<p>D. Strengthening the information disclosure</p> <p>a. Does the Company disclose their ethical corporate management best practice principles and the effectiveness of the promotion on the websites or on the Market Observation Post System (MOPS)?</p>	V		<p>The "Corporate Social Responsibility" section set up in Qisda's official website: In this section, relevant information of the corporate governance and ethical management is honestly, clearly and publicly disclosed. We have established the principles for integrity in the front page of our internal employee website in Chinese and English. The purpose is to actively remind that our employees should clarify and aggressively improve our daily practices so as to increase our ethical integrity, as well as provide the anti-corruption channels for suppliers. Moreover, the "Investor Relations" section also provides the information related to corporate governance, important resolutions reached by the Board of Directors and operational description presentation. We can know that Qisda discloses its ethical corporate management best practice principles and the effectiveness of the promotion on the Market Observation Post System (MOPS).</p>	No differences.
<p>E. For the companies establishing their own ethical corporate management principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", please describe the operations and comparisons. In May 2015, Qisda established the "Qisda Ethical Corporate Management Principles", and there is no material difference between the overall operations and "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies".</p>				
<p>F. Other important information that helps to understand the operations of corporate social responsibility: (For example, the Corporate</p>				

Evaluation Item	The Operations		Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	
			<p>reviews the presented results to facilitate the timely amendment of the ethical corporate management principles, and more.)</p> <ol style="list-style-type: none"> <li>1. Qisda has set up the anti-corruption channels for suppliers. In case of any violation of "ethical" moral principles and integrity, the suppliers can react through integrity mailbox: Integrity@Qisda.com. The Company will handle the case in a timely manner. In addition, Qisda will strictly keep investigation content and results confidential for whistleblowers, as well as ensure that the rights of relevant personnel will not be damaged.</li> <li>2. The Human Resources Department (HR) annually carries out the company-wide online training sessions regarding "Integrity and Against Corruption" on an annual basis. The content includes introduction to Integrity Handbook, summarization and practical example description. We also provide the tests after session to evaluate employees' learning results. Beyond the original Integrity Handbook in Traditional Chinese and English versions, Qisda also completed the Simplified Chinese version dedicated to overseas branch in 2010. The purpose is to propagate the Integrity Handbook as well as provide education related training sessions.</li> <li>3. For various operating procedures of daily operation activities, Qisda has designed the appropriate internal control mechanism to decrease the possible corruption occurring as well as take measures to prevent its occurrence. The Company's Audit Unit regularly evaluates the management effect of internal control mechanism, collect the suggestions on various potential risks (including fraud and corruption) from each department head, set the appropriate audit plans for the basis of relevant check, as well as regularly report the findings to Audit Committee and the Board of Directors that allows the top management to understand the status of corporate governance in pursuit of the management goals.</li> <li>4. For more details on Qisda's ethical management, please refer to the Company's corporate sustainable development reports in recent years, or go to the Corporate Social Responsibility Section of our official website Qisda.com.</li> </ol>

Note: Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI, Dataimage, SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its implementation of ethical management and implemented measures.

(VII) Please disclose the access to Company's "Corporate Governance Best Practice" and relevant regulations

The Company has established the Corporate Governance Best Practice Principles on May 5, 2015. For the Company's corporate governance operations, please refer to the chapter of Implementation of Corporate Governance (P17-P42) of this Annual Report and corporate governance report. Regulations such as Regulations for Procedures of Shareholders' Meetings, Organizational Rules for Audit Committees, Organizational Procedures for Remuneration Committee, Corporate Governance Best Practice, Corporate Social Responsibility Best Practice, Ethical Corporate Management Best Practice, Directors and Managers Ethical Practice, Regulations for the Election of Directors, Regulations Governing Loaning of Funds, Regulations Governing Making of Endorsements/Guarantees, Regulations Governing the Acquisition and Disposal of Assets, Procedures for Financial Derivatives Transactions, Regulations for Disclosure of Financial Business Information, Guidelines for Management of Subsidiaries and Process of Internal Major Information and Insider Trading Prevention Management, etc., have been issued by the Company, please visit contact Qisda.com for details of these regulations.

(VIII) Other important information for enhancing understanding of the implementation of corporate governance:

1. On August 27, 2009, the Company reached the resolutions of the Audit Committee and the Board of Directors for approving "Guidelines for Process of Internal Major Information and Insider Trading Prevention Management".
2. On November 7, 2018, the Board of Directors made the resolution of appointing corporate governance personnel to protect shareholders' rights and enhance the functions of the Board of Directors.
3. The newly-elected Directors of the Company will be given the brochure of published by the Company, which has the content including various laws and regulations (including the major information processing and insider trading prevention procedures specified in the preceding Paragraph) and precautions to facilitate legal compliance.

(IX) The Company regularly arranges for senior executives to attend corporate governance courses. Please see the following table for corporate governance training undertaken by senior executives in 2019:

Title	Name	Date Elected	Date of continuing education		Organizer	Course Name	Length of the curriculum	Compliance with regulations
			From	To				
Honorary Chairman	K.Y. Lee	2017/06/22	2019/11/22	2019/11/22	Taiwan Corporate Governance Association	Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3	Yes
			2019/05/16	2019/05/16	Taiwan Corporate Governance Association	2019 Global risk trends	3	Yes
Chairman and President	Peter Chen	2017/06/22	2019/11/22	2019/11/22	Taiwan Corporate Governance Association	Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3	Yes
			2019/05/16	2019/05/16	Taiwan Corporate Governance Association	2019 Global risk trends	3	Yes
Director	Paul Peng	2017/06/22	2019/11/21	2019/11/21	Securities and Futures Institute	Legal compliance for insider equity transaction	3	Yes
			2019/10/17	2019/10/17	Taiwan Corporate Governance Association	Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3	Yes
			2019/03/12	2019/03/12	Taiwan Corporate Governance Association	2019 Global risk trends	3	Yes
Director	Joe Huang	2017/06/22	2019/11/22	2019/11/22	Taiwan Corporate Governance Association	Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3	Yes
			2019/05/16	2019/05/16	Taiwan Corporate Governance Association	2019 Global risk trends	3	Yes
Independent Director	Kane K. Wang	2017/06/22	2019/11/22	2019/11/22	Taiwan Corporate Governance Association	Brief Introduction to the Fair Trade Act, and Impact of Global Antitrust Regulations on Taiwanese Enterprises	3	Yes
			2019/05/16	2019/05/16	Taiwan Corporate Governance Association	2019 Global risk trends	3	Yes
Independent Director	Allen Fan	2017/06/22	2019/09/27	2019/09/27	Taiwan Corporate Governance Association	Corporate social responsibility and sustainable competitiveness	3	Yes
			2019/09/27	2019/09/27	Taiwan Corporate Governance Association	How to supervise Corporate Enterprise Risk Management by directors and supervisors.	3	Yes
Independent Director	Jeffrey Y.C. Shen	2017/06/22	2019/10/29	2019/10/29	Taiwan Corporate Governance Association	Criminal Legal Risks and Countermeasures of Enterprise Directors and Supervisors- Corporate fraud and money laundering prevention	3	Yes
			2019/05/16	2019/05/16	Taiwan Corporate Governance Association	2019 Global risk trends	3	Yes
Accounting Manager	Billy Liu	2019/09/01	2019/10/16	2019/10/16	Accounting Research and Development Foundation.	IFRS No 9 Financial Instruments- Explanation of Explanatory Examples	3	Yes
			2019/10/17	2019/10/17	Accounting Research and Development Foundation.	Cash flow statement preparation practice workshop	3	
			2019/10/30	2019/10/30	Accounting Research and Development Foundation.	Legal liability of "employee fraud" and Discussion on fraud identification	3	
			2019/11/18	2019/11/19	Accounting Research and Development Foundation.	Accounting Manager continuing education courses by Issuers, Securities Firms, and Securities Exchanges	12	
			2019/11/25	2019/11/25	Accounting Research and Development Foundation.	An Analysis of the Legal Responsibilities and Practice Cases of "Inside Trading" in the Securities Market from the Perspective of Judiciary	3	
			2019/11/26	2019/11/26	Accounting Research and Development Foundation.	IFRS15 Analysis of revenue recognition practical issues	3	
			2019/12/04	2019/12/04	Accounting Research and Development Foundation.	Case Analysis of "Fake Foreign Investment and Illegal Securities Trading" and Discussion on legal responsibility	3	

(X) Status of Implementation of Internal Control System

I. Statement of internal control system

Qisda Corporation  
Statement of Internal Control System

Date: March 27, 2020

Based on the findings of a self-assessment, Qisda Corporation (Qisda) states the following with regard to its internal control system during the year 2019:

1. Qisda's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Qisda takes immediate remedial actions in response to any identified deficiencies.
3. Qisda evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities.
4. Qisda has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Base on the findings of such evaluation, Qisda believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency , reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of Qisda's annual report for the year 2019 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was passed by the board of directors in their meeting held on March 27, 2020, with seven attending directors all affirming the content of this Statement.

Qisda Corporation

Chairman & President  
Peter Chen,

2. Companies which CPAs to professionally review the internal control system shall disclose the review report provided by the accountants: Not applicable.

(XI) The Company and its personnel have been punished by law, the Company has undertaken disincentive measures for its personnel for breaching the internal control system, and any material deficiencies and revisions in the most recent year up to the publication date of the Annual Report: None.



(XII) Material Resolutions Approved by Board Meetings

Date	Meeting of 2019	Resolutions
Mar. 21, 2019	1 <sup>st</sup> Board Meeting	<ol style="list-style-type: none"> <li>1. Approved the proposal of 2018 financial statements</li> <li>2. Approved the proposal of 2018 distribution of surplus</li> <li>3. Approved the proposal of issuance of common stocks for capital increase by cash to participate the issuance of overseas depositary receipt and/or issuance of common stocks for capital increase by cash and/or private placement of common stocks for capital increase by cash and/or private placement of overseas or domestic convertible bonds.</li> <li>4. Approved the proposal of the convene date of 2019 Shareholders' Meeting and meeting agenda</li> <li>5. Approved the proposal of donation of NT\$ 5 million to BenQ Foundation</li> </ol>
May 8, 2019	2 <sup>nd</sup> Board Meeting	<ol style="list-style-type: none"> <li>1. Approved the proposal of financial statement of Q1, 2019</li> <li>2. Approved the proposal of discontinuing private placement of securities approved by the 2018 Shareholders' Meeting</li> <li>3. Proposal for making guarantee for Qisda (L) Corp. with the amount of US\$ 60 million</li> <li>4. Approved the amendment of proposal issuance of common stocks for capital increase by cash to participate the issuance of overseas depositary receipt and/or issuance of common stocks for capital increase by cash and/or private placement of common stocks for capital increase by cash and/or private placement of overseas or domestic convertible bonds</li> </ol>
Jun. 21, 2019	Shareholders' Meeting	<ol style="list-style-type: none"> <li>1. Recognized the proposal of 2018 financial statements and business report Status: Proposal approved and recognized</li> <li>2. Recognized the proposal of 2018 distribution of surplus Status: Proposal approved and recognized. For distribution of cash dividends, an amount of NT\$ 0.85 is distributed per share and the total amount is NT\$1,671,764,664</li> <li>3. Approved the proposal of issuance of common stocks for capital increase by cash to participate the issuance of overseas depositary receipt and/or issuance of common stocks for capital increase by cash and/or private placement of common stocks for capital increase by cash and/or private placement of overseas or domestic convertible bonds Status: Proposal approved and recognized</li> <li>4. Approved the amendment to Articles of Incorporation Status: Proposal approved and recognized</li> <li>5. Approved the amendment to Handling Procedures for Acquisition or Disposal of Assets and Handling Procedures for Conducting Derivative Transactions Status: Proposal approved and recognized</li> <li>6. Approved the amendment to Handling Procedures for Lending Funds to Other Parties and Handling Procedures for Endorsements and Guarantees Status: Proposal approved and recognized</li> <li>7. Approved to lift non-competition restrictions on current directors and their representatives. Status: Proposal approved and recognized</li> </ol>
July 23, 2019	3 <sup>rd</sup> Board Meeting	<ol style="list-style-type: none"> <li>1. Approved to establish a new joint venture company (BenQ Biotech ( Shanghai ) Co., Ltd) with Shanghai Kunxin Medical Technology Co., Ltd. by cash injection.</li> </ol>
Aug. 9, 2019	4 <sup>th</sup> Board Meeting	<ol style="list-style-type: none"> <li>1. Approved the proposal of financial statement of Q2, 2019</li> <li>2. Approved the Company participates in SYSAGE TECHNOLOGY CO., LTD's private placement of common shares</li> <li>3. Approved the Company participates in Topview Optronics Corporation's private placement of common shares</li> </ol>
Aug. 30, 2019	5 <sup>th</sup> Board Meeting	<ol style="list-style-type: none"> <li>1. Approved to additional investment in Qisda Vietnam Co.,Ltd</li> <li>2. Approved the Company's CFO and Corporate Governance Officer</li> <li>3. Approved the Company's accounting officer appointment</li> </ol>
Nov. 8, 2019	6 <sup>th</sup> Board Meeting	<ol style="list-style-type: none"> <li>1. Approved the proposal of financial statement of Q3, 2019</li> <li>2. Approved the proposal of acquisition of the right-of-use asset for business use from a related party.</li> <li>3. Proposal for making loan for Qisda Labuan with the amount of US\$ 30 million</li> </ol>

Date	Meeting of 2020	Resolutions
Mar. 27, 2020	1 <sup>st</sup> Board Meeting	<ol style="list-style-type: none"> <li>1. Approved the proposal of 2019 financial statements</li> <li>2. Approved the proposal of issuance of common stocks for capital increase by cash to participate the issuance of overseas depositary receipt and/or issuance of common stocks for capital increase by cash and /or issuance of preferred shares for cash in public offering and /or private placement of common stocks for capital increase by cash and/or private placement of overseas or domestic convertible bonds.</li> </ol>

Date	Meeting of 2020	Resolutions
		3. Approved the proposal of the convene date of 2020 Shareholders' Meeting and meeting agenda 4. Approved the proposal of donation of NT\$ 5 million to BenQ Foundation
Mar. 31, 2020	2 <sup>nd</sup> Board Meeting	1. Approved the Company participates in Simula Technology Inc.'s private placement of common shares

(XIII) Major contents of any dissenting opinions on record or stated in a written statement made by Directors or supervisors regarding material resolutions passed by the Board of Directors' Meeting in the most recent year up to the publication date of this report: None.

(XIV) In the most recent year up to the publication date of the Annual Report, a summary of the resignation and dismissal of the Company personnel such as Chairman, President, accounting manager, financial manager, internal audit manager and R&D manager:

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Financial manager	David Wang	September 5, 2007	September 1, 2019	Retirement
Accounting manager	David Wang	September 5, 2007		
Corporate Governance Officer	David Wang	November 7, 2018		

#### IV. Information on CPA fees

Unit: NT\$1,000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					CPAs Audit Period	Remark
			System Design	Company Registration	Human Resource	Others (Note )	Subtotal		
KPMG	Tang, Tzu-Chieh Chang, Huei-Chen	8,400	0	0	0	210	210	2019.1.1~2019.12.31	

Note: Fees mainly related to tax services.

Note 1. Non-audit fees paid to the CPA, accounting firm of CPA and its affiliates were more than 25% of the audit fees: None

Note 2. Replacement of accounting firm and the audit fees in the replacing year is less than that in the previous year: Not applicable.

Note 3. Audit fees were reduced by over 10% compared with the previous year: None

#### V. Information on replacement of CPAs

##### (I) Regarding former CPA

Replacement date	March 22, 2019		
Reason and explanation for replacement	The CPAs are changed from Tang, Tzu-Chieh and Shih, Wei-Ming to Tang, Tzu-Chieh and Chang, Huei-Chen to the internal adjustment from the accounting firm.		
Explain why the appointor or CPA terminated or refused to accept the appointment	Status	Partie	Appointor
	Appointment terminated	Not applicable	
	Refused to accept (continue) appointment		
Audit report opinions other than unqualified opinion over the last two years and reason	None		
Did issuer have a different opinion	None		
Other items requiring disclosure (disclosures for Clause 6.1.4~7, Article 10 of these guidelines)	None		

##### (II) Regarding the Succeeding CPA

Name of CPA firm	KPMG
Name of CPAs	Chang, Huei-Chen
Date of Appointment	March 22, 2019
Inquiries regarding the accounting treatment methods of specific transactions, accounting principles or opinions provided on financial report prior to the appointment and results	None
Written opinion of successor CPA regarding discrepancies in opinion with the prior CPA	None

(III) Former CPA Letters Regarding Clause 5.1 and 5.2.3, Article 10 of these Guidelines: Not applicable

VI. Has any of the Company's Chairman, President, or managers responsible for finance or accounting duties served in the Company's CPA firm or its affiliated Company within the most recent year: None.

VII. The Situation of equity transfer or changes to equity pledge of Directors, managers or shareholders holding more than 10% of Company shares in the most recent year (or initial date of a manager's term of service) up to the publication date of this report:

(I) Changes in shares held by Directors, managers, and shareholders holding 10% or more of shares:

Title	Name	As of April 21, 2020		2019	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Chairman	Peter Chen	0	0	0	0
Director	K.Y. Lee	0	0	0	0
Director	AU Optronics Corp.	0	0	0	0
Representative of Corporate Director	Paul Peng	0	0	0	0
Director	BenQ Foundation	0	0	0	0
Representative of Corporate Director	Joe Huang	0	0	0	0
President	Peter Chen	0	0	0	0
Vice President	Mark Hsiao	0	0	0	0
Vice President	April Huang	0	0	0	0
Vice President	Joe Huang	0	0	0	0
Vice President	CY Ho	0	0	0	0
Vice President	Harry Yang	0	0	(258)	0
Vice President	Daniel Hsueh	0	0	0	0
Vice President	Michael CH Lee	0	0	0	0
Vice President	Daven Wu	0	0	0	0
Associate Vice President	Jasmin Hung	0	0	0	0
Associate Vice President	T.S. Wu	0	0	0	0
Associate Vice President	Rex Wu	0	0	0	0
Associate Vice President	Eric Lee	0	0	0	0
Associate Vice President	Jack Wang	0	0	0	0
Associate Vice President	T.H. Lee	0	0	0	0
Associate Vice President	Tony Chao	0	0	0	0
Associate Vice President	Ray Huang	0	0	0	0
Associate Vice President	Nick Niek	0	0	0	0
Associate Vice President	Danny Lin	0	0	0	0
Associate Vice President	Tony Lin	0	0	0	0
Associate Vice President	Calvin Jeng	0	0	0	0
Associate Vice President	Y.S. Cheng	0	0	0	0
Associate Vice President	Aaron Ho	0	0	0	0
Associate Vice President	Joe Lee	0	0	0	0
Associate Vice President	Alex Wu	0	0	0	0
Major shareholder	AU Optronics Corp.	0	0	0	0
Independent director	Kane K. Wang	0	0	0	0
Independent director	Allen Fan	0	0	0	0
Independent director	Jeffrey Y.C. Shen	0	0	0	0
Finance Supervisor	Jasmin Hung	0	0	0	0
Accounting Supervisor	Billy Liu	0	0	0	0

Note: Those who still serve in their respective positions when the Annual Report is published.

(II) Counterparty of equity pledge is a related party: None

(III) Counterparty of equity pledge is a related party: None

VIII. Information of relationships between Top 10 shareholders are related parties, spouses or relatives within the second degree of kinship Relationship  
Information of relationships between Top 10 shareholders are related parties

April 21, 2020

Name (Note1)	Shares held		Shares held by spouse or underage children		Total shares held in the name of other persons		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its title (or name) and relationships (Note2)	
	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Title (or Name)	Relationships
AU Optronics Corp.,	335,230,510	17.04%	0	0.00%	0	0.00%	None	None
AU Optronics Corp., Representative : Paul Peng	9,164	0.00%	65,032	0.00%	0	0.00%	None	None
ACER INCORPORATED	81,712,690	4.15%	0	0.00%	0	0.00%	None	None
ACER INCORPORATED Representative : Jason Chen	0	0.00%	0	0.00%	0	0.00%	None	None
Cathay Life Insurance Co., Ltd.	70,350,000	3.58%	0	0.00%	0	0.00%	None	None
Cathay Life Insurance Co., Ltd. Representative : Tiaogui Huang	0	0.00%	0	0.00%	0	0.00%	None	None
Darfon Electronics Corp.	36,559,000	1.86%	0	0.00%	0	0.00%	None	None
Darfon Electronics Corp. Representative : Andy Su	284,234	0.01%	0	0.00%	0	0.00%	None	None
Citibank Taiwan in Custody for Norges Bank	30,934,059	1.57%	0	0.00%	0	0.00%	None	None
Polunin Developing Countries Fund, LLC	25,605,762	1.30%	0	0.00%	0	0.00%	None	None
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	23,436,660	1.19%	0	0.00%	0	0.00%	None	None
Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	21,093,620	1.07%	0	0.00%	0	0.00%	None	None
CREO VENTURE CORP	17,095,234	0.87%	0	0.00%	0	0.00%	None	None
Dimensional Emerging Markets Value Fund	15,566,171	0.79%	0	0.00%	0	0.00%	None	None

Note 1: Each of the top ten shareholders should be listed. Both the corporate shareholder name and representative name should be listed for corporate shareholders.

Note 2: Shareholding percentage calculations are made using the individual shareholding percentages of the person, his/her spouse, minor children and use of other names.

IX. Shareholdings and Combined Joint Shareholdings of Businesses Invested in by the Company, Company Directors, Supervisors or Executive Officers or Directly or Indirectly Controlled by the Company

December 31, 2019

Investment business (Note 1)	Investment by the Company		Investment by Directors, supervisors, managers and directly or indirectly-controlled business (Note 2)		Combined investment	
	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)
AU Optronics Corp.,	663,598,620	6.90%	17,884,870	0.19%	681,443,490	7.09%
Darfon Electronics Corp.,	58,004,667	20.72%	16,159,798	5.78%	74,164,465	26.50%
QS CONTROL CORP.	6,000,000	20.00%	-	-	6,000,000	20.00%
VISCO VISION INC.	-	-	14,261,703	26.41%	14,261,703	26.41%
CENEFOM CORP.	-	-	1,095,000	12.12%	1,095,000	12.12%
Green Island Co., Ltd.	-	-	-	33.33%	-	33.33%
YOUPOS SYSTEMS INC.	-	-	500,000	27.03%	500,000	27.03%
TDX Medical Technology (Jiangsu)Co.,Ltd	-	-	-	40.00%	-	40.00%
Alpha Networks Inc.	100,000,000	18.43%	24,692,000	4.55%	124,692,000	22.98%
DMC Components International, LLC	-	-	300,000	30.00%	300,000	30.00%
Nanjing Silvertown Health & Development Co., Ltd	-	-	-	30.00%	-	30.00%

Note 1: Invested by the Consolidated Company using the equity method

Note 2: Information recorded on the shareholder roster as of the latest book closure date of each company

## Capital and Shares

### I. Capital and shares

#### (I) Source of Share Capital

April 21, 2020; Unit: NTD

Year and month	Issued price (par value per share)	Authorized capital		Paid-in capital		Note				
		Number of Shares (thousand shares)	Amount (thousand)	Number of Shares (thousand shares)	Amount (thousand)	Source of capital (thousand)	Capital increase approval date	Certificate No.	Capital increase by assets other than cash	Others
1984.04	10	14,000	140,000	3,500	35,000	Establishment			-	-
1984.11	10	14,000	140,000	7,000	70,000	Capital increase by cash 35,000			-	-
1986.12	10	14,000	140,000	14,000	140,000	Capital increase by retained earnings 70,000			-	-
1989.12	30	17,000	170,000	17,000	170,000	Capital increase by cash 30,000	1989.12.30	Ministry of economic affairs certificate no. 135215	-	-
1992.05	10	50,000	500,000	27,200	272,000	Capital increase by capital surplus 17,850 Capital increase by retained earnings 84,150	1992.05.07	Ministry of economic affairs certificate no. 106307	-	-
1992.11	10	50,000	500,000	42,000	420,000	Capital increase by capital surplus 17,952 Capital increase by retained earnings 130,048	1992.11.27	Ministry of economic affairs certificate no. 125134	-	-
1993.02	25	60,000	600,000	60,000	600,000	Capital increase by cash 180,000	1993.02.10	Ministry of economic affairs certificate no. 127799	-	-
1994.03	10	110,000	1,100,000	79,500	795,000	Capital increase by retained earnings 195,000	1994.03.22	Moeaic certificate no. 1392	-	-
1994.09	10	150,000	1,500,000	114,350	1,143,500	Capital increase by retained earnings 348,500	1994.09.22	Moeaic certificate no. 5835	-	-
1995.07	10	250,000	2,500,000	190,000	1,900,000	Capital increase by retained earnings 756,500	1995.07.06	Ministry of economic affairs certificate no. 108683	-	-
1996.06	60	250,000	2,500,000	250,000	2,500,000	Capital increase by cash 600,000	1996.06.09	Ministry of economic affairs certificate no. 109348	-	-
1996.08	10	800,000	8,000,000	371,500	3,715,000	Capital increase by retained earnings 1,215,000	1996.08.23	Ministry of economic affairs certificate no. 113452	-	-
1997.04	10	800,000	8,000,000	376,080	3,760,806	Corporate bond conversion to common stock 45,806	1997.04.11	Ministry of economic affairs certificate no. 105007	-	-
1997.07	10	800,000	8,000,000	475,800	4,758,008	Capital increase by capital surplus 376,081 Capital increase by retained earnings 621,121	1997.07.04	Ministry of economic affairs certificate no. 110892	-	-
1997.10	10	800,000	8,000,000	518,787	5,187,879	Corporate bond conversion to common stock 429,871	1997.10.07	Ministry of economic affairs certificate no. 119411	-	-
1998.03	10	800,000	8,000,000	520,849	5,208,499	Corporate bond conversion to common stock 20,620	1998.03.20	Ministry of economic affairs certificate no. 105297	-	-
1998.06	10	1,100,000	11,000,000	660,062	6,600,624	Capital increase by capital surplus 520,850 Capital increase by retained earnings 871,275	1998.06.15	Ministry of economic affairs certificate no. 114980	-	-

Year and month	Issued price (par value per share)	Authorized capital		Paid-in capital		Note				
		Number of Shares (thousand shares)	Amount (thousand)	Number of Shares (thousand shares)	Amount (thousand)	Source of capital (thousand)	Capital increase approval date	Certificate No.	Capital increase by assets other than cash	Others
1998.09	10	1,100,000	11,000,000	662,817	6,628,175	Corporate bond conversion to common stock 27,551	1998.09.25	Ministry of economic affairs certificate no.130051	-	-
1999.08	10	1,250,000	12,500,000	767,390	7,673,902	Capital increase by capital surplus 331,409 Capital increase by retained earnings 714,318	1999.08.11	Ministry of economic affairs certificate no.128809	-	-
1999.09	10	1,250,000	12,500,000	788,176	7,881,756	Corporate bond conversion to common stock 207,854	1999.09.20	Ministry of economic affairs certificate no.134724	-	-
1999.11	55	1,250,000	12,500,000	888,176	8,881,756	Capital increase by cash 1,000,000	1999.11.19	Ministry of economic affairs certificate no.142178	-	-
2000.02	10	1,250,000	12,500,000	893,943	8,939,426	Corporate bond conversion to common stock 57,670	2000.02.02	Ministry of economic affairs certificate no.102895	-	-
2000.07	10	1,650,000	16,500,000	1,082,731	10,827,312	Capital increase by capital surplus 446,971 Capital increase by retained earnings 1,440,914	2000.07.26	Ministry of economic affairs certificate no.125422	-	-
2001.07	10	1,770,000	17,700,000	1,381,088	13,810,879	Capital increase by capital surplus 541,366 Capital increase by retained earnings 2,442,201	2001.07.02	Ministry of economic affairs certificate no.09001241270	-	-
2002.03	10	1,770,000	17,700,000	1,398,318	13,983,180	Corporate bond conversion to common stock 172,300	2002.03.15	Ministry of economic affairs certificate no.09101087600	-	-
2002.07	10	2,150,000	21,500,000	1,655,596	16,555,963	Capital increase by capital surplus 279,663 Capital increase by retained earnings 1,616,568 Corporate bond conversion to common stock 676,552	2002.07.22	Ministry of economic affairs certificate no.09101282840	-	-
2002.11	10	2,150,000	21,500,000	1,681,051	16,810,510	Corporate bond conversion to common stock 254,547	2002.11.14	Ministry of economic affairs certificate no.09101465750	-	-
2003.07	10	3,000,000	30,000,000	2,067,161	20,671,612	Capital increase by retained earnings 3,861,102	2003.07.22	Ministry of economic affairs certificate no.09201219330	-	-
2003.10	10	3,000,000	30,000,000	2,083,861	20,838,612	Corporate bond conversion to common stock 167,000	2003.10.16	Ministry of economic affairs certificate no.09201291190	-	-
2004.01	10	3,000,000	30,000,000	2,085,205	20,852,048	Corporate bond conversion to common stock 13,436	2004.01.20	Ministry of economic affairs certificate no.09301007380	-	-
2004.03	10	3,000,000	30,000,000	2,066,419	20,664,188	Corporate bond conversion to common stock 112,140 Cancellation of treasury stocks 300,000	2004.03.22	Ministry of economic affairs certificate no.09301046140	-	-
2004.07	10	3,000,000	30,000,000	2,314,899	23,148,990	Corporate bond conversion to common stock 11,780 Capital increase by retained earnings 2,517,591 Cancellation of treasury stocks 44,570	2004.07.15	Ministry of economic affairs certificate no.09301122620	-	-

Year and month	Issued price (par value per share)	Authorized capital		Paid-in capital		Note				
		Number of Shares (thousand shares)	Amount (thousand)	Number of Shares (thousand shares)	Amount (thousand)	Source of capital (thousand)	Capital increase approval date	Certificate No.	Capital increase by assets other than cash	Others
2004.10	10	3,000,000	30,000,000	2,315,014	23,150,141	Corporate bond conversion to common stock 1,151	2004.10.21	Ministry of economic affairs certificate no.09301198210	-	-
2005.04	10	3,000,000	30,000,000	2,315,509	23,155,091	Corporate bond conversion to common stock 4,950	2005.04.07	Ministry of economic affairs certificate no.09401056200	-	-
2005.07	10	3,000,000	30,000,000	2,467,998	24,679,982	Capital increase by retained earnings 1,513,754 Corporate bond conversion to common stock 11,136	2005.07.27	Ministry of economic affairs certificate no. 09401144270	-	-
2005.11	10	3,000,000	30,000,000	2,468,672	24,686,722	Corporate bond conversion to common stock 6,739	2005.11.18	Ministry of economic affairs certificate no. 09401229710	-	-
2006.01	31.36	3,000,000	30,000,000	2,618,672	26,186,722	Capital increase by cash 1,500,000	2006.01.23	Ministry of economic affairs certificate no.09501011820	-	-
2006.02	10	3,000,000	30,000,000	2,619,978	26,199,785	Corporate bond conversion to common stock 13,062	2006.02.15	Ministry of economic affairs certificate no.09501026750	-	-
2006.04	10	3,000,000	30,000,000	2,624,880	26,248,800	Corporate bond conversion to common stock 49,015	2006.04.03	Ministry of economic affairs certificate no.09501055570	-	-
2007.04	10	5,000,000	50,000,000	2,564,880	25,648,800	Cancellation of treasury stocks 600,000	2007.04.04	Ministry of economic affairs certificate no.09601065540	-	-
2007.08	10	5,000,000	50,000,000	1,538,928	15,389,280	Capital reduction for cover accumulated deficits 10,259,520	2007.08.29	Ministry of economic affairs certificate no.09601212740	-	-
2008.04	22.11	5,000,000	50,000,000	1,765,070	17,650,700	Private placement of common stock capital increase by cash 2,261,420	2008.05.07	Ministry of economic affairs certificate no. 09701101680	-	-
2008.08	10	5,000,000	50,000,000	1,928,218	19,282,176	Capital increase by retained earnings 1,631,476	2008.08.07	Ministry of economic affairs certificate no. 09701190560	-	-
2011.08	10	5,000,000	50,000,000	1,966,782	19,667,820	Capital increase by retained earnings 385,644	2011.08.17	Ministry of economic affairs certificate no. 10001190150	-	-

## (II) Shares Type and Shares Outstanding

April 21, 2020

Shares Type	Authorized Shares			Notes
	Outstanding shares	Un-issued shares	Total shares	
Common Shares	1,966,781,958	3,033,218,042	5,000,000,000	-

## (III) Shareholder structure

April 21, 2020

Shareholder structure	Government institutions	Financial institutions	Other corporations	Individual	Foreign institutions and foreigners	Subtotal
Quantity						
Number of persons	6	57	235	128,823	399	129,520
Number of shares held	8,915,140	114,884,536	486,167,421	965,420,031	391,394,830	1,966,781,958
Shareholding Percentage (%)	0.45%	5.84%	24.72%	49.09%	19.90%	100.00%

## (IV) Distribution of Equity Ownership

April 21, 2020

Class of Shareholding	Number of shareholders	Number of shares held	Shareholding Percentage (%)
1 ~ 999	52,469	11,686,388	0.59%
1,000 ~ 5,000	49,913	113,417,088	5.77%
5,001 ~ 10,000	12,259	93,159,641	4.74%
10,001 ~ 15,000	4,563	56,090,053	2.85%
15,001 ~ 20,000	2,691	49,100,552	2.50%
20,001 ~ 30,000	2,555	63,985,226	3.25%
30,001 ~ 40,000	1,272	45,053,003	2.29%
40,001 ~ 50,000	815	37,318,035	1.90%
50,001 ~ 100,000	1,553	110,996,198	5.64%
100,001 ~ 200,000	766	106,578,416	5.42%
200,001 ~ 400,000	328	90,844,194	4.62%
400,001 ~ 600,000	108	53,024,232	2.70%
600,001 ~ 800,000	51	34,588,664	1.76%
800,001 ~ 1,000,000	35	31,371,317	1.60%
1,000,001 or more	142	1,069,568,951	54.37%
Total	129,520	1,966,781,958	100.00%

## (V) List of Major Shareholders

April 21, 2020

Shareholder's Name	Number of shares held	Shareholding Percentage (%)
AU OPTRONICS CORP.	335,230,510	17.04%
ACER INCORPORATED	81,712,690	4.15%
Cathay Life Insurance Corp.	70,350,000	3.58%
DARFON ELECTRONICS CORP.	36,559,000	1.86%
Citibank Taiwan in Custody for Norges Bank	30,934,059	1.57%
Polunin Developing Countries Fund, LLC	25,605,762	1.30%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	23,436,660	1.19%
Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	21,093,620	1.07%
CREO VENTURE CORP	17,095,234	0.87%
Dimensional Emerging Markets Value Fund	15,566,171	0.79%



## (VI) Information on Market Price, Book Value, Earnings Per Share and Dividend

Unit: NTD

Item		Fiscal Year	As of March 31, 2020	2019	2018
Market Price Per Share (Note 1)	Highest		21.60	23.25	23.30
	Lowest		13.40	18.40	16.95
	Average		18.20	20.81	21.12
Net Worth Per Share (Note 2)	Before Distribution		(Note 7)	17.26	16.50
	After Distribution		-	(Note 9)	15.65
Earnings Per Share (EPS)	Weighted Average Shares Number (thousand Shares)		1,966,782	1,966,782	1,966,782
	Earnings per share	Before retrospective	-	1.82	2.05
		After retrospective	-	1.82	2.05
Dividends Per Share (Shares)	Cash dividends		-	(Note 9)	0.85
	Dividends	Dividend from retained earnings	-	(Note 9)	-
		Dividend from capital reserve	-	(Note 9)	-
	Cumulative unpaid dividend		-	-	-
Return on Investment	Price/Earnings Ratio (Note 3)		(Note 7)	11.43	10.30
	Price/Dividend Ratio (Note 4)		-	(Note 9)	24.85
	Cash Dividend Yield (Note 5)		-	(Note 9)	4.02%

Note 1: The highest and lowest of common stock. The average market value is calculated using the trading volume and price for each year.

Note 2: Subject to change after shareholders' meeting resolution.

Note 3: Price/Earnings ratio = Average market price/Earnings per share.

Note 4: Price/Dividend ratio = Average market price/Cash dividends per share.

Note 5: Cash dividend yield = Cash dividends per share/ Average market price.

Note 6: The closure date on April 21, 2020 hence the closing date of its content on March 31, 2020.

Note 7: Up to the publication date of this annual report, no information has been attested or approved by an independent auditor.

Note 8: The financial information in this annual report was made according to IFRS.

Note 9: Pending resolution at the 2020.5.7 BOD Meeting.

## (VII) Dividend Policy and Execution Status

- Article 17 of the Articles of Incorporation of the Company regulates the dividend policy as follows:

The Company is in a technology-intensive and capital-intensive technology industry at a developing stage coordinating with long-term capital planning and taking into account the shareholders' cash flow requirement, the Company's dividend policy is to pay dividends from surplus considering factors to improve the growth and sustainable operation of the Company. Dividend distribution is to consider the expanding the scale of operations and cash flow requirements in the future, every year the cash portion of the dividend shall not be less than 10% of the total dividend in the form of cash and stock.

- The dividend distribution proposal by the Shareholders' Meeting:

On May 7, 2020, the Board of Directors has made resolutions to determine the distributable amount of the cash dividend for the shareholders as NT\$1,475,086,469. After the approval, the announcement will be announced at the Market Observation Post System and will be reported to the Shareholders' Meeting of 2020.

- Major changes expected in the dividend policy: None

## (VIII) The impact of dividend distribution proposed by this shareholders' meeting on the Company's operating performance and earnings per share:

The Company did not disclose the 2020 financial forecast information and thus does not apply.

## (IX) Compensation for employees and Directors

### I. The percentage or range of compensation for employees and Director based on the Articles of Incorporation:

#### (1) Regulations from the Articles of Incorporation of the Company:

##### Articles 16

The Company, if profitable in the year, shall set aside 5~20% of the profit as compensation for the employees and no higher than 1% as remuneration for the directors. However, the Company, when accumulated losses remain on the account, shall reserve a portion of its earnings to offset the losses first. The Company may allocate employees' remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of an affiliated company meeting certain conditions. The Board or the person duly designated by the Board is authorized to decide the conditions and allocation method.

##### Article 16-1:

The Company's earnings of the year, if any, shall be allocated to pay taxes and offset the accumulated losses from previous years first, and then set aside 10% as legal reserve. The Company shall then appropriate or reverse a certain amount as special reserve in compliance with applicable laws or regulatory requirements. The remaining earnings, if any, may be put together with the retained earnings from previous years and the adjustment amount of the undistributed earnings of the year; the sum of the above may be appropriated as dividends and bonuses according to the distribution proposal prescribed by the Board of Directors based on the actual needs after the proposal is submitted to and approved at the shareholders' meeting.

### 2. Estimation basis of this annual period for the remuneration and compensation for employees and Directors, and the accounting approach for handling the differences between the calculation basis for the shares of employees' remuneration distributed by stock and the actual distributed amount and the estimated number of shares:

The estimated amount of this Annual Period for distribution of remuneration and compensation to employees and Directors is based on the amount (which shall also be listed as operating expenses for the annual period) obtained from the calculation of each pre-tax income (prior to being deducted by remuneration to employees and Directors) from such period multiplying the distribution percentage of remuneration to employees and Directors based on the Company's Articles of Incorporation. If there is any difference between the actual distributed amount and the estimated one, it shall be recognized as profit or loss of next annual period based on the change in accounting estimation.

### 3. The resolution of remuneration distribution by the Board of Directors:

- (1) On March 27, 2020, the Board of Directors has made resolutions to determine the amount distributed to employees' remuneration in cash shall be NT\$ 322,920,000 and NT\$ 31,463,000 for Directors' one. No difference from the annual estimated amount of the recognized expenses.
- (2) The proportion of employee remuneration paid by stocks to the total amount of the amount of individual profit (after tax) plus the amount of employee remuneration in the current period: Not applicable.

### 4. Distribution of Remuneration of Employees and Directors of the Previous Annual Period:

- (1) The amount distributed to employees' remuneration in cash was NT\$ 341,480,000 and NT\$ 35,112,000 for Directors' one.
- (2) The difference between the proposed distribution amount approved by the Board of Directors and the actual amount distributed: the actual distributed amount was the same as the proposed distribution amount approved by the Board of Directors.

## (X) Repurchase of the Company's Shares by the Company:

No repurchase of the Company's shares by the Company was conducted in the most recent two annual periods and as of the printing date of the Annual Report.

## II. Corporate bond processing

- (I) Information regarding Corporate Bonds: None.
- (II) Information regarding the Conversion Bonds: None.
- (III) Information regarding Exchange Corporate Bonds: None.
- (IV) Information regarding Shelf Registration for Corporate Bonds: None.
- (V) Information regarding Corporate Bonds with Attached Warrant: None.

### III. Handling of preferred shares (including preferred shares outstanding and in process)

(I) Handling of preferred shares: None

(II) Information regarding preferred shares with attached warrant: None.

### IV. Implementation of Overseas Depository Receipts

April 21, 2020

Item	Issue Date	1999.07.07/2002.01.22/2002.01.30/2003.07.10/2005.12.19	
Issuance and trading place	Luxembourg Stock Exchange		
Total Issued Amount	US\$1,433,094,000		
Unit Issue Price (Note 1)	US\$23.22 · US\$6.15 · US\$4.68		
Total number of issued (units) (Note 2)	80,359,340 Units		
The source of securities represented	As the Common Shareholder of Qisda		
The amount of securities represented	401,796,713 shares		
The rights and obligations of holders of depository receipts	<p>1. The holder of the depository receipts may exercise its depository receipts to recognize the voting rights of shares.</p> <p>2. If Qisda issues stock dividends or other rights in the future, the Depository Institution may issue the deposit certificate with the equivalent amount based on the original shareholding ratio of the holder of the depository certificate, or increase shares of common stock recognized by each unit of the depository receipt.</p> <p>3. The holder of the depository receipt may request the Depository Institution to redeem and deliver the shares of Qisda's common stock recognized by the depository receipt; or request the Depository Institution to redeem and sell the shares of Qisda's common stock recognized by the depository receipt.</p>		
Trustee	Citibank N .A.		
Depository	Citibank N .A. New York Branch		
Custodian	Citibank N .A. Taipei Branch		
Outstanding amount (Note 3)	285,307 Units		
The allocation methods on the relevant costs incurred as a result of the issuance and during the effective period.	The expenses related to the issuance shall be apportioned by the Company and the selling shareholders in proportion to the actual number of shares sold. After the issuance, except for the agreement between the Company and the Depository Institution, the expenses for the duration of all overseas depository receipts shall be borne by the Company.		
Important Agreements for Depository and Custody Contracts	None		
MarketPrice Perunit (US\$)	2019	Max.	US\$ 3.79
		Min.	US\$ 2.98
		Avg.	US\$ 3.30
	As of April 21, 2020	Max.	US\$ 3.59
		Min.	US\$ 2.22
		Avg.	US\$ 3.06

Note 1: For the number of shares of the securities recognized by each unit. In September 2000, each unit recognized 10 shares of common stock and later changed to 5 shares.

Note 2: The number of issued volumes was the sum of the visued volume on the initial issuance date and the additional issued volume amounts after the initial issuance. On October 15, 2007, the Company reduced its capital, and the circulation balance exchange rate was reduced from 1,000 shares to 600 shares.

Note 3: As of April 21, 2020

### V. Employee stock option handling status:

(I) Employee stock option handling status:

- As of the publication date of the annual report, the processing situation and impact on shareholders' right from employee stock option that have not matured yet: Not applicable.
- Names, acquisition, and subscription of managers who have obtained employee stock option as well as employees who rank among the top 10 in terms of the number of shares obtained via employee stock option, cumulative up to the date of publication of the annual report: Not applicable.

(II) Operations of new restricted employee shares:

- As of the date of publication of the annual report, new restricted employee shares that have not fully met the conditions and the impact on shareholders' right: The Company has not issued new restricted employee shares, so it is not applicable.
- Names of managers and top ten employees holding new restricted employee shares as of the publication date of the annual report and the conditions of receiving such shares: Not applicable.

## VI. Issuance of new shares in connection with the merger or acquisition of other corporations

- (I) In the most recent year up to the publication date of the annual report, the Company has completed merger and acquisition of other corporations to issue new shares: Not applicable.
- (II) In the most recent year up to the publication date of the annual report, the Board of Directors of the Company has approved merger and acquisition of other corporations to issue new shares: Not applicable.

## VII. Implementation status of fund application

- (I) As of one quarter before the publication date of this annual report, plan for previous issuance or private placement of securities that have not been completed, or that have been completed but no benefits achieved within the past three years: Not applicable.
- (II) As of one quarter before the publication date of this annual report, processing condition for previous issuance or private placement of securities that have not been completed, or that have been completed but no benefits achieved within the past three years: Not applicable.

## Overview of Operations

### I. Operational Guidelines

#### (I) Sales of Major Products (Services)

Unit: NT\$ 1,000

Main products	Revenue in 2019	%
Electronic product	160,089,189	94%
Others	9,664,926	6%
Total	169,754,115	100%

#### (II) Production volume for the past two years

Unit: NT\$ 1,000

Main products	Year	2019			2018		
		Production Capacity (Note)	Production Quantity	Production Value	Production Capacity (Note)	Production Quantity	Production Value
Electronic product		-	-	120,848,137	-	-	119,208,098
Others		-	-	-	-	-	-

#### (III) Sales volume for the past two years

Unit: NT\$ 1,000

Main products	Year	2019				2018			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Amount (Note)	Value	Amount (Note)	Value	Amount (Note)	Value	Amount (Note)	Value
Electronic product		-	13,989,511	-	146,099,678	-	9,504,939	-	137,703,489
Others		-	-	-	9,664,926	-	-	-	8,574,733

Note: There are many types of products in the company, and the measurement units of each product are different, so the sales volume and output are not listed.

(IV) A list of any suppliers and clients accounting for 10% or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the below figures.

#### 1. Major Suppliers Information for the past two years

Unit: NT\$ 1,000

Item	2019				2018			
	Company	Amount	As % of Net Procurement	Relationship with Qisda	Company	Amount	As % of Net Procurement	Relationship with Qisda
1	Company A	31,717,737	22%	-	Company A	28,308,786	21%	-
2	Other	114,986,509	78%	-	Other	108,231,399	79%	-
Total	Net Procurement	146,704,246	100%	-	Net Procurement	136,540,185	100%	-

Reasons for increase or decrease: There have been no major changes in the past two years.

#### 2. Major Sales Customer Information for the Past Two Years

Unit: NT\$ 1,000

Item	2019				2018			
	Company	Amount	As % of Net Revenue	Relationship with Qisda	Company	Amount	As % of Net Revenue	Relationship with Qisda
1	Company A	44,439,530	26%	-	Company A	38,426,210	25%	-
2	Other	125,314,585	74%	-	Other	117,356,951	75%	-
Total	Net Revenue	169,754,115	100%	-	Net Revenue	155,783,161	100%	-

Reasons for increase or decrease: There have been no major changes in the past two years.

## (V) Operations Overview

### a. Our Businesses

#### I. Business Scope

##### (1) Business Overview

**LCD Products:** In terms of LCD for Design and Manufacturing Services (“DMS”) in 2019, Qisda maintains the second largest market share in the world. Aside from managing customer relationships, the Company actively promotes the vertical integration work, such as panel module assembly and in-house mechanical parts, to increase the added value; in addition, we keep deeply researching and developing the new functions in technological domain and actively developing the differentiation and display products for special application.

**Projector Products:** In terms of DMS projectors in 2019, Qisda is always working to maintain its global leading status on projector design and manufacturer. Aside from DLP, Qisda is currently the only manufacturer to have mass production and delivery of LCD projectors among the domestic projector vendors. In terms of brand projectors, Qisda maintains the second largest projector brand in the world and the first largest brand status on DLP in the world in 2019. In terms of overall market, the sales volume and market share in 2019 declined slightly from 2018.

**Medical Services:** The ongoing gains in Cardiology has led Nanjing BENQ Hospital to pass and obtain the China’s National Chest Pain Center certification. With having 1.12 million people receiving medical services in 2019 and obtaining 11 key disciplines above the provincial level, BENQ Hospital is the second largest newborn delivery hospital in Nanjing City in which the year-to-date cumulative surgeon volume of cardiac catheterization has reached 1,200 sets, as well as is ranked the third largest hospital in Nanjing City. In 2015, the provincial medical insurance network was open to expand the market coverage and continues to develop the special medical cares including emergency-critical medicine, hemodialysis, head and neck surgery, high-end maternal and children’s hospital and postpartum care Centers based on current base. Suzhou BenQ Medical Center officially started its operation dated May 2013, that reached 580,000 people in 2019. The major development stays focused on special medical care, cardiovascular and cerebrovascular disease, emergency trauma, maternity and child, tumors and health management.

##### (2) Product Scope

**LCD Products:** Home and commercial LCD displays (The size includes 14”/17”/18.5”/19”/19.5”/21.5”/22”/23.x”/24”/24.5”/27”/31.5”/32”/34”/35”/37.5”/49”/55”/65”), professional high-end LCD displays (professional gaming, industrial design, professional photography, professional illustration, image post-production and color management), medical LCD display, Smart displays as well as public LCD displays (The size includes 42”/50”/55”/65”).

**Projector Products:** Various projectors for Business, engineering, education, home and personal mobility.

**Medical Service:** Aside from general fundamental medical services, the special medical cares including high-end health examination, aesthetic medicine and postpartum care centers are developed as well.

#### 2. Industry Overview

##### (1) Current Status and Development of Industry

**LCD Products:** According to surveys from the market research institution, it shows that the quantity of global LCD market in 2019 represents an annual downturn of 1.7%. Looking ahead to 2020, none specific applications and demand for stimulating the growth, and product life cycle prolonged by consumers due to product replacement have led the overall display market to maintain the level the same as in 2019 or declined slightly. Due to recession in market scale and excess supply of panels, the panel price continues to maintain the drop situation that causes the operations of system manufacturers and revenue growth to have tremendous pressure; Qisda is continuing its efforts to develop the products with large size and differentiation to increase the added value, as well as optimize the supply chain and strengthen the vertical integration while properly keeping the scale of economy to maintain the overall competition.

**Projector Products:** According to estimation of market survey institutions, the shipment quantity of projectors with an ANSI lumens rating of higher than 500 ANSI was around 6 million sets in 2019. It is expected that the growth rate of global projector market may possibly go flat or decline slightly in 2020. Only the proportion of projectors with high brightness, high resolution and none bulb will continue to increase, in which the heat of the home projector market keeps increasing that makes the home market with necessary 1080P and 4K keep increasing as well. The education or business projector market affected by large-sized panel may possibly decline.

**Medical Services:** With the prosperous development in China’s economy and the increasing medical insurance coverage, China’s medical market enters in fast-growth stage. Meanwhile, China continues encouraging non-public institutions to create the pilot hospitals that also speeds up the market shares inclined to private hospitals.

## (2) Connection of Upstream, Midstream and Downstream Industries

**LCD Products:** The upstream industry mainly focuses on LCD panel manufacture and module assembly, including LCD panels, backlight modules, control chips, and more. The midstream and downstream industries mainly focus on system assembly factories and brand companies. It shows that the market is mature and fiercely competitive. Qisda keeps a good long-term partnership with upstream key component suppliers as well as downstream brand customers.

**Projector Products:** The upstream vendors are optoelectronic component manufacturers, such as panel chips, lens, special light source, and more. The midstream and downstream vendors are projector manufacturers and brand companies, showing the greatest relevance to upstream and downstream relationships. The incumbent competitors in business and their partnership are complicated as well.

**Medical Services:** Nanjing BENQ Hospital, The First Affiliated Hospital With Nanjing Medical University and Teaching Hospital of Medical School of Southeast University, was incorporated into the management for The 4th Clinical Medical School of Nanjing Medical University in 2011. There are 23 advisors with a master's and doctor's degrees, and 400 students for annual cultivation. It is also the residency standardized training base of private hospitals in Jiangsu Province, the Cardiovascular Care Training Center to receive certification of American Heart Association (AHA). In recent years, Nanjing BENQ Hospital has established the outpatient clinics where doctors are dispatched to the countryside and cooperative referral system with the first-level health institutions in Nanjing Jianye District, Yuhuatai District, Pukou District and Liuhe District, respectively. In addition, Nanjing BENQ Hospital also established the medical cooperation with second-level hospitals in Districts and Counties surrounding Nanjing (Yangzhou, Huai'an, and more) and adjacent cities in Anhui (Ma On Shan, Chu Zhou and He Fei) through establishing the Dermatology Consultation Center Concerning Difficult and Complicated Diseases as well as Intrarenal and Otolaryngology workstations. Suzhou BenQ Medical Center, The First Affiliated Hospital With Nanjing Medical University, became the standardized collaborative base of The First Affiliated Hospital of Soochow University in 2018. In addition to practice base concerning nursing teaching of six health schools in adjacent areas, Suzhou BenQ Medical Center has also established the cooperative referral system with the first-level health institutions in Suzhou High-Tech District, Wuzhong District and Xiangcheng District as well as the schools of nursing.

## (3) Trends in Industrial Development and Competition Status

**LCD Products:** The LCD market has become mature and saturated. For industrial competition, in addition to considering the cost and flexibility of delivery, various new functions, differentiation and special applications (such as games, cloud connectivity, wireless application), niche products featuring slim, curves, high color, high resolution and high dynamic range (HDR) are also the development opportunities for cooperation with brand customers and system assembly factories. Moreover, for system assembly factories, the access of the upward vertical integrations into panel module assembly and design domain not only increases the added value, but also increases the differentiated capabilities for product design.

For branding LCD products, the LCD market has become mature and saturated in recent years. For future competition, in addition to considering the cost and flexibility of delivery, various new functions, differentiation and special applications (such as LCD panel with high resolution, LCD panel with wide color gamut (WCG), curved display panels, LCD panel with high refresh rate, bezel-less display design, cloud connectivity, professional specific applications) or niche customized products are also the scopes for cooperation with brand customers and system assembly factories. The production value of global e-Sports exceeded 900 million dollars in 2018. Due to prevalence of gaming in the Asia-Pacific Area and in China, the audience frequency hits at a record high helping to power the hardware requirements.

**Projector Products:** Since the projectors for business are constantly changing in recent years, the resolution and brightness have been optimized. In addition, the dimension and weight have become more compact. The vendors' price reduction strategy has increased the willingness of the market to use projectors. The scale of the global projector market will continuously contribute to its growth. Moreover, facing the popularity of personal mobile device and applications of wireless transmission by comparing the main market of business and education in the past, the use of personal and family videos will become more widely used.

**Medical Services:** China gradually opens the private capital (including foreign capital) to access in medical service domain. Among the "National Medical Health Service System Plan" and "Guiding Opinions on Comprehensive Reform Pilot of Urban Public Hospital" issued by the State Council in 2015, it shows that the public hospitals shall be strictly controlled as well as encourages social power to create the pilot hospitals. In addition to the groups (such as Want Want, Formosa, BenQ, and more) previously investing in China's medical market before 2010, the QuanZhou YiHe

Hospital invested and established by Cross Strait Medical Industry Fund in 2015 has started operations as well. There will be more domestic medical institutions to seek for overseas development opportunities in the future.

### 3. Technology and R&D Overview

#### (1) Developing Successful Technology or Products

LCD Products: Mini-LED backlight displays, high Dolby Vision HDR, OLED 4K/HDR, Thunderbolt 3 displays, bezel-less display design, specific usage for Privacy, A.R.T displays, eye-care display technologies, professional medical displays, ultra large OLED gaming displays and professional color management displays (used for photography and image post production).

Gaming Mouse: The new generation of S series mouse, aimed at players' demand and insight as well as characteristics of gamers, has been developed and just launched that received public acclaim.

Projector Products: Projectors with high-brightness exchange lens for large-scale exhibition space, 4K UHD projectors with high-brightness and laser light source for little theatres, 4K UHD projectors with high definition for home entertainment, 4K UHD projectors with high resolution for business.

Medical Services: The constructions on medical services that have been established include Thoracic Surgery Division of National Key Clinical Specialty, Radiology of Nanjing Medical Key Specialty (awarded the Key Discipline of Nanjing Medical University during the "12th Five-Year" Plan), Neurology, Urology, Dermatology, General Surgery, Nephrology, Anesthesiology, Cardiology, Orthopedics and Physiatics. The key discipline constructions under development include Oncology and Stroke Centers of Suzhou Municipal Key Discipline Construction Unit, Emergency and Critical Care Medicine, Orthopedics, Obstetrics and Gynecology, Physiatics, Gastroenterology, Cardiology, and more, which are starting to activate the JCI certification items.

#### (2) Annual Major Actions on R&D and Technology in the Future

LCD Products: Ultra-Slim displays, Direct-Type high HDR, wide color gamut LCD with cadmium-free quantum dot (CFQD), 8K ultra-high definition, USB4/HDMI 2.1/DP 2.0 application displays; high refresh rate and fast response, next-generation G-sync / FreeSync professional gaming displays; low power displays qualifying IEC62368 and ErP Lot 5, complete color calibration solutions and display software solutions.

Projector Products: Projectors with laser light source and high-brightness exchange lens for large-scale exhibition space, 4K UHD projectors with LED light source and high definition for home entertainment, 4K UHD ultra-short throw projectors with LED light source and high definition for home entertainment

Medical Services: Promoting the Taiwan medical care service mode by introducing the principle of "Patient-Centered Holistic Health Care", including responsibility system of chief attending physician, nursing caring system, outpatient nursing system, pharmacist service on medication system, and more. Nanjing BENQ Hospital plans to establish the medical center with four major features, including Intrarenal, Head and Neck Tumors, Neurorehabilitation and Heart Center. Suzhou BenQ Medical Center plans to establish the medical center with five major features, including chest pain, emergency and critical diseases, tumors, maternity and child as well as health management, as well as plan and establish the National Chest Pain Center and Municipal Stroke Centers, plus planning the Heart Center and Gallstones Center. The work offices of famous doctors in Suzhou City will be established under the guidance of Municipality Directors of the Health Planning Commission.

### 4. Long-Term and Short-Term Business Development Plan

#### (1) Short-Term Plans:

LCD Products:

- Consolidate the current leading status of LCD products and further upgrade the product specification.
- Develop the large-size, high-end and high unit price products (such as niche monitors used for medical usage, illustration, design, film post-production, professional photography, gaming, and more) so as to increase the proportion of shipment.
- Increase the proportion of self-manufactured metal and plastic parts as well as actively support the panel module assembly and backlight module design to increase the added value.
- Understand the demands of various types of gaming players through the professional players' experiences on gaming market so as to continuously provide the display products fulfilling players' demands and ahead of competitors, as well as consolidate the first brand status of gaming displays.
- In addition to keeping close cooperation within the Group, it is also important to build the strategic partnerships with other panel and system vendors.



**Projector Products:**

- Consolidate the current leading status of projector products and further provide more service modes.
- In addition to increasing the market share, it is expected to provide the complete hardware-related solutions to customers.
- Continuous development of DLP and LCD technologies to sustain the industry-leading growth.
- Expand the home market applications and enhance the transmission quality and use convenience of wireless projection.

**Medical Services:**

- Make the construction of each discipline in general hospitals more completed and focus on the major development of specialties and key specialties at the provincial level.
- Use the Group's technological power and develop the smart hospitals.
- Bring together the Cross-Strait medical technology and develop the business areas of medical specialties.
- Increase the proportion of special medical care, develop the high-end out-of-pocket health services such as postpartum care centers, aesthetic medicine, and more.

**(2) Long-Term Plans:****LCD Products:**

- Promote the common designs and manufacturing integration between backlight module and display products to decrease the inefficient activities of value chain, deepen the capability of product customization, provide the choices of differentiation to customers and increase the value-added products.
- In addition to keeping close cooperation within the Group, it is also important to build the strategic partnerships with other major panel suppliers.
- Expand the market size of professional displays to industrial design, professional illustration, film post-production, color management, medical application, and more.
- Optimize the self-service of software and hardware or integrate the solutions, dedicate to providing the better use experience to users and increase the high added value and brand loyalty.
- Build a professional image on professional color displays to become the ideal choice in mind of target audience through the use experience shared by professional photographers and connecting the marketing appeals of professional software and hardware.

**Projector Products:**

- Enlarge and enhance the diversity of mainstream projector models.
- Accelerate the development of high-end model products and expand related channels to make the production line of projectors more completed.

**Medical Services:**

- Strengthen the cooperation with schools and speed up the talent cultivation.
- Support the healthcare team effort in both hospital areas for outputs management, assisting the hospital management and expanding the operations.

**b. Market and Sales Overview****I. Market Analysis****(1) Main Sales Areas**

LCD Products: Global market

Projector Products: Global market

Medical Services: Nanjing and Suzhou in China

**(2) Market Share (Key Performance Indicator)**

LCD Products: The market share of DMS LCD display products was about 18.2% in 2019 and ranked second in the world; in which the proportion of the models over the 23" limit was 69.5%, higher than the industry average.

Projector Products: The market share of DMS projector products was about 16% in 2019 and ranked first in the world's DLP projectors. In terms of brand projectors, the market share has reached 11% by maintaining the world's second largest projector brand and the first largest DLP projector brand.

Medical Services: Nanjing BENQ Hospital is the only tertiary general hospital in Nanjing Jianye District; Suzhou BenQ Medical Center is the largest tertiary general hospital in Suzhou National Hi-Tech District (SND).

(3) Future Market Supply and Demand and Future Growth, Competitive Niche and Advantages and Disadvantages of the Company's Vision of Development and Response Measures

LCD Products:

A. Advantages:

The industry is getting more mature, and the top companies own greater power than before. Facing the increasing bezel-less demand, the demand of high-end professional display and gaming displays will grow as well.

B. Disadvantages:

The pressure of the price competition become greater, especially when faced with the high maturity of information products.

C. Response Measures:

- a. The Company provides the full-size LCD products, continues to promote the sales of large-sized and high-end displays for special applications by using the current advantages, as well as ensures the strategic relationship of supply chain for panels.
- b. Extend the added value of value chain (such as panel module assembly), the design-manufacturing integration of panel backlight module displays, as well as increase the vertical integration tasks such as self-manufacturing ratio of metal and plastic parts.
- c. Regarding optimization of the product portfolio, the Company will continue to promote the proportion of large-sized / high-end professional display products based on the advantages such as vertical integration for Group's key components and leading capability of technology.
- d. In response to the upcoming multi-screen era to focus on the market segmentation of products, the Company has developed the relevant display products to increase the added value of products, avoid the price competition as well as increase the average unit price and gross profit margin.

Projector Products:

A. Advantages:

Due to the Company's projectors featuring economies of scale and leading competitive advantage with technology in the world, it is helpful to increase the market share. In response to the concentrated trend of brand projector market, the gap shall be widened between the Company and subsequent competitors, plus the addition of leading competitive advantage with technology in the world, it is helpful to increase the market share.

B. Disadvantages:

The shortened product lifecycle as well as various competitors and models have led the market price not easy to sustain superior. Moreover, the Company shall pay more attention to the exchange rate volatility and poor economic situation in the world.

C. Response Measures:

- a. Strengthen the logistics capabilities to reach the best combination of production and sales so as to avoid the overstock.
- b. Strengthen the product portfolio to increase the proportion of products with higher performance on gross profit.

Medical Services:

A. Advantages:

According to China Health and Family Planning Statistics Yearbook, the percentage of the actual medical and health expenditure per capita in China increased by 10% in 2018. The medical and health expenditure only occupied 6% of GDP compared with advanced countries at an average level above 10% that still has a lot of growing up space and points to a bright future; due to general hospitals with high entry barrier, the BENQ Hospital has accumulated many years of foundation. The subsequent access of the ones cannot catch up the gap.

B. Disadvantages:

The beds of public hospitals in China still stand three fourths of the national hospitals. The physicians still have concerns of putting effort into private hospitals so that it is not easy to recruit the talent.

C. Response Measures:

Opening the operation of private hospitals is a concrete policy orientation. The policy favour taken by the public hospitals in the future will gradually become leveling. In addition to advanced medical management and

international healthcare team, plus the addition of advantage on upstream and downstream integration within the Group's medical industry, it is expected that the BENQ Hospital will become a pioneer of the private medical groups in China.

## 2. Important Applications and Manufacturing Processes of Main Products

### (1) Important Applications of Major Products

LCD Products: Computer information, video and audio output display, public display, and more.

Projector Products: Provide the functions featuring multi-person sharing and high portability, especially suitable for all kinds of conference situations, training sessions of companies, institutions and schools, as well as the home theater or video games with large screen and sense of presence.

Medical Services: Not applicable.

### (2) Manufacturing Processes:

LCD Products: Incoming Quality Control (IQC)→ Component Assembly→ Presetting→ Burn-In Test→ Function Test→ Appearance Inspection→ Packaging→ Warehousing→ Shipment.

Projector Products: Confirm the quality of raw materials→ Opto-Mechanical Assembly→ System Back-End Assembly→ Thermal-Mechanical Test→ Final Test→ Packaging→ Warehousing→ Shipment.

Medical Services: Not applicable.

### 3. Supply Status of Main Materials

LCD Products: Regarding the control of key components, the Company not only cooperates with AUO within the Group to strengthen the advantage of vertical integration, but also maintains close partnership to cooperate with major LCD panel suppliers in Taiwan, China and Korea so as to ensure the supply and cost of panels.

Projector Products: In addition to oligopoly of TI、Epson and Sony aimed at DMD or LCD panels of projectors, high entry barrier also causes the oligopoly situation among the light source vendors. Qisda maintains close partnership to cooperate with key component vendors so as to ensure the stable supply of key components.

Medical Services: Not applicable.

Note: Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI, Dataimage and SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its Overview of Operations.

## II. Employee Information

Year		As of March 31, 2020 (Note I)	2019	2018
Total number of employees	Direct employee	9,561	11,788	11,270
	Indirect employee	8,551	8,418	6,535
	Total	18,112	20,206	17,805
Average age		33.50	32.19	32.85
Average duration of service (years)		5.87	5.19	4.63
Educational distribution ratio (%)	Director of Philosophy	0.6%	0.5%	0.4%
	Master's Degree	16.6%	14.9%	12.1%
	Bachelor's Degree	48.5%	43.5%	41.4%
	Senior high school	32.7%	39.5%	44.7%
	Senior high school below	1.6%	1.6%	1.4%

Note I: As of April 21, 2020 (the Printed Date) and for the concerns of accuracy, the last date of available information is March 31, 2020.

### III. Environmental Protection Expenditures

- (I) Losses (including indemnity) caused by environmental pollution and the total indemnity amount involved in the most recent year up to the date this report is published; accounts of future countermeasures (including improvement actions) and possible expenditures (including loss, disposition, and an estimate of indemnity incurred by a failure to implement countermeasures; if a reasonable estimation cannot be made, the justification shall be provided):
1. Losses (including indemnity) caused by the environmental pollution in the most recent year up to the date this report is published, the Company is in compliance with the environmental protection acts. The Company and its subsidiaries were not fined for any other violations against the relevant regulations or requested of environmental improvement from environmental organization in the most recent year up to the publication date this report.
  2. Future countermeasures thereof (including improvement actions) and possible expenditures: None. (The Company and its subsidiaries have always put emphasis on environmental protection works. Apart from internal pollution prevention and controls, the factory areas are being continuously improved according to the requirements of the environmental management system (ISO 14001:2015), and all facilities are set up according to the relevant regulations to prevent environmental pollution losses.)
  3. Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI, Dataimage and SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its environmental protection expenditures.

### IV. Labor-Management Relations

List of employee benefits, in-service training, internal training, retirement system, and implementation status, as well as employer-employee agreements, and protection measures for employee entitlements:

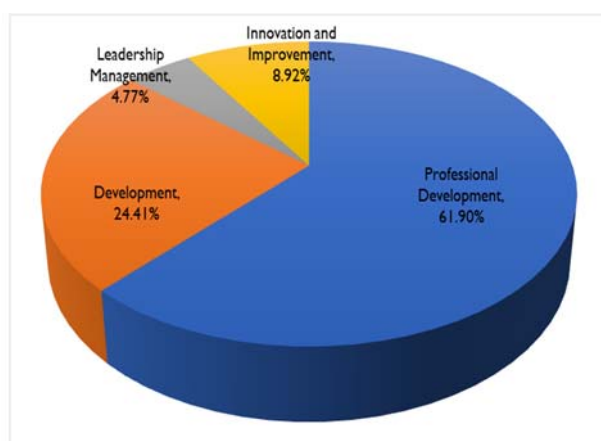
1. Employee welfare and implementation: The Company has always been adhered to the business philosophy as "respecting humanity" and "caring for employees". In order to fully take care of the physical and mental health of staff and their relatives, and to establish a life support so that the staff can be dedicated to their work without unnecessary worries. The Company provides and sponsors various welfare plans, and the Welfare Committee is composed of staff themselves. The main measures for the planning and implementation of welfare are as follows:
  - a. The Company offers: National Health Insurance, Labor Insurance, travel insurance, labor pension plans, fund for arrear wage debts, occupational injury insurance, outpatient center, nursery room and industrial doctors.
  - b. The Company additionally offers: Annual festival and performance bonuses, group insurance and health examination, employee remuneration, wedding, funeral and disease support, food stipend subsidy, breakfast lounge, employee training and education program, and staff dorms.
  - c. Welfare Committee plans: Club activities, various travel/social activities, various creative/sports competitions, annual gift vouchers, art activities, movie-going, life lectures, massage support, gym and fitness classes, EAP programs, internal coupons, coffee machine and other convenient services.
  - d. There are convenient measures within the premise of the Company, including convenience stores, cafes, fruit stands, banking and insurance services, and laundry. In addition, the festival sales events are launched from time to time to provide affordable goods our staff need daily.
2. Employee training  
The Company attaches great importance to the training and development of our employees. In order to provide a clear career development blueprint, the Company invests sufficient resources to integrate the physical and online learning platform for employees to conduct relevant courses, and introduces internal and external resources to develop Qisda Academy to train our employees. Meanwhile, in order to convey to employees the emphasis on social responsibility, in addition to the courses related to green products, relevant courses such as EICC/QC 080000/ESH are included in the compulsory courses for all staff in the Company.  
The Company's training is based on Qisda Academy and the courses are divided into four major Academies according to function and participant types, namely the Development Academy, the Leadership Management Academy, the Professional Development Academy and the Innovation and Improvement Academy, which are providing complete courses for different learning needs. In terms of the access of learning, in addition to the physical curriculum, the Company also has an internal e-learning training platform for employees to conduct relevant course study.

The four Academies cover a wide range of training courses: The Development Academy includes comprehensive new recruits training and guidance and internal lecturer training and development. Meanwhile, it cooperates with government projects on cooperation between universities and industries to provide employees with multiple choices such as self-development/professional certificates certification. The Professional Development Academy and the Innovation and Improvement Academy offer customized training map based on differences of job content, professions and positions, to enhance professional and innovative capabilities, such as R&D or marketing courses. Meanwhile, in response to the development direction of the Group, they have successively launched courses such as design thinking, innovative development tools, market analysis, brand marketing, and technology trend forums, so that all staff can better understand market and industrial trends, and enhance business sensitivity. The Leadership Management Academy is designed according to the management needs of different levels of management, it designs communication, subordinate cultivation, and strategic management courses to make the supervisors more capable and develop their own leadership skills.

Since the early 2007, the Company has introduced "Six Sigma" to develop the "Continuous Improvement Program" (CIP) to provide concepts and tools employees need for improving their works. And through a series of course design and CIP project implementation, we can help employees to apply the knowledge and skills learned in the course to the actual workflow. More than 3,768 CIP projects have been carried out worldwide, and the improvement results have been significant.

Our employees have always been a very important asset for the Company. In order to enable employees to grow with the Company, we have continued to invest sufficient resources to promote the talent training program. In the future, the Company will continue to develop Qisda Academy and increase the training access to provide more effective training and education for employees and help them apply what they have learned into actual work.

Statistics on the 2019 global employee education and training implementation, and the proportion of the number of classes in each course are as follows:



### 3. Retirement Policy and execution

a. The Company has Retirement Policy.

b. In May of 1986, the Supervisory Committee of Workers' Pension Preparation Fund was established and approved by Taoyuan County Government. In November of 1986, the company began to allocate pension based on 2%~15% of the total monthly wage.

c. Starting from July 2005, the 2nd-tier new labor pension plan was implemented in accordance with the law.

d. According to the provisions of International Accounting Standard (IFRS), the actuary is required to conduct evaluation on the pension reserve fund, and submit an actuarial assessment report.

### 4. Employee Code of Conduct

The Company issued the "Integrity Handbook" as the highest standard of employee behavior. Moreover, the company regularly conducts employees training, which covering "conflict of interest", "legal compliance", "business secrets and company assets" and "participation in political activities," etc. worldwide.

All the employees of the Company shall abide by the following declaration of good faith:

- We shall adhere to all ethics with the highest standards
- We shall also respect official laws and Company regulations
- All our languages, words and deeds shall be carried out in good faith
- We are strictly prohibited from abusing privileges for illegal misconduct
- We shall do our best to avoid any suspected interest transmission
- We shall never engage in any ethical violations
- We shall seek assistance upon any puzzling of decision-making
- We shall fully cooperate in the investigation of illegal activities
- We shall immediately notify the supervisors upon any discovery of illegal activities

In addition, based on the appointment and management of personnel and the compliance of the organization, the Company has a "working rules" and related regulations covering the following matters:

- (1) Grade and rank system: It lists the Company's job series, job categories, positions and titles, and regulates the grade and rank promotion rules.
  - (2) New recruits probation assessment: Stipulates the assessment regulations for probation.
  - (3) Attendance and leave regulations: Regulations such as leave, overtime, flexible work, annual leave and commemoration days.
  - (4) Wage and bonus regulations: Provide guidance to the various salary-related operating procedures and approved benchmarks, the importance of various wage and bonus issues and Company confidentiality.
  - (5) Performance management: Assist employees and organizations in planning goal management, implementing corporate strategic goals and visions, and motivating employees' maximum potential and productivity.
  - (6) Personal information management: Define the Company's personal information protection and management matters and clarify individual rights and responsibilities.
5. Protective measures for the working environment and personal safety of employees
- The Company attaches great importance to the work environment and employee safety, and expects to be able to fulfill its social responsibilities and achieve sustainability while expanding. In terms of the working environment and personal safety protection measures for employees, in addition to complying with relevant domestic laws and regulations, the Occupational Safety and Health Management System (OHSAS 18001) was promoted in the factory areas. Our relevant management methods include: formulating and implementing safety and health management plans, implementing operational environmental monitoring, safety and health inspections and audits, performing work safety analysis, implementing safety and health education training, etc. to implement safety, health and health protection for employees, improve the working environment and safety and health performance, and achieve the goal of continuous improvement. In addition to ensuring the health and safety of employees, mental health of employees is also one of the management focuses. In the future, the employee assistance program (EAP) will be utilized to continue to achieve such goal.
6. Current important labor agreement and implementation:
- The Company provides various of communication channels within the company, allowing employees to fully express their opinions and reflect problems. For example, regular labor meetings with employees, business briefings, employee welfare committee meetings, and food committee meetings, etc., communicate with company policies and employees. Take opinions such as employee opinion surveys, department meetings, secretarial/assistant symposiums, 2885 online real-time responses, e-newsletters, announcements, etc., and set up "General Manager Mailbox", "Integrity Mailbox", "Sexual Harassment" The 24/7 communication platform, such as the "Trading Mailbox" and "HR Mailbox", collects and understands the employees' problems. Under the mechanism of joint participation and full communication, the labor-management relationship develops harmoniously.
7. Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI, Dataimage, SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its features of employee welfare, education, training, retirement system and their implementation, as well as the agreement between labors and management and the maintenance measures of various employee rights.

- (II) List of losses due to labor disputes in the most recent year up to the date this report is published, disclosure of the estimated amount, and countermeasures against current and possible future occurrences. If the amount cannot be reasonably estimated, the reason shall be provided:
1. Losses caused by labor disputes in the most recent annual period and as of the printing date of the Annual Report: None.
  2. Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI, Dataimage, SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its labor disputes.

## VI. Material Contracts

- (I) As of the date of publication of this Report, the material long-term loan agreements and technical cooperation agreements that are still ongoing or are about to expire in the most recent year, are as follows:

Apr. 21, 2020

Contract Type	Party	Contract Term	Content	Restrictions
Financing	Syndicated Crediting Banks	Aug. 29, 2019 – Aug. 29, 2024	Syndicated crediting of NT\$ 8.64 billion	Pledge to land/factory
Financing	Syndicated Crediting Banks	Nov. 23, 2017 – Nov. 23, 2022	Syndicated crediting of NT\$ 6 billion	Pledge to stock
Licensing	Qualcomm Incorporated	Jan. 6, 2005 – Termination of auto-renewal	Licensing of specific patents for communication related	None
Licensing	Telefonaktiebolaget LM Ericsson	Based on the Contract	Licensing of specific patents for communication related	None
Licensing	Hitachi Ltd.	Based on the Contract	Licensing of specific patents for display technology	None
Licensing	Positive Technologies, Inc.	Based on the Contract	Licensing of specific patents for display technology	None
Servicing	Siemens Ltda.	Based on the Contract	Product after sale service	None
Licensing	Sony Corporation	Based on the Contract	Licensing of Sony patents to be applied to specific products	None

Note : Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI , Dataimage, SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its major contracts signed.

## Financial Highlights

### I. Condensed Balance Sheet and Statement of Comprehensive Income for the most recent five years

#### (I) International Financial Reporting Standards (IFRS)

##### Condensed Consolidated Balance Sheet

Unit: NT\$ 1,000

Item	Year	Financial data for the most recent five years (Note 1)				
		2019	2018	2017	2016	2015
Current Assets		78,332,746	66,193,691	59,533,552	52,268,180	55,828,757
Property, plant and equipment		23,915,978	21,013,038	19,991,519	18,860,162	19,545,376
Intangible assets		5,069,111	4,994,663	5,004,450	202,892	198,299
Other Assets (Note 2)		28,708,658	27,605,891	24,409,895	23,980,976	24,671,399
Total Assets		136,026,493	119,807,283	108,939,416	95,312,210	100,243,831
Current Liabilities	Before distribution	65,707,236	61,335,721	56,338,130	50,629,405	52,075,388
	After distribution	(Note 3)	63,007,486	58,993,286	53,225,557	53,157,118
Non-current liabilities		22,283,663	18,611,916	15,056,800	11,737,474	16,797,720
Total Liabilities	Before distribution	87,990,899	79,947,637	71,394,930	62,366,879	68,873,108
	After distribution	(Note 3)	81,619,402	74,050,086	64,963,031	69,954,838
Equity attributable to shareholders of Qisda Corp.		33,943,959	32,447,319	30,958,910	29,510,046	27,271,882
Common Stock		19,667,820	19,667,820	19,667,820	19,667,820	19,667,820
Capital Surplus		2,220,653	2,146,076	2,173,633	2,177,332	2,179,038
Retained Earnings	Before distribution	12,663,994	10,801,845	9,501,437	6,806,202	3,545,665
	After distribution	(Note 3)	9,130,080	6,846,281	4,210,050	2,463,935
Other equity		(608,508)	(168,422)	(383,980)	858,692	1,879,359
Treasury stock		-	-	-	-	-
Non-controlling interests		14,091,635	7,412,327	6,585,576	3,435,285	4,098,841
Total Equity	Before distribution	48,035,594	39,859,646	37,544,486	32,945,331	31,370,723
	After distribution	(Note 3)	38,187,881	34,889,330	30,349,179	30,288,993

Note 1: Since 2013, Taiwan has officially adopted the International Financial Reporting Standards approved by the Financial Supervisory Commission. The financial information of the most recent five annual periods has been verified by CPAs. No financial information for 2020 that was verified by CPAs as of the printing date of this Annual Report.

Note 2: Other assets are non-current assets other than property, plant and equipment and intangible assets.

Note 3: To be resolved by the 2020.5.7 BOD Meeting.

##### Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ 1,000

Item	Year	Financial data for the most recent five years (Note)				
		2019	2018	2017	2016	2015
Revenue		169,754,115	155,783,161	136,862,492	129,553,540	133,102,431
Gross profit		23,049,869	19,242,976	16,333,047	16,202,907	14,639,999
Profit from operations		6,228,087	4,576,159	3,401,908	4,487,276	2,597,680
Non-operating income and expenses		(283,096)	1,036,952	3,017,284	356,505	263,675
Profit before income tax		5,944,991	5,613,111	6,419,192	4,843,781	2,861,355
Profit from continuing operations for the year		4,409,644	4,450,654	5,656,370	4,067,771	2,245,484
Losses from discontinued operations		-	-	-	-	-
Profit for the year		4,409,644	4,450,654	5,656,370	4,067,771	2,245,484
Other comprehensive income (loss), net of taxes		(517,025)	151,082	(1,277,000)	(1,179,750)	(225,080)
Total comprehensive income (loss) for the year		3,892,619	4,601,736	4,379,370	2,888,021	2,020,404
Profit attributable to shareholders of Qisda Corp.		3,575,055	4,035,064	5,291,387	4,342,267	2,169,178
Profit attributable to non-controlling interests		834,589	415,590	364,983	(274,496)	76,306
Total comprehensive income (loss) attributable to shareholders of Qisda Corp.		3,139,647	4,250,635	4,048,715	3,321,600	1,976,188
Total comprehensive income (loss) attributable to non-controlling interests		752,972	351,101	330,655	(433,579)	44,216
Earnings Per Share (EPS)		1.82	2.05	2.69	2.21	1.1

Note: Since 2013, Taiwan has officially adopted the International Financial Reporting Standards approved by the Financial Supervisory Commission. The financial information of the most recent five annual periods has been verified by CPAs. No financial information for 2020 that was verified by CPAs as of the printing date of this Annual Report.



## Condensed Parent Company Only Balance Sheet

Unit: NT\$ 1,000

Item	Year	Financial data for the most recent five years (Note 1)				
		2019	2018	2017	2016	2015
Current Assets		32,079,579	32,671,090	30,776,890	29,263,103	29,119,054
Property, plant and equipment		1,519,417	1,481,977	1,493,157	1,501,273	1,531,870
Intangible assets		10,851	6,595	7,931	11,451	16,122
Other Assets (Note 2)		50,663,747	47,123,616	43,886,421	37,178,816	37,129,933
Total Assets		84,273,594	81,283,278	76,164,399	67,954,643	67,796,979
Current Liabilities	Before distribution	37,703,173	37,030,310	37,519,648	32,948,424	31,012,318
	After distribution (Note 3)		38,702,075	40,174,804	35,544,576	32,094,048
Non-current liabilities		12,626,462	11,805,649	7,685,841	5,496,173	9,512,779
Total Liabilities	Before distribution	50,329,635	48,835,959	45,205,489	38,444,597	40,525,097
	After distribution (Note 3)		50,507,724	47,860,645	41,040,749	41,606,827
Equity attributable to shareholders of Qisda Corp.		33,943,959	32,447,319	30,958,910	29,510,046	27,271,882
Common Stock		19,667,820	19,667,820	19,667,820	19,667,820	19,667,820
Capital Surplus		2,220,653	2,146,076	2,173,633	2,177,332	2,179,038
Retained Earnings	Before distribution	12,663,994	10,801,845	9,501,437	6,806,202	3,545,665
	After distribution (Note 3)		9,130,080	6,846,281	4,210,050	2,463,935
Other equity		(608,508)	(168,422)	(383,980)	858,692	1,879,359
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total Equity	Before distribution	33,943,959	32,447,319	30,958,910	29,510,046	27,271,882
	After distribution (Note 3)		30,775,554	28,303,754	26,913,894	26,190,152

Note 1: Since 2013, Taiwan has officially adopted the International Financial Reporting Standards approved by the Financial Supervisory Commission. The financial information of the most recent five annual periods has been verified by CPAs. No financial information for 2020 that was verified by CPAs as of the printing date of this Annual Report.

Note 2: Other assets are non-current assets other than property, plant and equipment and intangible assets.

Note 3: To be resolved by the 2020.5.7 BOD Meeting.

## Condensed Parent Company Only Comprehensive Income

Unit: NT\$ 1,000

Item	Year	Financial data for the most recent five years (Note 1)				
		2019	2018	2017	2016	2015
Revenue		98,496,920	99,033,057	88,869,603	83,560,114	91,996,634
Gross profit		5,547,128	4,747,704	3,853,596	6,113,825	4,628,129
Profit from operations		1,795,302	1,143,231	169,072	2,715,889	1,230,617
Non-operating income and expenses		2,045,583	3,161,365	5,355,445	1,813,527	1,038,974
Profit before income tax		3,840,885	4,304,596	5,524,517	4,529,416	2,269,591
Profit from continuing operations for the year		3,575,055	4,035,064	5,291,387	4,342,267	2,169,178
Losses from discontinued operations				-	-	-
Profit for the year		3,575,055	4,035,064	5,291,387	4,342,267	2,169,178
Other comprehensive income (loss), net of taxes		(435,408)	215,571	(1,242,672)	(1,020,667)	(192,990)
Total comprehensive income (loss) for the year		3,139,647	4,250,635	4,048,715	3,321,600	1,976,188
Profit attributable to shareholders of Qisda Corp.		3,575,055	4,035,064	5,291,387	4,342,267	2,169,178
Profit attributable to non-controlling interests		-	-	-	-	-
Total comprehensive income (loss) attributable to shareholders of Qisda Corp.		3,139,647	4,250,635	4,048,715	3,321,600	1,976,188
Total comprehensive income (loss) attributable to non-controlling interests		-	-	-	-	-
Earnings Per Share (EPS)		1.82	2.05	2.69	2.21	1.10

Note: Since 2013, Taiwan has officially adopted the International Financial Reporting Standards approved by the Financial Supervisory Commission. The financial information of the most recent five annual periods has been verified by CPAs. No financial information for 2020 that was verified by CPAs as of the printing date of this Annual Report.

(II) The names of CPA and their opinions for the most recent five years.

Year	2019	2018	2017	2016	2015
CPA	Tang, Tzu-Chieh	Tang, Tzu-Chieh	Tang, Tzu-Chieh	Tang, Tzu-Chieh	Tang, Tzu-Chieh
	Chang, Huei-Chen	Shih, Wei-Ming	Shih, Wei-Ming	Shih, Wei-Ming	Chen, Mei-Yen
Opinion and content	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion

## II. Financial analysis for the most recent five years

### (I) International Financial Reporting Standards - Consolidated Financial Analysis

Item analyzed	Year	Financial analysis for the most recent five years (Note )				
		2019	2018	2017	2016	2015
Financial structure	Ratio of debts to assets (%)	65	67	66	65	69
	Ratio of long-term capital to property, plant and equipment (%)	294	278	263	237	246
Solvency	Current ratio (%)	119	108	106	103	107
	Quick ratio (%)	76	66	69	69	75
	Interest coverage ratio	6.88	7.61	10.72	9.02	4.64
Operating ability	Receivables turnover rate (times)	5.71	5.54	5.12	5.14	5.00
	Average collection days for receivables	64	66	71	71	73
	Inventory turnover rate (times)	5.54	6.04	6.47	6.78	6.94
	Payable turnover rate (times)	4.77	4.83	4.56	4.33	4.37
	Average days for sales	66	60	56	54	53
	Property, plant and equipment turnover rate (times)	7.56	7.60	7.05	6.75	6.75
	Total asset turnover rate (times)	1.33	1.36	1.34	1.32	1.29
Profitability	Return on assets (%)	4	4	6	5	3
	Return on equity (%)	10	12	16	13	7
	Ratio of profit from operations to paid-in capital (%)	32	23	17	23	13
	Ratio of profit before income tax to paid-in capital (%)	30	29	33	25	15
	Profit margin (%)	3	3	4	3	2
	Earnings per share (NT\$)	1.82	2.05	2.69	2.21	1.10
Cash flow	Cash flow ratio (%)	13	15	1	16	10
	Cash flow adequacy ratio (%)	93	53	54	65	29
	Cash flow reinvestment ratio (%)	13	16	(6)	15	11
Leveraging	Operating leverage	4	5	6	4	7
	Financial leverage	1	1	1	1	1

Reasons for changes in financial ratios in the most recent two years:

1. The profitability of operating profit as a percentage of paid-in capital increased, mainly due to the increase in operating profit in 2019.
2. The increase in cash flow adequacy ratio is mainly due to the increase in net cash flow from operating activities in the past five years.
3. The decrease in cash flow reinvestment ratio was mainly due to the increase in working capital.

Note: The accompanying financial data has been audited and attested by CPAs. As of the date of printing of the Annual Report, the 2020 financial data has not been attested or reviewed by CPAs.

## (II) International Financial Reporting Standards– Parent Company Only Financial Analysis

Item analyzed	Year	Financial analysis for the most recent five years (Note)				
		2019	2018	2017	2016	2015
Financial structure	Ratio of debts to assets (%)	60	60	59	57	60
	Ratio of long-term capital to property, plant and equipment (%)	3,065	2,986	2,588	2,332	2,401
Solvency	Current ratio (%)	85	88	82	89	94
	Quick ratio (%)	71	77	73	81	84
	Interest coverage ratio	9.85	12.87	24.53	25.67	8.90
Operating ability	Receivables turnover rate (times)	3.74	3.78	3.59	3.47	3.47
	Average collection days for receivables	98	97	102	105	105
	Inventory turnover rate (times)	19.70	24.58	28.51	27.4	27.8
	Payable turnover rate (times)	3.46	3.53	3.13	2.98	3.30
	Average days for sales	19	15	13	13	13
	Property, plant and equipment turnover rate (times)	65.63	66.57	59.36	55.10	59.22
	Total asset turnover rate (times)	1.19	1.26	1.23	1.23	1.33
Profitability	Return on assets (%)	5	5	8	7	3
	Return on equity (%)	11	13	18	15	8
	Ratio of profit from operations to paid-in capital (%)	9	6	1	14	6
	Ratio of profit before income tax to paid-in capital (%)	20	22	28	23	12
	Profit margin (%)	4	4	6	5	2
	Earnings per share (NT\$)	1.82	2.05	2.69	2.21	1.1
Cash flow	Cash flow ratio (%)	13.55	1.81	(3.87)	22.71	5.84
	Cash flow adequacy ratio (%)	113	74	82	160	142
	Cash flow reinvestment ratio (%)	8	(2)	(11)	15	2
Leveraging	Operating leverage	3	4	24	1	4
	Financial leverage	1	1	-	1	1

Reasons for changes in financial ratios in the most recent two annual periods:

1. The reduction in Interest coverage ratio was mainly due to the increase in interest expenses due to increased borrowing.
2. The increase in the average sales days was mainly due to the increase in inventory and stock in response to customer needs.
3. The increase in ratio of profit from operations to paid-in capital was mainly due to the increase in operating profit in 2019.
4. The increase in cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio was mainly due to the increase in net cash inflow from operating activities in 2019.
5. The decrease in operating leverage and financial leverage is mainly due to increased operating profit in 2019.

Note: The accompanying financial data has been audited and attested by CPAs. As of the date of printing of the Annual Report, the 2020 financial data has not been attested or reviewed by CPAs.

Below are calculations:

## 1. Financial structure

- (1) Ratio of debts to asset = Total liabilities / Total assets
- (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant and equipment

## 2. Solvency

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expenses over this period.

## 3. Operating ability

- (1) Receivable (including accounts receivable and notes receivable due to business operations) turnover rate = Net sales / Balance of average accounts receivable for various periods (including accounts receivable and notes receivable due to business operations).
- (2) Average collection days for receivables = 365/Receivables turnover rate.
- (3) Inventory turnover rate = Cost of goods sold/ Average inventory.
- (4) Payable (including accounts payable and notes payable due to business operations) turnover rate = Cost of goods sold / Balance of average accounts payables of various periods (including accounts payable and notes payable due to business operations).
- (5) Average days for sales = 365 / Inventory turnover rate.
- (6) Property, plant and equipment turnover rate = Net sale/Average net property, plant and equipment.
- (7) Total asset turnover rate = Net sales / Average total assets

## 4. Profitability

- (1) Return on assets = [Net income after taxes + interest expense x (1 - tax rate)] / Average total assets
- (2) Return on equity = Net income after taxes / Average total equity
- (3) Profit margin = Net income after taxes / Net sales
- (4) Earnings per share = (Net income attributable to shareholders of the parent company - preferred stock dividend) / Weighted average number of shares outstanding

## 5. Cash flow

- (1) Cash flow ratio = Net cash flow of operating activities / Current liabilities.
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + inventory increase + cash dividend) for the most recent five years.
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (Gross value of property, plant, and equipment + Long-term investments + Other non-current assets + working capital).

## 6. Leveraging

- (1) Operating leverage = (Net operating revenue - variable operating cost and expenses) / Operating profit.
- (2) Financial leverage = Operating profit / (Operating profit - interest expenses).

### III. The Audit Committee's Review Report

#### The Audit Committee's Review Report

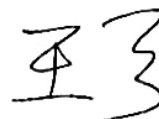
The Board of Directors has prepared the Company's Financial Statements for the year of 2019. Tang, Tzu-Chieh and Chang, Huei-Chen Certified Public Accountants of KPMG, have audited the Financial Statements. The 2019 Financial Statements, Business Report, Independent Auditors Report have been reviewed and determined to be correct and accurate by the Audit Committee of Qisda Corporation. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Qisda Corporation 2020 Annual General Shareholders' Meeting

Chair of the Audit Committee

王弓 Wang, Gong

March 27, 2020



#### The Audit Committee's Review Report

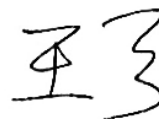
The Board of Directors has prepared the Company's 2019 Earnings Distribution Proposal, which have been reviewed and determined to be correct and accurate by the Audit Committee of Qisda Corporation. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Qisda Corporation 2020 Annual General Shareholders' Meeting

Chair of the Audit Committee

王弓 Wang, Gong

May 7, 2020



IV. Consolidated Financial Statements with Independent Auditors' Report of the most recent year: please refer to Appendix 1 (Pages 89).

V. Parent Company only Financial Statements with Independent Auditors' Report for the most recent year: Please refer to Appendix 2 (Pages 247).

VI. Any financial difficulties experienced by the Company and its affiliate businesses during the most recent year up to the publication date of this report need to be stated as well as the impact on the Company's financial position need to be outlined: None.

# Review and Analysis of Financial Position and Financial Performance, and Risk Management

## I. Financial position

### Financial position analysis

Unit: NT\$ 1,000

Item	Year	2019	2018	Difference	
				Amount	%
Current assets		78,332,746	66,193,691	12,139,055	18%
Investment accounted for using equity method		17,778,476	19,382,592	(1,604,116)	-8%
Property, plant and equipment		23,915,978	21,013,038	2,902,940	14%
Investment property		3,404,112	2,834,475	569,637	20%
Intangible assets		5,069,111	4,994,663	74,448	1%
Other non-current assets		7,526,070	5,388,824	2,137,246	40%
Total assets		136,026,493	119,807,283	16,219,210	14%
Current liabilities		65,707,236	61,335,721	4,371,515	7%
Long-term debt		16,674,667	16,234,476	440,191	3%
Other non-current liabilities		5,608,996	2,377,440	3,231,556	136%
Total liabilities		87,990,899	79,947,637	8,043,262	10%
Common stock		19,667,820	19,667,820	0	0%
Capital surplus		2,220,653	2,146,076	74,577	3%
Retained earnings		12,663,994	10,801,845	1,862,149	17%
Other equity		(608,508)	(168,422)	(440,086)	261%
Equity attributable to shareholders of Qisda Corp.		33,943,959	32,447,319	1,496,640	5%
Non-controlling interests		14,091,635	7,412,327	6,679,308	90%
Total equity		48,035,594	39,859,646	8,175,948	21%

Reasons for changes in proportion in the most recent two years:

1. The increase in investment property is mainly due to IFRS16 reclassify land use right.
2. The increase in other non-current assets is mainly due to IFRS16 right-of-use asset increase.
3. The increase in other non-current liabilities is mainly due to deposit and leased liability.
4. The decrease in equity is attributable to exchange loss arising from exchange rate fluctuations, leading to foreign currency translation differences from foreign operations.

## II. Financial performance

### Financial performance analysis

Unit: NT\$ 1,000

Item	Year	2019	2018	Increase (decrease) amount	Change in proportion
Cost of sales		146,704,246	136,540,185	10,164,061	7%
Gross profit		23,049,869	19,242,976	3,806,893	20%
Operating expenses		16,821,782	14,666,817	2,154,965	15%
Profit from operations		6,228,087	4,576,159	1,651,928	36%
Non-operating income and expenses		(283,096)	1,036,952	(1,320,048)	-127%
Profit before income tax for the year		5,944,991	5,613,111	331,880	6%
Income tax expense		1,535,347	1,162,457	372,890	32%
Profit for the year		4,409,644	4,450,654	(41,010)	-1%

Reasons for changes in proportion in the most recent two years:

1. The increase in profit from operations is due to the increase in revenue and gross profit margin, which led to an increase in profit from operations over the previous period.
2. The decrease in non-operating income and expenses is due to the decrease in the share of profits of associates and joint ventures in 2019.
3. The increase in income tax expenses is due to profit from operations increased compared to the previous period.

### III. Cash flow

#### (I) Change in consolidated cash flow in 2019

Unit: NT\$1,000

Cash balance at the beginning of 2019	2019 Net cash flow	Cash balance at the end of 2019
9,618,657	1,161,850	10,780,507

#### (II) Analysis of changes in consolidated cash flow in 2019

Unit: NT\$1,000

Item	2019	2018	Increase (decrease) amount	Change in proportion
Net cash flows provided by operating activities	8,475,301	8,958,266	(482,965)	-5%
Net cash flows used in investing activities	(6,252,618)	(4,683,709)	(1,568,909)	-34%
Net cash flows used in financing activities	(890,287)	(1,897,789)	1,007,502	53%

(1) The investment activities are mainly due to the increased in time deposits over three months compared with 2018, so the net cash outflow from investing activities increased compared with 2018.

(2) Financing activities are mainly due to the increase in guarantee deposit received in 2019.

(III) Liquidity improvement plan: The Company showed no signs of liquidity deficit.

(IV) Analysis of cash liquidity in the coming year: The Company, on the premise of maintaining stable cash liquidity, will carefully plan and manage cash expenditures related to investments and operations while taking, cash balances on accounts, cash flows from operating activities and investing activities and the status of financial markets into consideration.

#### IV. Material expenditures of the most recent year and impact on the Company's finances and operations

In 2019, in order to strengthen our long-term competitive advantage and improve OEM competitiveness, the Board of Directors decided to invest USD 40 million to establish Qisda Vietnam Co., Ltd.

On consolidated statements, the company and subsidiaries purchased approximately NT\$2.5 billion in real property, plant and equipment in 2019, accounting for 1.5% of net sales, and had no significant impact on the company's financial business.

#### V. Investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the improvement plan, and investment plans for the coming year

The Company's investment policies are in line with business development strategies and operational needs. The annual consolidated financial statements the Share of profits of associates and joint ventures amount is NT\$1,000,270,000 in 2019. For the coming annual period, we will continue to focus on relevant strategic investment in the industry and continue to prudently evaluate the investment plans.

## VI. Risk Management

The Company's risk management is focusing on corporate governance risk management systems and risk transfer planning: Strategic, financial, operational and hazard risks are managed by the Risk Management Committee. The Company's risk management vision and policies are well defined, allowing effectively management of risks exceeding the Company's risk tolerance level, and risk management tools are utilized to optimize the total cost of risk management.

### (I) Vision of risk management

- a. Commitment to continuously provide products and services to create long-term values for customers, shareholders, employees and the whole society.
- b. Risk management requires systematic risk management procedures and organization to identify, assess process, report and monitor major risks affecting the Company's survival in a timely and effective manner, and enhance the risk awareness of all employees.
- c. Risk management is not about pursuing "risk-fee", but the best interests to optimize risk management costs while accepting such risks.

### (II) Policies of risk management

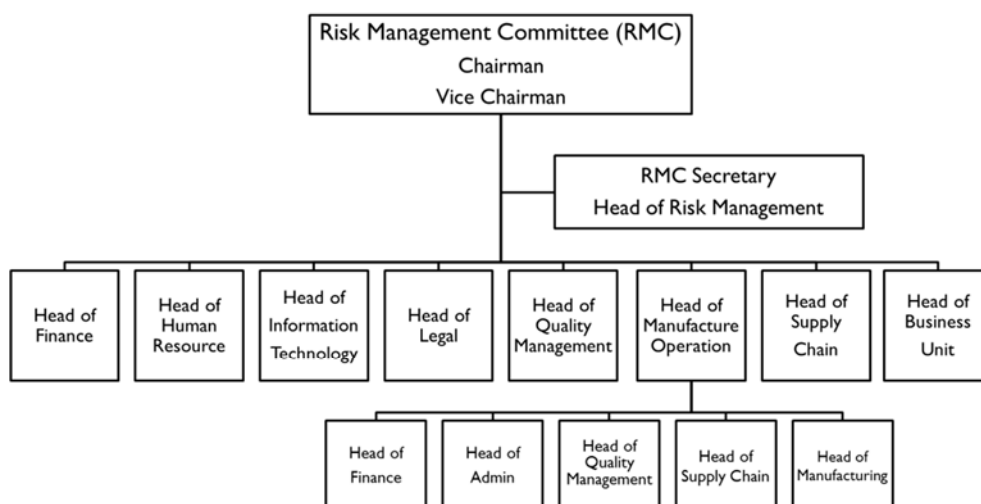
- a. To ensure the Company's sustainable operation, the Risk Management Committee has been established to regularly identify, assess, process, report and monitor the risks that may adversely affect the Company's operating goals.
- b. Identify and control risks prior to occurrence of actual incidents, suppress losses when they actually occur, and instantly restore the supply of products and services after such incidents. And the operation continuity plan is set for simulation of major risk scenarios identified by the Risk Management Committee.
- c. For risks that do not exceed risk tolerance level, risk management costs may be considered and treated with different management tools, but the following shall be exceptions.
  - Risks with negative impacts on the safety of employees.
  - Risks with negative impacts on the Company's goodwill.
  - Risks that may result in violation of legal regulations.

### (III) Organizational chart of the Risk Management Committee

The General Manager shall be the Chairman of the Risk Management Committee.

The Executive Officer of units of risk management shall be the Director General and the chief executive officer from each unit of the Company shall be the Committee members.

Organizational Chart of the Risk Management Committee



## VII. Matters for Analysis and Assessment for Risks

### (I) The impact of interest rates, exchange rates changes and inflation on the Company's profits and losses and future countermeasures

#### 1. The impact of recent changes in interest rates on the Company's profits and losses and future countermeasures

The bank loans to the Company and its subsidiaries are based on a floating rate basis. The measures taken by the Company and its subsidiaries in response to the risk of changes in interest rates are to regularly assess the interest rates of banks and currencies, and maintain good relationships with financial institutions in order to maintain lower financing costs and enhance the management of working capital, reduce the dependence on bank loans and diffuse the risk of changes in interest rates.

The following sensitivity analysis is based on interest rate risk. For floating rate liabilities, the analysis is based on the assumption that the balance of liabilities outstanding on the reporting date is circulating throughout the whole annual period.

If the annual interest rate increases or decreases by 1%, the net profit before tax of the Company and its subsidiaries in 2019 and 2018 will be reduced or increased by NT\$ 369,769,000 and NT\$ 333,615,000 respectively, with all other variables remaining unchanged. This is mainly due to the floating interest rates of loans for the Company and its subsidiaries.

#### 2. The impact of exchange rate changes on the Company's profits and losses in the most recent annual period and future countermeasures

The Group utilizes foreign currency forward contracts and foreign exchange swaps to hedge its foreign currency exposure with respect to its sales and purchases. These financial instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements. The maturity dates of derivative financial instruments the Group entered into were less than six months and did not conform to the criteria for hedge accounting. The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (including related-party transactions), notes and accounts payable (including related-party transactions), other receivables (including related-party

transactions), other payables (including related-party transactions), and loans and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities and their respective sensitivity analysis were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

Unit: 1,000

		December 31, 2019				
		Foreign currency	Exchange rate	TWD	Change in magnitude	Effect on profit or loss
<u>Financial assets</u>						
USD	\$	1,365,752	30.1060	41,117,330	1%	411,173
EUR		63,958	33.8690	2,166,194	1%	21,662
CNY		1,148,125	4.3132	4,952,093	1%	49,521
JPY		2,493,138	0.2771	690,849	1%	6,908
<u>Financial Liabilities</u>						
USD		1,294,869	30.1060	38,983,326	1%	389,833
EUR		43,363	33.8690	1,468,661	1%	14,687
CNY		1,396,051	4.3132	6,021,447	1%	60,214
JPY		5,674,061	0.2771	1,572,282	1%	15,723
		December 31, 2018				
		Foreign currency	Exchange rate	TWD	Change in magnitude	Effect on profit or loss
<u>Financial assets</u>						
USD	\$	1,376,498	30.7150	42,279,136	1%	422,791
EUR		70,241	35.2610	2,476,768	1%	24,768
CNY		843,454	4.4709	3,770,998	1%	37,710
JPY		2,221,002	0.2780	617,439	1%	6,174
<u>Financial Liabilities</u>						
USD		1,250,179	30.7150	38,399,248	1%	383,992
EUR		28,493	35.2610	1,004,692	1%	10,047
CNY		1,133,890	4.4709	5,069,509	1%	50,695
JPY		6,672,112	0.2780	1,854,847	1%	18,548

As the Group deal in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gains (losses) for the years ended December 31,



2019 and 2018 were \$(21,214,000) and \$(233,340,000), respectively.

3. The impact of inflation on the Company's profits and losses and future countermeasures

In recent years, the market prices have risen steadily. The Company and its subsidiaries will continue to pay full attention to the inflation and appropriately adjust the product retail price and inventory to reduce the impact of inflation on the Company and its subsidiaries, and sign procurement contracts with the major raw material suppliers.

(II) The main reasons for the high-risk, high-leveraged investment, capital loan, guarantee/endorsement and derivative commodity trading, and the profits or losses and future countermeasures.

The Company and its subsidiaries have always adhered to the policies of not engaging in high-risk, high-leveraged investments. Our derivatives trading is based on risk aversion and does not engage in speculative trading. The trading of the derivatives of the Company and its subsidiaries in 2019 was based on the principles of hedging and there was no relevant operational risk generated. In the future, the Company will continue to conduct derivatives transactions on the principles of hedging caused by exchange rate and interest rate fluctuations, and continue to regularly assess foreign exchange positions and risks to reduce the Company's operational risks.

The Company and its subsidiaries have engaged in forward foreign exchange contracts and FX swap transactions mainly to hedge the risks arising from fluctuations in exchange rates of assets or liabilities denominated in foreign currencies, which are highly negatively related to the fair value changes of the derivative financial products used as hedging tools, and the assessment is regularly conducted. However, it is not subject to the hedge accounting treatment conditions and is therefore classified as a financial asset or liability measured at fair value of profits or losses.

When the Company and its subsidiaries engage in loaning funds to others, making guarantee/endorsement guarantees and conducting derivatives transactions, in addition to complying with relevant operating procedures, we shall regularly file the announcement in accordance with the regulations of the competent authority. As of the printing date of this Annual Report, the recipients of the Company's and its subsidiaries' loaned funds and guarantee/endorsement are only our subsidiaries.

(III) R&D expenses for future R&D projects and investment amount.

In 2020, the Company is planning to invest more than NT\$ 4.2 billion in R&D expenditures. In the future, we will adjust our investment plans according to the global industry development trend and the actual operating conditions of the Company.

Future R&D plans of the Company

1. LCD products: Commercial Super Slim, HDR, quantum dot wide color gamut, 32:9 Aspect Ratio, 5K3K/8K4K ultra high resolution display, HDMI 2.1/DP 1.4 application display, medical display, G-sync 3/FreeSync 2 professional gaming display, ErP Lot 5 low energy consumption display, wireless charging display, full color adjustment solution and complete public display software and hardware solutions.

2. Projector products: laser lighting source high-lumen interchangeable lens projector for large-scale exhibition, LED lighting source 4K UHD high-quality projector for household entertainment, laser lighting source ultra short-focus 4K UHD high-quality projection for household entertainment equipment.

(IV) The impact of important policies and legal regulations changes at domestic and abroad on the Company's financial status and the countermeasures

1. Policies:

The relevant units of the Company have always paid full attention to and studied the policies and laws that may affect the Company's operations, and adjusted the internal system of the Company to ensure the smooth corporate operation. In the most recent annual period, there had been no significant impact on the Company's financial status due to important domestic and foreign policies changes.

2. Legal regulations:

a. The Company's business operation philosophy is to comply with relevant laws and regulations as the priority; therefore, the Company's management team is always aware of the changes of relevant laws and regulations, and can respond to various situations arising from regulatory changes at any time.

b. In accordance with the stipulations of the laws, the financial report will be prepared according to IFRS since 2013. From August 2009, the Company has started to submit the progress tracking report of the Board of Directors on a quarterly basis and set up a project committee and working group in September 2009. The Company has appointed an accounting firm to act as a consultant to the Company's IFRS conversion program to assist the Company and its subsidiaries in the smooth introduction of IFRS during the statutory period. As of recently, the Company has completed all required works of the IFRS conversion plan according to legal regulations, and begun to prepare financial statements in accordance with IFRS.

c. There have been no other significant impact to the company's financial status due to legal changes in the most recent

annual period.

- (V) The impact of technological and industrial changes on the Company's financial business and the countermeasures
- The global LCD monitor market is heading towards the plateau period and its scale continues to shrink. In addition to continuing to develop new niche products in recent years, the Company has integrated resources from its subsidiaries such as BenQ Corporation, BenQ Materials Corporation, BenQ Medical Technology, BenQ Medical Centers, Partner Tech Corp., DFI, K2 International Medical Inc. , Dataimage , SYSAGE TECHNOLOGY CO., LTD., and TOPVIEW Optronics Corp. to provide more comprehensive products and services of medical equipment and consumables, biomedical and medical cosmetology, terminal customer service of retail, motherboard manufacturing and customer application services, and optimize existing business operations, expand medical layout efficiency and accelerate solution development. The operation of these high value-added products has laid a good foundation and layout for Qisda to meet the future growth and challenges.
- (VI) The impact of corporate image changes on corporate crisis management and the countermeasures.
1. The company conducts a questionnaire survey on important stakeholders every year to understand the stakeholders' expectations and concerns about the company, as an important reference for the company's continuous operation strategy, and responds and explains the operation in the annual corporate social responsibility report Status to ensure information transparency and effective communication.
  2. The Company conducts regular inspections on matters such as the external environment, the Company's business type and management system, and responds to any situation that may affect the goodwill of the Company and simulates its possible impact. The countermeasures will minimize the uncertainty; and the risk management unit will be responsible for the operation-related risks and impact analysis, and cooperate with the implementation of relevant contingency plan with the Risk Management Committee.
  3. The Company is also actively committed to environmental protection and safety and hygiene management, and has obtained the certification of ISO 14001 Environmental Management System and ISO 45001 Occupational Safety and Health Management System, and will pursue continuous improvement in the spirit of this certification.
- (VII) Expected benefits and possible risks of M&A and the countermeasures.
- There are currently no ongoing M&A so there are no benefits and risks.
- (VIII) Expected benefits and possible risks of the expansion of factory and the countermeasures
- Currently, the main focus of the Company and its subsidiaries in the factory and equipment is to fully utilize the existing production capacity and maximize the economy of scale. Therefore, there is no need to significantly expand the factory in the short-term.
- (IX) Risk of procurement and sales concentration, and countermeasures
- The Company's domestic and foreign major raw material suppliers and customers are quite diversified, and long-term stable cooperative relations have been formed, so there is no problem and risk of concentration of purchase and sales. The Company also evaluates the financial attributes of different customers and controls the risks according to different trading modes with insurance companies, bank letters of credit and collateral, and timely tracks customer payment status to protect the Company's interests.
- (X) The impact and risk of a substantial transfer or replacement of equities by Directors, Supervisors or Shareholders holding more than 10% of the total shares
- The Directors of the Company have no substantial transfer or replacement of equities.
- (XI) Impact of changes in management on the Company and risks
- Not applicable due to the Board of Directors and the management team of the Company have not changed significantly.
- (XII) Disclosure of disputed contents, amounts of the subject matters, commencement dates of the proceedings, parties involved in the proceedings of litigation or non-litigation events, major closed or ongoing lawsuits and litigation or non-litigation events involving the Company and its Directors, Supervisors, General Managers, Substantive Persons-in Charge, major shareholders holding more than 10% of total shares and affiliates/subsidiaries with results of which may have a material impact on the shareholders' equity or the price of the securities, and the actual results as of the printing date of this Annual Report.
1. Major closed or ongoing lawsuits, litigation or non-litigation events or administrative litigation involving the Company in the most recent two annual periods and as of the printing date of this Annual Report with results of which may have a material impact on the shareholders' equity or the price of the securities:
    - a. Several direct and indirect consumers in the United States filed a class action lawsuit of damage loss claim in

September 2010, arguing that the Company and its subsidiary BQA were suspected to have been participating in the ODD (Optical Disk Drive) product pricing agreement, which violated the US antitrust laws. As for the class action lawsuit filed against the indirect consumer part, the company has won the final judgment in February 2020, and other cases have also been settled by the plaintiff.

- b. Several direct and indirect consumers in the United States filed a class action lawsuit of damage loss claim in January 2012, arguing that the Company and its subsidiary BQA were suspected to have been participating in the ODD (Optical Disk Drive) product pricing agreement, which violated the Canadian antitrust laws. The appointment of lawyers had been settled and the final results of the remaining related cases has not yet been reached.
2. Major closed or ongoing lawsuits, litigation or non-litigation events or administrative litigation involving the Company's Directors, Supervisors, General Managers, Substantive Persons-in Charge, major shareholders holding more than 10% of total shares and affiliates/subsidiaries in the most recent two annual periods and as of the printing date of this Annual Report with results of which may have a material impact on the shareholders' equity or the price of the securities:
    - a. Litigation events of the Company's subsidiary BenQ America Corp. (BQA):
      - (i) Several direct and indirect consumers in the United States filed a class action lawsuit of damage loss claim in September 2010, arguing that the Company and its subsidiary BQA were suspected to have been participating in the ODD (Optical Disk Drive) product pricing agreement, which violated the US antitrust laws. As for the class action lawsuit filed against the indirect consumer part, the company has won the final judgment in February 2020, and other cases have also been settled by the plaintiff.
      - (ii) Several direct and indirect consumers in the United States filed a class action lawsuit of damage loss claim in January 2012, arguing that the Company's subsidiary BQA was suspected to have been participating in the ODD (Optical Disk Drive) product pricing agreement, which violated the Canadian antitrust laws. The appointment of lawyers had been settled and the final results of the remaining related cases have not yet been reached.
    - b. Litigation events of the Company's corporate director, AU Optronics Corporation (AUO):
      - (i) AUO There were civil lawsuits filed against AUO, AUUS and various manufacturers in the TFTLCD industry in the United States and Canada alleging, among other things, antitrust violations. As of January 28, 2019, AUO and AUUS have reached settlement agreements with the relevant plaintiffs. In addition to the above cases in the United States and Canada, a lawsuit was filed by certain consumers in Israel against certain LCD manufacturers including AUO in the District Court of the Central District in Israel ("Israeli Court"). The defendants contested various issues including whether the lawsuit was properly served. In December 2016, the Israeli Court overturned the original decision and revoked the permission for this case to serve out of Israeli jurisdiction. The plaintiffs lodged an appeal to the Israeli Supreme Court but the Israeli Supreme Court overruled the appeal in August 2017. In January 2018, the parties reached a settlement agreement and agreed to commence the required proceedings for withdrawing the lawsuit. A lawsuit was filed in September 2018 by the Government of Puerto Rico on its own behalf and on behalf of all consumers and governmental agencies of Puerto Rico against certain LCD manufacturers including AUO and AUUS in the Superior Court of San Juan, Court of First Instance alleging unjust enrichment and claiming unspecified monetary damages. AUO has retained counsel to handle the related matter and intends to defend this lawsuit vigorously, and at this stage, the final outcome of these matters is uncertain. AUO is reviewing the merits of this lawsuit on an on-going basis.
      - (ii) Other litigations:
 

At the end of February 2017, one of AUO's subsidiaries in the PRC, AUSZ received an administrative complaint filed by Shenzhen China Star Optoelectronics Technology Co.,Ltd. ("CSOT") alleging that AUSZ infringes two PRC patents, and the complaint requests that AUSZ cease the alleged infringing act. Based on the Company's preliminary assessment, it believes that its subsidiary does not infringe the two PRC patents as alleged, and further that the two PRC patents appear to be invalid. In response to such administrative complaint, AUSZ has filed a request to invalidate the two PRC patents accordingly. In April 2017, CSOT filed civil lawsuits in the Intermediate People's Court of Shenzhen Municipality against the subsidiary claiming infringement of the same two PRC patents. In June 2017, CSOT filed civil lawsuits in the No.1 Intermediate People's Court of Chongqing Municipality against the subsidiary claiming infringement of three PRC patents (including one of the above mentioned PRC patents). CSOT requested that AUSZ ceases the alleged infringing act and claimed

approximate RMB49.91 million for economic loss for each of the said respective four PRC patents and compensation for reasonable fees and litigation expenses such as notarization fees and attorney fees incurred by CSOT. On September 24, 2017, the relevant parties reached a settlement agreement and agreed to withdraw relevant legal proceedings.

In July 2018, Vista Peak Ventures, LLC (“VPV”) filed three lawsuits in the United States District Court for the Eastern District of Texas against AUO, claiming infringement of certain of VPV’s patents in the United States relating to the manufacturing of TFT-LCD panels. In the complaints, VPV seeks, among other things, unspecified monetary damages for past damages and an injunction against future infringement. While AUO intends to defend the suits vigorously, the ultimate outcome of the three matters is uncertain. AUO is reviewing the merits of the lawsuits on an on-going basis.

In addition to the matters described above, the Company is also a party to other litigations or proceedings that arise during the ordinary course of business. Except as mentioned above, the Company, to its knowledge, is not involved as a defendant in any material litigation or proceeding which could be expected to have a material adverse effect on the Company’s business or results of operations.

(iii) Environmental lawsuits:

Since 2010, there have been environmental proceedings relating to the development project of the Central Taiwan Science Park in Houli, Taichung, which AUO’s second 8.5-generation fab is located at. The proceedings were initiated by six residents in Houli District, Taichung City (the “Plaintiffs”) to object the administrative dispositions of the environmental assessment and development approval issued in 2010 by the Environmental Protection Administration (“EPA”) of the Executive Yuan of Taiwan to the third phase development area in the Central Taiwan Science Park (the “Project”). On August 8, 2014, the Plaintiffs reached a settlement with the defendants (i.e. the governmental authorities, including the EPA of the Executive Yuan of Taiwan, the Ministry of Science and Technology (former National Science Council of the ROC Executive Yuan) and the Central Taiwan Science Park Development Office) in the Taipei High Administrative Court. The second phase environmental impact assessment for the Project continues to proceed. On December 14, 2017, the EPA of the Executive Yuan of Taiwan held the third review meeting of the investigation group. The review meeting reached the conclusion of suggesting approval for the Project. On November 6, 2018, the EPA approved the Project, but on December 6, 2018, five residents in Houli District, Taichung City filed administrative appeal to the Appeals Review Committee of the Executive Yuan requesting a withdrawal of the approval.

Currently management does not believe that this event will have a material adverse effect on the Company’s operation and will continue to monitor the development of this event.

(XIII) Other major risks and the countermeasures

1. Information security policies

To ensure the confidentiality, integrity, accessibility and legality of information assets (hardware, software, materials, documents and personnel related to information processing), and to avoid threats from intentional internal or external actions or accidents, our corporate information security policies are promulgated based on consideration of the Company’s business needs, and reference to ISO 27001 information security international standards.

Information security control measures include:

- Establishment of the information security management organization to supervise the operation of the information security management system, identify the internal and external issues of the information security management system and the information security requirements and expectations of the relevant organizations.
- Evaluation and management of information security for internal processes of the company.
- Enhancement of awareness of information security among the Company’s employees and division of labor.
- Information security requirements to external suppliers.
- Development of information security indicators.
- Continuous information operations and drills.
- Process and response to information security incidents.
- Legal compliance.

2. Assessment of security and network risks

To properly protect the information assets within the Company’s information security management system, we have determined and implemented relevant specifications for information assets and risk assessment procedures to confirm the risk level of information assets, and determine countermeasures via risk assessment results and internal meetings. By doing so, we can achieve effective mitigation, transfer, elimination or even acceptance of risks.

The Company has an internal scanning and monitoring system to ensure that the system operates with the latest operational updates to reduce the risk of being attacked.

We conduct annual review on various regulations and evaluate the Company's internal information security regulations to ensure compliance with legal regulations and effectiveness, and regularly publicize relevant security regulations to prevent the staff from violating internal regulations, which cause damage loss to the Company.

Each year, we review various regulations and evaluate the company's internal information security regulations to ensure compliance with regulations and effectiveness, and regularly publicize relevant security regulations to prevent the company from harming the company's violation of internal regulations.

In addition to basic information security-related training when recruiting new employees, the Company also regularly organizes e-mail social engineering exercises to educate employees on relevant information security knowledge such as e-mail sending and receiving, so as to reduce the risk of employees accidentally clicking on malicious e-mail. Through the implementation of various courses, we can not only enhancing the information security awareness of staff but also ensuring that information security concepts can be incorporated into daily operations.

### 3. Information Security Management

With the establishment of the information security management system, the Company implements information security policies to protect customer data and corporate intelligence output, enhance information security incident response capabilities and achieve information security policy measurement indicators. We also meet the expectations of the stakeholder groups of the Company, and continue to enhance the Company's security control system through PDCA mechanism, which will assist in improving the Company's competitiveness.

### 4. Arrangement for Insurance of Information Security

Since July of 2017, the Company has insured corporate information security risk management insurance. In case of insurance claims related to expenses incurred during the security incident (such as business interruption, forensics), the insurance coverage includes consolidated subsidiaries to reduce the Company's losses.

### 5. Countermeasures for Severe Incidents of Information Security

The Company enhances the internal emergency response process SOPs and drills during the establishment of the information security management system, and will continue to simulate various MPA attack scenarios and arrange relevant personnel to participate in the drills to ensure that emergency procedures can be initiated when the incident occurs to effectively reduce events responding time and Company losses.

### 6. Security management of information asset equipment

The company protects the confidentiality, availability, and consistency of information assets by establishing a set of information assets classification and inventory mechanism, and effectively identifies the company's key systems and equipment, strengthens and strengthens the physical security management of the information room, including personnel access control, Add surveillance image system and item entry and exit management to protect the safety of company information system equipment.

### 7. Management of external service vendors

In order to protect the company's own rights and information security, the company establishes a prior risk assessment mechanism for external manufacturers and requires them to sign a confidentiality agreement (NDA) in the process of signing service contracts with external manufacturers to protect the company's confidential information and avoid Vvas misused or exposed.

### 8. Information security management system certification

In response to the current information security technology risks, the company has introduced an information security management system to comprehensively improve information security protection and is expected to obtain ISO 27001 information security international standard certification this year.

In addition to investing in software and hardware investment in information security protection, the company also vigorously promotes the integration of information security management systems with international standards. It is expected to further improve the information security protection mechanism and continuously improve various information security management and maintenance operations to achieve It meets the information security management objectives of "confidentiality", "integrity" and "availability", and is expected to effectively reduce the impact of possible information security incidents and enhance corporate image and competitiveness.

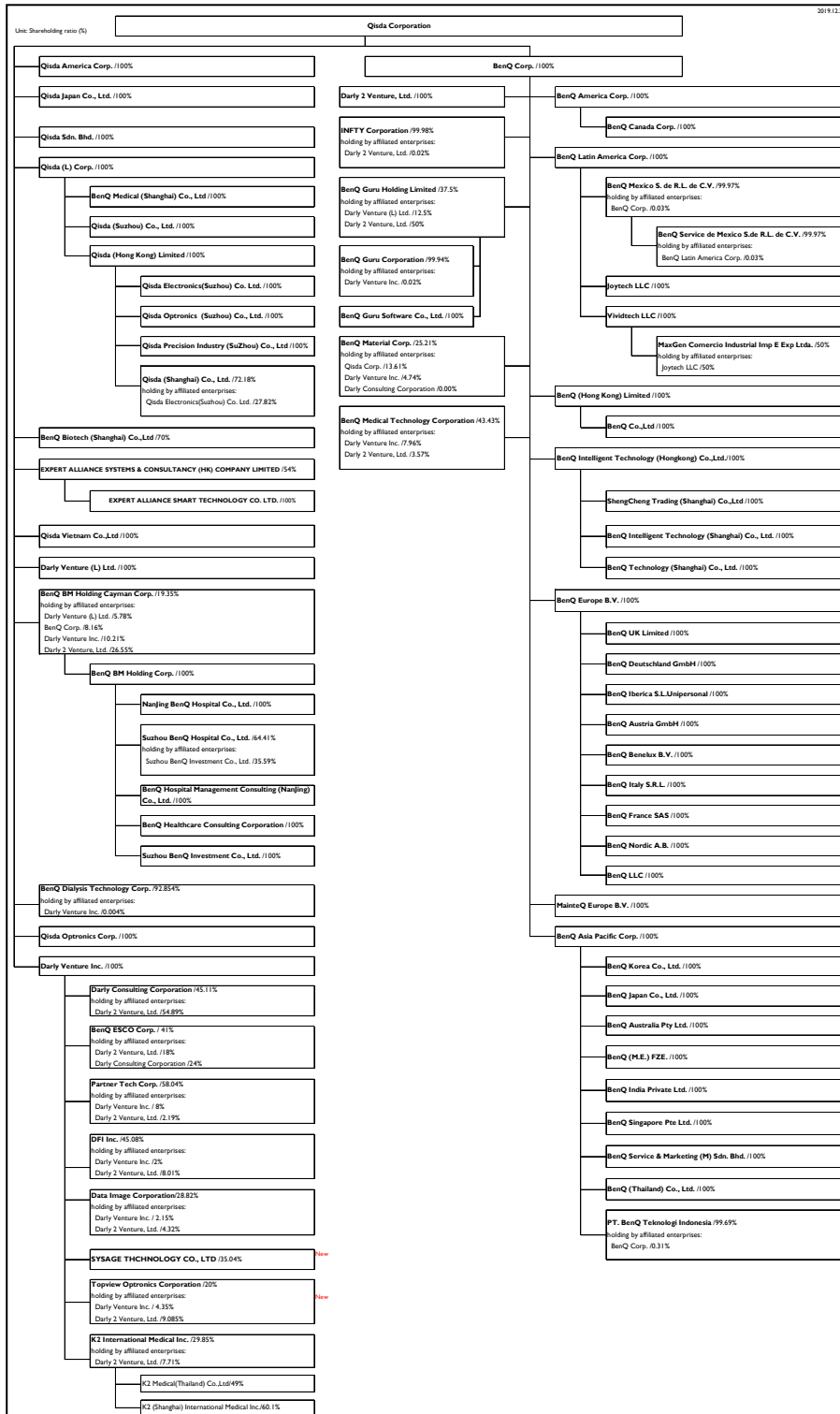
Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI , Dataimage, SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its analysis and assessment to other risks.

## VIII. Other material matters: None.

# Special Notes

## I. Information about affiliates

### (I) Organization chart of affiliates



Note: Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI, Dataimage, SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its Organization chart of affiliates

## (II) Basic information of affiliates

December 31, 2019; NT\$1,000

Name of business	abbreviation	Date of incorporation	Address	Currency	Paid-in Capital	Main Activities
Qisda Sdn. Bhd.	QLPG	1989.11.15	2686 Jalan Todak, Seberang Jaya 13700 Prai Penang, Malaysia	MYR	50,274	Leasing and management services
Qisda America Corp.	QALA	2007.07.05	8941 Research Drive, Suite 200, Irvine, CA 92618 USA	USD	1,000	Electronic product trading
Qisda Japan Co., Ltd.	QJTO	2007.07.27	3-30-1, KAIGAN AKIMOTO SOKO 3A 5F MINATO-KU, Tokyo, Japan	JPY	10,000	Electronic product trading and product repair in the local market
BenQ corporation	BenQ	2000.03.13	No. 16, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan	NTD	4,086,406	Brand product manufacturing and sales
BENQ MATERIALS CORP.	BMC	1998.07.16	No. 29, Jianguo E. Rd., Guishan Dist., Taoyuan City 333, Taiwan	NTD	3,206,745	Development, manufacturing and sales of various functional film products
BENQ DIALYSIS TECHNOLOGY CORP.	BDT	2014.10.08	No. 159-1, Shanying Rd., Guishan Dist., Taoyuan City 333, Taiwan	NTD	280,000	Manufacturing and trading of medical equipment
QISDA OPTRONICS CORP.	QTOS	2014.12.11	No. 1, Xingye St., Guishan Dist., Taoyuan City 333, Taiwan	NTD	1,000	Manufacturing of computer peripheral products
Qisda (L) Corp.	QLLB	1997.01.23	Level 15(B), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia	USD	114,250	Holding company
Darly Venture (L) Ltd	Darly	1997.01.23	Level 15(B), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia	USD	6,000	Holding company
Darly Venture Inc.	APV	1996.05.02	No. 12, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan	NTD	1,132,578	Holding company
BenQ BM Holding Cayman Corp.	BBHC	2009.01.05	Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands	USD	244,945	Holding company
PARTNER TECH CORP.	PTT	1990.02.21	10F., No. 233-1, Baoqiao Rd., Xindian Dist., New Taipei City 231, Taiwan	NTD	750,856	Production and sales of electronic products and point of sale and import and export trade
DFI INC.	DFI	1981.07.14	No. 100, Huanhe St., Xizhi Dist., New Taipei City 221, Taiwan	NTD	1,146,889	Manufacturing, processing and trading of industrial computer boards and computer components
K2 INTERNATIONAL MEDICAL INC.	K2	2006.07.04	9F., No. 18, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan	NTD	130,000	Trading in medical equipment
DATA IMAGE CORPORATION	DIC	1997.11.22	30F., No.93, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan	NTD	693,996	Design, manufacture and sale of marine display optoelectronic modules
TOPVIEW OPTRONICS CORP.	TOC	2010.10.07	10F., Dacheng Rd., Taoyuan Dist., Taoyuan City 330, Taiwan	NTD	287,500	Production and sales of Security monitor, and import and export trade
EXPERT ALLIANCE SYSTEMS & CONSULTANCY (HK) COMPANY LIMITED	EASCHK	2011.03.29	Room 1101-1102, 11th Floor, Times Center, 928-930 Cheung Sha Wan Road, Lai Chi Kok, Kowloon, Hong Kong	HKD	30,000	Manufacturing of computer peripheral products and provide smart service

Name of business	abbreviation	Date of incorporation	Address	Currency	Paid-in Capital	Main Activities
EXPERT ALLIANCE SMART TECHNOLOGY CO. LTD.	EASTMO	2018.12.14	Block A, 14th Floor, China Fortune Commercial Middle, 26-54B, Bristol Road, Macau	MOP	100	Manufacturing of computer peripheral products and provide smart service
SYSAGETHCHNOLOGY CO.,LTD	SYSAGE	1998.04.16	10F, No. 516, Sec. 1, Neihu Rd., Neihu Dist., Taipei City 114, Taiwan	NTD	1,883,573	Operating communications and Internet hardware and software equipment
BenQ Biotech (Shanghai) Co.,Ltd	BBC	2019.08.19	No. 613, 713 Taihua Road, Pudong New District, Shanghai	CNY	100,000	Manufacturing and trading of medical equipment
Qisda Vietnam Co.,Ltd	QVH	2019.10.23	Lot CN03, Dong Van 4 Industrial Park, Dai Cuong Commune, Kim Bang District, Ha Nam Province, Vietnam.	USD	21,500	Manufacturing of liquid crystal display
Qisda (Suzhou) Co., Ltd.	QCSZ	1993.06.25	No. 169, Zhujiang Road, Suzhou New District, , Jiangsu, China	USD	74,000	Processing of liquid crystal displays and mobile communication products
Qisda (Hong Kong) Limited	QCHK	2008.12.04	Unit 706, Haleson Building, No 1 Jubilee Street, Hong Kong	HKD	10	Holding company
BenQ Medical (Shanghai) Co., Ltd	BMSH	2015.07.20	Room 2, Unit C, 8th Floor, Building D, No. 207, Yuhong Road, Changning District, Shanghai, China	USD	1,360	Trading in medical equipment
Qisda (Shanghai) Co., Ltd.	QCSH	2005.12.15	No. 669, Taihua Road, Pudong New Area, Shanghai, China	USD	66,500	Processing of liquid crystal display
Qisda Electronics(Suzhou) Co. Ltd.	QCES	2000.02.23	No. 169, Zhujiang Road, Suzhou New District, , Jiangsu, China	USD	11,800	Processing of liquid crystal display modules
Qisda Optronics (Suzhou) Co., Ltd.	QCOS	2000.01.12	No. 169, Zhujiang Road, Suzhou New District, , Jiangsu, China	USD	12,460	Processing of optoelectronic products such as projectors
Qisda Precision Industry (SuZhou) Co., Ltd	QCPS	2007.07.27	No. 169, Zhujiang Road, Suzhou New District, , Jiangsu, China	USD	5,000	Processing of plastic parts
BENQ ESCO CORP.	ESCO	2013.01.25	No. 12, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan	NTD	100,000	Energy technology service
BenQ (Hong Kong) Limited	BQHK	1991.10.31	Unit 705, 7/F, Saxon Tower, 7 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong	HKD	466,200	Holding company
BenQ Europe B.V.	BQE	1994.09.26	Meerenakkerweg 1-17, 5652 AR, Eindhoven, The Netherlands	EUR	12,523	Electronic product trading in Europe
BENQ ASIA PACIFIC CORP.	BQP	2007.09.28	No. 12, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan	NTD	200,000	Electronic product trading in Asia
BenQ America Corp.	BQA	1997.09.25	3200 Park Center Dr., Suite 150, Costa Mesa, CA 92626 USA	USD	2,000	Electronic product trading in north USA
BenQ Latin America Corp.	BQL	2005.10.13	8200 NW 33rd street, Suite 301, Miami FL 33122, USA.	USD	4,350	Electronic product trading in Central and South America
MainteQ Europe B.V.	MQE	2002.04.05	EKKersrijt 4130, 5692 DC Son, The Netherlands	EUR	818	Display and projector repair service in Europe
Darly2 Venture, Inc.	Darly2	2000.01.19	No. 12, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan	NTD	1,950,000	Holding company
BenQ Intelligent Technology (Hongkong) Co.,Ltd.	BQHK_HLD	2017.07.05	Unit 705, 7/F, Saxon Tower, 7 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong	USD	4,000	Electronic product trading in HK
INFTY Corporation	INF	1994.12.08	10F, No. 419, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City 235, Taiwan	NTD	69,469	Assembly and trading of E-sport products



Name of business	abbreviation	Date of incorporation	Address	Currency	Paid-in Capital	Main Activities
BenQ Guru Holding Limited	GSH	2005.12.08	Unit 705, 7/F, Saxon Tower, 7 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong	HKD	62,400	Holding company
BenQ Medical Technology Corporation	BMT	1989.03.21	7F, No. 46, Zhouzi St., Neihu Dist., Taipei City 114, Taiwan	NTD	445,660	Manufacturing and trading of medical equipment
PT. BENQ TEKNOLOGI INDONESIA	BQid	2017.11.6	Wisma 77 Tower 2 Lantai 5 Zone 1, Jalan Letjen S.Parman Kavling 77, Slipi Sub-district, Palmerah Subdistrict, West Jakarta	IDR	3,250,000	Electronic product trading
BenQ Korea Co., Ltd.	BQkr	2006.08.18	1801,288, Digital-ro, Guro-gu, Seoul, Korea	KRW	50,000	Provide various administrative and management services
BenQ Japan Co., Ltd.	BQjp	1996.07.19	7Fl, Shiba-2 Bldg., 2-2-15 Shiba, Minato-ku, Tokyo 105-0014, Japan	JPY	10,000	Electronic product trading
BenQ Australia Pty Ltd	BQau	2000.07.01	Unit 6, 2 Holker Street, Newington, NSW 2127 Australia	AUD	2,191	Electronic product trading
BenQ (M.E.) FZE.	BQme	2001.04.07	P.O. Box 18007, Jebel Ali Free Zone, Dubai. U.A.E.	AED	1,000	Electronic product trading
BenQ India Private Ltd.	BQin	2000.02.29	9B Building, 3rd Floor, DLF Cyber city Phase-3, Gurgaon-122002, Haryana, India	INR	440,296	Electronic product trading
BenQ Singapore Pte Ltd.	BQsg	2000.09.20	8 Burn Road #11-07 Trivex, Singapore 369977	SGD	500	Electronic product trading
BenQ Service & Marketing (M) Sdn. Bhd.	BQmy	2004.03.04	C-39-5, Block C, Jaya One, No.72A, Jalan Universiti, 46200 Petaling Jaya, Selangor, Malaysia	MYR	100	Electronic product trading
BenQ (Thailand) Co., Ltd.	BQth	2003.02.20	28th Fl., Sinn Sathorn Tower. 77/119 Krungdhonburi Road, Klongtongsai, Klongsarn, Bangkok 10600 ,Thailand	THB	60,000	Electronic product trading
BenQ Co.,Ltd	BQC	2005.05.11	1st Floor, Building D, No. 207, Yuhong Road, Changning District, Shanghai, China	USD	80,000	Real estate rental business
BenQ Technology (Shanghai) Co., Ltd.	BQls	2003.10.24	Room 2103F, 21st Floor, No. 28, Maji Road, Waigaoqiao Free Trade Zone, Shanghai, China	USD	200	Electronic product trading
ShengCheng Trading ( Shanghai ) Co.,LTD	BQsha_EC2	2015.10.10	Room 5, Unit C, 8th Floor, Building D, No. 207, Yuhong Road, Changning District, Shanghai, China	USD	100	Electronic product trading
BenQ Intelligent Technology (Shanghai) Co., Ltd.	BQC_RO	2017.10.13	Unit E, 8th Floor, Building D, No. 207, Yuhong Road, Changning District, Shanghai, China	USD	3,000	Trading in electronic products in China
BenQ Guru Software Co., Ltd.	GSS	1998.07.21	No.181, Zhuyuan Road, High Tech Zone, Jiangsu, Suzhou, China	USD	13,200	R&D and trading of computer information systems
BENQ GURU CORP.	GST	2003.11.25	No. 14, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan	NTD	57,600	R&D and trading of computer information systems
BenQ Canada Corp.	BQca	2003.09.29	3-1750 The Queensway, Suite 1265, Toronto, on M9C 5H5 Canada	CAD	1	Electronic product trading
BenQ Mexico S. de R.L. de C.V.	BQmx	2002.05.27	Boulevard Palmas Hill 1, Piso 8, Suite/Oficina 00-101 Colonia Valle de las Palmas, Huixquilucan Estado de México, C.P. 52764	MXN	3	Electronic product trading
Joytech LLC.	Joytech	2009.11.20	8200 NW 33rd street, Suite 301, Miami FL 33122, USA.	USD	1	Holding company
Vividtech LLC.	Vividtech	2010.01.04	8200 NW 33rd street, Suite 301, Miami FL 33122, USA.	USD	1	Holding company

Name of business	abbreviation	Date of incorporation	Address	Currency	Paid-in Capital	Main Activities
MaxGen Comercio Industrial Imp E Exp Ltda.	MaxGen	2010.01.14	Rua Haddock Lobo, 585 2 andar CEP 01414-001 Sao Paulo, SP Brazil	BRL	503	Electronic product trading
BenQ Service de Mexico S. de R. L. de C.V.	BQms	2011.07.21	Boulevard Palmas Hill 1, Piso 8, Suite/Oficina 00-101 Colonia Valle de las Palmas, Huixquilucan Estado de México, C.P.52764	MXN	3	Provide various administrative and management services
BenQ UK Limited	BQuk	1997.11.07	3 Staplehurst Office Centre, Weston-on-the-Green, OX25 3QU, Bicester Oxfordshire, United Kingdom	GBP	300	Electronic product trading
BenQ Deutschland GmbH	BQde	2000.09.07	Essener Strasse 5, 46047 Oberhausen, Germany	EUR	600	Electronic product trading
BenQ Inberica S.L. Unipersonal	BQib	2002.10.19	C/-Constitucion, 1-3 (3rd fl), 08960 San Just Desvern, Barcelona, Spain	EUR	150	Electronic product trading
BenQ Austria GmbH	BQat	2001.08.07	Altmannsdorfer Strasse 89, Top 6, 1120 Vienna, Austria	EUR	35	Electronic product trading
BenQ Benelux B.V.	BQnl	2000.10.12	Meerenakkerweg 1-12, 1-17, 1-19 and 1-23, Eindhoven, the Netherlands	EUR	18	Electronic product trading
BenQ Italy S.R.L.	BQit	2002.02.14	Viale Ercole Marelli 165, 5th Floor, 20099 Sesto San Giovanni, Italy	EUR	300	Electronic product trading
BenQ France SAS	BQfr	2004.04.08	Centre d'affaires La Boursidiere RN 186, 92350 Le Plessis Robinson France	EUR	50	Electronic product trading
BenQ Nordic A.B.	BQse	2005.12.06	Norgegatan 1, 164 32 Kista, SWEDEN	SEK	100	Electronic product trading
BenQ LLC	BQru	2011.01.02	Park Place Moscow, 113/1 Leninski Prospekt B101, 117198 Moscow, Russian Federation	RUB	50	Provide various administrative and management services
BenQ BM Holding Corp.	BBM	2003.10.30	Level 15(B), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan FT., Malaysia	USD	262,463	Holding company
Darly Consulting Corporation.	DarlyC	2001.08.29	No. 12, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan	NTD	266,248	Investment management consultant
K2 MEDICAL(THAILAND)CO.,LTD	K2th	2018.10.26	77/87 Thonburi Road, Klongtan Sub-District, Klongsan District, Bangkok Metropolis/	THB	25,000	Medical equipment trading
K2 (Shanghai) International Medical Inc.	K2sh	2007.08.31	Building 2, No. 787, Manufacturing Bureau Road, Huangpu District, Shanghai	USD	1,250	Medical equipment trading
NANJING BenQ Hospital Co., Ltd.	NMH	2003.11.11	No. 71 Hexi street, Jianye District, Nanjing, China	USD	152,015	Medical service
Suzhou BenQ Hospital Co., Ltd.	SMH	2004.07.07	No.181, Zhuyuan Road, High Tech Zone, Jiangsu, Suzhou, China	CNY	601,975	Medical service
BenQHospital Management Consulting (Nanjing) Co., LTD.	NMHC	2005.11.14	No. 71 Hexi street, Jianye District, Nanjing, China	USD	1,000	Management consultant
BenQ Healthcare Consulting Corporation	BHCC	2009.02.05	No. 12, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan	NTD	22,763	Management consultant
Suzhou BenQ Investment Co., Ltd.	BIC	2015.09.16	No.181, Zhuyuan Road, High Tech Zone, Jiangsu, Suzhou, China	USD	30,000	Holding company

Note: Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI ,Datimage, SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its affiliate organizational chart.

3. Presumed to be the same shareholder for those with relations of control and affiliation: None.

4. Overall business covered by the affiliates and subsidiaries, and the interaction and division of labor:

The Company's business coverage:

DMS (Design and Manufacturing Service): Engaged in the design, development, manufacturing and sales of various electronic products.

Brand Marketing: Engaged in design, development and sales of our private brand products.

Materials Science: Engaged in research, development, manufacturing and sales of various electronic chemical film products.

Medical Services: Hospitals that provide medical services.

The Company is convinced that this division of labor system will enable the Company's overall operations to be upgraded, and will be able to fully utilize synergies in R&D, manufacturing, marketing and investment strategies to form the best competitive advantages.

## (V) Directors, supervisors, and presidents of affiliates

December 31, 2019; Unit: in thousand shares; NT\$ 1,000; %

Name of business	Title	Name or representative	Shareholding	
			Shares (Investment Amount)	(Investment Holding %)
QLPG	Director	Jasmin Hung,SS Lim,Mavis Lin	50,000,000	100%
QALA	Director	Joe Huang,Daniel Hsueh,Ellin Lee	1,000,000	100%
	General manager	Joe Huang		
QJTO	Director	CY Ho,Chen,Pei-Tzu,Mavis Lin	Contribution amount JPY10,000,000	100%
	Supervisor	Billy Liou		
BenQ	Director	Qisda Corp. Representative: K.Y. Lee,Peter Chen,Conway Lee,Peter Huang	408,640,600	100%
	Supervisor	Qisda Corp. Representative: Jasmin Hung		
	General manager	Conway Lee		
BMC	Director	Qisda Corp. Representative: ZC.Chen,Peter Chen BenQ Corp.Representative: Conway Lee K.Y. Lee,Yu, Ko-Yung,Yeh,Fu-Hai (Independent director), Chen,Chiu-Ming(Independent director), Lu,Yu-Yang (Independent director)	139,690,207	43.56%
	General manager	Ray Liu		
BDT	Director	Qisda Corp. Representative: Harry Yang,Spark Huang Medica S.P.A. Representative: Marco Fecondini	26,000,000	92.86%
	Supervisor	Darly Venture Inc. Representative: Billy Liou		
QTOS	Director	Qisda Corp. Representative: Joe Huang,April Huang,Daniel Hsueh	100,000	100%
	Supervisor	Qisda Corp. Representative: Jasmin Hung		
QLLB	Director	Jasmin Hung,Peter Chen,Mavis Lin	114,250,000	100%
Darly	Director	Jasmin Hung,Peter Chen, Michael LS Wang	6,000,000	100%
APV	Director	Qisda Corp. Representative: Jasmin Hung, Peter Chen, Michael LS Wang	113,257,830	100%
	Supervisor	Qisda Corp. Representative: Mavis Lin		
BBHC	Director	K.Y. Lee,Peter Chen, Jasmin Hung,Mark Hsiao,Tseng,Wen-Chi,Louise Wang,Yang,Hung-Jen Wang,Lin,Kuo,Chi-Chih	171,581,837	70.05%
PTT	Director	Qisda Corp. Representative: Peter Chen, Pete Wang, Michael CH Lee Wu,Hung-Lin Yeh,Hui-Hsin(Independent director), Kuo,Chia-Hung(Independent director), Wang,Kuo-Chiang(Independent director)	51,231,888	68.23%
	General manager	Pete Wang		
DFI	Director	Qisda Corp. Representative: Peter Chen, Michael CH Lee, Steven Tsai Gordias Investments Limited Representative: Wei,Jen-Yu Chou,Kuang-Jen(Independent director), Chu,Chih-Hao(Independent director), Yeh,Te-Chang(Independent director)	63,078,873	55.09%
	General manager	Steven Tsai		

Name of business	Title	Name or representative	Shareholding	
			Shares (Investment Amount)	(Investment Holding %)
K2	Director	Qisda Corp. Representative: Chen,Ming-Cheng,Harry Yang,Jasmin Hung, Spark Huang	4,882,943	37.56%
	Supervisor	Chen,Hsiu-Wen,Lin,Yuan-Hao,Chen,Chung-I		
	General manager	Darly2 Venture, Inc. Representative: Mavis Lin Chen,Chung-I		
DIC	Director	Qisda Corp. Representative: Joe Huang, Joe Lee, Jasmin Hung, Deng,Fu-Ji, Daniel Hsueh Yu, Su-Ping Yeh, Hui-Hsin (Independent director), Ma,Xiao-Kang (Independent director), He,Wen-Xian (Independent director)	24,494,000	35.29%
	General manager	Chan,Wei-Hsiang		
TOC	Director	Qisda Corp. Representative: Zhou,Le-Ling, Cai,Wen-Jing, April Huang, Liang,Kun-De, Mavis Lin Li,Hong-Ming, Su,Ying-Qing (Independent director), Cai,Xin-Zhang (Independent director), Lin,Kai-Bin (Independent director)	9,612,000	33.43%
EASCHK	Director	Michael CH Lee, Claire Tien, Yu,Xiao-Hui, Chen,Bi-De, Chen,Zhen-Liang	Contribution amount HKD30,000,100	54%
EASTMO	Director	Michael CH Lee, Claire Tien, Yu,Xiao-Hui	Contribution amount MOP100,000	54%
SYSAGE	Director	Qisda Corp. Representative: Michael CH Lee, Jasmin Hung, Joshua Tzeng, Steven Tsai, Guo,Shu-Er Wu,Zuo-Sui, Wang,Wen-Cong (Independent director), Wang,Jin-Lai (Independent director), Lai,Shan-Gui (Independent director)	66,000,000	35.04%
BBC	Director	Qisda Corp. Representative: Harry Yang, Mark Hsiao, Jasmin Hung Shanghai Kunxin Medical Technology Co., Ltd. Representative: Xia, Lie-Bo	Contribution amount CNY70,000,000	70%
	Supervisor	Qisda Corp. Representative: Michael Lee Shanghai Kunxin Medical Technology Co., Ltd. Representative:He, Hong-Xing		
QVH	Director	Qisda Corp. Representative: Mark Hsiao, Rex Wu, Mercer Peng, TT Huang	Contribution amount USD21,500,000	100%
	Supervisor	Qisda Corp. Representative: Billy Liou		
QCSZ	Director	Qisda (L)Corp. Representative: Mark Hsiao, Eric Lee, Mercer Peng	Contribution amount USD74,000,000	100%
	Supervisor	Qisda (L)Corp. Representative: Billy Liou		
	General manager	Mark Hsiao		
QCHK	Director	Jasmin Hung, Peter Chen, Mavis Lin	10,000	100%
BMSH	Director	Qisda (L)Corp. Representative: Harry Yang, Francis Xiao, Rackie Kuo	Contribution amount USD1,360,000	100%
	Supervisor	Qisda (L)Corp. Representative: Mercer Peng		
	General manager	Francis Xiao		

Name of business	Title	Name or representative	Shareholding	
			Shares (Investment Amount)	(Investment Holding %)
QCSH	Director  Supervisor General manager	Qisda Electronics (Suzhou) Co. Ltd. Representative : Mark Hsiao Qisda (Hong Kong) Limited Representative: Eric Lee, Mercer Peng Qisda (Hong Kong) Limited Representative: Billy Liou Mark Hsiao	Contribution amount USD66,500,000	100%
QCES	Director  Supervisor General manager	Qisda (Hong Kong)Limited Representative: Mark Hsiao, Eric Lee, Mercer Peng Qisda (Hong Kong)Limited Representative: Billy Liou Mark Hsiao	Contribution amount USD11,800,000	100%
QCOS	Director  Supervisor General manager	Qisda (Hong Kong)Limited Representative: Mark Hsiao, Eric Lee, Mercer Peng Qisda (Hong Kong)Limited Representative: Billy Liou Mark Hsiao	Contribution amount USD12,460,000	100%
QCPS	Director  Supervisor General manager	Qisda (Hong Kong)Limited Representative: Mark Hsiao, Eric Lee, Mercer Peng Qisda (Hong Kong)Limited Representative: Billy Liou Mark Hsiao	Contribution amount USD5,000,000	100%
ESCO	Director  Supervisor	Darly Venture Inc. Representative: Michael CH Lee, Elley Huang, Billy Liou Darly2 Venture, Inc. : Mavis Lin	8,300,000	83%
BQHK	Director	Jasmin Hung, Rackie Kuo, Danny Lin	466,200,002	100%
BQE	Director	Conway Lee, Steve Chu, Ivan Hsu	5,009,076	100%
BQP	Director  Supervisor General manager	BenQ Corp. Representative: Conway Lee, Jeffrey Liang, Scott Yen BenQ Corp. Representative: Joy Chang Jeffrey Liang	20,000,000	100%
BQA	Director	Conway Lee, Ellin Lee, Lars Yoder	200,000	100%
BQL	Director	Conway Lee, Anson W Yang, Israel Bedolla	4,350,000	100%
MQE	Director	Conway Lee, Peter Chen, EL Tan	81,800	100%
Darly2	Director  Supervisor	BenQ Corp. Representative: Jasmin Hung, Peter Chen, Michael LS Wang BenQ Corp. Representative: Mavis Lin	195,000,000	100%
BQHK_HLD	Director	Peter Huang, Tseng, Wen-Chi, Rackie Kuo	4,000,000	100%
INF	Director  Supervisor	BenQ Corp. Representative: Conway Lee, Peter Huang, Enoch Huang Darly2 Venture, Inc. : Joy Chang	6,946,880	100%
GSH	Director	Michael CH Lee, Joshua Tzeng, Rackie Kuo	62,400,000	100%
BMT	Director  General manager	BenQ Corp. Representative: Peter Chen, JY Hu, Michael Kuan, Harry Yang Li, Jen-Fang (Independent director), Chang, Chin-Tung (Independent director), Huang, Chin-Fa (Independent director) Michael Kuan	24,491,956	54.96%
BQid	Director Supervisor General manager	Jeffrey Liang, Andryanto C Wijaya Scott Yen Andryanto C Wijaya	6,500	100%
BQkr	Director Supervisor	Jeffrey Liang, Scott Yen, Peter So Joy Chang	10,000	100%

Name of business	Title	Name or representative	Shareholding	
			Shares (Investment Amount)	(Investment Holding %)
BQjp	Director Supervisor	Jeffrey Liang, Scott Yen, Masashi Kikuchi Joy Chang	200	100%
BQau	Director	Jeffrey Liang, Scott Yen, Martin Moelle	2,191,092	100%
BQme	Director	Jeffrey Liang, Scott Yen, Manish Bakshi	1	100%
BQin	Director	Jeffrey Liang, Scott Yen, Rajeev Singh	440,295,980	100%
BQsg	Director	Jeffrey Liang, Scott Yen, HASLINA BINTE ABU BAKAR	500,000	100%
BQmy	Director	Jeffrey Liang, Scott Yen, Brian HY Lee (Lee Hing Yew)	100,000	100%
BQth	Director	Jeffrey Liang, Scott Yen, Thanyarak Nasomyon	11,999,998	100%
BQC	Director  Supervisor	BenQ (Hong Kong) Limited Representative: Jasmin Hung, Rackie Kuo, Danny Lin BenQ (Hong Kong) Limited Representative: Jack Hsu	Contribution amount USD80,000,000	100%
BQls	Director  Supervisor  General manager	BenQ (Hong Kong) Limited Representative: Peter Huang, Michael Tseng, Rackie Kuo BenQ (Hong Kong) Limited Representative: Joy Chang Michael Tseng	Contribution amount USD200,000	100%
BQsha_EC2	Director  Supervisor  General manager	BenQ Intelligent Technology (Hongkong) Co., Ltd. Representative: Michael Tseng, David Huang, Rackie Kuo BenQ Intelligent Technology (Hongkong) Co., Ltd. Representative: Joy Chang David Huang	Contribution amount USD100,000	100%
BQC_RO	Director  Supervisor  General manager	BenQ Intelligent Technology (Hongkong) Co., Ltd. Representative: Peter Huang, Michael Tseng, Rackie Kuo BenQ Intelligent Technology (Hongkong) Co., Ltd. Representative: Joy Chang Michael Tseng	Contribution amount USD3,000,000	100%
GSS	Director  Supervisor  General manager	BenQ Guru Holding Limited Representative: Michael CH Lee, Joshua Tzeng, Billy Liou BenQ Guru Holding Limited Representative: Mavis Lin Huang, Chih-Kuang	Contribution amount USD13,200,000	100%
GST	Director  Supervisor	BenQ Guru Holding Limited Representative: Michael CH Lee, Joshua Tzeng, Billy Liou Darly Venture Inc. Representative: Mavis Lin	5,757,428	99.96%
BQca	Director	Lars Yoder, Ellin Lee, Richard Winter	1,000	100%
BQmx	Director	Israel Bedolla, Anson W Yang, Albert Weng	3,000	100%
Joytech	Director	Israel Bedolla, Anson W Yang, Ellin Lee	500	100%
Vividtech	Director	Israel Bedolla, Anson W Yang, Ellin Lee	500	100%
MaxGen	Director	Marcelo Café	1,000	100%
BQms	Director	Israel Bedolla, Anson W Yang, Albert Weng	3,000	100%
BQuk	Director	Conway Lee, Steve Chu, Joy Chang	300	100%
BQde	Director	Steve Chu, Ivan Hsu, Oliver Barz	100	100%
BQib	Director	Steve Chu, Ivan Hsu	150	100%
BQat	Director	Steve Chu, Ivan Hsu, Mihai Borze	35	100%
BQnl	Director	Conway Lee, Steve Chu, Ivan Hsu	182	100%
BQit	Director	Steve Chu, Ivan Hsu, Mihai Borze	50,000	100%
BQfr	Director	Steve Chu, Ivan Hsu, Bruno Morel	1	100%
BQse	Director	Steve Chu, Ivan Hsu, Bo Cramer	1	100%
BQru	Director	Youri Studenikin	1	100%

Name of business	Title	Name or representative	Shareholding	
			Shares (Investment Amount)	(Investment Holding %)
BBM	Director	K.Y. Lee, Peter Chen, Jasmin Hung, Mark Hsiao, Michael Tseng, Louise Wang, Yang, Hung-Jen Wang, Lin, Kuo, Chi-Chih	262,463,251	70.05%
DarlyC	Director Supervisor	Darly2 Venture, Inc. Representative: Jasmin Hung, Peter Chen, Michael LS Wang Darly Venture Inc. Representative: Mavis Lin	26,624,804	100%
K2th	Director General manager	Harry Yang, Ong-Art-Chalinrat, Yeh, Kung-Wu Ong-Art-Chalinrat	245	18.40%
K2sh	Director Supervisor General manager	Chen, Chung-I Chen, Ming-Cheng Yuan, Yao-Hua	751,250	22.57%
NMH	Director Supervisor General manager	BenQ BM Holding Corp. Representative: Mark Hsiao, Peter Chen, Michael Tseng, Louise Wang, Jasmin Hung, Wang, Lin, Kuo, Chi-Chih, Ji, Da-Xi BenQ BM Holding Corp. Representative: Mavis Lin Mark Hsiao	Contribution amount USD 152,014,984	70.05%
SMH	Director Supervisor General manager	BenQ BM Holding Corp. Representative: Mark Hsiao, Peter Chen, Michael Tseng, Louise Wang, Jasmin Hung, Wang, Lin, Kuo, Chi-Chih, Zhou, Xiao-Qing BenQ BM Holding Corp. Representative: Mavis Lin Mark Hsiao	Contribution amount CNY 601,975,000	70.05%
NMHC	Director Supervisor General manager	BenQ BM Holding Corp. Representative: Mark Hsiao, Peter Chen, Michael Tseng, Louise Wang, Jasmin Hung, Wang, Lin, Kuo, Chi-Chih BenQ BM Holding Corp. Representative: Mavis Lin Mark Hsiao	Contribution amount USD 1,000,000	70.05%
BHCC	Director Supervisor	BenQ BM Holding Corp. Representative: Mark Hsiao, Peter Chen, Ron Chiang, Jasmin Hung BenQ BM Holding Corp. Representative: Mavis Lin	2,276,330	70.05%
BIC	Director Supervisor General manager	BenQ BM Holding Corp. Representative: Mark Hsiao, Jasmin Hung, Louise Wang, Ron Chiang BenQ BM Holding Corp. Representative: Mavis Lin Mark Hsiao	Contribution amount USD 30,000,000	70.05%

Note1: Qisad Grop combined holding shares and Shareholding ratio.

Note2: Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI, Dataimage, SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its Directors, supervisors, and presidents of affiliates.



## (VI) Overview of affiliates' operations:

December 31, 2019; Unit: NT\$1,000

Name of business	Capital	Total assets	Total liabilities	Net assets	Revenue	Profit from operations	Profit or loss for the year (After income tax)	Earnings per share (dollar; after income tax)
QLPG	546,160	364,252	47,905	316,347	0	(35,601)	(21,826)	
QMMX	0	0	0	(0)	0	(355)	16,863	
QALA	32,800	8,071,943	8,031,922	40,022	27,997,419	14,697	(7,872)	
QJTO	3,784	1,363,004	1,309,419	53,585	3,092,313	21,852	17,591	
BenQ	4,086,406	16,820,016	9,005,157	7,814,858	16,568,984	32,887	1,485,237	3.63
BMC	3,206,745	10,327,921	6,196,953	4,130,968	13,942,969	353,857	256,740	0.80
BDT	280,000	163,702	14,426	149,277	45,775	(32,982)	(32,982)	(1.18)
QTOS	1,000	1,008	0	1,008	0	(1)	10	0.10
QLLB	3,460,633	15,461,766	2,325,242	13,136,524	57,754,019	(63)	981,838	
Darly	165,000	290,034	150,748	139,286	0	(164)	35,012	
APV	1,132,578	2,023,044	1,595	2,021,449	0	(279)	123,513	1.09
BBHC	7,405,278	3,813,725	11,606	3,802,119	0	(12,699)	575,152	
PTT	750,856	2,130,157	1,118,764	1,011,393	3,140,455	13,510	(3,065)	0.08
DFI	1,146,889	8,429,961	3,253,439	5,176,522	7,031,784	786,751	625,260	5.51
K2	130,000	539,803	217,623	322,180	770,089	24,208	23,262	1.79
DIC	693,996	1,781,968	730,508	1,051,460	2,711,425	256,003	208,749	3.01
TOC	287,500	1,982,344	930,812	1,051,532	1,299,407	83,837	61,757	2.55
EASCHK	117,507	110,709	(9,489)	120,198	198,025	(5,318)	2,962	
SYSAGE	1,883,573	7,873,279	3,266,222	4,607,057	12,306,999	467,289	414,831	2.58
BBC	435,170	856,396	2,627	853,769	0	(11,316)	(8,906)	
QVH	667,956	707,236	79,801	627,435	0	(19,604)	(20,132)	
QCSZ	2,241,460	31,775,922	22,595,299	9,180,622	84,586,878	796,160	724,058	
QCHK	39	4,348,491	0	4,348,491	0	0	316,585	
BMSH	43,776	68,837	31,656	37,181	129,046	699	(126)	
QCSH	2,014,285	324,033	1,768,415	(1,444,381)	0	(26,210)	(11,837)	
QCES	357,422	8,407,570	6,358,800	2,048,770	22,801,910	138,513	96,284	
QCOS	377,413	7,729,013	3,721,400	4,007,613	16,606,952	265,706	213,115	
QCPS	151,450	775,030	396,069	378,961	1,903,917	55,609	19,023	
ESCO	100,000	80,949	59,837	21,111	82,571	(12,934)	(6,897)	(0.69)
BQHK	1,819,024	2,637,912	29,433	2,608,479	0	(86)	314,107	
BQE	485,684	3,473,887	2,392,587	1,081,299	8,055,186	33,741	90,034	
BQP	200,000	2,451,549	2,169,525	282,023	6,456,538	212,402	176,838	8.84
BQA	60,580	2,325,080	1,668,021	657,059	3,772,750	(58,715)	(64,989)	
BQL	127,414	519,421	555,499	(36,078)	702,469	9,083	(24,324)	
MQE	35,139	82,113	14,761	67,352	84,461	(1,829)	(1,262)	
Darly2	1,950,000	2,631,073	27,133	2,603,940	0	(145)	229,493	1.18
BQHK_HLD	118,143	445,931	44,706	401,225	138,993	7,795	287,221	
INF	69,469	107,011	25,783	81,227	279,562	12,087	8,362	1.20
GSH	242,320	176,088	659	175,429	0	(57)	(9,074)	
BMTC	445,660	1,399,993	349,763	1,050,230	616,399	41,155	75,407	1.69
BQid	6,923	13,781	16,002	(2,221)	2,837	(8,895)	(9,509)	
BQkr	1,713	28,035	19,669	8,366	0	8,021	1,228	
BQjp	2,582	359,714	274,448	85,266	1,301,692	14,530	6,001	
BQau	65,042	159,902	101,987	57,915	471,120	9,530	4,161	
BQme	8,809	544,344	544,545	(201)	1,203,668	14,753	14,631	
BQin	225,287	441,973	422,204	19,769	936,183	24,359	11,638	
BQsg	11,425	31,948	53,501	(21,553)	59,840	9	(226)	
BQmy	106,550	29,784	22,775	7,009	73,257	(443)	(585)	
BQth	56,030	62,323	114,591	(52,268)	195,044	(18,102)	(11,392)	

Name of business	Capital	Total assets	Total liabilities	Net assets	Revenue	Profit from operations	Profit or loss for the year (After income tax)	Earnings per share (dollar; after income tax)
BQC	2,766,770	2,858,675	243,298	2,615,377	659,716	404,818	314,009	
BQls	12,703	180,674	155,573	25,102	43,273	18,796	16,448	
BQsha_EC2	2,942	23,924	28,578	(4,655)	159,066	5,529	5,620	
BQC_RO	90,106	1,325,204	941,864	383,340	5,013,268	314,637	258,623	
GSS	495,651	150,048	61,491	88,557	147,820	(29,272)	(19,173)	
GST	57,600	77,262	17,675	59,587	36,302	6,703	10,161	1.76
BQca	30	177,319	178,843	(1,524)	662,879	(21,088)	(20,645)	
BQmx	7	287,099	247,735	39,365	530,399	5,352	6,546	
Joytech	4,422	(129,972)	0	(129,972)	0	0	(20,599)	
Vividtech	4,422	(129,972)	0	(129,972)	0	0	(20,599)	
MaxGen	8,159	222,675	482,618	(259,943)	248,357	(16,230)	(41,198)	
BQms	6	12,134	8,294	3,840	0	1,522	800	
BQuk	14,003	372,279	334,152	38,127	1,358,351	16,629	12,791	
BQde	23,535	526,566	381,577	144,989	2,074,373	18,177	9,215	
BQib	5,884	220,160	168,324	51,836	608,166	6,840	4,405	
BQat	1,373	195,261	140,864	54,396	1,179,930	9,116	9,316	
BQnl	714	190,268	229,216	(38,948)	447,538	4,513	3,411	
BQit	11,768	190,622	161,899	28,722	387,076	2,177	2,203	
BQfr	1,961	222,321	350,136	(127,815)	846,092	3,773	1,838	
BQse	439	124,414	51,541	72,874	736,791	8,836	7,022	
BQru	48	17,130	3,039	14,090	0	270	(951)	
BBM	8,038,278	3,764,073	42,067	3,722,006	0	(113,730)	586,920	
DarlyC	266,248	351,821	17,187	334,634	0	(691)	4,723	0.19
K2th	24,167	40,491	15,398	25,092	28,077	142	132	
NMH	5,007,921	5,553,911	3,619,723	1,934,189	5,383,326	329,160	195,529	
SMH	2,929,594	4,068,284	3,173,028	895,255	2,590,757	167,766	204,982	
NMHC	38,825	24,597	220	24,377	0	(588)	(363)	
BHCC	22,763	63,290	18,650	44,640	104,305	22,190	21,189	9.31
BIC	974,419	844,142	11,056	833,085	0	(4)	130	

Note: Please refer to the 2019 Annual Reports of the Company's Subsidiaries BenQ Materials Corporation, BenQ Medical Technology, Partner Tech Corp., DFI, Dataimage, SYSAGE TECHNOLOGY and TOPVIEW OPTRONICS to respectively see its Overview of affiliates' operations.

- II. Privately placed securities handling status in the most recent year up to the publication date of this Annual Report: None
- III. Holding or disposition of the Company shares by subsidiaries in the most recent year up to the publication date of this Annual Report: None.
- IV. Other items that must be included: None.
- V. Any event that results in substantial impact on the shareholders' equity or prices of the Company's securities as prescribed by Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act that have occurred in the most recent year up to the publication date of this Annual Report: None.

**QISDA CORPORATION AND SUBSIDIARIES**  
**Consolidated Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2019 and 2018**

Address: No. 157, Shan-Ying road, Gueishan, Taoyuan, Taiwan  
Telephone: 886-3-359-8800

The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

## **Representation Letter**

The entities that are required to be included in the combined financial statements of Qisda Corporation as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Qisda Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Qisda Corporation  
Chi-Hong (Peter) Chen  
Chairman  
Date: March 27, 2020

## Independent Auditors' Report

The Board of Directors of Qisda Corporation:

### Opinion

We have audited the consolidated financial statements of Qisda Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the paragraph on Other Matter of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, interpretations, as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the paragraph on the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

#### 1. Revenue recognition

Please refer to notes 4(r) and 6(x) for the accounting policy on revenue recognition and "Revenue" for the related disclosures, respectively, of the notes to the consolidated financial statements.

Description of key audit matter:

The Group has several operating segments. Each segment engages in different business activities. In addition, the Group has operations spread globally. The Group recognizes its revenue depending on the various trade terms in each individual sale transaction and service rendered, which are considered to be complex in determining the timing of revenue recognition. Therefore, revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matters above, our principal audit procedures included testing the design and operating effectiveness of the Group's internal controls over financial reporting in the sales and collection cycle; assessing whether revenue is recognized based on the trade terms with customers through reviewing the related sales contracts or other trade documents; performing a sample test on sales transactions that took place before and after the balance sheet date to determine whether the performance obligation has been satisfied by transferring control over the goods or services to a customer, and assessing the accuracy of the timing of revenue recognition; reviewing and understanding the reasonableness for any identified significant sales returns and allowances that took place after the balance sheet date, as well as assessing the completeness of the revenue and related sales returns and allowances.

2. Valuation of inventories

Please refer to notes 4(h), 5 and 6(f) for the inventory accounting policy, "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation, and "Inventories" for the related disclosures, respectively, of the notes to the consolidated financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environments in the electronic industry, the life cycle of certain products of the Group are short and their market prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the inventory of aging report and analyzing the fluctuation of inventory aging; selecting samples to verify the accuracy of the net realizable value of inventories and inventory aging report prepared by the Group; evaluating whether valuation of inventories was accounted for in accordance with the Group's accounting policies; and assessing the historical reasonableness of management's estimates on inventory provisions.

3. Business combination

Please refer to notes 4(v) and 6(h) for the accounting policy on business combination, and "Business Combination" for the related disclosures, respectively, of the notes to the consolidated financial statements.

Description of key audit matter:

The Group acquired 35.04% ownership of Sysage Technology Co., Ltd in 2019, wherein the Group owned more than half of its total number of directors. Therefore, the Group obtained control over it. To adopt the accounting treatment of business combination, the management needs to determine the fair value of the identifiable assets and liabilities. The assessment is complex and involves significant assumptions and estimation. Accordingly, the assessment of business combination has been identified as one of the key audit matters.

#### How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the purchase price allocation report with valuation of intangible assets conducted by an external expert engaged by the management; and auditing the acquired assets and liabilities identified by the management including any fair value adjustment at the acquisition date. In doing so, we have consulted internal valuation specialists to assist in evaluating the reasonableness of the valuation model and key assumptions used. We have also confirmed that correct accounting treatment has been applied and appropriate disclosures with respect to the acquisition has been made.

#### 4. Impairment of goodwill

Please refer to notes 4(p), 5 and 6(l) for the accounting policy on impairment of non-financial assets, “Critical accounting judgments and key sources of estimation uncertainty”, for estimation uncertainty of impairment of goodwill, and “Intangible assets”, and for the related disclosures, respectively, of the notes to the consolidated financial statements.

#### Description of key audit matter:

Goodwill arising from acquisition of subsidiaries are annually subject to impairment test or when there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill involves management’s judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

#### How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the assessment of goodwill impairment provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of key assumptions and results; and assessing the adequacy of the Group’s disclosures with respect to the related information.

#### **Other Matter**

We did not audit the financial statements of certain subsidiaries of the Group. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the report of other auditors. The financial statements of those subsidiaries reflect the total assets amounting to NT\$9,195,065 thousand and NT\$6,588,263 thousand, respectively, constituting 6.76% and 5.50%, respectively, of the consolidated total assets as of December 31, 2019 and 2018, and the total operating revenues amounting to NT\$9,600,253 thousand and NT\$5,615,233 thousand, respectively, constituting 5.66% and 3.60%, respectively, of the consolidated total operating revenues for the years ended December 31, 2019 and 2018.

Qisda Corporation has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion with other matter section.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Chieh Tang and Huei-Chen Chang.

KPMG

Taipei, Taiwan (Republic of China)

March 27, 2020

#### **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' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**QISDA CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 10,780,507	8	9,618,657	8
1110 Financial assets at fair value through profit or loss—current (note 6(b))	665,037	1	405,914	-
1120 Financial assets at fair value through other comprehensive income—current (note 6(c))	134,479	-	30,380	-
1170 Notes and accounts receivable, net (notes 6(d) and (x) and 8)	28,904,355	21	25,012,211	21
1181 Notes and accounts receivable from related parties (notes 6(d) and (x) and 7)	2,395,806	2	3,097,461	3
1200 Other receivables (notes 6(d) and (e) and 7)	584,859	-	580,936	-
1210 Other receivables from related parties (notes 6(e) and 7)	284,450	-	22,568	-
130X Inventories (notes 6(f) and 8)	27,890,837	21	25,063,054	21
1470 Other current assets	1,776,711	1	2,089,503	2
1476 Other financial assets—current (notes 6(a) and 8)	4,915,705	4	273,007	-
<b>Total current assets</b>	<b>78,332,746</b>	<b>58</b>	<b>66,193,691</b>	<b>55</b>
<b>Non-current assets:</b>				
1510 Financial assets at fair value through profit or loss—non-current (note 6(b))	120,399	-	-	-
1517 Financial assets at fair value through other comprehensive income—non-current (note 6(c))	1,222,603	1	731,246	1
1550 Investments accounted for using the equity method (notes 6(e) and 8)	17,778,476	13	19,382,592	16
1600 Property, plant and equipment (notes 6(f) and 8)	23,915,978	18	21,013,038	18
1755 Right-of-use assets (notes 6(j) and 8)	3,502,536	2	-	-
1760 Investment property (notes 6(k) and 8)	3,404,112	2	2,834,475	2
1780 Intangible assets (notes 6(h) and (l))	5,069,111	4	4,994,663	4
1840 Deferred income tax assets (note 6(i))	1,607,147	1	1,829,762	2
1900 Other non-current assets (note 6(s))	817,349	1	260,456	-
1980 Other financial assets—non-current (note 8)	256,036	-	192,698	-
1985 Long-term prepaid rents (note 8)	57,693,747	42	53,613,592	45
<b>Total non-current assets</b>	<b>57,693,747</b>	<b>42</b>	<b>2,374,662</b>	<b>2</b>
<b>Total assets</b>	<b>\$ 136,026,493</b>	<b>100</b>	<b>119,807,283</b>	<b>100</b>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
2100 Short-term borrowings (notes 6(m) and 8)	\$ 19,902,070	15	14,786,555	12
2120 Financial liabilities at fair value through profit or loss—current (note 6(b))	50,046	-	47,114	-
2130 Contract liabilities—current (note 6(x))	1,559,356	1	876,788	1
2170 Notes and accounts payable	29,010,933	21	28,443,235	24
2180 Accounts payable to related parties (note 7)	1,836,690	2	2,260,495	2
2200 Other payables (notes 6(h) and (y))	9,875,371	7	10,025,492	8
2220 Other payables to related parties (note 7)	17,388	-	13,394	-
2300 Other current liabilities	2,207,500	2	2,111,070	2
2322 Current portion of long-term debt (notes 6(n) and 8)	400,143	-	2,340,508	2
2355 Lease obligations payable—current (note 6(o))	-	-	20,946	-
2280 Lease liabilities—current (note 6(p))	321,418	-	-	-
2282 Lease liabilities to related parties—current (notes 6(p) and 7)	85,237	-	-	-
2250 Provisions—current (note 6(q))	441,084	-	410,124	-
<b>Total current liabilities</b>	<b>65,707,236</b>	<b>48</b>	<b>61,335,721</b>	<b>51</b>
<b>Non-current liabilities:</b>				
2503 Financial liabilities at fair value through profit or loss—non-current (note 6(b))	95,860	-	96,721	-
2540 Long-term debt (notes 6(n) and 8)	16,674,667	12	16,234,476	14
2580 Lease liabilities—non-current (note 6(p))	1,420,402	1	-	-
2582 Lease liabilities to related parties—non-current (notes 6(p) and 7)	186,050	-	-	-
2550 Provisions—non-current (note 6(q))	609,373	1	620,633	-
2570 Deferred income tax liabilities (note 6(t))	976,539	1	678,632	1
2613 Lease obligations payable—non-current (note 6(o))	-	-	17,068	-
2670 Other non-current liabilities (notes 6(h) and (s))	2,320,772	2	964,386	1
<b>Total non-current liabilities</b>	<b>22,283,663</b>	<b>17</b>	<b>18,611,916</b>	<b>16</b>
<b>Total liabilities</b>	<b>87,990,899</b>	<b>65</b>	<b>79,947,637</b>	<b>67</b>
<b>Equity attributable to shareholders of the Company (note 6(u)):</b>				
Common stock	19,667,820	14	19,667,820	16
Capital surplus	2,220,653	2	2,146,076	2
Retained earnings	12,663,994	9	10,801,845	9
Other equity	(608,508)	-	(168,422)	-
<b>Total equity attributable to shareholders of the Company</b>	<b>33,943,959</b>	<b>25</b>	<b>32,447,319</b>	<b>27</b>
Non-controlling interests (notes 6(h) and (u))	14,091,635	10	7,412,327	6
<b>Total equity</b>	<b>48,035,594</b>	<b>35</b>	<b>39,859,646</b>	<b>33</b>
<b>Total liabilities and equity</b>	<b>\$ 136,026,493</b>	<b>100</b>	<b>119,807,283</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**QISDA CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2019 and 2018**  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
4000 <b>Operating revenues (notes 6(r) and (x), 7 and 14)</b>	\$ 169,754,115	100	155,783,161	100
5000 <b>Operating costs (notes 6(f), (i), (j), (k), (l), (p), (r), (s) and (y), 7 and 12)</b>	<u>(146,704,246)</u>	<u>(86)</u>	<u>(136,540,185)</u>	<u>(88)</u>
<b>Gross profit</b>	<u>23,049,869</u>	<u>14</u>	<u>19,242,976</u>	<u>12</u>
<b>Operating expenses (notes 6(d), (i), (j), (l), (p), (q), (r), (s), (v) and (y), 7 and 12):</b>				
6100 Selling expenses	(9,413,953)	(6)	(7,963,189)	(5)
6200 Administrative expenses	(3,476,106)	(2)	(3,015,215)	(2)
6300 Research and development expenses	(3,896,408)	(2)	(3,710,837)	(2)
6400 Other operating expenses	-	-	48,673	-
6450 Expected credit loss	<u>(35,315)</u>	<u>-</u>	<u>(26,249)</u>	<u>-</u>
<b>Total operating expenses</b>	<u>(16,821,782)</u>	<u>(10)</u>	<u>(14,666,817)</u>	<u>(9)</u>
<b>Operating income</b>	<u>6,228,087</u>	<u>4</u>	<u>4,576,159</u>	<u>3</u>
<b>Non-operating income and loss:</b>				
7010 Other income (note 6(z))	504,227	-	453,514	-
7020 Other gains and losses — net (notes (g), (h), (r), (z), (aa) and (ab) and 7)	1,224,188	1	276,633	-
7050 Finance costs (notes 6(p) and (z) and 7)	(1,011,241)	(1)	(848,789)	-
7060 Share of profits (losses) of associates and joint ventures (note 6(g))	<u>(1,000,270)</u>	<u>-</u>	<u>1,155,594</u>	<u>1</u>
<b>Total non-operating income and loss</b>	<u>(283,096)</u>	<u>-</u>	<u>1,036,952</u>	<u>1</u>
<b>Income before income tax</b>	5,944,991	4	5,613,111	4
7950 <b>Income tax expense (note 6(t))</b>	<u>(1,535,347)</u>	<u>(1)</u>	<u>(1,162,457)</u>	<u>(1)</u>
<b>Net income</b>	<u>4,409,644</u>	<u>3</u>	<u>4,450,654</u>	<u>3</u>
<b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
8311 Remeasurements of defined benefit plans (notes 6(s) and (u))	(29,194)	-	(53,899)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (notes 6(u) and (aa))	322,863	-	80,429	-
8320 Share of other comprehensive income of associates (notes 6(g) and (u))	63,955	-	(68,022)	-
8349 Less: income tax related to items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>357,624</u>	<u>-</u>	<u>(41,492)</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361 Exchange differences on translation of foreign operations (note 6(u))	(643,639)	(1)	254,541	-
8370 Share of other comprehensive income of associates and joint ventures (notes 6(g) and (u))	(231,010)	-	(61,967)	-
8399 Less: income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(874,649)</u>	<u>(1)</u>	<u>192,574</u>	<u>-</u>
<b>Other comprehensive income for the year, net of income tax</b>	<u>(517,025)</u>	<u>(1)</u>	<u>151,082</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>\$ 3,892,619</u>	<u>2</u>	<u>4,601,736</u>	<u>3</u>
<b>Net income attributable to:</b>				
8610 Shareholders of the Company	\$ 3,575,055	2	4,035,064	3
8620 Non-controlling interests	834,589	1	415,590	-
	<u>\$ 4,409,644</u>	<u>3</u>	<u>4,450,654</u>	<u>3</u>
<b>Total comprehensive income attributable to:</b>				
8710 Shareholders of the Company	\$ 3,139,647	2	4,250,635	3
8720 Non-controlling interests	752,972	-	351,101	-
	<u>\$ 3,892,619</u>	<u>2</u>	<u>4,601,736</u>	<u>3</u>
<b>Earnings per share (in New Taiwan dollars) (note 6(w)):</b>				
9750 Basic earnings per share	\$ 1.82		2.05	
9850 Diluted earnings per share	<u>\$ 1.80</u>		<u>2.03</u>	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**QISDA CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to shareholders of the Company													
	Retained earnings					Total other equity interest								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total retained earnings	Foreign currency translation differences	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Remeasurements of defined benefit plans	Total other equity interest	Total equity of the Company	Non-controlling interests	Total equity
<b>Balance at January 1, 2018</b>	\$ 19,667,820	2,173,633	893,834	-	8,607,603	9,501,437	(120,490)	-	30,366	(293,856)	(383,980)	30,958,910	6,585,576	37,544,486
Effects of retrospective application	-	-	-	-	(79,500)	(79,500)	-	30,353	(30,366)	-	(13)	(79,513)	(699)	(80,212)
Restated balance at January 1, 2018	19,667,820	2,173,633	893,834	-	8,528,103	9,421,937	(120,490)	30,353	-	(293,856)	(383,993)	30,879,397	6,584,877	37,464,274
Net income in 2018	-	-	-	-	4,035,064	4,035,064	-	16,637	-	-	215,571	4,035,064	415,590	4,450,654
Other comprehensive income in 2018	-	-	-	-	-	-	248,819	16,637	-	(49,885)	-	215,571	(64,489)	151,082
Total comprehensive income in 2018	-	-	-	-	4,035,064	4,035,064	248,819	16,637	-	(49,885)	215,571	4,250,635	351,101	4,601,736
Appropriation of earnings:														
Legal reserve	-	-	529,139	-	(529,139)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	383,979	(383,979)	-	-	-	-	-	-	(2,655,156)	-	(2,655,156)
Cash dividends distributed to shareholders	-	-	-	-	(2,655,156)	(2,655,156)	-	-	-	-	-	-	-	-
Changes in equity of associates and joint ventures accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of cash dividend by subsidiaries to non-controlling interests	-	9,086	-	-	-	-	-	-	-	-	-	9,086	-	9,086
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	(42,630)	-	-	-	-	-	-	-	-	-	(42,630)	(46,768)	(89,398)
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	2,289	-	-	2,289	2,289	2,289
Capital injection from non-controlling interests	-	5,986	-	-	-	-	-	-	-	-	-	5,986	(1,072)	4,914
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	960,929	960,929
<b>Balance at December 31, 2018</b>	19,667,820	2,146,076	1,422,973	383,979	8,994,893	10,801,845	128,329	46,990	-	(343,741)	(168,422)	32,447,319	7,412,327	39,859,646
Effects of retrospective application	-	-	-	-	(45,819)	(45,819)	-	-	-	-	-	(45,819)	(13,868)	(59,687)
Restated balance at January 1, 2019	19,667,820	2,146,076	1,422,973	383,979	8,949,074	10,756,026	128,329	46,990	-	(343,741)	(168,422)	32,401,500	7,398,459	39,799,959
Net income in 2019	-	-	-	-	3,575,055	3,575,055	-	-	-	-	-	3,575,055	834,589	4,409,644
Other comprehensive income in 2019	-	-	-	-	-	-	(785,841)	367,740	-	(17,307)	(435,408)	(435,408)	(81,617)	(517,025)
Total comprehensive income in 2019	-	-	-	-	3,575,055	3,575,055	(785,841)	367,740	-	(17,307)	(435,408)	3,139,647	752,972	3,892,619
Appropriation of earnings:														
Legal reserve	-	-	403,506	-	(403,506)	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(215,557)	215,557	-	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(1,671,765)	(1,671,765)	-	-	-	-	-	(1,671,765)	-	(1,671,765)
Changes in equity of associates and joint ventures accounted for using the equity method	-	61,100	-	-	-	-	-	-	-	-	-	61,100	1,631	62,731
Disposal of subsidiaries' financial assets measured at fair value through other comprehensive income	-	-	-	-	4,678	4,678	-	(4,678)	-	-	-	-	-	-
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(481,403)	(481,403)
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	109,341	109,341
Changes in ownership interests in subsidiaries	-	10,242	-	-	-	-	-	-	-	-	-	10,242	(265,028)	(254,786)
Stock option compensation cost of subsidiary	-	3,235	-	-	-	-	-	-	-	-	-	3,235	5,247	8,482
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	6,573,651	6,573,651
<b>Balance at December 31, 2019</b>	\$ 19,667,820	2,220,653	1,826,479	168,422	10,669,093	12,663,994	(657,512)	410,052	-	(361,048)	(608,508)	33,943,959	14,091,635	48,035,594

See accompanying notes to consolidated financial statements.

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

**QISDA CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2019 and 2018**

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

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 5,944,991	5,613,111
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	2,849,596	2,018,660
Amortization	437,162	467,629
Expected credit loss	35,315	26,249
Interest expense	1,011,241	848,789
Interest income	(288,657)	(185,434)
Dividend income	(55,060)	(35,321)
Share-based compensation cost	5,247	2,289
Share of losses (profits) of associates and joint ventures	1,000,270	(1,155,594)
Loss (gain) on disposal of property, plant and equipment	16,478	(10,404)
Gain on disposal of non-current assets held for sale	(1,775)	(156,703)
Gain on disposal of investments	(440,789)	(14,727)
Gain on bargain purchase	(26,175)	(253)
Impairment loss on non-financial assets	-	2,815
Total adjustments to reconcile profit	<u>4,542,853</u>	<u>1,807,995</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(922)	637,787
Decrease (increase) in notes and accounts receivable	49,251	(274,728)
Decrease in notes and accounts receivable from related parties	701,655	1,140,185
Decrease (increase) in other receivable	12,118	(254,826)
Increase in other receivable from related parties	(16,954)	(15,156)
Decrease (increase) in inventories	1,606,880	(3,945,789)
Decrease (increase) in other current assets	610,357	(27,761)
Decrease (increase) in other non-current assets	(460,049)	(66,632)
Net changes in operating assets	<u>2,502,336</u>	<u>(2,806,920)</u>
Changes in operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	2,071	(23,365)
Increase (decrease) in notes and accounts payable	(2,232,928)	3,419,447
Increase (decrease) in accounts payable to related parties	(423,805)	634,392
Increase in other payable to related parties	3,994	7,448
Increase (decrease) in provisions	18,319	(4,696)
Increase (decrease) in contract liabilities	(226,513)	246,134
Increase (decrease) in other payables and other current liabilities	(504,618)	326,612
Decrease in other non-current liabilities	(48,012)	(88)
Net changes in operating liabilities	<u>(3,411,492)</u>	<u>4,605,884</u>
Total changes in operating assets and liabilities	<u>(909,156)</u>	<u>1,798,964</u>
Total adjustments	<u>3,633,697</u>	<u>3,606,959</u>
Cash provided by operations	9,578,688	9,220,070
Interest received	272,616	187,805
Dividends received	765,669	1,314,864
Interest paid	(948,558)	(841,475)
Income taxes paid	(1,193,114)	(922,998)
<b>Net cash provided by operating activities</b>	<u>8,475,301</u>	<u>8,958,266</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**QISDA CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows (Continued)**

**For the years ended December 31, 2019 and 2018**

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

	2019	2018
<b>Cash flows from investing activities:</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ (265,241)	(11,187)
Proceeds from disposal of financial assets at fair value through other comprehensive income	14,117	-
Purchase of financial assets at fair value through profit or loss	(1,285,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	1,154,900	-
Purchase of investments accounted for using the equity method	-	(2,870,093)
Proceeds from disposal of investments accounted for using the equity method	396,967	-
Proceeds from disposal of non-current assets held for sale	6,131	311,923
Additions to property, plant and equipment	(2,533,632)	(2,849,797)
Proceeds from disposal of property, plant and equipment	27,016	31,649
Additions to intangible assets	(121,414)	(121,694)
Additions to investment property	(98)	(22,660)
Decrease (increase) in other financial assets	(4,600,235)	1,037,911
Acquisition of subsidiaries, net of cash received from (paid for)	953,871	(189,761)
<b>Net cash flows used in investing activities</b>	<b>(6,252,618)</b>	<b>(4,683,709)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	15,207,301	5,501,139
Decrease in short-term borrowings	(12,241,274)	(7,748,285)
Decrease in short-term notes and bills payable	(130,000)	-
Increase in long-term debt	18,274,062	17,966,813
Repayments of long-term debt	(20,541,109)	(14,417,367)
Increase in guarantee deposits received	1,288,059	-
Decrease in lease obligation payable	-	(21,421)
Payment of lease liabilities	(450,383)	-
Cash dividends distributed to shareholders	(1,671,765)	(2,655,156)
Cash dividends paid to non-controlling interests	(481,403)	(439,028)
Acquisition of subsidiary's interests from non-controlling interests	(330,850)	(89,398)
Proceeds from disposal of subsidiary's interests (without losing control)	77,734	-
Capital injection from non-controlling interests	109,341	4,914
<b>Net cash used in financing activities</b>	<b>(890,287)</b>	<b>(1,897,789)</b>
<b>Effects of foreign exchange rate changes</b>	<b>(170,546)</b>	<b>605,255</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,161,850</b>	<b>2,982,023</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>9,618,657</b>	<b>6,636,634</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 10,780,507</b>	<b>9,618,657</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. Organization and business**

Qisda Corporation (the “Company”) was incorporated on April 21, 1984, as a company limited by shares under the laws of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No. 157, Shan-Ying Road, Gueishan, Taoyuan, Taiwan. The Company and subsidiaries (collectively the “Group”) are engaged in the sales, manufacturing and services of high-end monitors and opto-mechatronics products; the sales and services of smart business solution; the sales, manufacturing and services of medical equipments; as well as providing medical services.

**2. Authorization of the consolidated financial statements:**

These consolidated financial statements were authorized for issue by the Board of Directors on March 27, 2020.

**3. Application of New and Revised Accounting Standards and Interpretations**

- (a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”).

In preparing the accompanying consolidated financial statements, the Group has adopted the following International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), and Interpretations that have been issued by the International Accounting Standards Board (“IASB”) (collectively, “IFRSs”) and endorsed by the FSC, with effective date from January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the initial application of the above IFRSs did not have any material impact on the consolidated financial statements. The extent and impact of changes are as follows:

- (i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

## **QISDA CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The extent and impact of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(n)

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of office buildings, plants and transportation equipment. For leases previously classified as operating leases under IAS 17, at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application

In addition, the Group applied the following practical expedients upon transition to IFRS 16.

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognize the right-of-use assets and lease liabilities for leases with lease term that ends within 12 months at the date of initial application;
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- Used hindsight to determine the lease term while the contract contains options to extend or terminate the lease.

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized \$3,621,440 of right-of-use assets and \$1,990,386 of lease liabilities as well as investments accounted for using the equity method to decrease by \$4,052, and investment property to increase by \$627,624, and long-term prepaid rents to decrease by \$2,374,662, and rental payable to decrease by \$22,335, and lease obligation payable to decrease by \$38,014, and retained earnings to decrease by \$45,819, and non-controlling interests to decrease by \$13,868 at January 1, 2019. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate. The weighted average rate applied is 2.11%.

The reconciliation between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized at the date of initial application as follows:

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 2,096,362
Recognition exemption for:	
Short-term leases	(23,039)
Lease extension options reasonably certain to be exercised	3,418
Effect of exchange rate changes	18
	<b>\$ 2,076,759</b>
Discounted amount using the incremental borrowing rate at January 1, 2019	\$ 1,952,372
Lease obligation payable recognized at December 31, 2018	38,014
Lease liabilities recognized at January 1, 2019	<b>\$ 1,990,386</b>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Impact of IFRS endorsed by FSC but not yet effect

According to Ruling No. 1080323028 issued by the FSC on July 29, 2019, commencing from 2020, the Group is required to adopt the IFRSs that have been endorsed by the FSC with effective date from January 1, 2020. The related new, revised or amended standards and interpretations are set out below:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(c) Impact of IFRS issued by IASB but not yet endorsed by the FSC

A summary of new and amended standards issued by the IASB but not yet endorsed by the FSC is set out below:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Those which may be relevant to the Group are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**4. Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (collectively as "Taiwan-IFRSs").

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except for the following items in the balance sheets:

- 1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments and contingent consideration measured at fair value);
- 2) Financial assets measured at fair value through other comprehensive income; and
- 3) Net defined benefit liabilities (assets) are recognized as the present value of the defined benefit obligation less the fair value of the plan assets and the effect of the asset ceiling mentioned in note 4(s).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized in equity and attributed to the shareholders of the Company.

(ii) List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
The Company	Qisda Sdn. Bhd. ("QLPG")	Leasing and management services	100.00 %	100.00 %	-
The Company/ QALA	Qisda Mexicana S.A. De C.V. ("QMMX")	Manufacture of computer peripheral products	-	100.00 %	(Note 1)
The Company	Qisda America Corp. ("QALA")	Sales of electronic products	100.00 %	100.00 %	-
The Company	Qisda Japan Co., Ltd. ("QJTO")	Sales and maintenance of electronic products in Japanese market	100.00 %	100.00 %	-
The Company	BenQ Corp. ("BenQ")	Manufacture and sales of brand-name electronic products	100.00 %	100.00 %	-
The Company/ BenQ/APV/ Darly C	BenQ Material Corp. ("BMC")	R&D, manufacture and sales of optoelectronics film	43.56 %	43.56 %	(Note 3)
The Company/ APV	BenQ Dialysis Technology Corp. ("BDT")	Manufacture and sales of medical consumables and equipment	92.86 %	92.86 %	-
The Company	Qisda Optronics Corp. ("QTOS")	Manufacture of computer peripheral products	100.00 %	100.00 %	-
The Company	Qisda (L) Corp. ("QLLB")	Investment and holding activity	100.00 %	100.00 %	-
The Company	Darly Venture (L) Ltd. ("Darly")	Investment and holding activity	100.00 %	100.00 %	-
The Company	Darly Venture Inc. ("APV")	Investment and holding activity	100.00 %	100.00 %	-
The Company/ BenQ/Darly/ APV/ Darly2	BenQ BM Holding Cayman Corp. ("BBHC")	Investment and holding activity	70.05 %	70.72 %	-
The Company/ APV/ Darly2	Partner Tech Corp. ("PTT")	Manufacture, sales and import and export of POS terminals and peripherals	68.23 %	68.23 %	-

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of Investor</u>	<u>Name of Investee</u>	<u>Main Business and Products</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2019</u>	<u>December 31, 2018</u>	
The Company/ APV/ Darly2	DFI Inc. (“DFI”)	Manufacture and sales of industrial motherboards and component	55.09 %	55.09 %	-
The Company/ Darly2	K2 International Medical Inc. (“K2”)	Sales of medical consumables and equipment	37.56 %	37.56 %	(Note 10)
The Company/ APV/Darly2	Data Image Corporation (“DIC”)	Manufacture and sales of marine display modules	35.29 %	33.14 %	(Notes 7 and 10)
The Company/ APV/ Darly2	Topview Optronics Corporation (“Topview”)	Manufacture, sales and import and export of video surveillance cameras	33.43 %	-	(Notes 6 and 10)
The Company	Expert Alliance Systems & Consultancy (HK) Company Limited (“EASC”)	Sales of brand-name electronic products and smart services	54.00 %	-	(Note 6)
The Company	Sysage Technology Co., Ltd (“Sysage”)	The agent sales and trading of network software and information and communication hardware and software.	35.04 %	-	(Notes 6 and 10)
The Company	BenQ Biotech (Shanghai) Co., Ltd (“BBC”)	Manufacture and sales of medical consumables and equipment	70.00 %	-	(Note 6)
The Company	Qisda Vietnam Co., Ltd (“QVH”)	Manufacture of monitors	100.00 %	-	(Note 5)
QLLB	Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Manufacture of monitors and communication devices	100.00 %	100.00 %	-
QLLB	Qisda (Hong Kong) Limited (“QCHK”)	Investment and holding activity	100.00 %	100.00 %	-
QLLB	BenQ Medical (Shanghai) Co., LTD (“BMSH”)	Sales of medical consumables and equipment	100.00 %	100.00 %	-
QCHK/ QCES	Qisda (Shanghai) Co., Ltd. (“QCSH”)	Manufacture of monitors	100.00 %	100.00 %	-
QCHK	Qisda Electronics (Suzhou) Co., Ltd. (“QCES”)	Manufacture of monitors	100.00 %	100.00 %	-
QCHK	Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	Manufacture of projectors	100.00 %	100.00 %	-
QCHK	Qisda Precision Industry (Suzhou) Co., Ltd. (“QCPS”)	Manufacture of plastic parts	100.00 %	100.00 %	-
APV/Darly 2/ Darly C	BenQ ESCO Corp. (“BES”)	Energy service	83.00 %	83.00 %	-
BenQ	BenQ (Hong Kong) Limited (“BQHK”)	Investment and holding activity	100.00 %	100.00 %	-

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of Investor</u>	<u>Name of Investee</u>	<u>Main Business and Products</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2019</u>	<u>December 31, 2018</u>	
BenQ	BenQ Europe B.V. (“BQE”)	Sales of brand-name electronic products in European markets	100.00 %	100.00 %	-
BenQ	BenQ Asia Pacific Corp. (“BQP”)	Sales of brand-name electronic products in Asia markets	100.00 %	100.00 %	-
BenQ	BenQ America Corporation (“BQA”)	Sales of brand-name electronic products in North America markets	100.00 %	100.00 %	-
BenQ	BenQ Latin America Corp. (“BQL”)	Sales of brand-name electronic products in Latin America markets	100.00 %	100.00 %	-
BenQ	Mainteq Europe B.V. (“MQE”)	Maintenance of brand-name monitors and projectors in European markets	100.00 %	100.00 %	-
BenQ	Darly2 Venture Co., Ltd. (“Darly 2”)	Investment and holding activity	100.00 %	100.00 %	-
BenQ	BenQ Intelligent Technology (Hong Kong) Co., Ltd. (“BQHK_HLD”)	Sales of brand-name electronic products in HK markets	100.00 %	100.00 %	-
BenQ/Darly 2	Zowie Gear Corporation (“ZGC”)	Assembly and sales of gaming electronic products	100.00 %	90.20 %	-
BenQ/Darly/ Darly 2	BenQ Guru Holding Limited (“GSH”)	Investment and holding activity	100.00 %	100.00 %	-
BenQ/APV/ Darly 2	BenQ Medical Technology Corp. (“BMTC”)	Manufacture and sales of medical consumables and equipment	54.96 %	54.96 %	-
BenQ/BQP	PT BenQ Teknologi Indonesia (“BQid”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQP	BenQ Korea Co., Ltd. (“BQkr”)	Providing administration and management service to affiliates	100.00 %	100.00 %	-
BQP	BenQ Japan Co., Ltd. (“BQjp”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQP	BenQ Australia Pty Ltd. (“BQau”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQP	BenQ (M.E.) FZE (“BQme”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQP	BenQ India Private Ltd. (“BQin”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQP	BenQ Singapore Pte Ltd. (“BQsg”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQP	BenQ Service & Marketing (M) Sdn. Bhd (“BQmy”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQP	BenQ (Thailand) Co., Ltd. (“BQth”)	Sales of brand-name electronic products	100.00 %	100.00 %	-

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of Investor</u>	<u>Name of Investee</u>	<u>Main Business and Products</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2019</u>	<u>December 31, 2018</u>	
BQHK	BenQ Co., Ltd. (“BQC”)	Lease of real estate	100.00 %	100.00 %	-
BQHK_HLD	BenQ Technology (Shanghai) Co., Ltd. (“BQIs”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQHK_HLD	ShengCheng Trading (Shanghai) Co., Ltd (“BQsha_EC2”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQHK_HLD	BenQ Intelligent Technology (Shanghai) Co., Ltd (“BQC_RO”)	Sales of brand name electronic products in China markets	100.00 %	100.00 %	-
GSH	Guru Systems (Suzhou) Co., Ltd. (“GSS”)	R&D and sales of computer information systems	100.00 %	100.00 %	-
GSH/APV	BenQ GURU Corp. (“GST”)	R&D and sales of computer information systems	99.96 %	99.96 %	-
BQA	BenQ Canada Corp. (“BQca”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BenQ/BQL	BenQ Mexico S. de R.L. de C.V. (“BQmx”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQL	Joytech LLC. (“Joytech”)	Investment and holding activity	100.00 %	100.00 %	-
BQL	Vividtech LLC. (“Vividtech”)	Investment and holding activity	100.00 %	100.00 %	-
Joytech/ Vividtech	MaxGen Comercio Industrial Imp E Exp Ltda. (“MaxGen”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQmx/BQL	BenQ Service de Mexico S. de R.L. de C.V. (“BQms”)	Providing administration and management service to affiliates	100.00 %	100.00 %	-
BQE	BenQ UK Limited (“BQuk”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQE	BenQ Deutschland GmbH (“BQde”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQE	BenQ Iberica S.L. Unipersonal (“BQib”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQE	BenQ Austria GmbH (“BQat”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQE	BenQ Benelux B.V. (“BQnl”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQE	BenQ Italy S.R.L. (“BQit”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQE	BenQ France SAS (“BQfr”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQE	BenQ Nordic A.B. (“BQse”)	Sales of brand-name electronic products	100.00 %	100.00 %	-
BQE	BenQ LLC. (“BQru”)	Providing administration and management service to affiliates	100.00 %	100.00 %	-
BBHC	BenQ BM Holding Corp. (“BBM”)	Investment and holding activity	70.05 %	70.72 %	-

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of Investor</u>	<u>Name of Investee</u>	<u>Main Business and Products</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2019</u>	<u>December 31, 2018</u>	
APV/Darly 2	Darly Consulting Corporation (“Darly C”)	Investment management consulting	100.00 %	100.00 %	-
BMTC	Highview Investments Limited (“Highview”)	Investment and holding activity	54.96 %	54.96 %	-
BMTC	Asiacconnect International Company (“Asiacconnect”)	Sales of medical consumables and equipment	54.82 %	54.82 %	-
BMTC	LILY Medical Corporation (“LILY”)	Sales of medical consumables and equipment	54.96 %	54.96 %	-
BMTC	BenQ AB DentCare Corporation (“BABD”)	Sales of medical consumables and equipment	48.36 %	48.36 %	(Note 2)
BMTC	BenQ Hearing Solution Corporation (“BHS”)	Sales of medical consumables and equipment	54.96 %	54.96 %	-
Highview	BenQ Medical Technology (Shanghai) Ltd. (“BMTS”)	Agency of international and entrepot trade business	54.96 %	54.96 %	-
LILY	LILY Medical (Suzhou) Co., Ltd. (“ALS”)	Sales of medical consumables and equipment	54.96 %	54.96 %	-
BHS	New Best Hearing International Trade Co. Ltd. (“NBHIT”)	Sales of medical consumables and equipment	28.58 %	28.58 %	(Note 2)
BMC	BenQ Materials (L) Co. (“BMLB”)	Investment and holding activity	43.56 %	43.56 %	(Note 3)
BMC	Sigma Medical Supplies Corp. (“SMS”)	Manufacture and sales of medical consumables and equipment	43.56 %	38.79 %	(Notes 3 and 7)
BMLB	BenQ Material (Suzhou) Co., Ltd. (“BMS”)	Manufacture of optoelectronics	43.56 %	43.56 %	(Note 3)
BMLB	Daxon Biomedical (Suzhou) Co., Ltd. (“DTB”)	Sales of optoelectronics and medical consumables	43.56 %	43.56 %	(Note 3)
BMLB	BenQ Materials (Wuhu) Co., Ltd.	Manufacture and sales of optoelectronics	43.56 %	43.56 %	(Note 3)
BMLB	BenQ Materials Medical Supplies (Suzhou) Co., Ltd (“BMM”)	Manufacture and sales of medical consumables	43.56 %	-	(Note 5)
SMS	Suzhou Sigma Medical Supplies Co., Ltd. (“SMSZ”)	Manufacture and sales of medical consumables and equipment	43.56 %	38.79 %	(Notes 3 and 7)
PTT	P&J Investment Holding Co., Ltd. (B.V.I) (“P&J”)	Investment and holding activity	68.23 %	68.23 %	-

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of Investor</u>	<u>Name of Investee</u>	<u>Main Business and Products</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2019</u>	<u>December 31, 2018</u>	
PTT/PTE	Partner Tech UK Corp., Ltd. (“PTUK”)	Sales, import and export of electronic products	64.34 %	64.34 %	-
PTT	Webest Solution Corporation (“WEBEST”)	Sales, import and export of electronic products	68.23 %	68.23 %	-
PTT/WEBEST	Partner Tech Middle East FZCO (“PTME”)	Sales, import and export of electronic products	68.23 %	68.23 %	-
PTT	Partner-Tech Europe GmbH (“PTE”)	Sales, import and export of electronic products	34.13 %	34.13 %	(Note 2)
PTT/WEBEST	Partner Tech North Africa (“PTNA”)	Sales, import and export of electronic products	39.70 %	39.70 %	(Note 2)
PTT	Epoint Systems Pte. Ltd. (“PTSE”)	Software development and Sales of product	34.18 %	34.18 %	(Notes 2 and 7)
PTT/P&J	Partner Tech Africa (Pty) Ltd. (“PTA”)	Sales, import and export of electronic products	-	68.23 %	(Note 8)
PTE	Sloga Team D.o.o (“Sloga”)	Sales, import and export of electronic products	30.72 %	30.72 %	(Note 2)
PTE	Retail Solution & System S.L. (“RSS”)	Sales, import and export of electronic products	23.21 %	23.21 %	(Note 2)
PTME	E-POS International LLC (“E-POS”)	Sales, import and export of electronic products	68.23 %	68.23 %	(Note 9)
P&J	P&S Investment Holding Co., Ltd. (B.V.I.) (“P&S”)	Investment and holding activity	68.23 %	68.23 %	-
P&S	Partner Tech USA Inc. (“PTU”)	Sales, import and export of electronic products	68.23 %	68.23 %	-
P&S	Partner Tech (Shanghai) Co., Ltd. (“PTCM”)	Sales, import and export of electronic products	68.23 %	68.23 %	-
PTT/WEBEST	La Fresh information Co., Ltd. (“PTTN”)	Software development and Sales of product	34.55 %	34.55 %	(Notes 2 and 7)
PTT	Corex (Pty) Ltd. (“PCX”)	Sales, import and export of electronic products	68.23 %	68.23 %	(Notes 7 and 8)
PTTN	Xiamen Xinchuan Software Technology Co., Ltd. (“PTTNC”)	Sales, import and export of electronic products	-	34.55 %	(Notes 1, 2 and 7)
DFI	DFI AMERICA, LLC	Sales of industrial motherboards	55.09 %	55.09 %	(Note 4)
DFI	DFI Co., Ltd.	Sales of industrial motherboards	55.09 %	55.09 %	-

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of Investor</u>	<u>Name of Investee</u>	<u>Main Business and Products</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2019</u>	<u>December 31, 2018</u>	
DFI	Yan Tong Technology Ltd.	Investment and holding activity	55.09 %	55.09 %	-
DFI	Diamond Flower Information (NL) B.V.	Sales of industrial motherboards	55.09 %	55.09 %	-
DFI	Dual-Tech International Co., Ltd.	Manufacture of industrial motherboards	-	55.09 %	(Note 1)
DFI	Aewin Technologies Co., Ltd. (“AEWIN”)	Manufacture and sale of industrial motherboards and component	27.95 %	-	(Notes 2 and 6)
DFI	Ace Pillar Co., Ltd. (“ACE”)	Sales of automation mechanical transmission system and component	14.66 %	-	(Notes 6 and 10)
Yan Tong Technology Ltd.	Yan Tong Infotech (Dongguan) Co., Ltd.	Manufacture and sale of industrial motherboards and component	55.09 %	55.09 %	-
Yan Tong Technology Ltd.	Yan Ying Hao Trading (ShenZhen) Co., Ltd	Wholesale, import and export of industrial motherboards and component	55.09 %	55.09 %	-
AEWIN	WISE WAY	Investment and holding activity	27.95 %	-	(Notes 2 and 6)
AEWIN	AEWIN TECH INC.	Wholesale of computer peripheral products and software	27.95 %	-	(Notes 2 and 6)
WISE WAY	BRIGHT PROFIT	Investment and holding activity	27.95 %	-	(Notes 2 and 6)
BRIGHT PROFIT	Aewin Beijing Technologies Co., Ltd.	Wholesale of computer peripheral products and software	27.95 %	-	(Notes 2 and 6)
Aewin Beijing Technologies Co., Ltd.	Aewin (Shenzhen) Technologies Co., Ltd.	Wholesale of computer peripheral products and software	27.95 %	-	(Notes 2 and 6)
ACE	Cyber South Management Ltd. (Cyber South , Samoa)	Investment and holding activity	14.66 %	-	(Notes 6 and 10)
ACE/Proton	Tianjin Ace Pillar Co., Ltd.	Sales of automation mechanical transmission system and component	14.66 %	-	(Notes 6 and 10)
ACE	Hong Kong Ace Pillar Enterprise Company Limited	Sales of automation mechanical transmission system and component	14.66 %	-	(Notes 6 and 10)
Cyber South	Proton Inc. (Proton)	Investment and holding activity	14.66 %	-	(Notes 6 and 10)
Cyber South	Ace Tek (HK) Holding Co., Ltd. (Ace Tek)	Investment and holding activity	14.66 %	-	(Notes 6 and 10)

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of Investor</u>	<u>Name of Investee</u>	<u>Main Business and Products</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2019</u>	<u>December 31, 2018</u>	
Cyber South	Suzhou Super Pillar Automation Equipment Co., Ltd.	Manufacture of automation mechanical transmission system and component	14.66 %	-	(Notes 6 and 10)
Cyber South	Grace Transmission (Tianjin) Co., Ltd.	Manufacture of automation mechanical transmission system and component	14.66 %	-	(Notes 6 and 10)
Cyber South	Xuchang Ace AI Equipment Co., Ltd.	Wholesale of industrial robot and component	14.66 %	-	(Notes 6 and 10)
Ace Tek	Advancedtek ACE (TJ) Inc.	Electronic system integration	14.66 %	-	(Notes 6 and 10)
K2	K2 Medical (Thailand) Co., Ltd.	Sales of medical consumables	18.40 %	18.40 %	(Note 10)
K2	K2 (Shanghai) International Medical Inc.	Sales of medical consumables	22.57 %	-	(Notes 6 and 10)
DIC	Data Image (Mauritius) Corporation (“DMC”)	Investment and holding activity	33.14 %	33.14 %	(Notes 7 and 10)
EASC	Expert Alliance Smart Technology Co. Ltd.	Sales of brand-name electronic products and smart services	54.00 %	-	(Note 6)
DMC	Data Image (Suzhou) Corporation	Manufacture and sales of LCD	33.14 %	33.14 %	(Note 7)
Topview	Messoa Technologies Inc. (“Messoa”)	Sales, and import and export of video surveillance cameras	13.63 %	-	(Notes 6 and 10)
Messoa	Messoa Technologies Inc. (USA)	Sales, and import and export of video surveillance cameras and maintenance services	13.63 %	-	(Notes 6 and 10)
Sysage	Global Intelligence Network Co., Ltd. (“Ginnet”)	Sales of network and information and communication hardware and software.	21.77 %	-	(Notes 6 and 10)
Sysage	Epic Cloud Information Integration Corporation	Software and data processing services	24.53 %	-	(Notes 6 and 10)
Sysage/Ginnet	Dawning Technology Inc.	Sales of network and information hardware and software.	13.70 %	-	(Notes 6 and 10)
BBM	Nanjing BenQ Hospital Co., Ltd. (“NMH”)	Hospital	70.05 %	70.72 %	-
BBM/BIC	Suzhou BenQ Hospital Co., Ltd. (“SMH”)	Hospital	70.05 %	70.72 %	-
BBM	BenQ Hospital Management Consulting (Nanjing) Co., Ltd. (“NMHC”)	Medical management consulting	70.05 %	70.72 %	-

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of Investor</u>	<u>Name of Investee</u>	<u>Main Business and Products</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2019</u>	<u>December 31, 2018</u>	
BBM	BenQ Healthcare Consulting Corporation (“BHCC”)	Medical management consulting	70.05 %	70.72 %	-
BBM	Suzhou BenQ Investment Co., Ltd. (“BIC”)	Investment and holding activity	70.05 %	70.72 %	-
BBM	Nanjing Silvertown Health & Development Co., Ltd (“NSHD”)	Medical services	-	70.72 % (Note 11)	

Note 1: QMMX, PTTNC and Dual-Tech International Co., Ltd. were liquidated in 2019.

Note 2: The Group did not own more than half of the ownership of the entities. As the Group owns more than half of the voting rights, directly and indirectly, and has the power to control the management and operating policies of the entities, the entities have been included in the Group’s consolidated entities.

Note 3: The Group did not own more than half of the voting rights of BMC. Since the Group considered the other 56.44% ownership as dispersed and there was no evidence of joint policy-making agreement among those stockholders, it is determined that the Group has power to control BMC and its subsidiaries, BMC and its subsidiaries have been included in the Group’s consolidated entities.

Note 4: DFI AMERICA, LLC was formerly known as DFI-ITOX, LLC.

Note 5: QVH and BMM were newly established in 2019.

Note 6: In 2019, the Group obtained control over the entities. Therefore, the entities have been included in the Group’s consolidated entities.

Note 7: In 2018, the Group obtained control over the entities. Therefore, the entities have been included in the Group’s consolidated entities.

Note 8: PTA was merged into PCX due to the organizational restructuring in 2019. PCX is the surviving company. PTA is the dissolved company.

Note 9: PTME originally held 100% ownership of E-POS, however, because of certain legal restrictions, the 51% ownership of E-POS was registered under the name of other parties.

Note 10: Although the Group did not own more than half of the voting rights of K2, DIC, Sysage, Topview and ACE, the Group owns more than half of their total number of directors; therefore, it is determined that the Group has control over those entities. Hence, the entities have been included in the Group’s consolidated entities.

Note 11: Prior to March 2019, NSHD was a subsidiary of the Group. In March 2019, NSHD issued new shares and the Group did not subscribe for these new shares. Since the Group lost control of NSHD, NSHD was excluded from the Group’s consolidated entities and was reclassified as investments accounted for using the equity method.

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

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

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(ii) Foreign operations

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

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of the accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

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

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

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(f) Cash and cash equivalents

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

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

(g) Financial instruments

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

(i) Financial assets

On initial recognition, financial assets are classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). A regular way purchases or sales of financial assets is recognized or derecognized on a trade-date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Financial assets measured at fair value through other comprehensive income

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present the subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive the dividends is established (usually the ex-dividend date).

3) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend and interest income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

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

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

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

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

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

6) Derecognition of financial assets

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

The Group enters into transactions whereby it transfers assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets; in these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received, less, the direct issuing cost.

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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

3) Derecognition of financial liabilities

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

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

4) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

Derivative financial instruments are held to hedge the Group's foreign currency exposures. Derivatives are initially measured at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in non-operating income and loss. If the valuation of a derivative instrument is in a positive fair value, it is classified as a financial asset, otherwise, it is classified as a financial liability.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the location and condition ready for sale. Fixed manufacturing overhead is allocated to finished products and work in process based on the higher of normal capacity or actual capacity; variable manufacturing overhead is allocated based on the actual capacity of machinery and equipment. Net realizable value represents the estimated selling price in the ordinary course of business, less, all estimated costs of completion and necessary selling expenses.

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through a sale transaction, rather than through continuing use, are reclassified as non-current assets held for sale. Such non-current assets or disposal groups must be available for immediate sale in their present condition, and the sale is highly probable within one year.

Immediately before the initial classification of the non-current assets (or disposal groups) as held for sale, the carrying amount of the assets (or all the assets and liabilities in the group) is measured in accordance with the Group's applicable accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value, less, costs to sell. Any impairment loss on a disposal group will first be allocated to goodwill, and then the remaining balance of impairment loss is allocated to assets and liabilities on a pro rata basis, except for the assets within the scope of IAS 36 – Impairment of Assets, which are continue to be measured in accordance with the Group's accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on re-measurement are recognized in profit or loss; nevertheless, the reversal gains are not recognized in excess of any cumulative impairment loss.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Intangible assets and property, plant and equipment are no longer amortized or depreciated when they are classified as held for sale. Besides, the equity method of accounting is discontinued from the date when equity-method investments are classified as held for sale.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or jointly control, over the financial and operating policies.

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

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

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

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

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

When an associate issues new shares and the Group does not subscribe to the new shares in proportion to its original ownership percentage, the Group's interest in the associate's net assets will be changed. The change in the equity interest is adjusted through the capital surplus and investment accounts. If the Group's capital surplus is insufficient to offset the adjustment to investment accounts, the difference is charged as a reduction of retained earnings. If the Group's interest in an associate is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Joint arrangements

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint venturers) in which the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 “Investments in Associates and Joint Ventures”, unless the Group qualifies for exemption from that Standard. Please refer to note 4(j) for the application of the equity method.

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Group reevaluates whether the classification of the joint arrangement has changed.

(l) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment property is measured at initial acquisition cost less accumulated depreciation and accumulated impairment losses. The methods for depreciating and determining the useful life and residual value of investment property are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property, bringing the investment property to the condition necessary for it to be available for use, and any borrowing cost that is eligible for capitalization.

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

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

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

(m) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less, accumulated depreciation and any accumulated impairment losses.

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

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

(ii) Subsequent costs

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

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated. The estimated useful lives for property, plant and equipment are as follows: buildings: 10 to 40 years; machinery and equipment: 2 to 10 years; furniture and fixtures: 3 years; and other equipment: 3 to 10 years.

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

(iv) Reclassification to investment property

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

(n) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designs the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications in lease subject, scope of the lease or other terms.

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

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(iii) As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

Applicable before January 1, 2019

(i) The Group as lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as expense over the lease term on a straight-line basis. Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) The Group as lessee

Leases are classified as finance leases when the Group assumes substantially all of the risks and rewards of ownership of the leased assets. At initial recognition, the leased asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases other than finance lease are classified as operating leases and are not recognized in the Group's balance sheets.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Payments made under an operating lease (excluding insurance and maintenance expenses) are charged to expense over the lease term on a straight-line basis. Lease incentives received from the lessor are recognized as a reduction of rental expense over the lease term on a straight-line basis. Contingent rents are recognized as expense in the periods when the lease adjustments are confirmed.

(o) Intangible assets

(i) Goodwill

Goodwill arising from the acquisition of subsidiaries is accounted for as intangible assets. Please refer to note 4(v) for the description of the measurement of goodwill at initial recognition. Goodwill is not amortized but is measured at cost, less, accumulated impairment losses.

(ii) Other intangible assets

Other separately acquired intangible assets including acquired software, trademarks, customer relationships and patents are carried at cost, less, accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss using the straight-line method over the estimated useful lives of 1 to 10 years.

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

(p) Impairment of non-financial assets

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

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

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

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

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(q) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

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

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or been announced publicly. Provisions are not recognized for future operating losses.

(r) Revenue recognition

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

(i) Sale of goods

The Group recognizes revenue when control of the goods has been transferred to the customer, being when the goods are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Group has objective evidence that all criteria for acceptance have been satisfied. Sales discount and rebates are recognized and estimated based on historical experience and each contractual term. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (presented under other current liabilities) is recognized for expected sales discounts and rebate payables to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term ranging from 30 to 120 days, which is consistent with the market practice.

The Group's obligation to provide a refund for faulty goods sold under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(q).

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

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Rendering of services

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

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer, and the payment by the customer, exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date, less, the fair value of plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the term of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

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

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

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(t) Share-based payment

Share-based payment awards granted to employees are measured at fair value at the date of grant. The fair value determined at the grant date is expensed over the period that the employees become unconditionally entitled to the awards, with a corresponding increase in equity. The compensation cost is adjusted to reflect the number of awards given to employees for which the performance and non-market conditions are expected to be met, such that the amount ultimately recognized shall be based on the number of equity instruments that eventually have vested.

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

The grant date of options for employees to subscribe new shares for a cash injection is the date when the Group informs the exercise price and the shares to which employees can subscribe.

(u) Income taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

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

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

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

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

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

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's net identifiable assets. All other non-controlling interest is measured at its acquisition-date fair value or other measurement basis in accordance with Taiwan-IFRSs.

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

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

Contingent consideration as part of the consideration transferred is measured at the acquisition date fair value. Any fluctuation of the fair value during the measurement period after acquisition date is retrospectively adjusted to the acquisition cost and goodwill. The adjustments are to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date. For the fair value adjustments of the contingent consideration that occurred not during the measurement period, the accounting treatment will be based on the classification of contingent consideration. Contingent consideration classified as equity cannot be re-measured and has to be adjusted under owner's equity. Other contingent consideration should be subsequently measured at fair value at the end of each reporting period, and recognized in profit or loss.

(w) Earnings per share (“EPS”)

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

(x) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions on the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

**5. Critical accounting judgments and key sources of estimation uncertainty**

The preparation of the consolidated financial statements in conformity with the Regulations and Taiwan-IFRSs requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Information about judgments made in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Judgment regarding significant influence of associates

The Group holds less than 20% of the voting rights in AU Optronics Corp. but has significant influence over the associates as the chairman of the Company was elected as director and participates in the decision-making on the board.

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

(a) Valuation of inventory

Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environments in the electronic industry, the life cycle of certain products of the Group are short and their market prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value.

(b) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years.

**6. Significant account disclosures**

(a) Cash and cash equivalents

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash on hand	\$ 149,247	14,847
Demand deposits and checking accounts	10,086,540	5,978,268
Time deposits with original maturities less than three months	<u>544,720</u>	<u>3,625,542</u>
	<b><u>\$ 10,780,507</u></b>	<b><u>9,618,657</u></b>

As of December 31, 2019 and 2018, the time deposits with original maturities of more than three months amounted to \$4,884,039 and \$204,383, respectively, which were classified as other financial assets — current.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Financial assets and liabilities at fair value through profit or loss

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Financial assets measured at fair value through profit or loss— current:		
Foreign currency forward contracts	\$ 44,469	56,164
Foreign exchange swaps	15,518	7,517
Foreign exchange option	-	1,213
Open-end mutual funds	<u>605,050</u>	<u>341,020</u>
	<b><u>\$ 665,037</u></b>	<b><u>405,914</u></b>
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Financial assets measured at fair value through profit or loss— non-current:		
Privately held equity securities	\$ 104,362	-
Put option	10,504	-
Contingent consideration arising from business combinations	<u>5,533</u>	<u>-</u>
	<b><u>\$ 120,399</u></b>	<b><u>-</u></b>
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Financial liabilities at fair value through profit or loss— current:		
Foreign currency forward contracts	\$ (44,817)	(38,934)
Foreign exchange swaps	(1,302)	(4,845)
Contingent consideration arising from business combinations	<u>(3,927)</u>	<u>(3,335)</u>
	<b><u>\$ (50,046)</u></b>	<b><u>(47,114)</u></b>
Financial liabilities at fair value through profit or loss— non- current:		
Contingent consideration arising from business combinations	<b><u>\$ (95,860)</u></b>	<b><u>(96,721)</u></b>

Refer to note 6(z) for the amounts of gain (loss) recognized related to financial assets measured at fair value.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group entered into derivative contracts to manage foreign currency exchange risk resulting from its operating and financing activities. The derivative financial instruments that did not conform to the criteria for hedge accounting. At each reporting date, the outstanding derivative contracts consisted of the following:

(i) Foreign currency forward contracts

			<b>December 31, 2019</b>	
			<b>Contract amount (in thousands)</b>	<b>Maturity period</b>
USD	Buy/ EUR	Sell	EUR 44,706	2020/01~2020/03
JPY	Buy/ USD	Sell	USD 33,000	2020/01~2020/03
USD	Buy/ CAD	Sell	CAD 6,000	2020/02~2020/03
USD	Buy/ INR	Sell	USD 18,000	2020/01~2020/03
TWD	Buy/ USD	Sell	USD 9,000	2020/01
EUR	Buy/ GBP	Sell	GBP 5,000	2020/03
USD	Buy/ BRL	Sell	USD 14,000	2020/02
USD	Buy/ JPY	Sell	JPY 800,000	2020/02~2020/03
USD	Buy/ MXN	Sell	USD 7,500	2020/01~2020/03
USD	Buy/ CNY	Sell	USD 41,404	2020/01~2020/03
JPY	Buy/ USD	Sell	JPY 138,683	2020/01
USD	Buy/ AUD	Sell	AUD 2,000	2020/02
CNY	Buy/ USD	Sell	USD 85,600	2020/01~2020/03
MYR	Buy/ USD	Sell	MYR 21,000	2020/02
SEK	Buy/ EUR	Sell	EUR 2,000	2020/02
USD	Buy/ THB	Sell	USD 3,000	2020/02
USD	Buy/ TWD	Sell	USD 19,387	2020/01~2020/04
USD	Buy/ GBP	Sell	GBP 326	2020/01
USD	Buy/ ZAR	Sell	USD 2,510	2020/01~2020/02
USD	Buy/ ZAR	Sell	ZAR 7,056	2020/01

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>December 31, 2018</b>			
		<b>Contract amount</b>	<b>Maturity period</b>
		<b>(in thousands)</b>	
USD	Buy/ EUR Sell	EUR 56,932	2019/01~2019/03
JPY	Buy/ USD Sell	USD 46,498	2019/01~2019/03
USD	Buy/ CAD Sell	CAD 4,000	2019/01~2019/03
USD	Buy/ INR Sell	USD 14,000	2019/01~2019/02
TWD	Buy/ USD Sell	USD 7,000	2019/01
EUR	Buy/ GBP Sell	GBP 5,000	2019/03
USD	Buy/ BRL Sell	USD 14,000	2019/01
USD	Buy/ JPY Sell	JPY 800,000	2019/01~2019/03
USD	Buy/ MXN Sell	USD 7,500	2019/01~2019/03
USD	Buy/ CNY Sell	USD 31,500	2019/02~2019/03
USD	Buy/ AUD Sell	AUD 2,000	2019/02
CNY	Buy/ USD Sell	USD 45,260	2019/01~2019/03
MYR	Buy/ USD Sell	MYR 21,000	2019/01
USD	Buy/ ZAR Sell	USD 2,870	2019/01

(ii) Foreign exchange swaps

<b>December 31, 2019</b>			
		<b>Contract amount</b>	<b>Maturity period</b>
		<b>(in thousands)</b>	
	Swap in USD/Swap out TWD	USD 12,000	2020/02
	Swap in USD/Swap out AUD	AUD 3,000	2020/02
	Swap in USD/Swap out JPY	JPY 400,000	2020/02
	Swap in TWD/Swap out USD	USD 104,100	2020/01

<b>December 31, 2018</b>			
		<b>Contract amount</b>	<b>Maturity period</b>
		<b>(in thousands)</b>	
	Swap in USD/Swap out TWD	USD 71,000	2019/01~2019/03
	Swap in USD/Swap out AUD	AUD 4,000	2019/01
	Swap in USD/Swap out JPY	JPY 400,000	2019/01
	Swap in TWD/Swap out USD	USD 68,000	2019/01

(iii) Foreign exchange option—call option

<b>December 31, 2018</b>			
		<b>Contract amount</b>	<b>Maturity period</b>
		<b>(in thousands)</b>	
USD / ZAR		USD 30,000	2019/01

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Financial assets at fair value through other comprehensive income

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Equity investments measured at fair value through other comprehensive income:		
Domestic listed stocks	\$ 424,924	140,592
Domestic emerging stocks	587,415	433,080
Privately held stocks	<u>344,743</u>	<u>187,954</u>
	<b><u>\$ 1,357,082</u></b>	<b><u>761,626</u></b>
Current	\$ 134,479	30,380
Non-current	<u>1,222,603</u>	<u>731,246</u>
	<b><u>\$ 1,357,082</u></b>	<b><u>761,626</u></b>

The Group designated the investments shown above as financial assets measured at fair value through other comprehensive income because these equity investments are held for long-term for strategic purposes and not for trading.

In 2019, the Group sold part of its investments in financial assets measured at fair value through other comprehensive income for \$14,117 and recognized a gain on disposal of \$4,678, which is already included in other comprehensive income, and has been transferred from other equity to retained earnings.

No strategic investments were disposed for the year ended December 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(d) Notes and accounts receivable

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Notes and accounts receivable	\$ 29,255,853	25,210,738
Notes and accounts receivable from related parties	<u>2,395,806</u>	<u>3,097,461</u>
	31,651,659	28,308,199
Less: loss allowance	<u>(351,498)</u>	<u>(198,527)</u>
	<b><u>\$ 31,300,161</u></b>	<b><u>28,109,672</u></b>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (i) The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables (including related parties). Forward looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable (including related parties) was as follows:

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>
Current	\$ 30,155,699	0.09%	28,188
Past due 1-90 days	1,202,387	3.15%	37,891
Past due 91-180 days	108,388	92.48%	100,234
Past due over 181 days	185,185	100.00%	185,185
	<b>\$ 31,651,659</b>		<b>351,498</b>

	<b>December 31, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>
Current	\$ 26,906,123	0.11%	29,897
Past due 1-90 days	1,204,042	1.07%	12,941
Past due 91-180 days	107,998	60.79%	65,653
Past due over 181 days	90,036	100.00%	90,036
	<b>\$ 28,308,199</b>		<b>198,527</b>

- (ii) Movements of the loss allowance for notes and accounts receivable (including related parties) were as follows:

	<b>2019</b>	<b>2018</b>
Balance at January 1 (per IAS 39)	\$ -	89,947
Adjustment on initial application of IFRS 9	-	80,199
Balance at January 1 (per IFRS 9)	198,527	170,146
Impairment losses	35,315	26,249
Write-off	(62,760)	(23,424)
Effect of exchange rate changes	(7,523)	(1,832)
Acquisition through business combination	187,939	27,388
Balance at December 31	<b>\$ 351,498</b>	<b>198,527</b>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iii) The Group entered into factoring contracts with financial institutions to sell its accounts receivable without recourse. According to these contracts, the Group is not responsible for any risk of uncollectible accounts receivable, but only the risk of loss due to commercial disputes. The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The receivable from the financial institutions were recognized as “other receivables” upon the derecognition of those accounts receivables. Details of these contracts at each reporting date were as follows:

December 31, 2019						
Underwriting bank	Factored amount	Unpaid advance amount	Advance amount	Amount recognized in other receivables	Range of interest rates	Collateral
CTBC Bank	\$ 249	-	-	249		None -
Mega International Commercial Bank	30	27	-	30		Promissory note 100,000
Taishin International Bank	5,168,640	-	5,168,640	-		None -
Taipei Fubon Bank	336,546	-	269,237	67,309		None -
E.SUN Commercial Bank	81,568	-	73,411	8,157		None -
Crefo Factoring Nord GmbH	48,969	-	42,893	6,076		None -
	<u>\$ 5,636,002</u>	<u>27</u>	<u>5,554,181</u>	<u>81,821</u>	1.42%~3.5%	<u>100,000</u>

December 31, 2018						
Underwriting bank	Factored amount	Unpaid advance amount	Advance amount	Amount recognized in other receivables	Range of interest rates	Collateral
CTBC Bank	\$ 2,245,817	1,454	2,019,781	226,036		None -
Mega International Commercial Bank	17,161	15,445	-	17,161		Promissory note 100,000
Taishin International Bank	3,675,009	-	3,675,009	-		None -
Crefo Factoring Nord GmbH	43,579	2,459	36,762	6,817		None -
	<u>\$ 5,981,566</u>	<u>19,358</u>	<u>5,731,552</u>	<u>250,014</u>	2.392%~3.648%	<u>100,000</u>

Please refer to note 7 for the detail of factored accounts receivable from related parties which met the conditions of derecognition.

Please refer to note 8 for a description of the Group’s notes and accounts receivable pledged as collateral to secure for the bank loans.

- (e) Other receivables

	December 31, 2019	December 31, 2018
Other receivables—the factored accounts receivable, net of advance amount	\$ 232,931	384,818
Other receivables—others	381,973	226,771
Other receivables from related parties	<u>284,450</u>	<u>22,568</u>
Less: loss allowance	899,354	634,157
	<u>(30,045)</u>	<u>(30,653)</u>
	<u>\$ 869,309</u>	<u>603,504</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As of December 31, 2019 and 2018, except for other receivables amounting to \$30,045 and \$30,653, respectively, wherein the loss allowances are fully provided, no loss allowance was provided for the remaining receivables after the management's assessment.

(f) Inventories

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Raw materials	\$ 4,657,167	4,502,471
Work in process	1,719,899	1,698,504
Finished goods	16,521,671	12,021,590
Inventories in transit	4,992,100	6,840,489
	<b><u>\$ 27,890,837</u></b>	<b><u>25,063,054</u></b>

For the years ended December 31, 2019 and 2018, the cost of inventories sold amounted to \$141,474,634 and \$131,771,609, respectively.

For the years ended December 31, 2019 and 2018, the write-downs of inventories to net realizable value amounted to \$176,792, and \$254,545, respectively and were included in cost of sales.

Please refer to note 8 for a description of the Group's inventories pledged as collateral to secure for the bank loans.

(g) Investments accounted for using the equity method

A summary of the Group's investments accounted for using the equity method at the reporting date is as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Associates	\$ 17,752,801	19,354,528
Joint ventures	25,675	28,064
	<b><u>\$ 17,778,476</u></b>	<b><u>19,382,592</u></b>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Investments in associates

<u>Name of Associates</u>	<u>Main Business and Relationship</u>	<u>Location</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
			<u>Percentage of voting rights</u>	<u>Carrying amount</u>	<u>Percentage of voting rights</u>	<u>Carrying amount</u>
AU Optronics Corp. ("AU")	R & D, manufacture and sale of TFT-LCD panels, the Group's strategic partners	Taiwan	6.99 %	\$ 12,272,814	6.90 %	13,921,968
Darfon Electronics Corp. ("DFN")	Manufacture and sale of power devices, peripheral equipment, and integrated communication devices, the Group's strategic partners	Taiwan	25.73 %	2,233,147	28.48 %	2,537,545
Alpha Networks Inc. ("Alpha")	R & D, manufacture and sale of LAN/MAN, wireless, mobile & broadband, and digital multimedia products, the Group's strategic partners	Taiwan	22.98 %	2,564,115	22.95 %	2,686,449
Others			-	<u>682,725</u>	-	<u>208,566</u>
				<u>\$ 17,752,801</u>		<u>19,354,528</u>

The equity-method was used to account for investments in AU of which the Group holds less than 20% of the voting rights but has significant influence over AU as the chairman of the Company was elected as director and participates in the decision-making on the board.

On March 15, 2018, the Company subscribed the 100,000 thousand shares of Alpha Networks Inc. ("Alpha") for \$2,300,000 through private offering. Furthermore, from March to June 2018, the Group increased its investments in Alpha for \$551,441.

From March to June 2019, the Group sold part of its investment in DFN for \$396,967, and recognized a gain on disposal of \$143,838. However, the Group still has significant influence over DFN.

In March 2019, NSHD issued new shares to align with strategic partners and the Group did not subscribe for these new shares, resulting in a decrease of the Group's ownership interest in NSHD to 30%. Since the Group lost control of NSHD, the investment was reclassified as investments accounted for using the equity method. Please refer to note 6(h).

For the years ended December 31, 2019 and 2018, the Group's shares of profits (losses) of associates amounted to \$(998,823) and \$1,156,578, respectively.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The fair value of the investment in associates which are publicly traded was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
AU	\$ 6,669,170	8,162,268
DFN	3,172,525	3,129,285
Alpha	2,936,544	2,063,686

The summarized financial information in respect of each of the Group's material associates is set out below:

1) The summarized financial information of AU:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 143,200,211	149,067,627
Non-current assets	254,437,380	260,764,148
Current liabilities	(90,528,089)	(128,937,971)
Non-current liabilities	<u>(119,132,753)</u>	<u>(63,615,116)</u>
Equity	<b><u>\$ 187,976,749</u></b>	<b><u>217,278,688</u></b>
Equity attributable to non-controlling interests of AU	<b><u>\$ 11,304,909</u></b>	<b><u>14,415,973</u></b>
Equity attributable to shareholders of AU	<b><u>\$ 176,671,840</u></b>	<b><u>202,862,715</u></b>
	<b>2019</b>	<b>2018</b>
Net sales	<b><u>\$ 268,791,694</u></b>	<b><u>307,634,389</u></b>
Net income (loss)	\$ (21,599,416)	7,959,895
Other comprehensive income	<u>(1,411,771)</u>	<u>(1,383,775)</u>
Total comprehensive income	<b><u>\$ (23,011,187)</u></b>	<b><u>6,576,120</u></b>
Total comprehensive income attributable to non-controlling interests of AU	<b><u>\$ (2,818,733)</u></b>	<b><u>(2,509,140)</u></b>
Total comprehensive income attributable to shareholders of AU	<b><u>\$ (20,192,454)</u></b>	<b><u>9,085,260</u></b>
	<b>2019</b>	<b>2018</b>
The Group's share of equity of associates at January 1	\$ 13,997,527	14,362,651
Total comprehensive income attributable to the Group	(1,395,394)	624,788
Capital surplus attributable to the Group	78,039	5,499
Dividend received from associates	(331,799)	(995,398)
Cumulative effect of investment income recognized under treasury stock method	(75,559)	(75,559)
Adjustment on initial application of IFRS 9	<u>-</u>	<u>(13)</u>
The carrying amount of investments in the associates	<b><u>\$ 12,272,814</u></b>	<b><u>13,921,968</u></b>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) The summarized financial information of DFN:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 13,073,263	12,741,445
Non-current assets	7,814,501	6,353,987
Current liabilities	(9,721,813)	(8,968,442)
Non-current liabilities	(1,398,360)	(684,007)
Equity	<u>\$ 9,767,591</u>	<u>9,442,983</u>
Equity attributable to non-controlling interests of DFN	<u>\$ 1,087,054</u>	<u>532,458</u>
Equity attributable to shareholders of DFN	<u>\$ 8,680,537</u>	<u>8,910,525</u>
	<b>2019</b>	<b>2018</b>
Net sales	<u>\$ 19,137,173</u>	<u>20,113,619</u>
Net income	\$ 969,393	1,525,848
Other comprehensive income	(133,115)	(36,920)
Total comprehensive income	<u>\$ 836,278</u>	<u>1,488,928</u>
Total comprehensive income attributable to non-controlling interests of DFN	<u>\$ 62,057</u>	<u>6,164</u>
Total comprehensive income attributable to shareholders of DFN	<u>\$ 774,221</u>	<u>1,482,764</u>
	<b>2019</b>	<b>2018</b>
The Group's share of equity of associates at January 1	\$ 2,537,545	2,274,759
Total comprehensive income attributable to the Group	211,982	422,240
Capital surplus attributable to the Group	(6,270)	-
Dividend received from associates	(252,074)	(159,454)
Disposal	(258,036)	-
The carrying amount of investments in the associates	<u>\$ 2,233,147</u>	<u>2,537,545</u>

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 3) The summarized financial information of Alpha:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 19,148,501	12,517,041
Non-current assets	5,851,867	2,412,034
Current liabilities	(9,584,608)	(4,173,154)
Non-current liabilities	<u>(1,368,466)</u>	<u>(362,170)</u>
Equity	<b><u>\$ 14,047,294</u></b>	<b><u>10,393,751</u></b>
Equity attributable to non-controlling interests of Alpha	<b><u>\$ 4,066,496</u></b>	<b><u>-</u></b>
Equity attributable to shareholders of Alpha	<b><u>\$ 9,980,798</u></b>	<b><u>10,393,751</u></b>
	<b>2019</b>	<b>2018</b>
Net sales	<b><u>\$ 15,825,808</u></b>	<b><u>15,608,222</u></b>
Net income (loss)	\$ 238,903	(88,009)
Other comprehensive income	<u>(122,759)</u>	<u>(76,053)</u>
Total comprehensive income	<b><u>\$ 116,144</u></b>	<b><u>(164,062)</u></b>
Total comprehensive income attributable to non-controlling interests of Alpha	<b><u>\$ -</u></b>	<b><u>-</u></b>
Total comprehensive income attributable to shareholders of Alpha	<b><u>\$ 116,144</u></b>	<b><u>(164,062)</u></b>
	<b>2019</b>	<b>2018</b>
The Group's share of equity of associates at January 1	\$ 2,686,449	-
Purchase of investments	-	2,851,441
Total comprehensive income attributable to the Group	7,304	(44,913)
Capital surplus attributable to the Group	(847)	4,613
Dividend received from associates	(124,739)	(124,692)
Adjustment on initial application of IFRS 16	<u>(4,052)</u>	<u>-</u>
The carrying amount of investments in the associates	<b><u>\$ 2,564,115</u></b>	<b><u>2,686,449</u></b>

- 4) Aggregate financial information of associates that were not individually material was summarized as follows. The financial information was included in the Group's consolidated financial statements.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
The aggregate carrying amount of associates that were not individually material	<b>\$ <u>682,725</u></b>	<b><u>208,566</u></b>
	<b>2019</b>	<b>2018</b>
Attributable to the Group:		
Net income	\$ 49,660	36,507
Other comprehensive income	<u>(38,488)</u>	<u>(11,040)</u>
Total comprehensive income	<b>\$ <u>11,172</u></b>	<b><u>25,467</u></b>

(ii) Joint venture

Aggregate financial information of joint ventures, that is not individually material, was summarized as follows. The financial information was included in the Group's consolidated financial statement:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
The aggregate carrying amount of joint ventures that were not individually material	<b>\$ <u>25,675</u></b>	<b><u>28,064</u></b>
	<b>2019</b>	<b>2018</b>
Attributable to the Group:		
Net loss	\$ (1,447)	(984)
Other comprehensive income	<u>(942)</u>	<u>(993)</u>
Total comprehensive income	<b>\$ <u>(2,389)</u></b>	<b><u>(1,977)</u></b>

(iii) Pledge as collateral

Refer to note 8 for a description of the Group's investments accounted for using the equity method pledged as collateral for long-term debt and credit facilities.

(h) Business combination

(i) Acquisition of subsidiaries – BenQ Biotech (Shanghai) Co., Ltd (“BBC”)

1) The cost of acquisition

On October 8, 2019, the Group acquired 70% of ownership of BenQ Biotech (Shanghai) Co., Ltd (“BBC”) at a price of \$739,789, and obtained control over BBC. BBC is engaged in manufacturing and sale of hemodialysis machines. The acquisition of BBC enables the Group to obtain an experienced workforce from the original shareholder, Shanghai Kunxin Medical Technology Co., Ltd., to integrate the existing hemodialysis business, to produce the competitive products and expand its marketing channel in China.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Identifiable net assets acquired in a business combination

On October 8, 2019 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value, were as follows:

Consideration transferred:

Cash	\$ 739,789
Add: Non-controlling interest (measured at non-controlling interest's proportionate share of the fair value of BBC's identifiable net assets):	261,102
Less: identifiable net assets acquired at fair value:	
Cash and cash equivalents	870,340
Goodwill	<b>\$ 130,551</b>

3) Intangible assets

Goodwill arising from the acquisition of BBC is due to the control premium, the synergies of the combination, future market development and value of workforce, neither of which qualifies as an identifiable intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

4) Pro forma information

From the acquisition date to December 31, 2019, BBC had contributed the revenue of \$0 and the net loss of \$(8,906) to the Group. If this acquisition had occurred on January 1, 2019, the management estimates that consolidated revenue would have been \$169,754,115, and consolidated income after income tax would have been \$4,409,644. In determining these amounts, the management assumed that the acquisition occurred on January 1, 2019.

(ii) Acquisition of subsidiaries—Ace Pillar Co., Ltd. and its subsidiaries

1) The cost of acquisition

On October 1, 2019, the Group's subsidiary, DFI, subscribed 23,000 thousand common shares of Ace Pillar Co., Ltd. ("ACE") at a price of \$460,000 through private offering, and acquired 20.49% of its ownership, wherein the Group owned more than half of its total number of directors. Therefore, the Group obtained control over ACE. ACE and its subsidiaries have been included in the Group's consolidated entities. ACE and its subsidiaries are engaged in manufacturing and sale of automation control and mechanical transmission system and component, maintenance services and mechatronics. The acquisition of ACE and its subsidiaries is to integrate ACE's advantages of factory automation channel, as well as the market share of DFI's embedded platform business in factory automation, and the Group's investment in the information and communication technology industry to enhance the Group's value and market share of digital transformation service in information technology and operating technology ("IT+OT").

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Identifiable net assets acquired in a business combination

On October 1, 2019 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value were as follows:

Consideration transferred:

Cash	\$	460,000
Non-controlling interests (measured at non-controlling interest's proportionate share of fair value of ACE's identifiable net assets)		1,568,412

Less: identifiable net assets acquired at fair value:

Cash and cash equivalents	\$	842,908
Notes and accounts receivable, net		940,613
Inventories		644,290
Other current assets		46,079
Other financial assets – current		83,388
Financial assets at fair value through other comprehensive income – non-current		20,214
Property, plant and equipment		425,054
Right-of-use assets		57,479
Deferred income tax assets		13,143
Other non-current assets		8,267
Other financial assets – non-current		16,646
Short-term borrowings		(368,504)
Short-term notes and bills payable		(50,000)
Contract liabilities – current		(59,542)
Notes and accounts payable		(489,617)
Lease liabilities – current		(19,116)
Other current liabilities		(36,656)
Deferred income tax liabilities		(83,267)
Lease liabilities – non-current		(18,782)
		<u>1,972,597</u>
Goodwill	\$	<u><u>55,815</u></u>

The fair value of the abovementioned assets and liabilities has been determined as provisionally pending completion of an independent valuation.

If there is any information discovered within one year from the acquisition date about facts and circumstances that existed at the acquisition date which leads to an adjustment to the above provision amounts, or any additional provisions as at the acquisition date, the acquisition accounting will be revised.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Intangible assets

Goodwill arising from the acquisition of ACE is due to the control premium, the synergies of the combination, future market development and value of workforce, neither of which qualifies as an identifiable intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

4) Pro forma information

From the acquisition date to December 31, 2019, ACE and its subsidiaries had contributed the revenue of \$672,743 and the net loss of \$(41,789) to the Group. If this acquisition had occurred on January 1, 2019, the management estimates that consolidated revenue would have been \$171,997,127, and consolidated income after income tax would have been \$4,377,616. In determining these amounts, the management assumed that the acquisition occurred on January 1, 2019.

(iii) Acquisition of subsidiaries — Sysage Technology Co., Ltd and its subsidiaries

1) The cost of acquisition

On August 15, 2019, the Group invested the amount of \$1,815,000 in Sysage Technology Co., Ltd (“Sysage”), and acquired 35.04% of its ownership, wherein the Group owned more than half of its total number of directors. Therefore, the Group obtained control over Sysage. Sysage and its subsidiaries have been included in the Group’s consolidated entities. Sysage is engaged in agent sales and trading of communication and internet hardware and software, workstations and servers, and application integration tools software. The acquisition of Sysage enables the Group to penetrate into network and system integration solution market, and to seize the business opportunities of cloud computing, artificial intelligence and internet of things (IoT) integrations.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Identifiable net assets acquired in a business combination

On August 15, 2019 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value, were as follows:

Consideration transferred:

Cash	\$ 1,815,000
Add: Non-controlling interest (measured at non-controlling interest's proportionate share of the fair value of Sysage's identifiable net assets):	3,113,913

Less: identifiable net assets acquired at fair value:

Cash and cash equivalents	\$ 1,983,472	
Financial assets at fair value through profit or loss — current	126,870	
Notes and accounts receivable, net	2,387,056	
Inventories	3,083,928	
Other current assets	192,108	
Financial assets at fair value through profit or loss — non-current	105,342	
Investments accounted for using the equity method	2,712	
Property, plant and equipment	1,789,025	
Right-of-use assets	197,724	
Deferred income tax assets	48,609	
Other non-current assets	89,685	
Short-term borrowings	(1,305,000)	
Short-term notes and bills payable	(80,000)	
Contract liabilities — current	(838,853)	
Notes and accounts payable	(1,661,410)	
Other payables	(361,499)	
Other current liabilities	(45,108)	
Current portion of long-term debt	(16,216)	
Lease liabilities — current	(25,606)	
Long-term debt	(316,756)	
Lease liabilities — non-current	(172,606)	
Deferred income tax liabilities	(67,051)	
Other non-current liabilities	(66,961)	
Non-controlling interest	(255,880)	4,793,585
Goodwill		\$ 135,328

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Intangible assets

Goodwill arising from the acquisition of Sysage and its subsidiaries is due to their profitability, future market development and value of workforce, neither of which qualifies as an identifiable intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

4) Pro forma information

From the acquisition date to December 31, 2019, Sysage and its subsidiaries had contributed the revenue of \$4,561,486 and the net income of \$162,544 to the Group. If this acquisition had occurred on January 1, 2019, the management estimates that consolidated revenue would have been \$177,499,629, and consolidated income after income tax would have been \$4,661,931. In determining these amounts, the management assumed that the acquisition occurred on January 1, 2019.

(iv) Acquisition of subsidiaries — Topview Optronics Corporation and its subsidiaries

1) The cost of acquisition

On August 15, 2019, the Group invested the amount of \$351,665 in Topview Optronics Corporation (“Topview”), and acquired 32.99% of its ownership, wherein the Group owned more than half of its total number of directors. Therefore, the Group obtained control over Topview. Topview and its subsidiaries have been included in the Group’s consolidated entities. Topview is engaged in the manufacturing and sale of video surveillance cameras. The acquisition of Topview enables the Group to optimize the existing business and expand the operation scale through the strategic alliance.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Identifiable net assets acquired in a business combination

On August 15, 2019 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value, were as follows:

Account	Amount
Cash and cash equivalents	\$ 561,124
Financial assets at fair value through profit or loss— current	251
Notes and accounts receivable, net	344,216
Inventories	226,020
Other current assets	31,436
Property, plant and equipment	877,791
Right-of-use assets	3,189
Investment property	128,849
Intangible assets—others	5,150
Deferred income tax assets	8,418
Other non-current assets	200
Short-term borrowings	(335,933)
Notes and accounts payable	(237,592)
Other payables	(70,475)
Other current liabilities	(37,185)
Current portion of long-term debt	(28,986)
Long-term debt	(311,585)
Lease liabilities—non-current	(2,301)
Provisions—non-current	(1,381)
Other non-current liabilities	(24,704)
Non-controlling interest	<u>(12,834)</u>
Fair value of identifiable net assets	<u><b>\$ 1,123,668</b></u>

3) Gain on bargain purchase

Gain on bargain purchase arising from the acquisition was as follows:

Consideration transferred—cash	351,665
Add: Non-controlling interest (measured at non-controlling interest's proportionate share of the fair value of Topview's identifiable net assets):	752,970
Less: identifiable net assets acquired at fair value	<u>(1,123,668)</u>
Gain on bargain purchase	<u><b>\$ (19,033)</b></u>

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Pro forma information

From the acquisition date to December 31, 2019, Topview and its subsidiaries had contributed the revenue of \$529,787 and the net income of \$22,614 to the Group. If this acquisition had occurred on January 1, 2019, the management estimates that consolidated revenue would have been \$170,523,735, and consolidated income after income tax would have been \$4,448,788. In determining these amounts, the management assumed that the acquisition occurred on January 1, 2019.

(v) Acquisition of subsidiaries—Aewin Technologies Co., Ltd. and its subsidiaries

1) The cost of acquisition

On March 4, 2019, the Group's subsidiary, DFI, invested the amount of \$555,000 in Aewin Technologies Co., Ltd. ("AEWIN"), and acquired 51.26% of its ownership, and obtained control over AEWIN. Therefore, AEWIN and its subsidiaries have been included in the Group's consolidated entities. AEWIN and its subsidiaries are engaged in designing, manufacturing and sale of industrial motherboards and components. The acquisition of AEWIN enables the Group to penetrate into the network security market and integrate the resources of both parties to seize the future development opportunities of the network security market.

2) Identifiable net assets acquired in a business combination

On March 4, 2019 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value were as follows:

<u>Account</u>	<u>Amount</u>
Cash and cash equivalents	\$ 606,453
Notes and accounts receivable, net	225,484
Inventories	368,758
Other current assets	26,414
Property, plant and equipment	435,295
Right-of-use assets	43,780
Intangible assets—customer relationships	50,285
Intangible assets—computer software	342
Deferred income tax assets	25,573
Other non-current assets	4,424
Other financial assets—non-current	5,767
Short-term borrowings	(140,000)
Contract liabilities—current	(10,686)
Notes and accounts payable	(257,188)
Lease liabilities—current	(22,506)
Current portion of long-term debt	(14,000)
Other current liabilities	(2,391)
Lease liabilities—non-current	(24,295)
Deferred income tax liabilities	(10,116)
Long-term debt	(218,500)
Fair value of identifiable net assets	<u><u>\$ 1,092,893</u></u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Gain on bargain purchase

Gain on bargain purchase arising from the acquisition was as follows:

Consideration transferred—cash	555,000
Add: Non-controlling interest (measured at non-controlling interest’s proportionate share of the fair value of AEWIN’s identifiable net assets):	532,676
Less: identifiable net assets acquired at fair value	<u>(1,092,893)</u>
Gain on bargain purchase	<u><u>\$ (5,217)</u></u>

4) Intangible assets

The above customer relationships are amortized on a straight-line basis over the estimated future economic useful life of 4 years.

5) Pro forma information

From the acquisition date to December 31, 2019, AEWIN and its subsidiaries had contributed the revenue of \$1,342,676 and the net income of \$51,785 to the Group. If this acquisition had occurred on January 1, 2019, the management estimates that consolidated revenue would have been \$169,964,241, and consolidated income after income tax would have been \$4,421,197. In determining these amounts, the management assumed that the acquisition occurred on January 1, 2019.

(vi) Acquisition of subsidiaries – Expert Alliance Systems & Consultancy (HK) Company Limited (“EASC”)

1) The cost of acquisition

On March 4, 2019, the Group invested the amount of \$78,338 in Expert Alliance Systems & Consultancy (HK) Company Limited (“EASC”), and acquired 54% of its ownership.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Identifiable net assets acquired in a business combination

On March 4, 2019 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value were as follows:

Consideration transferred:

Cash	\$	78,338
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of fair value of EASC's identifiable net assets)		54,711
Less: the fair value of put option		(10,504)
Less: the fair value of contingent consideration		(5,533)
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	\$	89,998
Notes and accounts receivable, net		11,764
Inventories		18,607
Other current assets		251
Other non-current assets		6,579
Notes and accounts payable		(3,941)
Other current liabilities		(4,321)
		118,937
Gain on bargain purchase	\$	(1,925)

3) Pro forma information

From the acquisition date to December 31, 2019, EASC had contributed the revenue of \$217,833 and the net income of \$2,962 to the Group. If this acquisition had occurred on January 1, 2019, the management estimates that consolidated revenue would have been \$169,762,923, and consolidated income after income tax would have been \$4,409,917. In determining these amounts, the management assumed that the acquisition occurred on January 1, 2019.

(vii) Acquisition of subsidiaries – K2 (Shanghai) International Medical Inc.

1) The cost of acquisition

On January 3, 2019, the Group's subsidiary, K2, invested the amount of \$24,647 in K2 (Shanghai) International Medical Inc. ("K2SH"), and acquired 60.10% of its ownership.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Identifiable net assets acquired in a business combination

On January 3, 2019 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value were as follows:

Consideration transferred:

Cash	\$	24,647
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of fair value of K2SH's identifiable net assets)		14,578
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	\$	24,015
Notes and accounts receivable, net		67,577
Inventories		93,060
Other current assets		1,277
Property, plant and equipment		508
Other non-current assets		2,726
Notes and accounts payable		(150,878)
Other current liabilities		(1,749)
		36,536
Goodwill		\$ 2,689

The fair value of the abovementioned assets and liabilities has been determined as provisionally pending completion of an independent valuation.

If there is any information discovered within one year from the acquisition date about facts and circumstances that existed at the acquisition date which leads to an adjustment to the above provision amounts, or any additional provisions as at the acquisition date, the acquisition accounting will be revised.

3) Intangible assets

Goodwill arising from the acquisition of K2SH is due to its profitability, future market development and value of workforce, neither of which qualifies as an identifiable intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

4) Pro forma information

From the acquisition date to December 31, 2019, K2SH had contributed the revenue of \$310,089 and the net income of \$10,542 to the Group. If this acquisition had occurred on January 1, 2019, the management estimates that consolidated revenue would have been \$169,754,115, and consolidated income after income tax would have been \$4,409,644. In determining these amounts, the management assumed that the acquisition occurred on January 1, 2019.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(viii) Acquisition of subsidiaries — Sigma Medical Supplies Corp. and its subsidiaries

1) The cost of acquisition

On July 24, 2018, the Group's subsidiary, BMC, acquired 89.03% of ownership of Sigma Medical Supplies Corp. ("SMS") at a price of \$498,579, and obtained control over SMS and its subsidiaries. Therefore, SMS and its subsidiaries have been included in the Group's consolidated entities. SMS and its subsidiaries are engaged in selling and manufacturing of medical products. The acquisition of SMS and its subsidiaries enables the Group to expand its business in medical consumable industry through SMS's production line and market channel by integrating the Group's core researching and manufacturing capability.

2) Identifiable net assets acquired in a business combination

On July 24, 2018 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value, were as follows:

<u>Account</u>	<u>Amount</u>
Cash and cash equivalents	\$ 119,934
Notes and accounts receivable, net	151,802
Other receivables	57,515
Inventories	180,463
Other current assets	40,612
Other financial assets — current	64,337
Property, plant and equipment	360,560
Intangible assets — computer software	295
Deferred income tax assets	28,717
Other non-current assets	27,203
Short-term borrowings	(219,193)
Notes and accounts payable	(97,187)
Other current liabilities	(46,843)
Long-term debt	(104,797)
Deferred income tax liabilities	(2,780)
Other non-current liabilities	(354)
Identifiable net assets acquired at fair value	<u>\$ 560,284</u>

3) Gain on bargain purchase

Gain on bargain purchase arising from the acquisition was as follows:

Consideration transferred — cash	\$ 498,579
Add: non-controlling interest (measured at non-controlling interest's proportionate share of the fair value of SMS's identifiable net assets)	61,452
Less: identifiable net assets acquired at fair value	<u>(560,284)</u>
Gain on bargain purchase	<u>\$ (253)</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Pro forma information

From the acquisition date to December 31, 2018, SMS and its subsidiaries had contributed the revenue of \$274,507 and the net loss of \$32,981 to the Group. If this acquisition had occurred on January 1, 2018, the management estimates that consolidated revenue would have been \$156,233,399, and consolidated income after income tax would have been \$4,382,172. In determining these amounts, the management assumed that the acquisition occurred on January 1, 2018.

(ix) Acquisition of subsidiaries – K2 International Medical Inc.

1) The cost of acquisition

On August 14, 2018, the Group invested the amount of \$166,131 in K2 International Medical Inc. (“K2”), and acquired 37.56% of its ownership, wherein it owned more than half of its total number of directors. Therefore, the Group obtained control over K2. K2 has been included in the Group’s consolidated entities. K2 served as an agency, and is engaged in the sale of hemodialysis machines and related accessories and consumables of well-known brand. The acquisition of K2 enables the Group to penetrate into hemodialysis products market and expand its Asia Pacific market through K2’s market channel.

2) Identifiable net assets acquired in a business combination

On August 14, 2018 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value, were as follows:

Consideration transferred:

Cash		\$ 166,131
Add: non-controlling interest (measured at non-controlling interest’s proportionate share of the fair value of K2’s identifiable net assets):		212,649
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	\$ 268,829	
Notes and accounts receivable, net	179,170	
Inventories	66,046	
Other current assets	1,921	
Property, plant and equipment	11,832	
Intangible assets – customer relationships	30,745	
Intangible assets – computer software	81	
Deferred income tax assets	1,217	
Other non-current financial assets	13,322	
Short-term borrowings	(169,944)	
Notes and accounts payable	(39,191)	
Other current liabilities	(17,310)	
Deferred income tax liabilities	(6,152)	340,566
Goodwill		<u>\$ 38,214</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Intangible assets

The above customer relationships are amortized on a straight-line basis over the estimated future economic useful life of 5 years.

Goodwill arising from the acquisition of K2 is due to its profitability in the hemodialysis products market and value of workforce, neither of which qualifies as identifiable intangible assets. None of the goodwill recognized is expected to be deductible for income tax purposes.

4) Pro forma information

From the acquisition date to December 31, 2018, K2 had contributed the revenue of \$302,335 and the net income of \$8,737 to the Group. If this acquisition had occurred on January 1, 2018, the management estimates that consolidated revenue would have been \$156,241,294, and consolidated income after income tax would have been \$4,472,445. In determining these amounts, the management assumed that the acquisition occurred on January 1, 2018.

(x) Acquisition of subsidiaries — Data Image Corporation (“DIC”)

1) The cost of acquisition

On November 12, 2018, the Group invested the amount of \$308,000 in Data Image Corporation (“DIC”), and acquired 33.14% of its ownership, wherein it owned more than half of its total number of directors. Therefore, the Group obtained control over DIC. DIC and its subsidiaries have been included in the Group’s consolidated entities. DIC and its subsidiaries are engaged in the manufacture and sale of marine display modules. The acquisition of DIC and its subsidiaries expects to integrate the Group’s strong technological and manufacturing strengths, as well as DIC’s design and manufacturing capability on marine display modules to expand the related business.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Identifiable net assets acquired in a business combination

On November 12, 2018 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value, were as follows:

Consideration transferred:

Cash	\$ 308,000
Add: non-controlling interest (measured at non-controlling interest's proportionate share of the fair value of DIC's identifiable net assets)	618,441

Less: identifiable net assets acquired at fair value:

Cash and cash equivalents	\$ 483,510
Notes and accounts receivable, net	493,324
Other receivables	48,646
Inventories	504,819
Other current assets	27,549
Property, plant and equipment	321,969
Intangible assets — computer software	2,162
Investments accounted for using the equity method	22,973
Deferred income tax assets	16,312
Other non-current assets	104,841
Short-term borrowings	(358,699)
Notes and accounts payable	(527,353)
Other payables	(73,241)
Current portion of long-term debt	(33,200)
Other current liabilities	(74,842)
Long-term debt	(24,200)
Deferred income tax liabilities	(9,067)
Other non-current liabilities	(524)
	<u>924,979</u>
Goodwill	<u>\$ 1,462</u>

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Intangible assets

Goodwill arising from the acquisition of DIC and its subsidiaries is due to their reputation in the marine displays market, profitability and value of workforce, neither of which qualifies as identifiable intangible assets. None of the goodwill recognized is expected to be deductible for income tax purposes.

4) Pro forma information

From the acquisition date to December 31, 2018, DIC and its subsidiaries had contributed the revenue of \$404,111 and the net loss of \$3,911 to the Group. If this acquisition had occurred on January 1, 2018, the management estimates that consolidated revenue would have been \$158,324,813, and consolidated income after income tax would have been \$4,564,574. In determining these amounts, the management assumed that the acquisition occurred on January 1, 2018.

(xi) Acquisition of subsidiaries by PTT

1) The cost of acquisition

Business combination of PTT in 2018 was as follows:

On January 1, 2018, PTT invested in Epoint Systems Pte. Ltd. (“PTSE”) for \$27,449 in cash and \$7,544 in contingent consideration, and acquired 50.10% ownership of PTSE.

On June 1, 2018, PTT increased its investments in Partner Tech Africa (Pty) Ltd. (“PTA”) for \$22,451 in cash and \$15,392 in contingent consideration, and acquired 54% ownership of PTA. After the acquisition, the Group’s ownership interest in PTA increased from 46% to 100%.

On October 1, 2018, PTT invested in La Fresh information Co., Ltd (“PTTN”) for \$20,510 in cash and \$4,594 in contingent consideration, and acquired 50.64% ownership of PTTN.

On November 1, 2018, PTT invested in Corex (Pty) Ltd. (“PCX”) for \$109,828 in cash and \$62,511 in contingent consideration, and acquired 100% ownership of PCX.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Identifiable net assets acquired in a business combination

The identifiable assets and liabilities arising from the abovementioned subsidiaries' acquisition at fair value, were as follows:

Consideration transferred:

Cash	\$	180,238
Contingent consideration at fair value		90,041
The fair value of the acquirer's previously held equity interest in the acquiree		28,270
Non-controlling interest (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)		43,071

Identifiable net assets acquired at fair value:

Cash and cash equivalents	\$	90,838
Accounts receivable, net		147,635
Inventories		186,599
Other current assets		63,202
Other financial assets—current		2,256
Property, plant and equipment		117,346
Intangible assets—trademarks		7,812
Intangible assets—customer relationships		9,914
Intangible assets—computer software		12,273
Other non-current assets		12,315
Short-term borrowings		(71,489)
Current portion of long-term debt		(5,291)
Notes and accounts payable		(116,664)
Other payables		(29,539)
Other current liabilities		(49,012)
Long-term debt		(179,125)
Deferred income tax liabilities		(2,914)
		<u>196,156</u>
Goodwill		<u>\$ 145,464</u>

The Group's previously held 46% ownership of PTA is remeasured to fair value at the acquisition date, and recognized a gain on disposal of \$14,727 in other gains and losses—net.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Intangible assets

The above customer relationships and trademarks are amortized on a straight-line basis over the estimated future economic useful life of 4 to 5.6 years and 10 years, respectively.

Goodwill arising from the acquisition is due to their value of workforce, which does not qualify as an identifiable intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

4) Pro forma information

From the acquisition date to December 31, 2018, the acquisition of PTT's subsidiaries had contributed the revenue of \$377,071 and the net income of \$2,310 to the Group. If this acquisition had occurred on January 1, 2018, the management estimates that consolidated revenue would have been \$156,699,454, and consolidated income after income tax would have been \$4,374,991. In determining these amounts, the management assumed that the acquisition occurred on January 1, 2018.

(xii) Change in ownership interest in subsidiaries without losing control

From October to December 2019, APV increased its investments in Topview for \$5,851, and the Group's ownership interest in Topview increased to 33.43%.

From October to December 2019, APV increased its investments in DIC for \$35,884, and the Group's ownership interest in DIC increased to 35.29%.

From October to December 2019, DFI increased its investments in ACE for \$170,623, and the Group's ownership interest in ACE increased to 14.66%.

In October 2019, BenQ increased its investments in ZGC for \$8,561, and the Group's ownership interest in ZGC increased to 100%.

In September 2019, Sysage increased its investments in Dawning Technology Inc. ("Dawningtech") for \$50,317. Besides, in September 2019, Dawningtech issued new shares and Sysage did not subscribe for these new shares. As of December 31, 2019, the Group's ownership interest in Dawningtech is 13.70%.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

In the second quarter of 2019, BMC increased its investments in SMS for \$38,889. Additionally, in order to integrate the resources within the Group and improve the operating efficiency, BMC's Board of Directors approved a resolution on May 6, 2019, to acquire the remaining shares of SMS by share exchange at a consideration of \$14 per share in cash on June 17, 2019, in accordance with the provisions of Article 30 of Business Mergers And Acquisitions Act (As of December 31, 2019, BMC has paid \$20,725 in cash, and the outstanding amount of \$1,670 is recorded as other payables.). After the acquisition, the Group's ownership interest in SMS increased to 43.56%.

In May 2019, Darly disposed of 1,640 thousand shares of BBHC's common stock for \$77,734, but did not result in the loss of the Group's control over BBHC. The difference between consideration and carrying amount of BBHC was recognized as capital surplus.

From November to December 2018, DFI purchased its own common shares for \$12,909 from stock market, and the Group's ownership interest in DFI increased to 55.09%.

In 2018, PTT increased its investments in PTME for \$76,352 (US\$2,500 thousand), and the Group's ownership interest in PTME increased to 68.23%.

In 2018, BMC increased its investments in SMS for \$137, and the Group's ownership interest in SMS increased to 38.79%.

In September 2018, BBHC issued new shares as a result of stock options exercised by their employees, resulting in a decrease of the Group's ownership interest in BBHC. However, the Group still has control over BBHC.

The following table summarizes the effect on the equity attributable to the shareholders of the Company arising from abovementioned changes in ownership interests in subsidiaries:

	<u>2019</u>	<u>2018</u>
Capital surplus — arising from changes in ownership interests in subsidiaries	\$ 3,235	1
Capital surplus — difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	10,242	(42,630)
Capital surplus — Capital injection from non-controlling interests	-	5,986
	<u>\$ 13,477</u>	<u>(36,643)</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(xiii) Loss of control in subsidiary

Prior to March 2019, NSHD was a subsidiary of the Group. In March 2019, NSHD issued new shares to align with strategic partners and the Group did not subscribe for these new shares. Since the Group's ownership interest in NSHD was reduced to 30%, the Group lost control over it. Therefore, the remaining 30% of NSHD's equity is remeasured at fair value of \$459,386, resulting in gain on disposal of investments of \$289,667. In addition, in order to ensure NSHD's future development towards old-age care business, after this capital increase, the other shareholder who holds 70% of NSHD's equity will provide a deposit of CNY300,000 thousand to NHM to guarantee that NSHD's development direction and progress can be carried out in accordance with the agreement (i.e. after the capital increase, NSHD will complete no less than 80% of the NSHD silver age business project within five years.) If the other shareholder can achieve the required progress, the NHM shall refund the deposit without interest as the required progress was reached. If the other shareholder fails to develop the agreed business items or the progress requirements cannot be reached within five years, the aforementioned deposit will be owned by NHM and will not be refunded. In May 2019, NHM received a deposit of CNY300,000 thousand from the other shareholder, which was recorded as other non-current liabilities.

The carrying amount of assets and liabilities of NSHD on the date of disposal was as follows:

Cash and cash equivalents	\$	741
Property, plant and equipment		244,928
Right-of-use assets		169,719
Other payables		<u>(245,669)</u>
Carrying amount of net assets	<b>\$</b>	<b><u>169,719</u></b>

(xiv) Subsidiaries that have material non-controlling interest:

Subsidiaries that have material non-controlling interest were as follows:

<u>Subsidiaries</u>	<u>Principal place of business /Registration country</u>	<u>The Percentage of ownership and voting rights held by non- controlling interests</u>	
		<u>December 31, 2019</u>	<u>December 31, 2018</u>
BMC	Taiwan	56.44 %	56.44 %
BBHC	Cayman Islands	29.95 %	29.28 %
DFI	Taiwan	44.91 %	44.91 %
Sysage	Taiwan	64.96 %	-

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The summarized financial information of subsidiaries were as follows, the information was prepared in accordance with Taiwan-IFRSs. Included in these information are the fair value adjustment made during the acquisition as at the acquisition date. Intra-group transactions were not eliminated in this information:

- 1) The summarized financial information of BMC:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 4,572,402	4,788,590
Non-current assets	5,755,519	5,554,570
Current liabilities	(3,977,707)	(4,089,202)
Non-current liabilities	(2,219,246)	(2,069,943)
Net assets	<u>\$ 4,130,968</u>	<u>4,184,015</u>
The carrying amount of non-controlling interests	<u>\$ 2,331,673</u>	<u>2,386,944</u>
	<b>2019</b>	<b>2018</b>
Net sales	<u>\$ 13,942,969</u>	<u>12,764,171</u>
Net income	\$ 256,740	325,374
Other comprehensive income	(39,087)	(44,855)
Total comprehensive income	<u>\$ 217,653</u>	<u>280,519</u>
Net income attributable to non-controlling interests	<u>\$ 144,737</u>	<u>182,243</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 122,713</u>	<u>156,945</u>
Cash flow from operating activities	\$ 1,131,775	2,133,784
Cash flow from investing activities	(718,148)	(863,153)
Cash flow from financing activities	(402,348)	(1,338,429)
Effects of foreign exchange rate changes	15,962	(38,887)
Net increase (decrease) in cash and cash equivalents	<u>\$ 27,241</u>	<u>(106,685)</u>
Cash dividends paid to non-controlling interests	<u>\$ 108,591</u>	<u>162,887</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) The summarized financial information of BBHC:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 2,053,670	1,658,882
Non-current assets	7,853,118	8,157,466
Current liabilities	(3,076,371)	(4,183,403)
Non-current liabilities	<u>(3,028,298)</u>	<u>(2,264,826)</u>
Net assets	<u><b>\$ 3,802,119</b></u>	<u><b>3,368,119</b></u>
The carrying amount of non-controlling interests	<u><b>\$ 1,150,500</b></u>	<u><b>994,555</b></u>
	<b>2019</b>	<b>2018</b>
Net sales	<u><b>\$ 7,974,083</b></u>	<u><b>6,982,549</b></u>
Net income	\$ 575,152	159,028
Other comprehensive income	<u>(68,162)</u>	<u>(141,681)</u>
Total comprehensive income	<u><b>\$ 506,990</b></u>	<u><b>17,347</b></u>
Net income attributable to non-controlling interests	<u><b>\$ 170,275</b></u>	<u><b>46,502</b></u>
Total comprehensive income attributable to non-controlling interests	<u><b>\$ 125,724</b></u>	<u><b>33,430</b></u>
	<b>2019</b>	<b>2018</b>
Cash flow from operating activities	\$ 1,037,534	622,610
Cash flow from investing activities	(349,917)	(330,411)
Cash flow from financing activities	(657,982)	(204,244)
Effects of foreign exchange rate changes	<u>247</u>	<u>143,041</u>
Net increase in cash and cash equivalents	<u><b>\$ 29,882</b></u>	<u><b>230,996</b></u>
Cash dividends paid to non-controlling interests	<u><b>\$ -</b></u>	<u><b>-</b></u>

3) The summarized financial information of DFI:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 6,017,867	3,422,103
Non-current assets	5,606,163	4,671,440
Current liabilities	(3,029,053)	(1,389,652)
Non-current liabilities	<u>(512,191)</u>	<u>(433,657)</u>
Net assets	<u><b>\$ 8,082,786</b></u>	<u><b>6,270,234</b></u>
The carrying amount of non-controlling interests	<u><b>\$ 4,081,632</b></u>	<u><b>2,176,309</b></u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>2019</u>	<u>2018</u>
Net sales	\$ <u>7,031,784</u>	<u>5,211,122</u>
Net income	\$ 478,078	458,155
Other comprehensive income	(8,548)	8,461
Total comprehensive income	\$ <u>469,530</u>	<u>466,616</u>
Net income attributable to non-controlling interests	\$ <u>211,408</u>	<u>206,170</u>
Total comprehensive income attributable to non-controlling interests	\$ <u>204,364</u>	<u>209,977</u>
Cash flow from operating activities	\$ 1,603,948	1,100,289
Cash flow from investing activities	427,231	(416,045)
Cash flow from financing activities	(974,581)	(494,602)
Effects of foreign exchange rate changes	(24,724)	1,895
Net increase in cash and cash equivalents	\$ <u>1,031,874</u>	<u>191,537</u>
Cash dividends paid to non-controlling interests	\$ <u>271,445</u>	<u>216,762</u>

4) The summarized financial information of Sysage:

	<u>December 31,</u> <u>2019</u>
Current assets	\$ 6,436,838
Non-current assets	2,346,931
Current liabilities	(2,784,583)
Non-current liabilities	(605,338)
Net assets	\$ <u>5,393,848</u>
The carrying amount of non-controlling interests	\$ <u>3,528,119</u>
	<u>August 15,</u> <u>2019 to</u> <u>December 31,</u> <u>2019</u>
Net sales	\$ <u>4,561,486</u>
Net income	\$ 159,843
Other comprehensive income	-
Total comprehensive income	\$ <u>159,843</u>
Net income attributable to non-controlling interests	\$ <u>94,515</u>
Total comprehensive income attributable to non-controlling interests	\$ <u>94,515</u>
Cash flow from operating activities	\$ 42,286
Cash flow from investing activities	(10,035)
Cash flow from financing activities	(1,320,421)
Net decrease in cash and cash equivalents	\$ <u>(1,288,170)</u>
Cash dividends paid to non-controlling interests	\$ <u>-</u>

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2019	\$ 3,684,024	20,334,023	14,638,057	4,078,467	334,132	43,068,703
Additions	28	196,842	1,167,701	1,030,977	106,457	2,502,005
Acquisition through business combination	2,003,787	1,375,722	253,066	283,483	226,300	4,142,358
Disposals	-	(45,459)	(398,623)	(140,430)	-	(584,512)
Derecognition of subsidiaries	-	-	-	-	(244,928)	(244,928)
Reclassification to non-current assets held for sale	(3,687)	(1,224)	-	-	-	(4,911)
Reclassification to investment property	-	(96,976)	-	-	-	(96,976)
Other reclassification and effect of exchange rate changes	(1,295)	(456,463)	254,739	(637,477)	(76,819)	(917,315)
Balance at December 31, 2019	<u>\$ 5,682,857</u>	<u>21,306,465</u>	<u>15,914,940</u>	<u>4,615,020</u>	<u>345,142</u>	<u>47,864,424</u>
Balance at January 1, 2018	\$ 3,396,367	20,249,207	12,352,019	4,182,401	330,967	40,510,961
Additions	151,247	341,412	1,478,360	887,072	90,033	2,948,124
Acquisition through business combination	135,211	590,189	577,084	127,201	-	1,429,685
Disposals	-	(24,295)	(446,959)	(147,774)	-	(619,028)
Reclassification to investment property	-	(930,215)	-	-	-	(930,215)
Other reclassification and effect of exchange rate changes	1,199	107,725	677,553	(970,433)	(86,868)	(270,824)
Balance at December 31, 2018	<u>\$ 3,684,024</u>	<u>20,334,023</u>	<u>14,638,057</u>	<u>4,078,467</u>	<u>334,132</u>	<u>43,068,703</u>
Accumulated depreciation and impairment loss:						
Balance at January 1, 2019	\$ -	8,840,198	10,413,357	2,802,110	-	22,055,665
Depreciation	-	755,080	1,114,397	367,282	-	2,236,759
Acquisition through business combination	-	248,301	190,195	176,189	-	614,685
Disposals	-	(43,593)	(368,104)	(129,322)	-	(541,019)
Reclassification to non-current assets held for sale	-	(689)	-	-	-	(689)
Reclassification to investment property	-	(16,101)	-	-	-	(16,101)
Other reclassification and effect of exchange rate changes	-	(196,781)	(119,887)	(84,186)	-	(400,854)
Balance at December 31, 2019	<u>\$ -</u>	<u>9,586,415</u>	<u>11,229,958</u>	<u>3,132,073</u>	<u>-</u>	<u>23,948,446</u>
Balance at January 1, 2018	\$ -	8,324,861	9,615,049	2,579,532	-	20,519,442
Depreciation	-	720,171	868,831	306,478	-	1,895,480
Acquisition through business combination	-	160,545	305,125	77,793	-	543,463
Disposals	-	(17,313)	(439,153)	(141,317)	-	(597,783)
Reclassification to investment property	-	(382,181)	-	-	-	(382,181)
Other reclassification and effect of exchange rate changes	-	34,115	63,505	(20,376)	-	77,244
Balance at December 31, 2018	<u>\$ -</u>	<u>8,840,198</u>	<u>10,413,357</u>	<u>2,802,110</u>	<u>-</u>	<u>22,055,665</u>
Carrying amount:						
Balance at December 31, 2019	<u>\$ 5,682,857</u>	<u>11,720,050</u>	<u>4,684,982</u>	<u>1,482,947</u>	<u>345,142</u>	<u>23,915,978</u>
Balance at December 31, 2018	<u>\$ 3,684,024</u>	<u>11,493,825</u>	<u>4,224,700</u>	<u>1,276,357</u>	<u>334,132</u>	<u>21,013,038</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) The Group owned a parcel of land with a book value of \$104,324. Because of certain legal restrictions, this land was registered under the name of individuals. In order to protect the Group's rights to this land, the Group signed a deed of trust with these individuals, under which they are obliged to surrender their rights to the Group when required.

(ii) Pledge as collateral

Refer to note 8 for a description of the Group's property, plant and equipment pledged as collateral for long-term debt.

(j) Right-of-use assets

	<u>Land</u>	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2019	\$ -	-	-	-
Effects of initial application of IFRS 16	2,517,306	2,466,762	24,323	5,008,391
Additions	-	176,935	10,957	187,892
Acquisition through business combination	17,558	361,364	1,495	380,417
Derecognition of subsidiaries	(237,924)	-	-	(237,924)
Disposals	-	(5,631)	-	(5,631)
Other reclassification and effect of exchange rate changes	<u>(11,262)</u>	<u>(25,616)</u>	<u>86</u>	<u>(36,792)</u>
Balance at December 31, 2019	<u>\$ 2,285,678</u>	<u>2,973,814</u>	<u>36,861</u>	<u>5,296,353</u>
Accumulated depreciation:				
Balance at January 1, 2019	\$ -	-	-	-
Effects of initial application of IFRS 16	770,268	605,733	10,950	1,386,951
Depreciation	46,364	407,370	9,718	463,452
Acquisition through business combination	-	77,699	546	78,245
Derecognition of subsidiaries	(68,205)	-	-	(68,205)
Disposals	-	(5,631)	-	(5,631)
Effect of exchange rates changes	<u>(25,042)</u>	<u>(34,775)</u>	<u>(1,178)</u>	<u>(60,995)</u>
Balance at December 31, 2019	<u>\$ 723,385</u>	<u>1,050,396</u>	<u>20,036</u>	<u>1,793,817</u>
Carrying amount:				
Balance at December 31, 2019	<u>\$ 1,562,293</u>	<u>1,923,418</u>	<u>16,825</u>	<u>3,502,536</u>

As of December 31, 2018, land use rights was classified under "long-term prepaid rents". The Group leases office, warehouse and factory equipment under operating leases in 2018, please refer to note 6(r).

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Investment property

	<u>Buildings</u>	<u>Land</u>	<u>Total</u>
Cost:			
Balance at January 1, 2019	\$ 3,694,434	-	3,694,434
Effects of initial application of IFRS 16	-	823,712	823,712
Acquisition through business combination	147,918	-	147,918
Additions	98	-	98
Reclassification from property, plant and equipment	96,976	-	96,976
Effect of exchange rates changes	<u>(133,515)</u>	<u>(28,634)</u>	<u>(162,149)</u>
Balance at December 31, 2019	<u>\$ 3,805,911</u>	<u>795,078</u>	<u>4,600,989</u>
Balance at January 1, 2018	\$ 2,901,765	-	2,901,765
Reclassification from property, plant and equipment	930,215	-	930,215
Effect of exchange rate changes	<u>(137,546)</u>	<u>-</u>	<u>(137,546)</u>
Balance at December 31, 2018	<u>\$ 3,694,434</u>	<u>-</u>	<u>3,694,434</u>
Accumulated depreciation:			
Balance at January 1, 2019	\$ 859,959	-	859,959
Effects of initial application of IFRS 16	-	196,088	196,088
Depreciation	132,821	16,564	149,385
Acquisition through business combination	19,069	-	19,069
Reclassification from property, plant and equipment	16,101	-	16,101
Effect of exchange rate changes	<u>(36,209)</u>	<u>(7,516)</u>	<u>(43,725)</u>
Balance at December 31, 2019	<u>\$ 991,741</u>	<u>205,136</u>	<u>1,196,877</u>
Balance at January 1, 2018	\$ 374,183	-	374,183
Depreciation	123,180	-	123,180
Reclassification from property, plant and equipment	382,181	-	382,181
Effect of exchange rate changes	<u>(19,585)</u>	<u>-</u>	<u>(19,585)</u>
Balance at December 31, 2018	<u>\$ 859,959</u>	<u>-</u>	<u>859,959</u>
Carrying amount:			
Balance at December 31, 2019	<u>\$ 2,814,170</u>	<u>589,942</u>	<u>3,404,112</u>
Balance at December 31, 2018	<u>\$ 2,834,475</u>	<u>-</u>	<u>2,834,475</u>
Fair value:			
Balance at December 31, 2019			<u>\$ 13,170,095</u>
Balance at December 31, 2018			<u>\$ 13,131,133</u>

Investment property comprises a number of commercial properties and factories that are leased to third parties. The fair value of the investment property (including land use rights, which are classified under “long-term prepaid rent”, amounting to \$625,869, as of December 31, 2018) is determined through both the income approach and the comparative approach by an independent appraisal company or referred to the market price of similar properties in same area by management. The inputs, which are used in the fair value measurement, were classified to level 3.

As of December 31, 2019 and 2018, investment property was not pledged as collateral.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(l) Intangible assets

	<u>Goodwill</u>	<u>Computer software</u>	<u>Patents</u>	<u>Trademarks</u>	<u>Customer relationships</u>	<u>Others</u>	<u>Total</u>
Costs:							
Balance at January 1, 2019	\$ 2,663,300	503,650	55,745	1,203,347	1,316,190	170,196	5,912,428
Addition	-	101,671	-	1,328	-	18,415	121,414
Acquisition through business combination	324,383	9,088	19,000	-	50,285	13,028	415,784
Disposal (note)	-	(5,946)	-	-	-	(7,178)	(13,124)
Reclassification and effect of exchange rate changes	<u>(7,324)</u>	<u>(10,841)</u>	<u>(1,013)</u>	<u>(1,368)</u>	<u>3,548</u>	<u>(11,448)</u>	<u>(28,446)</u>
Balance at December 31, 2019	<u>\$ 2,980,359</u>	<u>597,622</u>	<u>73,732</u>	<u>1,203,307</u>	<u>1,370,023</u>	<u>183,013</u>	<u>6,408,056</u>
Balance at January 1, 2018	\$ 2,478,661	439,028	54,291	1,195,516	1,276,846	144,114	5,588,456
Addition	-	85,430	-	-	-	36,264	121,694
Acquisition through business combination	187,148	20,141	-	7,812	40,659	-	255,760
Disposal	-	(34,433)	-	-	-	(21,879)	(56,312)
Reclassification and effect of exchange rate changes	<u>(2,509)</u>	<u>(6,516)</u>	<u>1,454</u>	<u>19</u>	<u>(1,315)</u>	<u>11,697</u>	<u>2,830</u>
Balance at December 31, 2018	<u>\$ 2,663,300</u>	<u>503,650</u>	<u>55,745</u>	<u>1,203,347</u>	<u>1,316,190</u>	<u>170,196</u>	<u>5,912,428</u>
Accumulated amortization and impairment loss:							
Balance at January 1, 2019	\$ 3,791	407,700	26,324	184,658	185,556	109,736	917,765
Amortization	-	96,536	7,904	123,931	162,052	31,702	422,125
Acquisition through business combination	-	8,746	19,000	-	-	7,878	35,624
Disposal (note)	-	(5,946)	-	-	-	(1,928)	(7,874)
Reclassification and effect of exchange rate changes	<u>1</u>	<u>(17,446)</u>	<u>(626)</u>	<u>(784)</u>	<u>1,776</u>	<u>(11,616)</u>	<u>(28,695)</u>
Balance at December 31, 2019	<u>\$ 3,792</u>	<u>489,590</u>	<u>52,602</u>	<u>307,805</u>	<u>349,384</u>	<u>135,772</u>	<u>1,338,945</u>
Balance at January 1, 2018	\$ 976	367,175	24,203	61,470	46,053	84,129	584,006
Amortization	-	62,510	7,747	122,404	156,023	45,392	394,076
Acquisition through business combination	-	5,330	-	-	-	-	5,330
Impairment loss	2,815	-	-	-	-	-	2,815
Disposal	-	(34,433)	-	-	-	(21,879)	(56,312)
Reclassification and effect of exchange rate changes	<u>-</u>	<u>7,118</u>	<u>(5,626)</u>	<u>784</u>	<u>(16,520)</u>	<u>2,094</u>	<u>(12,150)</u>
Balance at December 31, 2018	<u>\$ 3,791</u>	<u>407,700</u>	<u>26,324</u>	<u>184,658</u>	<u>185,556</u>	<u>109,736</u>	<u>917,765</u>
Carrying amount:							
Balance at December 31, 2019	<u>\$ 2,976,567</u>	<u>108,032</u>	<u>21,130</u>	<u>895,502</u>	<u>1,020,639</u>	<u>47,241</u>	<u>5,069,111</u>
Balance at December 31, 2018	<u>\$ 2,659,509</u>	<u>95,950</u>	<u>29,421</u>	<u>1,018,689</u>	<u>1,130,634</u>	<u>60,460</u>	<u>4,994,663</u>

(Note) To reverse the related payables.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Amortization

The amortization of intangible assets is included in the following line items of the statement of comprehensive income:

	<u>2019</u>	<u>2018</u>
Cost of sales	\$ <u>70,203</u>	<u>59,537</u>
Operating expenses	\$ <u>351,922</u>	<u>334,539</u>

(ii) Impairment test on goodwill

The carrying amounts of goodwill arising from business combinations and the respective CGUs to which the goodwill was allocated for impairment test purpose as of December 31, 2019 and 2018 were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
DFI and its subsidiaries (“DFI”)	\$ 1,670,735	1,614,920
PTT and its subsidiaries (“PTT”)	941,147	943,775
Other CGUs without significant goodwill	<u>364,685</u>	<u>100,814</u>
	<u>\$ 2,976,567</u>	<u>2,659,509</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
DFI :		
Revenue growth rate	10%~53%	10%
Discount rates	16.58%	17.62%
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
PTT :		
Revenue growth rate	6%~8%	6%~66%
Discount rates	15.38%	15.83%

- 1) The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by management and estimated terminal values at the end of the 5-year period. Cash flows beyond that 5-year period have been extrapolated using 1.5% to 2% growth rate.
- 2) The estimation of discount rate is based on the weighted average cost of capital.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Short-term borrowings

(i) The details of short-term borrowings were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Unsecured bank loans	\$ 19,199,407	14,438,009
Secured bank loans	571,397	180,379
Letters of credits	131,266	168,167
	<b><u>\$ 19,902,070</u></b>	<b><u>14,786,555</u></b>
Unused credit facilities	<b><u>\$ 39,259,678</u></b>	<b><u>27,483,544</u></b>
Interest rate	<b><u>0.4%~6.09%</u></b>	<b><u>0.4%~4.785%</u></b>

(ii) Refer to note 8 for a description of the Group's assets pledged as collateral to secure the bank loans.

(n) Long-term debt

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Unsecured bank loans	\$ 11,070,585	10,404,674
Secured bank loans	6,004,225	8,170,310
Less: current portion of long-term debt	(400,143)	(2,340,508)
Long-term debt	<b><u>\$ 16,674,667</u></b>	<b><u>16,234,476</u></b>
Unused credit facilities	<b><u>\$ 12,402,874</u></b>	<b><u>5,028,058</u></b>
Interest rate	<b><u>0.55%~4.90%</u></b>	<b><u>1.33%~4.90%</u></b>
Maturity year	<b><u>2020~ 2030</u></b>	<b><u>2019 ~ 2030</u></b>

(i) Collateral for bank borrowings

Refer to note 8 for a description of the Group's assets pledged as collateral to secure the bank loans.

(ii) Compliance with loan agreement

According to the syndicated loan agreement signed between the Company and its subsidiary (QLLB), and the banks, the Company and QLLB have promised to maintain certain financial ratios based on the Group's semi-annual reviewed consolidated financial statements and annual audited consolidated financial statements. If the Group violates any of the related financial ratios, the Group should mend it in a specific period, and then the failure to maintain the required financial ratios would not be considered a default. The Group has also pledged stock to secure the syndicated loan and has to maintain the fair value of the related pledged stock at a specific percentage of the loan.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Also, according to the syndicated loan agreement signed between BMC and the banks, BMC has promised to maintain certain financial ratios, including current ratio, debt ratio and minimum tangible net worth, based on BMC's annual audited consolidated financial statements. If BMC violates any of the related financial ratios, according to the syndicated loan agreement, BMC shall file an application for waiver and financial improvement plan to the managing bank. Failure to maintain the required financial ratios would not be considered a default unless a resolution is made by a majority of the banks to refuse to grant a waiver to BMC.

For the years 2019 and 2018, the Company's and QLLB's and BMC's financial ratio was in compliance with the syndicated loan agreement.

(o) Lease obligations payable

The Group's finance lease liabilities are summarized as follows (implicit interest rate of 3.109% ~ 6.662%):

	<b>December 31, 2018</b>		
	<b>Future minimum lease payments</b>	<b>Interest</b>	<b>Present value of minimum lease payments</b>
Less than one year	\$ 22,192	1,246	20,946
Between one and five years	18,018	950	17,068
	<b>\$ 40,210</b>	<b>2,196</b>	<b>38,014</b>
			<b>December 31, 2018</b>
Current portion			\$ 20,946
Non-current portion			17,068
			<b>\$ 38,014</b>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(p) Lease liabilities

	<b>December 31, 2019</b>
Current:	
Related parties	\$ 85,237
Non-related parties	321,418
	<b>\$ 406,655</b>
Non-current:	
Related parties	\$ 186,050
Non-related parties	1,420,402
	<b>\$ 1,606,452</b>

Please refer to note 6(ab) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

	<b>2019</b>
Expenses relating to short-term leases	\$ 78,263
Income from sub-leasing right-of-use assets	\$ 46,147
Interest on lease liabilities	\$ 44,822

The amounts recognized in the statement of cash flows for the Group was as follows:

	<b>2019</b>
Total cash outflow for leases	\$ 573,468

(i) Real estate leases

The Group leases buildings for its office, store and factory. The leases typically run for 3 to 10 years. The Group has to negotiate the new leased term and recognize relevant right-of-use assets and lease liabilities when the lease expires. Some of the leases include options to extend the lease term after the end of the contract term.

(ii) Other leases

The Group leases transportation equipment, with lease terms of 1 to 5 years. In addition, the Group leases some plants, dormitory, and transportation equipment with contract terms within one year. These leases are short-term and the Group has elected to applied exemption and not to recognize right-of-use assets and lease liabilities.

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Provisions

	<u>Warranties</u>	<u>Restructuring</u>	<u>Total</u>
Balance at January 1, 2019	\$ 1,029,757	1,000	1,030,757
Provisions made	571,189	-	571,189
Amount utilized	(490,695)	-	(490,695)
Amount reversed	(50,921)	-	(50,921)
Effect of exchange rate changes	(9,873)	-	(9,873)
Balance at December 31, 2019	<u>\$ 1,049,457</u>	<u>1,000</u>	<u>1,050,457</u>
Current	<u>\$ 440,084</u>	<u>1,000</u>	<u>441,084</u>
Non-current	<u>\$ 609,373</u>	<u>-</u>	<u>609,373</u>
Balance at January 1, 2018	\$ 940,997	93,456	1,034,453
Acquisition through business combination	-	1,000	1,000
Provisions made	621,288	2,476	623,764
Amount utilized	(443,286)	(47,259)	(490,545)
Amount reversed	(83,348)	(48,673)	(132,021)
Effect of exchange rate changes	(5,894)	-	(5,894)
Balance at December 31, 2018	<u>\$ 1,029,757</u>	<u>1,000</u>	<u>1,030,757</u>
Current	<u>\$ 409,124</u>	<u>1,000</u>	<u>410,124</u>
Non-current	<u>\$ 620,633</u>	<u>-</u>	<u>620,633</u>

The provision for warranties is estimated based on historical warranty data associated with similar products and services. The Group expects to settle most of the warranty liability within three years from the date of the sale of the product.

In 2016, BMC terminated certain production lines in its Tainan Science-based Industrial Park and related lease contracts of its factory building, which resulted in a disagreement with the lessor. In the first quarter of 2018, BMC reached a settlement with the lessor, and the Group recognized an adjustment of restructuring provision of \$(48,673) in other operating expenses.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Operating lease

(i) Lessee

As of December 31, 2018, the future minimum lease payments under non-cancellable operating leases were as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 384,040
Later than 1 year but not later than 5 years	1,136,891
Later than 5 years	575,431
	<b>\$ 2,096,362</b>

The Group leases offices and plants under operating leases. The leases typically run for a period of 1 to 10 years, with an option to renew.

Office and warehouse leases entered into by the Group include leases of both land and buildings where offices and warehouses are located. As the lessor has not transferred the ownership of the land to the Group, the rental payment to the lessor is increased to the market rate at regular intervals, and the Group does not participate in the residual value of the land and buildings, the Group determined that substantially all the risks and rewards of the land and buildings are with the lessor. Therefore, the office and warehouse leases are operating leases.

In 2018, the rental expense of operating leases amounted to \$339,579, which was recognized in profit or loss.

(ii) Lessor

The Group leased its investment property under operating leases. Please refer to note 6(k). The future minimum lease payments under operating leases are as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Not later than 1 year	\$ 514,417	477,083
Later than 1 year but not later than 5 years	362,246	328,599
Later than 5 years	33,824	-
	<b>\$ 910,487</b>	<b>805,682</b>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

In 2019 and 2018, the rental income from investment property (classified under net sales) amounted to \$698,220 and \$661,463, respectively. Related operating expenses (classified under cost of sales) were as follows:

	<b>2019</b>	<b>2018</b>
Arising from investment property that generated rental income	\$ 230,795	190,734
Arising from investment property that did not generate rental income	16,683	2,316
	<b>\$ 247,478</b>	<b>193,050</b>

The Group also leased its land and buildings to others under operating leases. In 2019 and 2018, the resulting rental income from land and buildings amounted to \$146,573 and \$61,764, respectively, and was recognized under non-operating income and loss – other gains and losses – net.

(s) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Present value of defined benefit obligations	\$ 957,053	933,899
Fair value of plan assets	(566,175)	(552,749)
	390,878	381,150
Effects of the asset ceiling	-	-
Net defined benefit liabilities (reported under other non-current liabilities)	<b>\$ 390,878</b>	<b>381,150</b>

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Present value of defined benefit obligations	\$ 210,306	178,711
Fair value of plan assets	(270,026)	(235,209)
	(59,720)	(56,498)
Effects of the asset ceiling	-	-
Net defined benefit assets (reported under other non-current assets)	<b>\$ (59,720)</b>	<b>(56,498)</b>

The Company and its domestic subsidiaries make defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Composition of plan assets

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

As of December 31, 2019 and 2018, the Group’s labor pension fund account balance at Bank of Taiwan amounted to \$836,201 and \$787,958, respectively. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

2) Movements in present value of defined benefit obligations

In 2019 and 2018, the movements in present value of defined benefit obligations of the Group were as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit obligations at January 1	\$ 1,112,610	1,067,635
Current service costs and interest expense	18,029	20,635
Liabilities assumed in a business combination	35,161	30,272
Gain on curtailment	(733)	-
Remeasurement on the net defined benefit liabilities (assets):		
– Actuarial losses (gains) arising from experience adjustments	18,575	37,244
– Actuarial losses (gains) arising from changes in financial assumptions	37,275	36,638
Benefits paid by the plan	(49,674)	(73,087)
Benefits paid by employer	(3,884)	(6,727)
Defined benefit obligations at December 31	<u>\$ 1,167,359</u>	<u>1,112,610</u>

3) Movements of fair value of plan assets

In 2019 and 2018, the movements of the fair value of plan assets of the Group were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets at January 1	\$ 787,958	767,763
Interest income	10,999	12,201
Assets acquired through business combination	32,169	34,393
Remeasurement on the net defined benefit liabilities (assets)		
– Actuarial gains (losses)	26,656	19,983
Contributions by the employer	28,093	26,705
Benefits paid by the plan	(49,674)	(73,087)
Fair value of plan assets at December 31	<u>\$ 836,201</u>	<u>787,958</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Changes in the effect of the asset ceiling

In 2019 and 2018, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

In 2019 and 2018, the expenses recognized in profit or loss were as follows:

	<u>2019</u>	<u>2018</u>
Current service costs	\$ 2,860	3,361
Net interest expense on the net defined benefit liability (asset)	4,170	5,073
Gain on curtailment	(733)	-
	<u>\$ 6,297</u>	<u>8,434</u>
Cost of sales	\$ 902	1,813
Selling expenses	1,030	1,512
Administrative expenses	1,042	1,197
Research and development expenses	3,323	3,912
	<u>\$ 6,297</u>	<u>8,434</u>

6) Remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income

In 2019 and 2018, the remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

	<u>2019</u>	<u>2018</u>
Cumulative amount at January 1	\$ (288,972)	(235,073)
Recognized during the period	(29,194)	(53,899)
Cumulative amount at December 31	<u>\$ (318,166)</u>	<u>(288,972)</u>

7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	0.75%~1.25%	1.125%~1.625%
Future salary increases rate	1.625%~3.00%	2.00%~3.00%

The Group expects to make contribution of \$27,949 to the defined benefit plans in the year following December 31, 2019.

The weighted average duration of the defined benefit plans is ranged from 9.8 years to 20.39 years.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

8) Sensitivity analysis

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2019 and 2018.

	<b>Increase (decrease) in present value of defined benefit obligations</b>	
	<b>0.25% Increase</b>	<b>0.25% Decrease</b>
December 31, 2019		
Discount rate	(36,794)	38,362
Future salary change	37,126	(35,835)
December 31, 2018		
Discount rate	(37,179)	38,575
Future salary change	37,503	(36,127)

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

(ii) Defined contribution plans

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

For the years ended December 31, 2019 and 2018, the Group recognized pension expenses of \$772,270 and \$762,341, respectively, in relation to the defined contribution plans.

(t) Income taxes

(i) In 2019 and 2018, the components of income tax expense were as follows:

	<b>2019</b>	<b>2018</b>
Current income tax expense	\$ 1,079,516	1,138,256
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	1,191,862	507,659
Adjustment in tax rate	-	(225,542)
Changes in unrecognized deductible temporary differences	(218,733)	(130,581)
Recognition of previously unrecognized tax losses	(517,298)	(127,335)
	455,831	24,201
Income tax expense	<b>\$ 1,535,347</b>	<b>1,162,457</b>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

In 2019 and 2018, there was no income tax recognized directly in equity or other comprehensive income.

Reconciliation of income tax expense and income before income tax for 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Income before income tax	\$ <u>5,944,991</u>	<u>5,613,111</u>
Income tax using the Company's statutory tax rate	\$ 1,188,998	1,122,622
Effect of different tax rates in foreign jurisdictions	105,908	88,873
Investment income recorded under equity method	200,054	(231,119)
Tax effect of expenses that are not deductible for tax purposes	90,991	46,118
Recognition of previously unrecognized tax losses	(517,298)	(127,335)
Unrecognized tax benefits relating to current year's tax loss	-	8,842
Change in unrecognized temporary differences	(218,733)	(130,581)
Surtax on undistributed earnings	119,023	194,181
Adjustment in tax rate	-	(225,542)
Others	<u>566,404</u>	<u>416,398</u>
Income tax expense	\$ <u>1,535,347</u>	<u>1,162,457</u>

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets and liabilities

As the Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2019 and 2018, and management believes that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences are not recognized as deferred income tax liabilities. In addition, as the Company and certain subsidiaries determined that it is not probable that future taxable profits will be available against which the temporary differences and operating loss carryforwards can be utilized, these items were not recognized as deferred income tax assets.

Unrecognized deferred income tax assets:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Aggregate deductible temporary differences associated with investments in subsidiaries	\$ 212,076	240,682
Deductible temporary differences	1,675,943	1,673,486
Tax losses	<u>429,310</u>	<u>946,608</u>
	\$ <u>2,317,329</u>	<u>2,860,776</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Unrecognized deferred income tax liabilities:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Aggregate taxable temporary differences associated with investments in subsidiaries	<b>\$ 1,891,133</b>	<b>1,698,549</b>

As of December 31, 2019, the unrecognized tax losses and the respective expiry years were as follows:

<b>Unrecognized tax losses</b>	<b>Tax effects of tax losses</b>	<b>Year of expiry</b>
\$ 445,945	110,458	2020
334,497	82,326	2021
220,658	53,838	2022
197,094	48,223	2023
310,707	76,249	2024
13,218	2,930	2025
98,782	23,663	2026
8,277	1,846	2027
125,693	29,777	2028
<b>\$ 1,754,871</b>	<b>429,310</b>	

2) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2019 and 2018 were as follows:

Deferred income tax assets:

	<b>Balance at January 1, 2019</b>	<b>Recognized in profit or loss</b>	<b>Acquisition through business combination</b>	<b>Balance at December 31, 2019</b>
Provision for inventory obsolescence	\$ 204,787	(11,893)	49,444	242,338
Unrealized accrued expenses	173,492	(35,667)	-	137,825
Unrealized inter-company profits	117,279	6,987	-	124,266
Allowance for sales discounts	214,910	12,126	-	227,036
Valuation loss on financial instruments	5,615	1,234	-	6,849
Deferred revenue	24,594	25,248	-	49,842
Warranty provision	38,897	6,736	-	45,633
Operating loss carryforwards	730,822	(342,466)	-	388,356
Others	319,366	19,337	46,299	385,002
	<b>\$ 1,829,762</b>	<b>(318,358)</b>	<b>95,743</b>	<b>1,607,147</b>

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Balance at January 1, 2018</b>	<b>Recognized in profit or loss</b>	<b>Acquisition through business combination</b>	<b>Balance at December 31, 2018</b>
Provision for inventory obsolescence	\$ 162,779	40,955	1,053	204,787
Unrealized accrued expenses	201,010	(27,518)	-	173,492
Unrealized inter-company profits	84,776	32,503	-	117,279
Allowance for sales discounts	176,295	38,615	-	214,910
Valuation loss on financial instruments	2,396	3,219	-	5,615
Deferred revenue	31,350	(6,756)	-	24,594
Warranty provision	33,500	5,397	-	38,897
Operating loss carryforwards	727,026	(17,858)	21,654	730,822
Others	257,635	38,192	23,539	319,366
	<b>\$ 1,676,767</b>	<b>106,749</b>	<b>46,246</b>	<b>1,829,762</b>

Deferred income tax liabilities:

	<b>Balance at January 1, 2019</b>	<b>Recognized in profit or loss</b>	<b>Acquisition through business combination</b>	<b>Balance at December 31, 2019</b>
Unrealized foreign exchange gain	\$ (11,450)	(10,057)	-	(21,507)
Intangible assets acquired through business combination	(365,737)	(4,982)	(149,326)	(520,045)
Others	(301,445)	(122,434)	(11,108)	(434,987)
	<b>\$ (678,632)</b>	<b>(137,473)</b>	<b>(160,434)</b>	<b>(976,539)</b>

	<b>Balance at January 1, 2018</b>	<b>Recognized in profit or loss</b>	<b>Acquisition through business combination</b>	<b>Balance at December 31, 2018</b>
Unrealized foreign exchange gain	\$ (13,029)	1,579	-	(11,450)
Intangible assets acquired through business combination	(400,680)	44,007	(9,064)	(365,737)
Others	(114,890)	(176,536)	(10,019)	(301,445)
	<b>\$ (528,599)</b>	<b>(130,950)</b>	<b>(19,083)</b>	<b>(678,632)</b>

- (iii) The Company's income tax returns for the years through 2017 have been examined and approved by the R.O.C. income tax authorities.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, the Company's authorized shares of common stock consisted of 5,000,000,000 shares, of which 1,966,781,958 shares were issued and outstanding. The par value of the Company's common stock is \$10 (dollars) per share.

As of December 31, 2019 and 2018, the Company had issued 351 thousand units and 511 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the Luxemburg Stock Exchange, and each GDR represents five common shares.

(ii) Capital surplus

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Changes in equity of associates accounted for using the equity method	\$ 222,425	161,325
Changes in ownership interests in subsidiaries	1,829,317	1,826,082
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	168,911	158,669
	<b>\$ 2,220,653</b>	<b>2,146,076</b>

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

(iii) Unappropriated earnings and dividend policy

The Company's articles of incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside or reversed in accordance with applicable laws and regulations. The remaining balance of the annual net income, together with unappropriated earnings from previous years, if any, can be distributed as dividends after the earnings distribution plan proposed by the Board of Directors is approved during the stockholders' meeting. The abovementioned distribution of earnings by way of cash dividends should be approved by the Company's Board of Directors and should be reported to the Company's shareholders in its meeting.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As the Company is a technology- and capital-intensive enterprise in its growing phase, the Company has adopted a remaining earnings appropriation method as its dividend policy in order to meet long-term capital needs and cash requirements of stockholders, and thereby maintain continuous development and steady growth.

The Company's requirements for future expansion and cash flow are the primary factors that the Company considers when appropriating its earnings. The distribution ratio for cash dividends shall not be less than 10% of the total distribution.

1) Legal reserve

If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital. According to the Company Act and the Company's articles of incorporation, the abovementioned distribution of earnings by way of cash dividends should be approved by the Company's Board of Directors and should be reported to the Company's shareholders in its meeting.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the total amount of items that were accounted for as deductions from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

3) Earnings distribution

The appropriation of 2018 and 2017 earnings were approved by the stockholders at the meetings on June 21, 2019 and 2018, respectively. The resolved appropriation of the dividend per share were as follows:

	2018		2017	
	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)	Amount
Dividends per share:				
Cash dividends	\$ 0.85	1,671,765	1.35	2,655,156

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Other equity items (net after tax)

1) Foreign currency translation differences:

	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 128,329	(120,490)
Foreign exchange differences arising from translation of foreign operations	(554,831)	310,786
Shares of foreign currency translation differences of associates and joint ventures	<u>(231,010)</u>	<u>(61,967)</u>
Balance at December 31	<u>\$ (657,512)</u>	<u>128,329</u>

2) Unrealized gains (losses) on financial assets at fair value through other comprehensive income:

	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 46,990	-
Effects of retrospective application	<u>-</u>	<u>30,353</u>
Restated balance at January 1	46,990	30,353
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	311,152	80,835
Disposal of financial assets measured at fair value through other comprehensive income	(4,678)	-
Share of other comprehensive income of associates	<u>56,588</u>	<u>(64,198)</u>
Balance at December 31	<u>\$ 410,052</u>	<u>46,990</u>

3) Remeasurement of defined benefit plans:

	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ (343,741)	(293,856)
Remeasurement of the defined benefit plans	(24,674)	(46,061)
Shares of remeasurement of the defined benefit plans of the associates accounted for using the equity method	<u>7,367</u>	<u>(3,824)</u>
Balance at December 31	<u>\$ (361,048)</u>	<u>(343,741)</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Non-controlling interests

	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 7,412,327	6,585,576
Effects of retrospective application	<u>(13,868)</u>	<u>(699)</u>
Restated balance at January 1	7,398,459	6,584,877
Equity attributable to non-controlling interests		
Net income	834,589	415,590
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	(265,028)	(46,768)
Stock option compensation cost of subsidiary	5,247	2,289
Remeasurements of defined benefit plans	(4,520)	(7,838)
Changes in ownership interest in subsidiaries	(3,235)	(1)
Foreign currency translation differences	(88,808)	(56,245)
Changes in equity of associates and joint ventures accounted for using the equity method	1,631	-
Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	11,711	(406)
Distribution of cash dividend by subsidiaries	(481,403)	(439,028)
Capital injection from non-controlling interests	109,341	(1,072)
Changes in non-controlling interests	<u>6,573,651</u>	<u>960,929</u>
	<u>\$ 14,091,635</u>	<u>7,412,327</u>

(v) Share-based payment

- (i) As of December 31, 2019 and 2018, the Group had the following employee stock option plans (“ESOPs”):

	<u>Equity-settled</u>	
	<u>BBHC</u>	<u>BBHC</u>
	<u>ESOP</u>	<u>ESOP</u>
Grant date	2019/7/31	2013/12/30
Number of shares granted	4,000,000 units, each unit eligible to subscribe for 1 common shares	1,000,000 units, each unit eligible to subscribe for 1 common share
Contract term	5 years	10 years
Qualified employees	Eligible employees of BBHC	Eligible employees of BBHC
Vesting conditions	listing and 2 years of service subsequent to grant date	3~6 years of service subsequent to grant date

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Movements in the number of options outstanding:

<u>BBHC's ESOPs</u>	<u>2019</u>		<u>2018</u>	
	<u>Weighted- average exercise price (in US dollars)</u>	<u>Number of options (in thousands)</u>	<u>Weighted- average exercise price (in US dollars)</u>	<u>Number of options (in thousands)</u>
Outstanding, beginning of year	1.00	340	1.00	500
Granted	1.00	4,000	-	-
Exercised	-	-	1.00	(160)
Outstanding, end of year	1.00	<u>4,340</u>	1.00	<u>340</u>
Exercisable, end of year	1.00	<u>340</u>	1.00	<u>160</u>

Information on outstanding ESOPs for each reporting date was as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Weighted- average remaining contractual years</u>	<u>Weighted- average exercise price (in dollars)</u>	<u>Weighted- average remaining contractual years</u>	<u>Weighted- average exercise price (in dollars)</u>
BBHC (2019/7/31)	4.75	1(in US dollars)	-	-
BBHC (2013/12/30)	4	1(in US dollars)	5	1(in US dollars)

BBHC used the Binomial Option Pricing Model to determine the fair value of the employee stock option. The valuation assumptions were as follows:

	<u>2019/7/31</u>	<u>2013/12/30</u>
Weighted-average fair value of stock option (US\$/share)	\$0.77	\$1.16
Exercise price (US\$/share)	\$1.00	\$1.00
Expected volatility (%)	38.82%~39.31%	51.40%
Expected life (in years)	5 years	10 years
Expected dividend (%)	-	-
Risk-free interest rate (%)	2.98%~3.00%	4.59%

(iii) The compensation costs recognized for the ESOPs in 2019 and 2018 were \$5,247 and \$2,289, respectively.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(w) Earnings per share (“EPS”)

(i) Basic earnings per share

The basic earnings per share were calculated as the profit attributable to shareholders of the Company divided by the weighted-average number of ordinary shares outstanding as follows:

	<u>2019</u>	<u>2018</u>
Profit attributable to shareholders of the Company	\$ <u>3,575,055</u>	<u>4,035,064</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>1,966,782</u>	<u>1,966,782</u>
Basic earnings per share (in dollars)	\$ <u>1.82</u>	<u>2.05</u>

(ii) Diluted earnings per share

	<u>2019</u>	<u>2018</u>
Profit attributable to shareholders of the Company	\$ <u>3,575,055</u>	<u>4,035,064</u>
Weighted-average number of ordinary shares outstanding (in thousands)	1,966,782	1,966,782
Effect of dilutive potential common stock:		
Employee bonuses	<u>18,758</u>	<u>21,555</u>
Weighted-average number of ordinary shares outstanding (including effect of dilutive potential common stock)	<u>1,985,540</u>	<u>1,988,337</u>
Diluted earnings per share (in dollars)	\$ <u>1.80</u>	<u>2.03</u>

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2019</u>				
	<u>DMS</u>	<u>Brand</u>	<u>Material</u>	<u>Medical</u>	<u>Total</u>
Primary geographical markets:					
Asia	\$ 49,181,768	23,483,074	13,895,552	7,968,857	94,529,251
Europe	19,362,696	11,319,412	11,448	-	30,693,556
America	34,774,741	7,382,175	15,378	-	42,172,294
Others	<u>880,187</u>	<u>1,467,196</u>	<u>11,631</u>	<u>-</u>	<u>2,359,014</u>
	<u>\$ 104,199,392</u>	<u>43,651,857</u>	<u>13,934,009</u>	<u>7,968,857</u>	<u>169,754,115</u>
Major products/services lines:					
Electronic products	\$ 103,487,002	42,718,017	13,884,170	-	160,089,189
Medical services	-	-	-	7,968,857	7,968,857
Others	<u>712,390</u>	<u>933,840</u>	<u>49,839</u>	<u>-</u>	<u>1,696,069</u>
	<u>\$ 104,199,392</u>	<u>43,651,857</u>	<u>13,934,009</u>	<u>7,968,857</u>	<u>169,754,115</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	2018				
	<u>DMS</u>	<u>Brand</u>	<u>Material</u>	<u>Medical</u>	<u>Total</u>
Primary geographical markets:					
Asia	\$ 44,008,483	17,650,857	12,733,162	6,979,184	81,371,686
Europe	25,241,657	11,963,815	8,870	-	37,214,342
America	28,347,048	7,148,471	14,062	-	35,509,581
Others	<u>761,865</u>	<u>925,584</u>	<u>103</u>	<u>-</u>	<u>1,687,552</u>
	<u>\$ 98,359,053</u>	<u>37,688,727</u>	<u>12,756,197</u>	<u>6,979,184</u>	<u>155,783,161</u>
Major products/services lines:					
Electronic products	\$ 97,580,459	36,926,061	12,701,908	-	147,208,428
Medical services	-	-	-	6,979,184	6,979,184
Others	<u>778,594</u>	<u>762,666</u>	<u>54,289</u>	<u>-</u>	<u>1,595,549</u>
	<u>\$ 98,359,053</u>	<u>37,688,727</u>	<u>12,756,197</u>	<u>6,979,184</u>	<u>155,783,161</u>

(ii) Contract balances

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes and accounts receivable (including related parties)	\$ 31,651,659	28,308,199	28,215,235
Less: loss allowance	<u>(351,498)</u>	<u>(198,527)</u>	<u>(168,492)</u>
Total	<u>\$ 31,300,161</u>	<u>28,109,672</u>	<u>28,046,743</u>
Contract liabilities	<u>\$ 1,559,356</u>	<u>876,788</u>	<u>630,654</u>

For details on notes and accounts receivable and related loss allowance, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that were included in the contract liability balance at January 1, 2019 and 2018, were \$876,788 and \$630,654, respectively.

(y) Remuneration to employees and directors

The Company's article of incorporation requires that earnings shall first to be offset against any deficit, then, a range from 5% to 20% will be distributed as remuneration to its employees and no more than 1% to its directors. Employees who are entitled to receive the abovementioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

For the years ended December 31, 2019 and 2018, the Company estimated its remuneration to employees amounting to \$322,920 and \$341,480, respectively, and the remuneration to directors amounting to \$31,463 and \$35,112, respectively. The abovementioned estimated amounts are calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by a certain percentage of the remuneration to employees and directors. The estimations are recognized as cost of sales or operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year.

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The abovementioned estimated remuneration to employees and directors is the same as the amount approved by the Board of Directors and will be paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(z) Non-operating income and loss

(i) Other income

	<b>2019</b>	<b>2018</b>
Interest income from bank deposits	\$ 288,657	185,434
Dividend income	55,060	35,321
Subsidy income	160,510	232,759
	<b>\$ 504,227</b>	<b>453,514</b>

(ii) Other gains and losses – net

	<b>2019</b>	<b>2018</b>
Gain (loss) on disposal of property, plant and equipment	\$ (16,478)	10,404
Gain on disposal of investments (notes 6(g) and (h))	440,789	14,727
Foreign currency exchange losses	(21,214)	(233,340)
Gains on financial instruments at fair value through profit or loss	64,007	108,890
Gain on disposal of non-current assets held for sale	1,775	156,703
Impairment losses on non-financial assets	-	(2,815)
Gain on bargain purchase	26,175	253
Gain on reversal of other payables	397,889	-
Others	331,245	221,811
	<b>\$ 1,224,188</b>	<b>276,633</b>

(iii) Finance costs

	<b>2019</b>	<b>2018</b>
Interest expense of bank loans	\$ (966,419)	(846,245)
Interest expense on lease liabilities	(44,822)	-
Interest expense of lease obligations payable	-	(2,544)
	<b>\$ (1,011,241)</b>	<b>(848,789)</b>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(aa) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Financial assets at fair value through profit or loss	\$ 785,436	405,914
Financial assets at fair value through other comprehensive income	1,357,082	761,626
Financial assets measured at amortized cost:		
Cash and cash equivalents	10,780,507	9,618,657
Notes and accounts receivable and other receivables (including related parties)	32,169,470	28,713,176
Other financial assets (including current and non-current)	5,171,741	465,705
Subtotal	48,121,718	38,797,538
Total	<b>\$ 50,264,236</b>	<b>39,965,078</b>

2) Financial liabilities

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Financial liabilities at fair value through profit or loss:		
Held-for-trading	\$ 46,119	43,779
Contingent consideration arising from business combinations	99,787	100,056
Subtotal	145,906	143,835
Financial liabilities measured at amortized cost:		
Short-term borrowings	19,902,070	14,786,555
Notes and accounts payable and other payables (including related parties)	36,467,309	36,799,846
Lease obligations payable (including current portion)	-	38,014
Lease liabilities (including current portion and related parties)	2,013,107	-
Long-term debt (including current portion)	17,074,810	18,574,984
Other non-current liabilities — guarantee deposits	1,606,232	318,173
Subtotal	77,063,528	70,517,572
Total	<b>\$ 77,209,434</b>	<b>70,661,407</b>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Fair value information - financial instruments not measured at fair value

Except for those described in the table below, the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values:

	December 31, 2018			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Lease obligations payable (including current portion)	\$ <u>-</u>	<u>38,014</u>	<u>-</u>	<u>38,014</u>

The fair value of aforementioned lease obligations payable is estimated based on the present value of future discounted cash flows. The discounted rate adopted by the Group is the rate of interest rates of a similar long-term debts in the market.

(iii) Fair value information - Financial instruments measured at fair value

1) Fair value hierarchy

The financial department of the Group evaluates the fair value of financial instrument and utilizes the assistance of external experts or financial institutions in performing the valuation of fair value when necessary, and regularly revises the inputs and any essential adjustments on the fair value to confirm the evaluation results is reasonable.

When measuring the fair value of financial instruments, the Group usually use market observable data. The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>December 31, 2019</b>			
	<b>Fair Value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit and loss:				
Foreign currency forward contracts	\$ -	44,469	-	44,469
Foreign exchange swaps	-	15,518	-	15,518
Open-end mutual funds	605,050	-	-	605,050
Privately held equity securities	-	-	104,362	104,362
Put option	-	-	10,504	10,504
Contingent consideration arising from business combinations	-	-	5,533	5,533
Subtotal	<u>605,050</u>	<u>59,987</u>	<u>120,399</u>	<u>785,436</u>
Financial assets measured at fair value through other comprehensive income:				
Domestic listed stocks	424,924	-	-	424,924
Domestic emerging stock	-	587,415	-	587,415
Privately held equity securities	-	-	344,743	344,743
Subtotal	<u>424,924</u>	<u>587,415</u>	<u>344,743</u>	<u>1,357,082</u>
Total	<u>\$ 1,029,974</u>	<u>647,402</u>	<u>465,142</u>	<u>2,142,518</u>
Financial liabilities at fair value through profit and loss:				
Foreign currency forward contracts	\$ -	(44,817)	-	(44,817)
Foreign exchange swaps	-	(1,302)	-	(1,302)
Contingent consideration arising from business combinations	-	(12,560)	(87,227)	(99,787)
Total	<u>\$ -</u>	<u>(58,679)</u>	<u>(87,227)</u>	<u>(145,906)</u>
	<b>December 31, 2018</b>			
	<b>Fair Value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit and loss:				
Foreign currency forward contracts	\$ -	56,164	-	56,164
Foreign exchange swaps	-	7,517	-	7,517
Foreign exchange option	-	1,213	-	1,213
Open-end mutual funds	<u>341,020</u>	<u>-</u>	<u>-</u>	<u>341,020</u>
Subtotal	<u>341,020</u>	<u>64,894</u>	<u>-</u>	<u>405,914</u>
Financial assets measured at fair value through other comprehensive income:				
Domestic listed stocks	140,592	-	-	140,592
Domestic emerging stock	-	433,080	-	433,080
Privately held equity securities	-	-	187,954	187,954
Subtotal	<u>140,592</u>	<u>433,080</u>	<u>187,954</u>	<u>761,626</u>
Total	<u>\$ 481,612</u>	<u>497,974</u>	<u>187,954</u>	<u>1,167,540</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2018			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss:				
Foreign currency forward contracts	\$ -	(38,934)	-	(38,934)
Foreign exchange swaps	-	(4,845)	-	(4,845)
Contingent consideration arising from business combinations	-	(12,814)	(87,242)	(100,056)
Total	\$ -	(56,593)	(87,242)	(143,835)

2) Valuation techniques and assumptions used in fair value measurement

a) Non-derivative financial instruments

The fair value of financial instruments traded in active liquid markets is determined with reference to quoted market prices.

For listed stock and open-end mutual funds with standard terms and conditions and traded in active markets. The fair value is based on quoted market prices.

Except for the abovementioned financial instruments traded in an active market, the fair value of other financial instruments are based on the valuation techniques or the quotation from counterparty. The fair value using valuation techniques refers to the current fair value of other financial instruments with similar conditions and characteristics, or using a discounted cash flow method, or other valuation techniques which include model calculating with observable market data at the reporting date.

For the Group's financial instruments that are not traded in active markets, the fair values are determined as follows:

- The fair value of the Group's domestic emerging stock is determined based on the average stock price on the emerging market at the reporting date.
- Binomial option pricing model is used to estimate the fair value of put option. The main assumption takes into consideration the fulfillment of the conditions, exercise price and expected life.
- Discounted cash flow model is used to estimate the fair value of contingent consideration arising from business combination. The main assumption takes into consideration the possibility of occurrence to estimate the present value of the consideration for payment.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- The fair value of privately held stock is estimated by using the market approach and is determined by reference to valuations of similar companies, net worth and recent operating activities. The significant unobservable inputs is primarily the liquidity discounts. No quantitative information is disclosed due to that the possible changes in liquidity discounts would not cause significant potential financial impact.

b) Derivative financial instruments

The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and that are readily available to the Group. The fair value of foreign currency forward contracts, foreign exchange swaps, and foreign exchange option is computed individually by each contract using the valuation technique.

3) Transfers between levels of the fair value hierarchy

In 2019, the financial assets measured at fair value through other comprehensive income (domestic emerging stock— Crystalvue Medical Corporation) were transferred from Level 2 to Level 1 because Crystalvue Medical Corporation became a listed company on Taipei Exchange starting from December 25, 2019.

There were no transfers among fair value hierarchies for the year ended December 31, 2018.

4) Movement in financial assets included in Level 3 of fair value hierarchy

Financial assets at fair value through profit or loss were as follows:

	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ -	-
Acquisition through business combination	121,379	-
Disposal	(395)	-
Recognized in profit or loss	(585)	-
Balance at December 31	<b>\$ 120,399</b>	<b>-</b>

Financial assets at fair value through other comprehensive income were as follows:

	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 187,954	177,457
Additions	186,276	11,187
Disposal	(8,463)	-
Recognized in other comprehensive income	(21,024)	(690)
Balance at December 31	<b>\$ 344,743</b>	<b>187,954</b>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Financial liabilities at fair value through profit or loss were as follows:

	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 87,242	-
Acquisition through business combination	-	90,041
Recognized in profit or loss	<u>(15)</u>	<u>(2,799)</u>
Balance at December 31	<u>\$ 87,227</u>	<u>87,242</u>

The above-mentioned total gains or losses were included in “other gains and losses – net” and “unrealized losses from investments in equity instruments measured at fair value through other comprehensive income”. The gains or losses attributable to the assets and liabilities held on December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Total gains or losses:		
Recognized in profit or loss (included in other gains and losses – net)	\$ (600)	2,799
Recognized in other comprehensive income (included in “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”)	(21,024)	(690)

(ab) Financial risk management

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

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

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

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, derivative instruments, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets. As of December 31, 2019 and 2018, the Group's maximum exposure to credit risk amounted to \$50,264,236 and \$39,965,078, respectively.

The Group maintains cash and enters into derivative transactions with various reputable financial institutions; therefore, the exposure related to potential default by those counterparties is not considered significant.

The majority of the Group's customers are well-known international companies with high financial transparency in the electronics industry. In order to reduce credit risk of accounts receivable, the Group has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of December 31, 2019 and 2018, the Group had unused credit facilities of \$51,662,552 and \$32,511,602, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2019</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 19,959,486	19,414,198	545,288	-	-	-
Financial liabilities at fair value through profit or loss— contingent consideration (including current portion)	99,787	1,830	2,097	19,409	76,451	-
Lease liabilities (including current portion and related parties)	2,177,970	231,574	224,412	421,944	796,941	503,099
Long-term debt (including current portion)	17,921,250	131,943	467,019	1,456,779	15,061,374	804,135
Notes and accounts payable (including related parties)	30,847,623	30,847,623	-	-	-	-
Other payables (including related parties)	5,619,686	5,619,686	-	-	-	-
Guarantee deposits	1,606,232	-	-	-	1,606,232	-
	<u>\$ 78,232,034</u>	<u>56,246,854</u>	<u>1,238,816</u>	<u>1,898,132</u>	<u>17,540,998</u>	<u>1,307,234</u>
Derivative financial instruments:						
Foreign currency forward contracts:						
Outflow	\$ 9,429,921	9,429,921	-	-	-	-
Inflow	(9,429,573)	(9,429,573)	-	-	-	-
Foreign exchange swaps:						
Outflow	3,655,207	3,655,207	-	-	-	-
Inflow	(3,669,423)	(3,669,423)	-	-	-	-
	<u>\$ (13,868)</u>	<u>(13,868)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>December 31, 2018</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 14,974,398	14,319,005	655,393	-	-	-
Financial liabilities at fair value through profit or loss— contingent consideration (including current portion)	100,056	1,733	1,602	7,704	89,017	-
Lease obligations payable (including current portion)	38,014	10,473	10,473	17,068	-	-
Long-term debt (including current portion)	19,619,323	1,908,154	674,906	7,969,600	8,465,486	601,177
Notes and accounts payable (including related parties)	30,703,730	30,703,730	-	-	-	-
Other payables (including related parties)	6,096,116	6,096,116	-	-	-	-
Guarantee deposits	318,173	-	-	-	318,173	-
	<u>\$ 71,849,810</u>	<u>53,039,211</u>	<u>1,342,374</u>	<u>7,994,372</u>	<u>8,872,676</u>	<u>601,177</u>
Derivative financial instruments:						
Foreign currency forward contracts:						
Outflow	7,278,914	7,278,914	-	-	-	-
Inflow	(7,296,144)	(7,296,144)	-	-	-	-
Foreign exchange swaps:						
Outflow	4,455,293	4,455,293	-	-	-	-
Inflow	(4,457,965)	(4,457,965)	-	-	-	-
	<u>\$ (19,902)</u>	<u>(19,902)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(iii) Market risk

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

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group utilizes derivative financial instruments to manage market risk and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Company's Board of Directors.

1) Foreign currency risk

The Group utilizes foreign currency forward contracts and foreign exchange swaps to hedge its foreign currency exposure with respect to its sales and purchases. These financial instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

The maturity dates of derivative financial instruments the Group entered into were less than six months and did not conform to the criteria for hedge accounting.

The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (including related-party transactions), notes and accounts payable (including related-party transactions), other receivables (including related-party transactions), other payables (including related-party transactions), and loans and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities and their respective sensitivity analysis were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

<b>December 31, 2019</b>					
	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>TWD (in thousands)</b>	<b>Change in magnitude</b>	<b>Effect on profit or loss (in thousands)</b>
<u>Financial assets</u>					
USD	\$ 1,365,752	30.1060	41,117,330	1 %	411,173
EUR	63,958	33.8690	2,166,194	1 %	21,662
CNY	1,148,125	4.3132	4,952,093	1 %	49,521
JPY	2,493,138	0.2771	690,849	1 %	6,908
<u>Financial liabilities</u>					
USD	1,294,869	30.1060	38,983,326	1 %	389,833
EUR	43,363	33.8690	1,468,661	1 %	14,687
CNY	1,396,051	4.3132	6,021,447	1 %	60,214
JPY	5,674,061	0.2771	1,572,282	1 %	15,723

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

December 31, 2018					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude	Effect on profit or loss (in thousands)
<u>Financial assets</u>					
USD	\$ 1,376,498	30.7150	42,279,136	1 %	422,791
EUR	70,241	35.2610	2,476,768	1 %	24,768
CNY	843,454	4.4709	3,770,998	1 %	37,710
JPY	2,221,002	0.2780	617,439	1 %	6,174
<u>Financial liabilities</u>					
USD	1,250,179	30.7150	38,399,248	1 %	383,992
EUR	28,493	35.2610	1,004,692	1 %	10,047
CNY	1,133,890	4.4709	5,069,509	1 %	50,695
JPY	6,672,112	0.2780	1,854,847	1 %	18,548

As the Group deal in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gains (losses) for the years ended December 31, 2019 and 2018 were \$(21,214) and \$(233,340), respectively.

2) Interest rate risk

The Group's short-term borrowings and long-term debt carried floating interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period.

If interest rates had been 100 basis points (1%) higher/lower, with all other variables held constant, pre-tax income for the years ended December 31, 2019 and 2018 would have been \$369,769 and \$333,615, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

The Group is exposed to the risk of price fluctuation in the securities market due to the investment in domestic listed stock and emerging stock. The Group supervises the equity price risk actively and manages the risk based on fair value. The Group also has strategic investments in privately held stocks, which the Group does not actively participate in trading.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The investment target of open-end mutual funds held by the Group are mostly monetary funds or bond funds (accounted for as financial assets at fair value through profit or loss – current). The Group anticipates that there is no significant market risk related to the funds.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2019 and 2018, would have increased or decreased by \$50,617 and \$28,684, respectively.

(ac) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital expenditures, repayment of debts, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders. The Group monitors its capital through reviewing the liability-to-equity ratio periodically.

The Group's liability-to-equity ratio at the end of each reporting period was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total liabilities	<u>\$ 87,990,899</u>	<u>79,947,637</u>
Total equity	<u>\$ 48,035,594</u>	<u>39,859,646</u>
Liability-to-equity ratio	<u>183.18 %</u>	<u>200.57 %</u>

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

(i) Please refer to note 6(j) for a description of acquisition of right-of-use assets through leases in 2019.

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

	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>December 31, 2019</b>
			<b>Acquisition through business combination</b>	<b>Additions</b>	<b>Effect of foreign exchange rate</b>	
Short-term borrowings	\$ 14,786,555	2,966,027	2,149,437	-	51	19,902,070
Short-term notes and bills payable	-	(130,000)	130,000	-	-	-
Long-term debt	18,574,984	(2,267,047)	906,043	-	(139,170)	17,074,810
Lease liabilities	1,990,386	(450,383)	285,212	187,892	-	2,013,107
Guarantee deposits	318,173	1,288,059	-	-	-	1,606,232
	<u>\$ 35,670,098</u>	<u>1,406,656</u>	<u>3,470,692</u>	<u>187,892</u>	<u>(139,119)</u>	<u>40,596,219</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>January 1, 2018</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>December 31, 2018</u>
			<u>Acquisition through business combination</u>	<u>Effect of foreign exchange rate</u>	
Short-term borrowings	\$ 16,262,262	(2,247,146)	819,325	(47,886)	14,786,555
Long-term debt	14,709,153	3,549,446	346,613	(30,228)	18,574,984
Lease obligations payable	59,435	(21,421)	-	-	38,014
Guarantee deposits	304,020	14,153	-	-	318,173
	<u>\$ 31,334,870</u>	<u>1,295,032</u>	<u>1,165,938</u>	<u>(78,114)</u>	<u>33,717,726</u>

**7. Related-party transactions:**

(a) Related party name and categories

<u>Name of related party</u>	<u>Relationship with the Group</u>
AU Optronics Corp. (“AU”)	The Group's associates
Darfon Electronics Corp. (“DFN”)	The Group's associates
Visco Vision Inc. (“Visco Vision”)	The Group's associates
Cenefom Corp. (“CENEFOM”)	The Group's associates
Q.S.Control Corp.	The Group's associates
TDX Medical Technology (Jiangsu) Co., Ltd	The Group's joint venture
Nanjing Silvertown Health & Development Co., Ltd (“NSHD”)	The Group's associates (note 1)
Darwin Precisions Corporation (“Darwin”)	AU's subsidiaries
AU Optronics (L) Corp. (“AUL”)	AU's subsidiaries
AU Optronics (Suzhou) Corp. (“AUSZ”)	AU's subsidiaries
AU Optronics (Kunshan) Co., Ltd. (“AUKS”)	AU's subsidiaries
a.u. Vista Inc. (“AUVI”)	AU's subsidiaries
AU Optronics (Xiamen) Corp. (“AUXM”)	AU's subsidiaries
AUO Care Information Tech. (Suzhou) Co., Ltd. (“A-Care”)	AU's subsidiaries
BriView (HF) Corp. (“BVHF”)	AU's subsidiaries
Darwin Precisions (Xiamen) Corp. (“DPXM”)	AU's subsidiaries
Darwin Precisions (Suzhou) Corp.	AU's subsidiaries
Fortech Electronics (Kunshan) Co., Ltd. (“FTKS”)	AU's subsidiaries
Fortech Electronics (Suzhou) Co., Ltd. (“FTWJ”)	AU's subsidiaries
AUO Crystal Corp. (“ACTW”)	AU's subsidiaries
Darfon America Corp. (“DFA”)	DFN's subsidiaries
Darfon Electronics Czech s.r.o (“DFC”)	DFN's subsidiaries
Darfon Electronics (Suzhou) Co., Ltd. (“DFS”)	DFN's subsidiaries
Darfon Electronics, Shenzhen Co., Ltd. (“DFZ”)	DFN's subsidiaries (note 2)
Huaian Darfon Electronics Co., Ltd. (“DFH”)	DFN's subsidiaries
Darfon Electronics (Chongqing) Co., Ltd. (“DFQ”)	DFN's subsidiaries
Darfon Precisions (Suzhou) Co., Ltd. (“DPS”)	DFN's subsidiaries

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Group</u>
Partner Tech Africa (Pty) Ltd. (“PTA”)	PTT's subsidiaries (note 3)
Dragon Photonics Inc. (“Dragon”)	Visco Vision's subsidiaries
Visco Technology Sdn. Bhd. (“VVM”)	Visco Vision's subsidiaries
Visco Med Sdn. Bhd. (“VMM”)	Visco Vision's subsidiaries
Alpha Networks Inc. (“Alpha”)	(note 4)
DMC Components International, LLC. (“DMC”)	(note 5)
BenQ Foundation	Substantive related party

(note 1) Prior to March 2019, NSHD was a subsidiary of the Group. However, starting March 2019, NSHD became an associate of the Group.

(note 2) DFZ was liquidated in the first quarter of 2018.

(note 3) Prior to June 2018, PTA was an associate of the Group. However, due to its acquisition by the Group, it has been included in the Group’s consolidated financial statements beginning June 2018.

(note 4) Starting March 2018, Alpha became an associate of the Group.

(note 5) Starting November 2018, DMC became an associate of the Group.

(b) Significant related-party transactions

(i) Revenue

	<u>2019</u>	<u>2018</u>
Associates:		
AU	\$ 8,503,372	9,810,705
AUL	100	4,562,144
AUSZ	3,795,120	-
Other associates	<u>1,254,894</u>	<u>278,245</u>
	<u>\$ 13,553,486</u>	<u>14,651,094</u>

The sales prices for some of the abovementioned transactions were not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the sales prices for related parties and those for third-party customers. The payment terms of 30~120 days showed no significant difference between related parties and third-party customers.

(ii) Purchases

	<u>2019</u>	<u>2018</u>
Associates:		
AU	\$ 10,834,564	12,010,909
Other associates	<u>632,145</u>	<u>624,791</u>
	<u>\$ 11,466,709</u>	<u>12,635,700</u>

There were no significant differences between the purchase prices for related parties and those for third-party vendors. The payment terms of 30~120 days showed no significant difference between related parties and third-party vendors.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Lease

The Group leased factory and office from AU, and the rent is paid monthly with reference to the nearby office rental rates. In 2018, the related rental expense amounted to \$76,171. The Group applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized right-of-use assets of \$331,735 and lease liabilities of \$350,538, respectively. In 2019, the related interest expense on lease liabilities amounted to \$5,624. As of December 31, 2019, the balance of the lease liability amounted to \$271,287. Please refer to the note 6(p).

The Group leased its plant and office to associates. In 2019 and 2018, the rental income were as follows:

	<b>2019</b>	<b>2018</b>
Associates	\$ <b>23,337</b>	<b>23,020</b>

(iv) Donation

In 2019 and 2018, the Group made a donation to a substantive related party (BenQ Foundation) both for \$9,200.

(v) Others

- 1) As of December 31, 2019 and 2018, other receivables resulting from disposal of assets due to spin-off and payments on behalf of associates amounted to \$284,450 and \$22,568, respectively.
- 2) As of December 31, 2019 and 2018, other payables resulting from advance payments by associates on behalf of the Group amounted to \$17,388 and \$13,394, respectively.

(vi) Receivables

<b>Account</b>	<b>Related-party categories</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Accounts receivable	Associates:		
	AU	\$ 1,192,968	1,492,926
	AUL	-	1,402,995
	AUSZ	1,047,944	-
	Other associates	154,894	201,540
		2,395,806	3,097,461
Other receivables	Associates:		
	NSHD	267,217	-
	Other associates	17,233	22,568
		284,450	22,568
		<b>\$ 2,680,256</b>	<b>3,120,029</b>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group entered into factoring contracts with financial institutions to sell part of its accounts receivable from related parties without recourse. According to these contracts, the Group is not responsible for any risk of uncollectible accounts receivable, but only the risk of loss due to commercial disputes. Thus, these contracts met the condition of financial asset derecognition. At each reporting date, details of these contracts were as follows:

December 31, 2019						
Underwriting bank	Factored amount	Unpaid advance amount	Advance amount	Amount recognized in other receivables	Range of interest rates	Collateral
Maga International Commercial Bank	\$ 986,245	-	887,620	98,625		Promissory note 150,000
CTBC Bank	524,853	-	472,368	52,485		Promissory note 54,191
	<u>\$ 1,511,098</u>	<u>-</u>	<u>1,359,988</u>	<u>151,110</u>	2.35%~2.66%	Promissory note <u>204,191</u>
December 31, 2018						
Underwriting bank	Factored amount	Unpaid advance amount	Advance amount	Amount recognized in other receivables	Range of interest rates	Collateral
Maga International Commercial Bank	\$ 1,194,472	-	1,075,025	119,447		Promissory note 200,000
CTBC Bank	153,575	-	138,218	15,357		Promissory note 55,287
	<u>\$ 1,348,047</u>	<u>-</u>	<u>1,213,243</u>	<u>134,804</u>	3.65%~3.90%	Promissory note <u>255,287</u>

(vii) Payables

Account	Related party categories	December 31, 2019	December 31, 2018
Accounts payable	Associates:		
	AU	\$ 1,669,641	2,044,811
	Other associates	<u>167,049</u>	<u>215,684</u>
		<u>1,836,690</u>	<u>2,260,495</u>
Other payables	Associates	<u>17,388</u>	<u>13,394</u>
		<u>\$ 1,854,078</u>	<u>2,273,889</u>

(c) Compensation for key management personnel

	2019	2018
Short-term employee benefits	\$ 153,783	150,693
Post-employment benefits	<u>741</u>	<u>999</u>
	<u>\$ 154,524</u>	<u>151,692</u>

(Continued)



**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**8. Pledged assets:**

The carrying amounts of the assets pledged as collateral are detailed below:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other financial assets (time deposits)	Credit lines of bank loans and guarantee for tax clearance certificate and performance guarantee	\$ 90,321	82,146
Common stock of investments accounted for using the equity method	Credit lines of bank loans	4,808,527	8,834,783
Land and buildings	Credit lines of bank loans	4,432,369	3,043,853
Investment property	Credit lines of bank loans	155,478	-
Right-of-use assets (land use rights)	Credit lines of bank loans	930,378	966,759
Refundable deposits	Credit lines of bank loans	517	511
Notes and accounts receivable	Credit lines of bank loans	168,782	110,170
Inventories	Credit lines of bank loans	129,844	152,404
		<u>\$ 10,716,216</u>	<u>13,190,626</u>

**9. Significant commitments and contingencies:**

(a) Significant unrecognized commitments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unused letters of credit	<u>\$ 1,069,265</u>	<u>1,336,433</u>

(b) Significant contingent liabilities

- (i) In September 2010, some direct and indirect U.S. purchasers of optical disk drive products filed class actions against the Company and BQA, among other co-defendants. In the complaints, the plaintiffs claimed monetary damages from an alleged antitrust conspiracy. The Company reached a settlement with direct U.S. purchasers.

In January 2018, the U.S. district court dismissed the claim from the indirect U.S. purchasers. In November 2019, the U.S. Federal Court of Appeal affirmed the district court 's decision, and the indirect purchasers did not seek an appeal, so the case is closed.

- (ii) In January 2012, some direct and indirect Canadian purchasers of optical disk drive products filed class actions against the Company and BQA, among other co-defendants. In the complaints, the plaintiffs claimed monetary damages from an alleged antitrust conspiracy. The Company has retained counsel to handle the related matters. Currently, the lawsuit is still in progress.

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**10. Significant loss from disaster: None.**

**11. Significant subsequent events:**

Coronavirus disease (COVID-19) outbreaked in the beginning of 2020, which caused uncertainty in the operating environment of the Group. As the related information is still unclear, the Group cannot reasonably estimate the impact on its operating results and financial position. The Group will stay tuned for updates of the event to make in-time assessment.

**12. Others:**

	2019			2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	7,338,142	7,422,954	14,761,096	7,118,259	6,566,042	13,684,301
Insurance	610,913	678,412	1,289,325	551,518	590,392	1,141,910
Pension	458,167	320,400	778,567	474,851	295,924	770,775
Others	583,912	549,937	1,133,849	602,070	420,633	1,022,703
Depreciation	1,958,867	890,729	2,849,596	1,554,943	463,717	2,018,660
Amortization	72,704	364,458	437,162	70,649	396,980	467,629

**13. Additional disclosures:**

- (a) Information on significant transactions:
- (i) Financing provided to other parties: Table 1 (attached)
  - (ii) Guarantees and endorsements provided to other parties: Table 2 (attached)
  - (iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and joint ventures): Table 3 (attached)
  - (iv) Marketable securities for which the accumulated purchase or sale amounts for the year exceed \$300 million or 20% of the paid-in capital: Table 4 (attached)
  - (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None.
  - (vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None
  - (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: Table 5 (attached)
  - (viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: Table 6 (attached)
  - (ix) Transactions about derivative instruments: Refer to note 6(b)
  - (x) Business relationships and significant intercompany transactions: Table 7 (attached)

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (b) Information on investees : Table 8 (attached)
- (c) Information on investments in Mainland China: Table 9 (attached)

**14. Segment information:**

- (a) General information

The Group has four reportable segments, which are the Group's strategic divisions. The Group's strategic divisions provide different products and services, and are managed separately because they require different technology and marketing strategies. Operating results of the strategic divisions are quarterly reviewed by the Group's chief operating decision maker. The four reportable segments are described as follows:

- (i) DMS: Engaging in the design, research, manufacturing, and sale of electronic products.
- (ii) Brand: Engaging in the design, research, marketing and sale of brand-name products.
- (iii) Material: Engaging in the research, manufacturing, and sale of optoelectronics film.
- (iv) Medical: Offering medical services.

- (b) Reportable segments, profit or loss, segment assets, basis of measurement, and reconciliation

There was no material inconsistency between the accounting policies adopted for the operating segments and the accounting policies described in note 4. The Group uses operating profit as the measurement for segment profit and the basis of resource allocation and performance assessment.

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

	2019						
	DMS	Brand	Material	Medical	Others	Eliminations	Total
External revenue	\$ 104,199,392	43,651,857	13,934,009	7,968,857	-	-	169,754,115
Intra-group revenue	11,704,128	385,155	8,961	5,225	-	(12,103,469)	-
Total segment revenue	<u>\$ 115,903,520</u>	<u>44,037,012</u>	<u>13,942,970</u>	<u>7,974,082</u>	<u>-</u>	<u>(12,103,469)</u>	<u>169,754,115</u>
Segment profit (loss)	<u>\$ 3,465,952</u>	<u>1,895,246</u>	<u>353,857</u>	<u>392,094</u>	<u>(443)</u>	<u>121,381</u>	<u>6,228,087</u>
	2018						
	DMS	Brand	Material	Medical	Others	Eliminations	Total
External revenue	\$ 98,359,053	37,688,727	12,756,197	6,979,184	-	-	155,783,161
Intra-group revenue	13,275,746	271,701	7,974	3,365	-	(13,558,786)	-
Total segment revenue	<u>\$ 111,634,799</u>	<u>37,960,428</u>	<u>12,764,171</u>	<u>6,982,549</u>	<u>-</u>	<u>(13,558,786)</u>	<u>155,783,161</u>
Segment profit (loss)	<u>\$ 1,951,974</u>	<u>2,002,967</u>	<u>439,629</u>	<u>119,056</u>	<u>(330)</u>	<u>62,863</u>	<u>4,576,159</u>

- (c) Product information

Revenues from external customers are detailed below:

<u>Region</u>	<u>2019</u>	<u>2018</u>
Sales of electronic products	\$ 160,089,189	147,208,428
Medical services	7,968,857	6,979,184
Others	1,696,069	1,595,549
	<u>\$ 169,754,115</u>	<u>155,783,161</u>

(Continued)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Geographic information

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

Revenues from external customers are detailed below:

<u>Region</u>	<u>2019</u>	<u>2018</u>
Taiwan	\$ 33,759,115	29,803,601
Americas	40,237,141	33,613,379
Mainland China	36,492,323	30,510,117
Japan	11,034,255	10,051,985
Poland	8,912,714	12,115,331
Switzerland	500,515	4,723,573
Others	<u>38,818,052</u>	<u>34,965,175</u>
	<u>\$ 169,754,115</u>	<u>155,783,161</u>

Non-current assets:

<u>Region</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Taiwan	\$ 19,356,172	14,479,295
Mainland China	16,226,209	16,660,252
Others	<u>1,066,985</u>	<u>281,249</u>
	<u>\$ 36,649,366</u>	<u>31,420,796</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets, and other assets, but do not include financial instruments, deferred income tax assets, and pension fund assets.

(e) Major customer information

Sales to individual customers accounting for more than 10% of the consolidated revenues in 2019 and 2018 were as follows:

	<u>2019</u>
Customer A	<u>\$ 44,439,530</u>
	<u>2018</u>
Customer A	<u>\$ 38,426,210</u>

**QISDA CORPORATION AND SUBSIDIARIES**  
**Financing provided to other parties**  
**For the year ended December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars and other currencies)**

Table 1

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a Related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the Period	Range of Interest Rates During the Period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amounts Limits
													Item	Value		
0	The Company	QLLB	Other receivables from related parties	Yes	915,000 (USD 30,000)	903,180 (USD 30,000)	-	-	2	-	Operating requirements	-	-	-	6,788,792	13,577,584
1	QLLB	Qisda (Shanghai) Co., Ltd. ("QCSH")	Other receivables from related parties	Yes	1,852,800 (USD 58,000)	-	-	-	2	-	Operating requirements	-	-	-	6,788,792	13,577,584
1	QLLB	Qisda (Shanghai) Co., Ltd. ("QCSH")	Other receivables from related parties	Yes	1,818,880 (USD 58,000)	1,746,148 (USD 58,000)	1,746,148 (USD 58,000)	-	2	-	Operating requirements	-	-	-	6,788,792	13,577,584
1	QLLB	Daily Venture (L) Ltd	Other receivables from related parties	Yes	231,150 (USD 7,500)	-	-	-	2	-	Operating requirements	-	-	-	1,488,802	13,577,584
1	QLLB	BBHC	Other receivables from related parties	Yes	307,700 (USD 10,000)	-	-	-	2	-	Operating requirements	-	-	-	2,627,305	5,254,610
1	QLLB	BBHC	Other receivables from related parties	Yes	308,950 (USD 10,000)	-	-	-	2	-	Operating requirements	-	-	-	2,627,305	5,254,610
2	BenQ	BQL	Other receivables from related parties	Yes	276,615 (USD 9,000)	-	-	-	2	-	Operating requirements	-	-	-	1,562,972	3,125,943
2	BenQ	BQL	Other receivables from related parties	Yes	237,000 (USD 7,500)	-	-	-	2	-	Operating requirements	-	-	-	1,562,972	3,125,943
2	BenQ	BQL	Other receivables from related parties	Yes	274,500 (USD 9,000)	270,954 (USD 9,000)	270,954 (USD 9,000)	-	2	-	Operating requirements	-	-	-	1,562,972	3,125,943
2	BenQ	Daily Venture (L) Ltd	Other receivables from related parties	Yes	152,500 (USD 5,000)	150,530 (USD 5,000)	150,530 (USD 5,000)	0.75%	2	-	Operating requirements	-	-	-	1,562,972	3,125,943
3	BBM	Suzhou BenQ Hospital Co., Ltd. ("SMH")	Other receivables from related parties	Yes	30,895 (USD 1,000)	-	-	-	2	-	Operating requirements	-	-	-	1,488,802	1,488,802
3	BBM	Suzhou BenQ Hospital Co., Ltd. ("SMH")	Other receivables from related parties	Yes	376,320 (USD 12,000)	361,272 (USD 12,000)	361,272 (USD 12,000)	-	2	-	Operating requirements	-	-	-	1,488,802	1,488,802
3	BBM	Nanjing BenQ Hospital Co., Ltd. ("NMH")	Other receivables from related parties	Yes	109,760 (USD 3,500)	45,159 (USD 1,500)	45,159 (USD 1,500)	-	2	-	Operating requirements	-	-	-	1,488,802	1,488,802
4	BBHC	Suzhou BenQ Hospital Co., Ltd. ("SMH")	Other receivables from related parties	Yes	369,240 (USD 12,000)	-	-	-	2	-	Operating requirements	-	-	-	1,520,848	1,520,848
4	BBHC	Suzhou BenQ Hospital Co., Ltd. ("SMH")	Other receivables from related parties	Yes	379,200 (USD 12,000)	-	-	-	2	-	Operating requirements	-	-	-	1,520,848	1,520,848
4	BBHC	Nanjing BenQ Hospital Co., Ltd. ("NMH")	Other receivables from related parties	Yes	139,028 (USD 4,500)	-	-	-	2	-	Operating requirements	-	-	-	1,520,848	1,520,848
4	BBHC	Nanjing BenQ Hospital Co., Ltd. ("NMH")	Other receivables from related parties	Yes	308,200 (USD 10,000)	-	-	-	2	-	Operating requirements	-	-	-	1,520,848	1,520,848
4	BBHC	Nanjing BenQ Hospital Co., Ltd. ("NMH")	Other receivables from related parties	Yes	110,600 (USD 3,500)	-	-	-	2	-	Operating requirements	-	-	-	1,520,848	1,520,848
4	BBHC	BBM	Other receivables from related parties	Yes	126,400 (USD 4,000)	-	-	-	2	-	Operating requirements	-	-	-	1,520,848	1,520,848

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a Related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the Period	Range of Interest Rates During the Period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amounts Limits
													Item	Value		
5	QCOS	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	369,840 (USD 12,000)	-	-	-	2	-	Operating requirements	-	-	-	1,603,045	1,603,045
5	QCOS	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	373,080 (USD 12,000)	-	-	-	2	-	Operating requirements	-	-	-	1,603,045	1,603,045
5	QCOS	Qisda (Shanghai) Co., Ltd. ("QCSHF")(Note 19)	Other receivables from related parties	Yes	9,207 (RMB 2,000)	-	-	-	2	-	Operating requirements	-	-	-	3,394,396	33,943,959
5	QCOS	Qisda (Shanghai) Co., Ltd. ("QCSHF")(Note 19)	Other receivables from related parties	Yes	9,120 (RMB 2,000)	8,626 (RMB 2,000)	8,626	2.30%	2	-	Operating requirements	-	-	-	3,394,396	33,943,959
5	QCOS	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	138,105 (RMB 30,000)	129,396 (RMB 30,000)	129,396	4.28%	2	-	Operating requirements	-	-	-	1,603,045	1,603,045
5	QCOS	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	230,175 (RMB 50,000)	-	-	-	2	-	Operating requirements	-	-	-	1,603,045	1,603,045
5	QCOS	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	86,264 (RMB 20,000)	86,264 (RMB 20,000)	86,264	4.28%	2	-	Operating requirements	-	-	-	1,603,045	1,603,045
5	QCOS	Nanjing BenQ Hospital Co., Ltd. ("NMHF")(Note 19)	Other receivables from related parties	Yes	243,986 (RMB 53,000)	-	-	-	2	-	Operating requirements	-	-	-	1,603,045	1,603,045
5	QCOS	Nanjing BenQ Hospital Co., Ltd. ("NMHF")(Note 19)	Other receivables from related parties	Yes	108,815 (USD 3,500)	-	-	-	2	-	Operating requirements	-	-	-	1,603,045	1,603,045
6	QLPG	QLLB	Other receivables from related parties	Yes	166,571 (MYR 22,000)	-	-	-	2	-	Operating requirements	-	-	-	6,788,792	13,577,584
6	QLPG	QLLB	Other receivables from related parties	Yes	165,880 (MYR 22,000)	161,900 (MYR 22,000)	161,900	3.20%	2	-	Operating requirements	-	-	-	6,788,792	13,577,584
7	BIC	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	23,018 (RMB 5,000)	-	-	-	2	-	Operating requirements	-	-	-	333,234	333,234
7	BIC	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	22,584 (RMB 5,000)	21,566 (RMB 5,000)	21,566	1.00%	2	-	Operating requirements	-	-	-	333,234	333,234
8	BMS	BenQ Material (WuHu) Co., Ltd. (Note 19)	Other receivables from related parties	Yes	920,700 (RMB 200,000)	862,640 (RMB 200,000)	862,640	1.800%	2	-	Operating requirements	-	-	-	1,168,597	1,947,662
8	BMS	BenQ Material (WuHu) Co., Ltd. (Note 19)	Other receivables from related parties	Yes	282,003 (RMB 65,000)	280,358 (RMB 65,000)	280,358	1.800%	2	-	Operating requirements	-	-	-	1,168,597	1,947,662
8	BMS	Suzhou Sigma Medical Supplies Co., Ltd. (Note 19)	Other receivables from related parties	Yes	86,264 (RMB 20,000)	86,264 (RMB 20,000)	86,264	1.800%	2	-	Operating requirements	-	-	-	1,168,597	1,947,662
9	PTT	Corex (Pty) Ltd.	Other receivables from related parties	Yes	63,200 (USD 2,000)	60,212 (USD 2,000)	60,212	3.50%	2	-	Operating requirements	-	-	-	384,069	384,069
10	PTTN	PTTNC	Other receivables from related parties	Yes	2,914 (RMB 633)	-	-	-	2	-	Operating requirements	-	-	-	12,555	12,555
11	NMHC	Nanjing BenQ Hospital Co., Ltd. ("NMHF")(Note 19)	Other receivables from related parties	Yes	23,938 (RMB 5,200)	-	-	-	2	-	Operating requirements	-	-	-	24,377	24,377
11	NMHC	Nanjing BenQ Hospital Co., Ltd. ("NMHF")(Note 19)	Other receivables from related parties	Yes	22,560 (RMB 5,200)	22,429 (RMB 5,200)	22,429	1.00%	2	-	Operating requirements	-	-	-	24,377	24,377
12	NMH	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	125,397 (RMB 27,500)	118,613 (RMB 27,500)	118,613	1.00%	2	-	Operating requirements	-	-	-	773,675	773,675
13	Ace Pillar Co., Ltd.	Tianjin Ace Pillar Co., Ltd.	Other receivables from related parties	Yes	149,189	147,692	147,692	1.2%-4.35%	2	-	Operating requirements	-	-	-	384,895	481,119

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a Related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the Period	Range of Interest Rates During the Period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral	Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amounts Limits
14	Cyber South	Tianjin Ace Pillar Co., Ltd.	Other receivables from related parties	Yes	44,474	42,640	42,640	1.8%-4.35%	2	-	Operating requirements	-	-	551,911	551,911
15	Proton	Tianjin Ace Pillar Co., Ltd.	Other receivables from related parties	Yes	387,136	312,957	279,840	1.8%-4.8%	2	-	Operating requirements	-	-	363,277	363,277
15	Proton	Ace Pillar Co., Ltd.	Other receivables from related parties	Yes	23,473	22,168	22,168	1.50%	2	-	Operating requirements	-	-	363,277	363,277
16	Hong Kong Ace Pillar Enterpris Company Limited	Tianjin Ace Pillar Co., Ltd.	Other receivables from related parties	Yes	18,320	17,253	17,253	1.80%	2	-	Operating requirements	-	-	41,883	41,883
17	Grace Transmission (Tianjin) Co., Ltd.	Tianjin Ace Pillar Co., Ltd.	Other receivables from related parties	Yes	13,740	12,940	12,940	1.80%	2	-	Operating requirements	-	-	37,149	37,149
17	Grace Transmission (Tianjin) Co., Ltd.	Advancedtek Ace (TJ) Inc.	Other receivables from related parties	Yes	10,776	10,352	10,352	1.80%	2	-	Operating requirements	-	-	37,149	37,149

(Note 1) The aggregate financing amount and the individual financing amount of the Company to subsidiaries shall not exceed 40% and 20%, respectively, of the most recent audited or reviewed net worth of the Company.

(Note 2) The aggregate financing amount to subsidiaries wholly owned by the Company and the individual financing amount of QLLB shall not exceed 40% and 20%, respectively, of the most recent audited or reviewed net worth of the Company. The aggregate financing amount to subsidiaries not wholly owned by the Company and the individual financing amount of QLLB shall not exceed 40% and 20%, respectively, of the most recent net worth of QLLB.

(Note 3) The aggregate financing amount and the individual financing amount of BBM and BBHC to subsidiaries shall not exceed 40% of the most recent net worth of BBM and BBHC.

(Note 4) The aggregate financing amount and the individual financing amount of QLPG to subsidiaries shall not exceed 40% and 20%, respectively, of the most recent audited or reviewed net worth of the Company.

(Note 5) The aggregate financing amount to subsidiaries wholly owned by BMC and the individual financing amount of BMS shall not exceed 100% and 60%, respectively, of the most recent audited or reviewed net worth of BMS.

(Note 6) The aggregate financing amount and the individual financing amount of BenQ to subsidiaries shall not exceed 40% and 20%, respectively, of the most recent net worth of BenQ.

(Note 7) The aggregate financing amount to subsidiaries wholly owned by the Company and the individual financing amount of QCOS shall not exceed 100% and 10%, respectively, of the most recent audited or reviewed net worth of the Company. The financing amount to the subsidiaries not wholly owned by the Company and the individual financing amount of QCOS shall not exceed 40% of the most recent net worth of QCOS.

(Note 8) The aggregate financing amount and the individual financing amount of BIC to subsidiaries shall not exceed 40% of the most recent net worth of BIC.

(Note 9) The aggregate financing amount and the individual financing amount of PTT to subsidiaries shall not exceed 40% of the most recent audited or reviewed net worth of PTT.

(Note 10) The aggregate financing amount and the individual financing amount of NMH to subsidiaries shall not exceed 40% of the most recent net worth of NMH.

(Note 11) The aggregate financing amount and the individual financing amount of NMHC to subsidiaries shall not exceed 100% of the most recent net worth of NMHC.

(Note 12) The aggregate financing amount and the individual financing amount of PTTN to subsidiaries shall not exceed 40% of the most recent net worth of PTTN.

(Note 13) The aggregate financing amount and the individual financing amount of ACE to subsidiaries shall not exceed 25% and 20%, respectively, of the most recent audited or reviewed net worth of ACE.

(Note 14) The aggregate financing amount to foreign subsidiaries wholly owned by ACE and the individual financing amount of Cyber South shall not exceed 100% of the most recent audited or reviewed net worth of ACE. The aggregate financing amount to foreign subsidiaries not wholly owned by ACE and the individual financing amount of Cyber South shall not exceed 10% and 5%, respectively, of the most recent net worth of Cyber South.

(Note 15) The aggregate financing amount to foreign subsidiaries wholly owned by ACE and the individual financing amount of Grace Transmission (Tianjin) Co., Ltd. shall not exceed 100% of the most recent audited or reviewed net worth of ACE. The aggregate financing amount to foreign subsidiaries not wholly owned by ACE and the individual financing amount of Grace Transmission (Tianjin) Co., Ltd. shall not exceed 10% and 5%, respectively, of the most recent net worth of Grace Transmission (Tianjin) Co., Ltd.

(Note 16) The aggregate financing amount to foreign subsidiaries wholly owned by ACE and the individual financing amount of Hong Kong Ace Pillar Enterpris Company Limited shall not exceed 100% of the most recent audited or reviewed net worth of ACE. The aggregate financing amount to foreign subsidiaries not wholly owned by ACE and the individual financing amount of Hong Kong Ace Pillar Enterpris Company Limited shall not exceed 10% and 5%, respectively, of the most recent net worth of Hong Kong Ace Pillar Enterpris Company Limited.

(Note 17) The aggregate financing amount to foreign subsidiaries wholly owned by ACE and the individual financing amount of Proton shall not exceed 100% of the most recent audited or reviewed net worth of ACE. The aggregate financing amount to foreign subsidiaries not wholly owned by ACE and the individual financing amount of Proton shall not exceed 10% and 5%, respectively, of the most recent net worth of Proton.

(Note 18) Purpose of Fund Financing: 1. Business transaction purpose. 2. Short-term financing purpose.

(Note 19) To decrease the interest expense of the Group, certain subsidiaries using special purpose trust account through financial intermediaries, offer idle fund to other subsidiaries in need.

(Note 20) The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

**QISDA CORPORATION AND SUBSIDIARIES**  
**Guarantees and endorsements provided to other parties**  
**For the year ended December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars and other currencies)**

Table 2

No.	Endorsements / Guarantee Provider	Counter-party of Guarantee and Endorsement		Limits on Amount of Guarantees and Endorsements Provided to Each Guaranteed Party	Highest Balance of Guarantees and Endorsements During the Period	Balance of Guarantees and Endorsements as of Reporting Date	Actual Usage Amount During the Period	Property Pledged for Guarantees and Endorsements	Ratio of Accumulated Amounts of Guarantees and Endorsements to Net Worth of the Latest Financial Statements	Maximum Amounts for Guarantees and Endorsements	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Endorsements / Guarantees Provided to Subsidiaries in Mainland China
		Name	Relationship with the Company										
0	The Company	QLLB	Parent/Subsidiary	6,788,792	6,648,600 (USD 212,000)	3,672,932 (USD 122,000)	3,191,236 (USD 106,000)	-	10.82%	16,971,980	Y	-	-
1	PTT	Partner Tech USA Inc.	Parent/Subsidiary	192,034	30,820 (USD 1,000)	-	-	-	-	480,086	Y	-	-
1	PTT	Partner Tech USA Inc.	Parent/Subsidiary	192,034	31,600 (USD 1,000)	30,106 (USD 1,000)	30,106 (USD 1,000)	-	3.14%	480,086	Y	-	-
1	PTT	Partner Tech (Shanghai) Co., Ltd.	Parent/Subsidiary	192,034	31,600 (USD 1,000)	30,106 (USD 1,000)	30,106 (USD 1,000)	-	3.14%	480,086	Y	-	Y
1	PTT	Partner Tech (Shanghai) Co., Ltd.	Parent/Subsidiary	192,034	30,770 (USD 1,000)	-	-	-	-	480,086	Y	-	Y
1	PTT	Partner Tech Middle East FZCO	Parent/Subsidiary	192,034	63,200 (USD 2,000)	-	-	-	-	480,086	Y	-	-
1	PTT	Partner Tech Middle East FZCO	Parent/Subsidiary	192,034	62,720 (USD 2,000)	60,212 (USD 2,000)	60,212 (USD 2,000)	-	6.27%	480,086	Y	-	-
1	PTT	Partner-Tech Europe GmbH	Parent/Subsidiary	192,034	31,600 (USD 1,000)	30,106 (USD 1,000)	30,106 (USD 1,000)	-	3.14%	480,086	Y	-	-
1	PTT	Partner-Tech Europe GmbH	Parent/Subsidiary	192,034	30,770 (USD 1,000)	-	-	-	-	480,086	Y	-	-
1	PTT	Partner Tech Africa (Pty) Ltd.	Parent/Subsidiary	192,034	31,600 (USD 1,000)	-	-	-	-	480,086	Y	-	-
1	PTT	Partner Tech Africa (Pty) Ltd.	Parent/Subsidiary	192,034	31,360 (USD 1,000)	-	-	-	-	480,086	Y	-	-
1	PTT	Corex (Pty) Ltd.	Parent/Subsidiary	192,034	126,400 (USD 4,000)	120,424 (USD 4,000)	120,424 (USD 4,000)	-	12.54%	480,086	Y	-	-
1	PTT	Corex (Pty) Ltd.	Parent/Subsidiary	192,034	31,360 (USD 1,000)	30,106 (USD 1,000)	30,106 (USD 1,000)	-	3.14%	480,086	Y	-	-
2	DIC	Data Image (Suzhou) Corporation	Parent/Subsidiary	841,168	31,600 (USD 1,000)	-	-	-	-	841,168	Y	-	Y
2	DIC	Data Image (Suzhou) Corporation	Parent/Subsidiary	841,168	30,500 (USD 1,000)	30,106 (USD 1,000)	11,551 (RMB 2,678)	-	3.14%	841,168	Y	-	Y
3	Sysage	Global Intelligence Network Co., Ltd.	Parent/Subsidiary	857,379	130,000	-	-	-	-	1,714,758	Y	-	-
4	ACE	Tianjin Ace Pillar Co., Ltd.	Parent/Subsidiary	769,790	100,000	100,000	100,000	-	5.20%	962,238	Y	-	Y
4	ACE	Proton	Parent/Subsidiary	769,790	286,338	270,636	258,876	-	14.06%	962,238	Y	-	-



Endorsements / Guarantee Provider	Counter-party of Guarantee and Endorsement		Limits on Amount of Guarantees and Endorsements Provided to Each Guaranteed Party	Highest Balance of Guarantees and Endorsements During the Period	Balance of Guarantees and Endorsements as of Reporting Date	Actual Usage Amount During the Period	Property Pledged for Guarantees and Endorsements	Ratio of Accumulated Amounts of Guarantees and Endorsements to Net Worth of the Latest Financial Statements	Maximum Amounts for Guarantees and Endorsements	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Endorsements / Guarantees Provided to Subsidiaries in Mainland China
	Name	Relationship with the Company										
5	Cyber South	Tianjin Ace Pillar Co., Ltd.	165,573	45,800 (RMB 10,000)	43,132 (RMB 10,000)	39,534 (RMB 9,166)	43,654 (USD 1,450)	7.82%	275,956	Y	-	Y

(Note 1) The aggregate endorsement/guarantee amount provided by the Company to QLLB and the endorsement/guarantee amount provided to individual party shall not exceed 50% and 20%, respectively, of the most recent audited or reviewed net worth of the Company.

(Note 2) The aggregate endorsement/guarantee amount provided by PTT to PTT's subsidiaries and the endorsement/guarantee amount provided to individual party shall not exceed 50% and 20%, respectively, of the most recent audited or reviewed net worth of PTT.

(Note 3) The aggregate endorsement/guarantee amount provided by DIC to Data Image (Suzhou) Corporation and the endorsement/guarantee amount provided to individual party shall not exceed 80% of the most recent audited or reviewed net worth of DIC.

(Note 4) The aggregate endorsement/guarantee amount provided by Sysage to Global Intelligence Network Co., Ltd. and the endorsement/guarantee amount provided to individual party shall not exceed 40% and 20%, respectively, of the most recent audited or reviewed net worth of Sysage.

(Note 5) The aggregate endorsement/guarantee amount provided by ACE to ACE's subsidiaries and the endorsement/guarantee amount provided to individual party shall not exceed 50% and 40%, respectively, of the most recent audited or reviewed net worth of ACE.

(Note 6) The aggregate endorsement/guarantee amount provided by Cyber South to Tianjin Ace Pillar Co., Ltd. and the endorsement/guarantee amount provided to individual party shall not exceed 50% and 30%, respectively, of the net worth of Cyber South.

**QISDA CORPORATION AND SUBSIDIARIES**  
**Marketable securities held (excluding investments in subsidiaries, associates, and joint ventures)**  
**For the year ended December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars/shares, unless specified otherwise)**

Table 3

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019			Maximum percentage of ownership during 2019		Note	
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	Shares/Units		Percentage of Ownership
The Company	Stock: APLEX Technology, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	1,250	48,438	4.61%	48,438	1,250	4.61%	-
QLLB	CPEC Huachuang Private Equity Fund (Fujian) Co., Ltd. Fund	-	Financial assets at fair value through other comprehensive income-non-current	-	86,229	2.50%	86,229	-	2.50%	-
BMC	Stock: Lagis Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,600	101,232	5.25%	101,232	1,600	5.25%	-
BMC	Stock: Biodentia Corporation	-	Financial assets at fair value through profit or loss-non-current	225	(Note 1)	2.50%	-	225	2.50%	-
APV	Stock: Hi-Clearance Inc.	-	Financial assets at fair value through other comprehensive income-current	317	33,247	0.88%	33,247	317	0.88%	-
APV	Stock: Joymaster Inc.	-	Financial assets at fair value through other comprehensive income-non-current	619	2,236	6.19%	2,236	619	6.19%	-
APV	Stock: Crystalvue Medical Corp.	-	Financial assets at fair value through other comprehensive income-non-current	672	52,752	2.77%	52,752	672	3.14%	-
APV	Stock: Gigastone Corporation	-	Financial assets at fair value through other comprehensive income-non-current	31	126	0.06%	126	31	0.06%	-
APV	Stock: Athena Capital Management	-	Financial assets at fair value through other comprehensive income-non-current	2,000	13,069	6.17%	13,069	2,000	6.17%	-
APV	Stock: CDIB Capital Innovation Advisors Corporation	-	Financial assets at fair value through other comprehensive income-non-current	4,333	35,672	3.33%	35,672	5,000	3.33%	-
APV	Preferred Stock: D8AI Holdings Corporation	-	Financial assets at fair value through other comprehensive income-non-current	10,000	5,629	6.56%	5,629	10,000	6.56%	-
APV	Stock: APLEX Technology, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	1,932	74,863	7.13%	74,863	1,932	7.13%	-
APV	Stock: Raydium Semiconductor Corporation	-	Financial assets at fair value through other comprehensive income-non-current	2,940	298,151	4.39%	298,151	2,940	4.53%	-
Darly 2	Stock: Crystalvue Medical Corp.	-	Financial assets at fair value through other comprehensive income-non-current	470	36,895	1.94%	36,895	530	2.47%	-
Darly 2	Stock: Raydium Semiconductor Corporation	-	Financial assets at fair value through other comprehensive income-non-current	1,633	165,573	2.44%	165,573	1,633	2.51%	-
Darly C	Stock: Crystalvue Medical Corp.	-	Financial assets at fair value through other comprehensive income-non-current	34	2,669	0.14%	2,669	34	0.16%	-
Darly C	Stock: Athena Capital Management	-	Financial assets at fair value through other comprehensive income-non-current	1,000	6,535	3.09%	6,535	1,000	3.09%	-

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019			Maximum percentage of ownership during 2019		Note	
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	Shares/Units		Percentage of Ownership
Darly C	Stock: Anqing Innovation	-	Financial assets at fair value through other comprehensive income-non-current	1,033	6,624	2.24%	6,624	1,033	2.24%	-
Darly C	Stock: Visco Vision Inc.	-	Financial assets at fair value through other comprehensive income-non-current	285	3,628	0.53%	3,628	285	0.53%	-
Darly C	Stock: Raydium Semiconductor Corporation	-	Financial assets at fair value through other comprehensive income-non-current	220	22,333	0.33%	22,333	220	0.34%	-
BenQ	Stock: Crystalvue Medical Corp.	-	Financial assets at fair value through other comprehensive income-non-current	1,487	116,730	6.13%	116,730	1,512	7.06%	-
PTT	Stock: We Can Financial Technology, Inc.	-	Financial assets at fair value through profit or loss-non-current	1,375	(Note 1)	13.75%	-	1,375	13.75%	-
PTT	Preferred Stock: D8AI Holdings Coporation	-	Financial assets at fair value through other comprehensive income-non-current	3,500	10,687	2.30%	10,687	3,500	2.30%	-
WEBEST	Stock: We Can Financial Technology, Inc.	-	Financial assets at fair value through profit or loss-non-current	50	(Note 1)	0.50%	-	50	0.50%	-
DFI	Stock: APLEX Technology, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	900	34,875	3.32%	34,875	900	3.32%	-
DFI	Asia Tech Taiwan Venture Fund	-	Financial assets at fair value through profit or loss-non-current	USD 225	(Note 1)	-	-	USD 225	-	-
DFI	Fund: Cathay No 1 REIT	-	Financial assets at fair value through profit or loss-current	1,810	32,037	-	32,037	1,830	-	-
DFI	Bond: WM 7.25% Perpetual	-	Financial assets at fair value through profit or loss-current	USD 200	(Note 1)	-	-	USD 200	-	-
AEWIN	Stock: Aewin Korea Co., Ltd	-	Financial assets at fair value through other comprehensive income-non-current	10	1,414	16.70%	1,414	10	16.70%	-
ACE	Stock: Innodisk Corporation	-	Financial assets at fair value through other comprehensive income-non-current	141	24,455	0.18%	24,455	141	0.18%	-
K2	Stock: Isotope Biotech., LLC.	-	Financial assets at fair value through other comprehensive income-non-current	50	500	5.00%	500	100	5.00%	-
QCES	Stock: Jiangsu Yudi Optical Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	7,692	172,520	11.20%	172,520	7,692	11.20%	-
Sysage	Stock: Dynasafe Technologies, Inc.	-	Financial assets at fair value through profit or loss-non-current	2,132	70,630	17.77%	70,630	2,132	17.77%	-
Sysage	Stock: Grandsys Inc.	-	Financial assets at fair value through profit or loss-non-current	828	3,678	3.46%	3,678	828	3.46%	-
Sysage	Stock: CDS Holdings Limited	-	Financial assets at fair value through profit or loss-non-current	600	192	1.15%	192	600	1.15%	-
Sysage	Stock: Yobon Technologies, Inc.	-	Financial assets at fair value through profit or loss-non-current	3	(Note 1)	0.42%	-	3	0.42%	-
Sysage	Stock: TSTI Technologies (Shanghai) Co., Ltd.	-	Financial assets at fair value through profit or loss-non-current	(Note 2)	896	3.33%	896	(Note 2)	3.33%	-

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019			Maximum percentage of ownership during 2019		Note	
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	Shares/Units		Percentage of Ownership
Sysage	Stock: Touch Cloud, Inc.	-	Financial assets at fair value through profit or loss-non-current	200	744	2.74%	744	200	2.74%	-
Sysage	Stock: Gemini Data, Inc.	-	Financial assets at fair value through profit or loss-non-current	2,706	25,328	1.94%	25,328	2,706	3.96%	-
Sysage	Stock: Kingtel Corporation	-	Financial assets at fair value through profit or loss-non-current	443	2,894	18.09%	2,894	443	18.09%	-
Sysage	Fund: Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss-current	12,272	200,266	-	200,266	12,272	-	-
Sysage	Fund: Capital Money Market Fund	-	Financial assets at fair value through profit or loss-current	12,351	200,057	-	200,057	12,351	-	-
Dawningtech	Fund: Union Money Market Fund	-	Financial assets at fair value through profit or loss-current	7,359	97,534	-	97,534	7,359	-	-
Dawningtech	Fund: Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss-current	1,594	20,071	-	20,071	1,594	-	-
Dawningtech	Fund: Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss-current	921	15,031	-	15,031	921	-	-
Dawningtech	Fund: UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss-current	2,387	40,054	-	40,054	2,387	-	-

(Note 1) The impairment loss was fully recognized.

(Note 2) There was no shared as the company is a limited liability company.

**QISDA CORPORATION AND SUBSIDIARIES**  
**Marketable securities for which the accumulated purchase or sale amount for the year exceed NT\$300 million or 20% of the paid-in capital**  
**For the year ended December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars/shares, unless specified otherwise)**

Table 4

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Name of Relationship	Beginning Balance		Purchase		Disposal		Ending Balance(Note)		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares
DFI	AEWIN	Investment accounted for using equity method	-	Parent/Subsidiary	-	-	30,000	555,000	-	-	-	30,000	589,564
DFI	ACE	Investment accounted for using equity method	-	Parent/Subsidiary	-	-	29,875	630,623	-	-	-	29,875	567,932
BenQ	DFN	Investment accounted for using equity method	-	Associate	21,723	691,284	-	-	7,706	396,967	143,838	14,017	434,540
Sysage	Capital Money Market Fund	Financial assets at fair value through profit or loss-current	Hua Nan Commercial Bank	-	-	-	-	43,267	700,000	30,916	500,000	12,351	200,057
The Company	Sysage	Investment accounted for using equity method	-	Parent/Subsidiary	-	-	66,000	1,815,000	-	-	-	66,000	1,865,728
The Company	BBC	Investment accounted for using equity method	-	Parent/Subsidiary	-	-	-	739,789	-	-	-	-	727,685
The Company	QVH	Investment accounted for using equity method	-	Parent/Subsidiary	-	-	-	667,956	-	-	-	-	627,436

(Note) The ending balance includes shares of profits/losses of investees and other related adjustment.

**QISDA CORPORATION AND SUBSIDIARIES**  
**Total purchases from and sales to related parties which exceed NT\$100 million or 20% of the paid-in capital**  
**For the year ended December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars, unless specified otherwise)**

Table 5

Company Name	Related Party	Nature of Relationship	Transaction Detail				Transactions with Terms Different from Others		Notes/Accounts Receivable or (Payable)		
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)	Note
The Company	BenQ	Parent/Subsidiary	(Sales)	(5,043,193)	(5)	OA90	-	-	2,039,637	8	-
The Company	QJTO	Parent/Subsidiary	(Sales)	(3,049,912)	(3)	OA120	-	-	1,278,199	5	-
The Company	QALA	Parent/Subsidiary	(Sales)	(26,685,853)	(27)	OA90	-	-	7,950,735	31	-
The Company	AU	Associate	(Sales)	(4,408,178)	(4)	OA120	-	-	1,167,727	5	-
The Company	AUSZ	Associate	(Sales)	(2,554,984)	(3)	OA120	-	-	1,033,446	4	-
The Company	DFI	Parent/Subsidiary	(Sales)	(968,973)	(1)	EOM60	-	-	201,594	1	-
The Company	PTT	Parent/Subsidiary	(Sales)	(224,277)	-	OA30	-	-	49,567	-	-
The Company	QLLB	Parent/Subsidiary	Purchases	54,870,165	58	OA90	-	-	(534)	-	-
The Company	QCOS	Parent/Subsidiary	Purchases	4,913,528	5	OA120	-	-	(3,251,756)	(12)	-
The Company	QCSZ	Parent/Subsidiary	Purchases	28,506,605	30	OA120	-	-	(18,262,591)	(67)	-
BMC	AU	Other related party	(Sales)	(4,052,092)	(31)	OA90	(Note 1)	-	13,217	1	-
BMC	AUSZ	Other related party	(Sales)	(1,227,025)	(9)	OA90	(Note 1)	-	10,893	1	-
BMC	AUXM	Other related party	(Sales)	(807,828)	(6)	OA90	(Note 1)	-	26,818	1	-
BMC	DTB	Affiliates	(Sales)	(201,912)	(2)	OA90	(Note 1)	-	120,417	6	-
BMC	BMLB	Affiliates	Purchases	294,842	2	OA90	(Note 2)	-	-	-	-
BMC	Visco	Associate	Purchases	225,656	2	OA90	(Note 2)	-	(21,830)	(1)	-

Company Name	Related Party	Nature of Relationship	Transaction Detail				Transactions with Terms Different from Others		Notes/Accounts Receivable or (Payable)		
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)	Note
BMC	BMS	Affiliates	Purchases	796,802	6	OA90	(Note 2)	-	(125,238)	(5)	-
BMLB	BMC	Affiliates	(Sales)	(294,842)	(100)	OA90	-	-	-	-	-
BMS	BMC	Affiliates	(Sales)	(796,802)	(100)	OA90	-	-	125,238	100	-
DTB	BMC	Affiliates	Purchases	201,912	100	OA90	-	-	(120,417)	100	-
QCSZ	The Company	Parent/Subsidiary	(Sales)	(28,506,605)	(34)	OA120	-	-	18,262,591	92	-
QCSZ	QLLB	Affiliates	(Sales)	(49,303,631)	(58)	OA60	-	-	-	-	-
QCSZ	BQC_RO	Affiliates	(Sales)	(678,412)	(1)	OA120	-	-	12,334	-	-
QCSZ	QCES	Affiliates	(Sales)	(161,566)	-	OA120	-	-	12,788	-	-
QCSZ	QCOS	Affiliates	(Sales)	(123,316)	-	OA120	-	-	5,610	-	-
QCSZ	AU	Other related party	Purchases	7,598,950	9	EOM55	-	-	(1,163,416)	(7)	-
QCSZ	QCPS	Affiliates	Purchases	1,541,462	2	OA60	-	-	(145,851)	(1)	-
QCSZ	DFI	Affiliates	Purchases	158,113	-	60~90 Days	-	-	(30,204)	-	-
QCPS	QCSZ	Affiliates	(Sales)	(1,541,462)	(81)	OA60	-	-	145,851	73	-
QCPS	QCOS	Affiliates	(Sales)	(277,449)	(15)	OA60	-	-	32,184	16	-
QCOS	The Company	Parent/Subsidiary	(Sales)	(4,913,528)	(30)	OA120	-	-	3,251,756	20	-
QCOS	QLLB	Affiliates	(Sales)	(8,448,726)	(51)	OA60	-	-	-	-	-
QCOS	BQC_RO	Affiliates	(Sales)	(1,687,655)	(10)	OA120	-	-	17,482	1	-
QCOS	QCES	Affiliates	Purchases	353,094	2	OA60	-	-	(54,106)	(2)	-

Company Name	Related Party	Nature of Relationship	Transaction Detail				Transactions with Terms Different from Others			Notes/Accounts Receivable or (Payable)	
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)	Note
QCOS	QCSZ	Affiliates	Purchases	123,316	4	OA120	-	-	(5,610)	-	-
QCOS	QCPS	Affiliates	Purchases	277,449	2	OA60	-	-	(32,184)	(1)	-
QCOS	AU	Other related party	Purchases	262,822	2	EOM55	-	-	(44,757)	(1)	-
QCES	QCOS	Affiliates	(Sales)	(353,094)	(2)	OA60	-	-	54,106	1	-
QCES	QCSZ	Affiliates	Purchases	161,566	1	OA120	-	-	(12,788)	-	-
QCES	Darwin	Other related party	Purchases	215,829	1	OA120	-	-	-	-	-
QJTO	The Company	Parent/Subsidiary	Purchases	3,049,912	96	OA120	-	-	(1,278,199)	(100)	-
QLLB	The Company	Parent/Subsidiary	(Sales)	(54,870,165)	(100)	OA90	-	-	534	100	-
QLLB	QCSZ	Affiliates	Purchases	49,303,631	85	OA60	-	-	-	-	-
QLLB	QCOS	Affiliates	Purchases	8,448,726	15	OA60	-	-	-	-	-
QALA	The Company	Parent/Subsidiary	Purchases	26,685,853	96	OA90	-	-	(7,950,735)	(100)	-
BenQ	BQA	Affiliates	(Sales)	(3,118,528)	(19)	OA90	-	-	1,222,618	23	-
BenQ	BQE	Affiliates	(Sales)	(7,016,491)	(42)	OA90	-	-	2,017,036	38	-
BenQ	BQL	Affiliates	(Sales)	(541,741)	(3)	OA90	-	-	198,926	4	-
BenQ	BQP	Affiliates	(Sales)	(5,544,847)	(33)	OA60	-	-	1,404,134	26	-
BenQ	The Company	Parent/Subsidiary	Purchases	5,043,193	33	OA90	-	-	(2,039,637)	(54)	-
BenQ	AU	Other related party	Purchases	2,847,615	19	EOM55	-	-	(430,055)	(11)	-
BQA	BenQ	Affiliates	Purchases	3,118,528	98	OA90	-	-	(1,222,618)	(99)	-



Company Name	Related Party	Nature of Relationship	Transaction Detail				Transactions with Terms Different from Others			Notes/Accounts Receivable or (Payable)		
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)	Note	
BQA	BQCA	Affiliates	(Sales)	(628,267)	(17)	OA60	-	-	-	133,803	23	-
BQCA	BQA	Affiliates	Purchases	628,267	100	OA60	-	-	-	(133,803)	(100)	-
BQC_RO	QCOS	Affiliates	Purchases	1,687,655	44	OA120	-	-	-	(17,482)	(4)	-
BQC_RO	QCSZ	Affiliates	Purchases	678,412	18	OA120	-	-	-	(12,334)	(3)	-
BQL	BenQ	Affiliates	Purchases	541,741	86	OA90	-	-	-	(198,926)	(41)	-
BQL	BQmx	Affiliates	(Sales)	(363,754)	(52)	OA90	-	-	-	185,641	29	-
BQL	Maxgen	Affiliates	(Sales)	(236,714)	(34)	OA90	-	-	-	443,039	68	-
BQmx	BQL	Affiliates	Purchases	363,754	83	OA90	-	-	-	(185,641)	(95)	-
Maxgen	BQL	Affiliates	Purchases	236,714	100	OA90	-	-	-	(443,039)	(99)	-
BQP	BQJP	Affiliates	(Sales)	(1,145,051)	(18)	OA60	-	-	-	205,965	13	-
BQP	BQME	Affiliates	(Sales)	(1,089,625)	(17)	OA60	-	-	-	411,123	25	-
BQP	BQIN	Affiliates	(Sales)	(819,407)	(13)	OA60	-	-	-	437,315	27	-
BQP	BQAU	Affiliates	(Sales)	(359,627)	(6)	OA60	-	-	-	46,583	3	-
BQP	BQTH	Affiliates	(Sales)	(170,482)	(3)	OA60	-	-	-	98,214	6	-
BQP	BenQ	Affiliates	Purchases	5,544,847	95	OA60	-	-	-	(1,404,134)	(99)	-
BQJP	BQP	Affiliates	Purchases	1,145,051	99	OA60	-	-	-	(205,965)	(94)	-
BQME	BQP	Affiliates	Purchases	1,089,625	100	OA60	-	-	-	(411,123)	(95)	-
BQIN	BQP	Affiliates	Purchases	819,407	100	OA60	-	-	-	(437,315)	(100)	-

Company Name	Related Party	Nature of Relationship	Transaction Detail				Transactions with Terms Different from Others			Notes/Accounts Receivable or (Payable)		
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)	Note	
BQAU	BQP	Affiliates	Purchases	359,627	91	OA60	-	-	-	(46,583)	(96)	-
BQTH	BQP	Affiliates	Purchases	170,482	94	OA60	-	-	-	(98,214)	(98)	-
BQE	BenQ	Affiliates	Purchases	7,016,491	94	OA90	-	-	-	(2,017,036)	(97)	-
BQE	BQUK	Affiliates	(Sales)	(1,204,327)	(15)	OA30	-	-	-	233,731	16	-
BQE	BQIT	Affiliates	(Sales)	(341,959)	(4)	OA30	-	-	-	64,493	5	-
BQE	BQCH	Affiliates	(Sales)	(231,686)	(3)	OA30	-	-	-	57,108	4	-
BQE	BQDE	Affiliates	(Sales)	(1,843,497)	(23)	OA30	-	-	-	258,751	18	-
BQE	BQAT	Affiliates	(Sales)	(1,070,470)	(13)	OA45	-	-	-	121,105	8	-
BQE	BQSE	Affiliates	(Sales)	(646,390)	(8)	OA30	-	-	-	12,216	1	-
BQE	BQFR	Affiliates	(Sales)	(741,674)	(9)	OA30	-	-	-	285,703	20	-
BQE	BQIB	Affiliates	(Sales)	(567,765)	(7)	OA30	-	-	-	52,971	4	-
BQE	BQNL	Affiliates	(Sales)	(407,672)	(5)	OA30	-	-	-	188,842	13	-
BQUK	BQE	Affiliates	Purchases	1,204,327	100	OA30	-	-	-	(233,731)	(98)	-
BQDE	BQE	Affiliates	Purchases	1,843,497	98	OA30	-	-	-	(258,751)	(103)	-
BQAT	BQE	Affiliates	Purchases	1,070,470	99	OA45	-	-	-	(121,105)	(100)	-
BQSE	BQE	Affiliates	Purchases	646,390	100	OA30	-	-	-	(12,216)	(86)	-
BQFR	BQE	Affiliates	Purchases	741,674	100	OA30	-	-	-	(285,703)	(98)	-
BQIB	BQE	Affiliates	Purchases	567,765	100	OA30	-	-	-	(52,971)	(93)	-

Company Name	Related Party	Nature of Relationship	Transaction Detail				Transactions with Terms Different from Others			Notes/Accounts Receivable or (Payable)		
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)	Note	
BQNL	BQE	Affiliates	Purchases	407,672	100	OA30	-	-	-	(188,842)	(98)	-
BQJT	BQE	Affiliates	Purchases	341,959	100	OA30	-	-	-	(64,493)	(99)	-
BQCH	BQE	Affiliates	Purchases	231,686	100	OA30	-	-	-	(57,108)	(84)	-
PTT	PTU	Affiliates	(Sales)	(324,072)	(29)	OA90	(Note 3)	-	-	53,920	15	-
PTT	PTE	Affiliates	(Sales)	(204,855)	(18)	OA90	(Note 3)	-	-	110,737	31	-
PTT	PTUK	Affiliates	(Sales)	(110,399)	(10)	OA90	(Note 3)	-	-	19,095	5	-
PTT	The Company	Parent/Subsidiary	Purchases	224,277	25	OA30	(Note 2)	-	-	(49,567)	(27)	-
PTU	PTT	Affiliates	Purchases	324,072	90	OA90	(Note 2)	-	-	(53,920)	(96)	-
PTE	PTT	Affiliates	Purchases	204,855	52	OA90	(Note 2)	-	-	(110,737)	(79)	-
PTUK	PTT	Affiliates	Purchases	110,399	83	OA90	(Note 2)	-	-	(19,095)	(79)	-
DFI	The Company	Parent/Subsidiary	Purchases	968,973	25	EOM60	-	-	-	(201,594)	(23)	-
DFI	DFI AMERICA, LLC.	Affiliates	(Sales)	(1,094,347)	(23)	60~90 Days	-	-	-	160,311	19	-
DFI	DFI Co., Ltd.	Affiliates	(Sales)	(542,513)	(11)	60~90 Days	-	-	-	24,956	3	-
DFI	Diamond Flower Informa	Affiliates	(Sales)	(395,489)	(8)	60~90 Days	-	-	-	16,143	2	-
DFI	QCSZ	Affiliates	(Sales)	(158,113)	(3)	60~90 Days	-	-	-	30,204	4	-
DFI	Yan Ying Hao Trading (S	Affiliates	(Sales)	(131,235)	(3)	60~90 Days	-	-	-	30,409	4	-
DFI	AEWIN	Affiliates	(Sales)	(153,183)	3	60~90 Days	-	-	-	78,294	9	-
AEWIN	DFI	Affiliates	Purchases	153,183	18	60~90 Days	-	-	-	(78,294)	(28)	-

Company Name	Related Party	Nature of Relationship	Transaction Detail				Transactions with Terms Different from Others			Notes/Accounts Receivable or (Payable)	
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)	Note
Yan Ying Hao Trading (ShenZhen) Co., Ltd.	DFI	Affiliates	Purchases	131,235	93	60-90 Days	-	-	(30,409)	(91)	-
DFI AMERICA, LLC.	DFI	Affiliates	Purchases	1,094,347	99	60-90 Days	-	-	(160,311)	(100)	-
DFI Co., Ltd.	DFI	Affiliates	Purchases	542,513	98	60-90 Days	-	-	(24,956)	(88)	-
Diamond Flower Information(NL) B.V.	DFI	Affiliates	Purchases	395,489	100	60-90 Days	-	-	(16,143)	(100)	-
AEWIN	Aewin Beijing Technologies Co., Ltd	Affiliates	(Sales)	(399,645)	(36)	60-90 Days	-	-	516,689	78	-
Aewin Beijing Technologies Co., Ltd	AEWIN	Affiliates	Purchases	399,645	77	60-90 Days	-	-	(516,689)	(82)	-
DIC	Data Image (Suzhou) Corporation	Affiliates	Processing Costs	1,056,188	99	Depends on its working capital status	-	-	(1,551)	-	-
Data Image (Suzhou) Corporation	DIC	Affiliates	Processing Revenue	(1,056,188)	(46)	Depends on its working capital status	-	-	1,551	-	-

(Note 1) The selling prices of BMC to related parties are not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transaction, there were no significant differences between the sales for related parties and those for third-party customers.

(Note 2) The purchase prices to related parties are not comparable to the purchase prices for third-party vendors as the specifications of products were different, and it is conducted under the agreed purchase price and conditions.

(Note 3) The selling prices of PTT to related parties are not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transaction, there were no significant differences between the sales for related parties and those for third-party customers.

(Note 4) The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

**QISDA CORPORATION AND SUBSIDIARIES**  
**Receivables from related parties which exceed NT\$100 million or 20% of the paid-in capital**  
**December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars, unless specified otherwise)**

Table 6

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	BenQ	Parent/Subsidiary	2,039,637	2.20	169,446	-	-	-
The Company	QJTO	Parent/Subsidiary	1,278,199	2.66	110	-	593,826	-
The Company	QALA	Parent/Subsidiary	7,950,735	3.09	1,342,515	-	4,447,771	-
The Company	QCSZ	Parent/Subsidiary	839,310	(Note 1)	-	-	-	-
The Company	QCOS	Parent/Subsidiary	126,235	(Note 1)	-	-	-	-
The Company	AU	Associate	1,167,727	3.57	30,672	-	661,210	-
The Company	AUSZ	Associate	1,033,446	4.94	-	-	-	-
The Company	DFI	Parent/Subsidiary	201,594	4.91	-	-	163,556	-
BMC	DTB	Parent/Subsidiary	120,417	2.87	-	-	11,163	-
BMS	BMC	Parent/Subsidiary	125,238	12.63	-	-	99,257	-
QCSZ	The Company	Affiliates	18,262,591	3.12	-	-	5,996,916	-
QCPS	QCSZ	Affiliates	145,851	8.74	-	-	145,851	-
QCOS	The Company	Affiliates	3,251,756	3.02	-	-	1,830,746	-
QCES	The Company	Parent/Subsidiary	3,966,944	(Note 1)	-	-	3,966,944	-
BenQ	BQA	Affiliates	1,222,618	2.81	93,520	-	459,496	-
BenQ	BQE	Affiliates	2,017,036	3.19	517,963	-	1,325,789	-
BenQ	BQL	Affiliates	198,926	2.03	96,961	-	142,512	-
BenQ	BQP	Affiliates	1,404,134	3.69	499,766	-	830,427	-
BenQ	QCSZ	Affiliates	266,101	(Note 1)	20,535	-	266,101	-

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
BQA	BQCA	Affiliates	133,803	5.47	-	-	-	-
BQL	BQmx	Affiliates	185,641	1.65	97,093	-	84,460	-
BQL	Maxgen	Affiliates	443,039	0.53	397,978	-	26,375	-
BQP	BQJP	Affiliates	205,965	4.57	108,123	-	147,310	-
BQP	BQME	Affiliates	411,123	3.16	235,303	-	99,070	-
BQP	BQIN	Affiliates	437,315	1.95	331,355	-	95,126	-
BQE	BQJK	Affiliates	233,731	5.32	166,895	-	209,304	-
BQE	BQDE	Affiliates	258,751	6.00	114,651	-	229,807	-
BQE	BQAT	Affiliates	121,105	5.94	-	-	-	-
BQE	BQFR	Affiliates	285,703	2.52	285,703	-	161,022	-
BQE	BQNL	Affiliates	188,842	2.42	133,200	-	172,467	-
PTT	PTE	Affiliates	110,737	1.47	70,045	-	39,910	-
DFI	The Company	Parent/Subsidiary	204,814	0.79	-	-	204,450	-
DFI	DFI AMERICA, LLC.	Affiliates	160,311	4.92	-	-	138,154	-
AEWIN	Aewin Beijing Technologies Co., Ltd.	Affiliates	516,689	0.99	305,545	-	35,442	-
ACE	Tianjin Ace Pillar Co., Ltd.	Affiliates	149,421	-	-	-	-	-
Proton	Tianjin Ace Pillar Co., Ltd.	Affiliates	281,315	-	-	-	-	-

(Note 1) The sales from repurchasing after processing have been eliminated; therefore, calculation of turnover rate is not applicable.

(Note 2) The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

**QISDA CORPORATION AND SUBSIDIARIES**  
**Business relationships and significant intercompany transactions**  
**For the year ended December 31, 2019**  
(Amounts in thousands of New Taiwan dollars, unless specified otherwise)

Table 7

Number (Note 1)	Company Name	Related Party	Name of Relationship (Note 2)	Transaction Details During 2019			Percentage of Consolidated Operating Revenue and Total Assets (Note 4)
				Financial Statements Account	Amount	Payment Terms	
0	The Company	BenQ	1	(Sales)	(5,043,193)	OA90	(3%)
0	The Company	QJTO	1	(Sales)	(3,049,912)	OA120	(2%)
0	The Company	QALA	1	(Sales)	(26,685,853)	OA90	(16%)
1	QCSZ	The Company	2	(Sales)	(28,506,605)	OA120	(17%)
1	QCSZ	QLLB	3	(Sales)	(49,303,631)	OA60	(29%)
2	QCOS	The Company	2	(Sales)	(4,913,528)	OA120	(3%)
2	QCOS	QLLB	3	(Sales)	(8,448,726)	OA60	(5%)
3	QLLB	The Company	2	(Sales)	(54,870,165)	OA90	(32%)
4	BenQ	BQA	3	(Sales)	(3,118,528)	OA90	(2%)
4	BenQ	BQE	3	(Sales)	(7,016,491)	OA90	(4%)
4	BenQ	BQP	3	(Sales)	(5,544,847)	OA60	(3%)
5	BQE	BQDE	3	(Sales)	(1,843,497)	OA30	(1%)
0	The Company	BenQ	1	Accounts receivable	2,039,637	OA90	1%

Transaction Details During 2019							
Number (Note 1)	Company Name	Related Party	Name of Relationship (Note 2)	Financial Statements Account	Amount	Payment Terms	Percentage of Consolidated Operating Revenue and Total Assets (Note 4)
0	The Company	QALA	1	Accounts receivable	7,950,735	OA90	6%
1	QCSZ	The Company	2	Accounts receivable	18,262,591	OA120	13%
2	QCOS	The Company	2	Accounts receivable	3,251,756	OA120	2%
3	QCES	The Company	2	Accounts receivable	3,966,944	OA60	3%
4	BenQ	BQE	3	Accounts receivable	2,017,036	OA90	1%
4	BenQ	BQP	3	Accounts receivable	1,404,134	OA60	1%

(Note1) Parties to the intercompany transactions are identified and numbered as follows:

1. "0" represents the Company.

2. Subsidiaries are numbered from "1".

(Note2) The relationships with counter party are as follows:

No. "1" represents the transactions from the Company to subsidiary.

No. "2" represents the transactions from subsidiary to the Company.

No. "3" represents the transactions between subsidiaries.

(Note3) Intercompany relationships and significant intercompany transactions are disclosed only for sales and accounts receivables

The corresponding purchases and accounts payables are not disclosed.

(Note4) Based on the transaction amount divided by consolidated operating revenues or consolidated total assets.

(Note5) The above intercompany transactions have been eliminated when preparing the consolidated financial statements.



**QISDA CORPORATION AND SUBSIDIARIES**  
**Information of Investees (Excluding Information on investment in Mainland China)**  
**For the year ended December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars / shares, unless specified otherwise)**

Table 8

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Maximum percentage of ownership during 2019		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	AU	Taiwan	R&D, manufacture and sale of TFT-LCD panels	8,085,543	8,085,543	663,599	6.99%	12,272,814	663,599	6.99%	(19,185,258)	(1,325,785)	Associate
The Company	DFN	Taiwan	R&D, manufacture and sale of MLCC and keyboards	662,195	662,195	58,005	20.72%	1,798,607	58,005	20.72%	899,950	186,430	Associate
The Company	BMC	Taiwan	R&D, manufacture and sale of optoelectronics film	507,883	507,883	43,659	13.61%	562,226	43,659	13.61%	257,124	35,004	Parent/Subsidiary
The Company	QMMX	Mexico	Manufacture of computer peripheral products	-	79,449	-	-	-	385	99.00%	16,863	16,694	Parent/Subsidiary
The Company	BenQ	Taiwan	Manufacture and sales of brand-name electronic products	7,160,050	7,160,050	408,641	100.00%	7,836,632	408,641	100.00%	1,485,237	1,485,312	Parent/Subsidiary
The Company	QALA	USA	Sales of electronic products	32,800	32,800	1,000	100.00%	40,022	1,000	100.00%	(7,872)	(7,872)	Parent/Subsidiary
The Company	QITO	Japan	Sales and maintenance of electronic products in Japanese market	2,701	2,701	-	100.00%	53,585	-	100.00%	17,591	17,591	Parent/Subsidiary
The Company	QLPG	Malaysia	Leasing and management services	578,128	578,128	50,000	100.00%	316,347	50,000	100.00%	(21,826)	(21,826)	Parent/Subsidiary
The Company	QLLB	Malaysia	Investment and holding activity	3,687,539	3,687,539	114,250	100.00%	12,881,689	114,250	100.00%	981,838	1,139,856	Parent/Subsidiary
The Company	APV	Taiwan	Investment and holding activity	170,016	170,016	113,258	100.00%	2,021,449	113,258	100.00%	123,513	123,513	Parent/Subsidiary
The Company	Darly	Malaysia	Investment and holding activity	165,000	165,000	6,000	100.00%	141,187	6,000	100.00%	35,012	35,012	Parent/Subsidiary
The Company	BBHC	Cayman	Investment and holding activity	1,476,632	1,476,632	47,400	19.35%	730,658	47,400	19.35%	575,152	110,764	Parent/Subsidiary
The Company	PTT	Taiwan	Manufacture, sales, and import and export of POS terminals and peripherals	1,475,978	1,475,978	43,577	58.04%	1,339,803	43,577	58.04%	5,987	(31,416)	Parent/Subsidiary
The Company	BDT	Taiwan	Manufacture and sale of medical consumable and equipment	259,990	259,990	25,999	92.85%	137,596	25,999	92.85%	(32,982)	(31,369)	Parent/Subsidiary
The Company	QTOS	Taiwan	Manufacture of computer peripheral products	1,000	1,000	100	100.00%	1,009	100	100.00%	10	10	Parent/Subsidiary
The Company	Q.S.Control Corp.	Taiwan	Manufacture and sales of medical consumables and equipments	63,000	63,000	6,000	20.00%	52,578	6,000	20.00%	15,712	3,141	Associate
The Company	DFI	Taiwan	Manufacture and sales of industrial motherboards and components	3,154,750	3,154,750	51,610	45.08%	3,238,166	51,610	45.08%	630,936	207,007	Parent/Subsidiary
The Company	Alpha	Taiwan	R & D, manufacture and sale of LAN/MAN, wireless, mobile & broadband, and digital multimedia products	2,300,000	2,300,000	100,000	18.43%	2,064,817	100,000	18.43%	238,903	24,649	Associate
The Company	K2	Taiwan	Sale of medical consumable and equipment	121,134	121,134	3,880	29.85%	120,311	3,880	29.85%	23,262	5,235	Parent/Subsidiary
The Company	DIC	Taiwan	Manufacture and sales of marine display modules	260,000	260,000	20,000	28.82%	284,247	20,000	28.82%	208,749	59,696	Parent/Subsidiary
The Company	EASC	Hong Kong	Sales of brand-name electronic products and smart services	78,338	-	1	54.00%	80,943	1	54.00%	2,962	1,728	Parent/Subsidiary

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Maximum percentage of ownership during 2019		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	Sysage	Taiwan	The agent sales and trading of network software and information and communication hardware and software	1,815,000	-	66,000	35.04%	1,865,728	66,000	35.04%	379,456	50,982	Parent/Subsidiary
The Company	Topview	Taiwan	Manufacture and sales of video surveillance cameras	172,500	-	5,750	20.00%	196,674	5,750	20.00%	64,190	4,886	Parent/Subsidiary
The Company	QVH	Vietnam	Manufacture of monitors	667,956	-	-	100.00%	627,436	-	100.00%	(20,132)	(20,132)	Parent/Subsidiary
QALA	QMMX	Mexico	Manufacture of computer peripheral products	-	10,811	-	-	-	52	12.32%	16,863	-	Affiliates
BMC	BMLB	Malaysia	Investment and holding activity	1,141,340	1,141,340	35,082	100.00%	1,495,217	35,082	100.00%	(128,110)	-	Affiliates
BMC	SMS	Taiwan	Manufacture and sale of medical consumable and equipment	560,000	498,716	40,000	100.00%	494,430	40,000	100.00%	(38,683)	-	Affiliates
BMC	Visco Vision Inc.	Taiwan	Manufacture and sale of contact lenses	180,523	180,523	9,984	18.58%	186,053	9,984	18.58%	319,860	-	Associate
BMC	Cenefom Corporation	Taiwan	R&D, manufacture and sale of medical consumable and equipment	29,127	29,127	1,095	12.12%	15,659	2,190	15.48%	(12,708)	-	Associate
APV	Darly C	Taiwan	Investment management consulting	77,933	77,933	12,011	45.11%	150,957	12,011	45.11%	4,723	-	Affiliates
APV	BMC	Taiwan	R&D, manufacture and sale of optoelectronics film	221,786	221,786	15,182	4.74%	195,579	15,182	4.74%	257,124	-	Affiliates
APV	BMTC	Taiwan	Manufacture and sales of medical consumables and equipments	42,584	42,584	3,549	7.96%	84,166	3,549	7.96%	75,407	-	Affiliates
APV	BBHC	Cayman	Investment and holding activity	904,102	904,102	25,000	10.21%	386,379	25,000	10.21%	575,152	-	Affiliates
APV	BES	Taiwan	Energy service	50,250	50,250	4,100	41.00%	8,656	4,100	41.00%	(6,897)	-	Affiliates
APV	PTT	Taiwan	Manufacture, sales, and import and export of POS terminals and peripherals	112,080	112,080	6,006	8.00%	156,953	6,006	8.00%	5,987	-	Affiliates
APV	BDT	Taiwan	Manufacture and sales of medical consumables and equipments	10	10	1	0.00%	5	1	0.00%	(32,982)	-	Affiliates
APV	GST	Taiwan	R&D and sales of computer information system	12	12	1	0.02%	11	1	0.02%	10,161	-	Affiliates
APV	DFI	Taiwan	Manufacture and sales of industrial motherboards and components	149,096	149,096	2,294	2.00%	152,133	2,294	2.00%	630,936	-	Affiliates
APV	Alpha	Taiwan	R & D, manufacture and sale of LAN/MAN, wireless, mobile & broadband, and digital multimedia products	262,110	262,110	11,187	2.06%	238,487	11,187	2.06%	238,903	-	Associate
APV	Topview	Taiwan	Manufacture and sales of video surveillance cameras	61,896	-	1,250	4.35%	61,030	1,250	4.35%	64,190	-	Affiliates
APV	DIC	Taiwan	Manufacture and sales of marine display modules	35,884	-	1,494	2.15%	36,706	1,494	2.15%	208,749	-	Affiliates
Darly C	BES	Taiwan	Energy service	28,000	28,000	2,400	24.00%	5,067	2,400	24.00%	(6,897)	-	Affiliates
Darly C	Green Island Co., Ltd.	Taiwan	Cultural and Art Industry	2,000	2,000	(Note 1)	33.33%	12	(Note 1)	33.33%	-	-	Associate
Darly C	Alpha	Taiwan	R & D, manufacture and sale of LAN/MAN, wireless, mobile & broadband, and digital multimedia products	273,445	273,445	12,710	2.34%	246,605	12,710	2.34%	238,903	-	Associate

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Maximum percentage of ownership during 2019		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
Darly	BenQ Guru Holding Ltd. (GSH)	Hong Kong	Investment and holding activity	30,456	30,456	7,800	12.50%	20,128	7,800	12.50%	(9,074)	-	Affiliates
Darly	BBHC	Cayman	Investment and holding activity	471,516	526,134	14,158	5.78%	220,616	15,798	6.45%	575,152	-	Affiliates
BenQ	BQA	USA	Sales of brand-name electronic products in North America markets	114,553	114,553	200	100.00%	194,323	200	100.00%	(64,989)	-	Affiliates
BenQ	BQL	USA	Sales of brand-name electronic products in Latin America markets	203,839	203,839	4,350	100.00%	(36,078)	4,350	100.00%	(24,324)	-	Affiliates
BenQ	BQHK	Hong Kong	Investment and holding activity	859,037	859,037	466,200	100.00%	2,608,479	466,200	100.00%	314,107	-	Affiliates
BenQ	BQE	The Netherlands	Sales of electronic products in European markets	960,568	960,568	5,009	100.00%	1,081,299	5,009	100.00%	90,034	-	Affiliates
BenQ	BQP	Taiwan	Sales of brand-name electronic products in Asia markets	950,000	950,000	20,000	100.00%	282,023	20,000	100.00%	176,838	-	Affiliates
BenQ	Darly 2	Taiwan	Investment and holding activity	2,061,132	2,061,132	(Note 1)	100.00%	2,603,940	(Note 1)	100.00%	229,493	-	Affiliates
BenQ	BenQ Guru Holding Ltd. (GSH)	Hong Kong	Investment and holding activity	74,021	74,021	23,400	37.50%	65,786	23,400	37.50%	(9,074)	-	Affiliates
BenQ	DFN	Taiwan	R&D, manufacture and sale of MLCC and keyboards	233,491	361,856	14,017	5.01%	434,540	21,723	7.76%	899,950	-	Associate
BenQ	BMC	Taiwan	R&D, manufacture and sale of optoelectronics film	946,731	946,731	80,848	25.21%	1,041,491	80,848	25.21%	257,124	-	Affiliates
BenQ	BBHC	Cayman	Investment and holding activity	719,088	719,088	20,000	8.16%	309,103	20,000	8.16%	575,152	-	Affiliates
BenQ	BMTG	Taiwan	Manufacture and sales of medical consumables and equipments	235,069	235,069	19,353	43.43%	447,700	19,353	43.43%	75,407	-	Affiliates
BenQ	MQE	The Netherlands	Maintenance of brand-name electronic monitors and projectors in European markets	74,659	74,659	82	100.00%	67,352	82	100.00%	(1,262)	-	Affiliates
BenQ	ZGC	Taiwan	Assembly and sales of gaming electronic products	117,971	109,410	7,626	99.98%	97,817	7,626	99.98%	8,362	-	Affiliates
BenQ	BQHK_HLD	Hong Kong	Sales of brand-name electronic products in HK markets	118,282	118,282	4,000	100.00%	401,225	4,000	100.00%	287,221	-	Affiliates
BenQ	PT BenQ Teknologi Indonesia	Indonesia	Sales of brand-name electronic products	21	21	-	0.31%	(7)	-	0.31%	(9,509)	-	Affiliates
BQP	BenQ India Private Ltd.	India	Sales of brand-name electronic products	224,405	224,405	440,296	100.00%	19,769	440,296	100.00%	11,638	-	Affiliates
BQP	BenQ (M.E.) FZE	United Arab Emirates	Sales of brand-name electronic products	8,891	8,891	-	100.00%	(201)	-	100.00%	14,631	-	Affiliates
BQP	BenQ Japan Co., Ltd.	Japan	Sales of brand-name electronic products	4,518	4,518	-	100.00%	85,266	-	100.00%	6,001	-	Affiliates
BQP	BenQ Singapore Pte Ltd.	Singapore	Sales of brand-name electronic products	1,837	1,837	500	100.00%	(21,553)	500	100.00%	(226)	-	Affiliates
BQP	BenQ Australia Pte Ltd.	Australia	Sales of brand-name electronic products	132,590	132,590	2,191	100.00%	57,915	2,191	100.00%	4,161	-	Affiliates
BQP	BenQ Service & Marketing (M) Sdn Bhd	Malaysia	Sales of brand-name electronic products	119,488	119,488	100	100.00%	7,009	100	100.00%	(585)	-	Affiliates

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Maximum percentage of ownership during 2019		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
BQP	BenQ (Thailand) Co., Ltd.	Thailand	Sales of brand-name electronic products	120,116	120,116	12,000	100.00%	(52,268)	12,000	100.00%	(11,392)	-	Affiliates
BQP	BenQ Korea Co., Ltd.	Korea	Providing administration and management service to affiliates	1,713	1,713	10	100.00%	8,366	10	100.00%	1,228	-	Affiliates
BQP	PT BenQ Teknologi Indonesia	Indonesia	Sales of brand-name electronic products	6,901	6,901	6	99.69%	(2,214)	6	99.69%	(9,509)	-	Affiliates
BOA	BenQ Canada Corp.	Canada	Sales of brand-name electronic products	26	26	1	100.00%	(1,524)	1	100.00%	(20,645)	-	Affiliates
BQL	BenQ Mexico S. de R.L. de C.V.	Mexico	Sales of brand-name electronic products	77,591	77,591	3	100.00%	39,365	3	100.00%	6,546	-	Affiliates
BQL	Joytech LLC.	USA	Investment and holding activity	4,671	4,671	1	100.00%	(129,972)	1	100.00%	(20,599)	-	Affiliates
BQL	Vivitech LLC.	USA	Investment and holding activity	4,671	4,671	1	100.00%	(129,972)	1	100.00%	(20,599)	-	Affiliates
Joytech LLC	Maxgen Comércio Industrial imp E Exp Ltda.	Brazil	Sales of brand-name electronic products	4,671	4,671	-	50.00%	(129,972)	-	50.00%	(41,198)	-	Affiliates
Vivitech LLC	Maxgen Comércio Industrial imp E Exp Ltda.	Brazil	Sales of brand-name electronic products	4,671	4,671	-	50.00%	(129,972)	-	50.00%	(41,198)	-	Affiliates
BOmx	BenQ Service de Mexico S. de R.L. de C.V.	Mexico	Providing administration and management services to affiliates	87	87	3	100.00%	3,840	3	100.00%	800	-	Affiliates
GSH	BenQ GST	Taiwan	R&D and sales of computer information system	64,898	64,898	5,756	99.94%	59,551	5,756	99.94%	10,161	-	Affiliates
Darly 2	Darly C	Taiwan	Investment management consulting	89,179	89,179	14,614	54.89%	183,677	14,614	54.89%	4,723	-	Affiliates
Darly 2	BBHC	Cayman	Investment and holding activity	2,122,721	2,122,721	65,024	26.55%	1,005,096	65,024	26.55%	575,152	-	Affiliates
Darly 2	BenQ Guru Holding Ltd. (GSH)	Hong Kong	Investment and holding activity	121,860	121,860	31,200	50.00%	87,719	31,200	50.00%	(9,074)	-	Affiliates
Darly 2	BMTC	Taiwan	Manufacture and sales of medical consumables and equipment	27,337	27,337	1,590	3.57%	37,708	1,590	3.57%	75,407	-	Affiliates
Darly 2	BES	Taiwan	Energy service	22,250	22,250	1,800	18.00%	3,800	1,800	18.00%	(6,897)	-	Affiliates
Darly 2	PTT	Taiwan	Manufacture, sales, and import and export of POS terminals and peripherals	49,426	49,426	1,648	2.19%	43,067	1,648	2.19%	5,987	-	Affiliates
Darly 2	ZGC	Taiwan	Assembly and sales of gaming electronic products	10	10	1	0.02%	16	1	0.02%	8,362	-	Affiliates
Darly 2	DFI	Taiwan	Manufacture and sales of industrial motherboards and components	596,382	596,382	9,175	8.01%	608,854	9,175	8.01%	630,936	-	Affiliates
Darly 2	Alpha	Taiwan	R & D, manufacture and sale of LAN/MAN, wireless, mobile & broadband, and digital multimedia products	15,885	15,885	795	0.15%	14,206	795	0.15%	238,903	-	Associate
Darly 2	K2	Taiwan	Sale of medical consumable and equipment	44,997	44,997	1,003	7.71%	45,612	1,003	7.71%	23,262	-	Affiliates
Darly 2	DIC	Taiwan	Manufacture and sales of marine display modules	48,000	48,000	3,000	4.32%	53,934	3,000	4.32%	208,749	-	Affiliates
Darly 2	Topview	Taiwan	Manufacture and sales of video surveillance cameras	123,120	-	2,612	9.08%	125,175	2,612	9.08%	64,190	-	Affiliates

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Maximum percentage of ownership during 2019		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
BQE	BenQ UK Limited	UK	Sales of brand-name electronic products	14,800	14,800	-	100.00%	38,127	-	100.00%	12,791	-	Affiliates
BQE	BenQ Deutschland GmbH	Germany	Sales of brand-name electronic products	25,587	25,587	-	100.00%	189,823	-	100.00%	9,215	-	Affiliates
BQE	BenQ Benelux B.V.	The Netherlands	Sales of brand-name electronic products	567	567	-	100.00%	(38,948)	-	100.00%	3,411	-	Affiliates
BQE	BenQ Austria GmbH	Australia	Sales of brand-name electronic products	1,091	1,091	-	100.00%	54,396	-	100.00%	9,316	-	Affiliates
BQE	BenQ Iberica S.L. Unipersonal	Spain	Sales of brand-name electronic products	4,677	4,677	-	100.00%	51,836	-	100.00%	4,405	-	Affiliates
BQE	BenQ Italy S.R.L.	Italy	Sales of brand-name electronic products	92,654	92,654	50	100.00%	28,722	50	100.00%	2,203	-	Affiliates
BQE	BenQ France SAS	France	Sales of brand-name electronic products	2,045	2,045	-	100.00%	(127,815)	-	100.00%	1,838	-	Affiliates
BQE	BenQ Nordic A.B.	Sweden	Sales of brand-name electronic products	445	445	-	100.00%	72,874	-	100.00%	7,022	-	Affiliates
BQE	BenQ LLC.	Russia	Providing administration and management services to affiliates	52	52	-	100.00%	14,090	-	100.00%	(951)	-	Affiliates
BMTC	Asiateconnect	Taiwan	Sales of medical consumables and equipment	21,984	21,984	1,995	99.75%	25,068	1,995	99.75%	130	-	Affiliates
BMTC	Hightview	Samoa	Investment and holding activity	36,211	36,211	1,062	100.00%	8,053	1,062	100.00%	(31)	-	Affiliates
BMTC	LILY	Taiwan	Manufacture and sales of medical consumables and equipment	185,000	185,000	10,000	100.00%	236,028	10,000	100.00%	11,600	-	Affiliates
BMTC	BABD	Taiwan	Manufacture and sales of medical consumables and equipment	88,000	88,000	8,800	88.00%	60,319	8,800	88.00%	4,874	-	Affiliates
BMTC	BHS	Taiwan	Investment and holding activity	100,000	100,000	10,000	100.00%	123,943	10,000	100.00%	22,610	-	Affiliates
BHS	NBHIT	Taiwan	Sales of medical consumables and equipment	59,280	70,200	1,092	52.00%	79,425	1,092	52.00%	46,013	-	Affiliates
PTT	WEBEST	Taiwan	Sales, import and export of electronic products	21,843	21,843	2,500	100.00%	15,393	2,500	100.00%	(2,894)	-	Affiliates
PTT	P&J Investment Holding Co., Ltd. (B.V.I.)	British Virgin Islands	Investment and holding activity	230,307	276,492	5,551	100.00%	172,785	7,051	100.00%	29,021	-	Affiliates
PTT	Partner Tech UK Corp., Ltd.	UK	Sales, import and export of electronic products	43,834	43,834	886	88.60%	33,148	886	88.60%	2,322	-	Affiliates
PTT	Corex (Pty) Ltd.	South Africa	Sales, import and export of electronic products	109,828	109,828	0.329	77.00%	168,741	0.329	77.00%	(32,747)	-	Affiliates
PTT	Partner-Tech Europe GmbH	Germany	Sales, import and export of electronic products	51,451	51,451	(Note 1)	50.02%	92,387	(Note 1)	50.02%	(11,098)	-	Affiliates
PTT	Partner Tech Middle East FZCO	United Arab Emirates	Sales, import and export of electronic products	137,387	137,387	0.099	99.00%	32,446	0.099	99.00%	(16,367)	-	Affiliates
PTT	Epoint Systems Pte. Ltd.	Singapore	R&D and sales of software	27,449	27,449	100	50.10%	32,897	100	50.10%	1,317	-	Affiliates
PTT	PTTN	Taiwan	R&D and sales of software	20,500	20,500	2,050	50.62%	26,051	2,050	50.62%	575	-	Affiliates

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Maximum percentage of ownership during 2019		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
PJT	Partner Tech Africa (Pty) Ltd.	South Africa	Sales, import and export of electronic products	-	22,451	-	-	-	-	140	-	Affiliates	
PTT	Partner Tech North Africa	Morocco	Sales, import and export of electronic products	4,075	4,075	13	58.18%	361	13	58.18%	-	Affiliates	
PTE	Partner Tech UK Corp., Ltd.	UK	Sales, import and export of electronic products	5,640	5,640	114	11.40%	4,496	114	11.40%	2,322	Affiliates	
PTE	Sloga team D.o.o.	Slovenia	Sales, import and export of electronic products	980	980	(Note 1)	90.00%	(15,626)	(Note 1)	90.00%	(746)	Affiliates	
PTE	Retail Solution & System S.L.	Spain	Sales, import and export of electronic products	-	-	(Note 1)	68.00%	1,379	(Note 1)	68.00%	1,094	Affiliates	
PTME	E-POS International LLC.	United Arab Emirates	Sales, import and export of electronic products	2,485	2,485	0.3	100.00%	(57,863)	0.3	100.00%	(653)	Affiliates	
WEBEST	Youpos	Taiwan	R&D and sales of software	6,500	6,500	500	27.03%	2,497	500	27.03%	107	Associate	
WEBEST	PTTN	Taiwan	R&D and sales of software	10	10	1	0.02%	11	1.0	0.02%	575	Affiliates	
WEBEST	Partner Tech North Africa	Morocco	Sales, import and export of electronic products	1	1	0.001	0.005%	-	0.001	0.005%	-	Affiliates	
WEBEST	Partner Tech Middle East FZCO	United Arab Emirates	Sales, import and export of electronic products	1,560	1,560	0.001	1.00%	258	0.001	1.00%	(16,367)	Affiliates	
P&J	P&S Investment Holding Co., Ltd. (B.V.I.)	British Virgin Islands	Investment and holding activity	134,973	181,158	4,560	100.00%	154,300	6,060	100.00%	29,021	Affiliates	
P&J	Corex (Pty) Ltd.	South Africa	Sales, import and export of electronic products	12,157	-	0.096	23.00%	7,685	0.096	23.00%	(32,447)	Affiliates	
P&J	Partner Tech Africa (Pty) Ltd.	South Africa	Sales, import and export of electronic products	-	12,157	-	-	-	-	-	140	Affiliates	
P&S	Partner Tech USA Inc.	USA	Sales, import and export of electronic products	31,593	31,593	1,091	100.00%	72,004	1,091	100.00%	32,906	Affiliates	
DFI	DFI AMERICA, LLC.	USA	Sales of industrial motherboards	254,716	254,716	1,209	100.00%	351,302	1,209	100.00%	22,922	Affiliates	
DFI	Yan Tong Technology Ltd.	Mauritius	Investment and holding activity	187,260	187,260	6,000	100.00%	165,478	6,000	100.00%	8,580	Affiliates	
DFI	DFI Co., Ltd.	Japan	Sales of industrial motherboards	104,489	104,489	6	100.00%	296,505	6	100.00%	27,975	Affiliates	
DFI	Diamond Flower Information (NL) B.V.	The Netherlands	Sales of industrial motherboards	35,219	35,219	12	100.00%	51,044	12	100.00%	14,824	Affiliates	
DFI	Dual-Tech International Co., Ltd.	Hong Kong	Manufacture of industrial motherboards	-	20,223	-	-	-	4,500	100.00%	409	Affiliates	
DFI	AEWIN	Taiwan	Manufacture and sale of industrial motherboards and component	555,000	-	30,000	50.74%	589,564	30,000	50.74%	47,666	Affiliates	
DFI	ACE	Taiwan	Sales of automation mechanical transmission system and component	630,623	-	29,875	26.62%	567,932	29,875	26.62%	(73,817)	Affiliates	
AEWIN	Wise Way	Anguilla	Investment and holding activity	46,129	-	1,500	100.00%	(18,113)	1,500	100.00%	3,315	Affiliates	
AEWIN	Aewin Tech Inc.	USA	Wholesale of computer peripheral products and software	54,990	-	1,760	100.00%	(4,572)	1,760	100.00%	(15,940)	Affiliates	

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Maximum percentage of ownership during 2019		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
Wise Way	Bright Profit	Hong Kong	Investment and holding activity	46,129	-	1,500	100.00%	20,492	1,500	100.00%	3,315	-	Affiliates
ACE	Cyber South	Samoa	Investment and holding activity	107,041	-	4,669	100.00%	551,911	4,669	100.00%	(161,135)	-	Affiliates
ACE	Hong Kong Ace Pillar Enterpris Company Limited	Hong Kong	Sales of automation mechanical transmission system and component	5,120	-	1,200	100.00%	41,833	1,200	100.00%	(2,619)	-	Affiliates
Cyber South	Proton Inc.	Samoa	Investment and holding activity	442,955	-	14,785	100.00%	363,277	14,785	100.00%	(154,373)	-	Affiliates
Cyber South	Ace Tek (HK) Holding Co., Ltd.	Hong Kong	Investment and holding activity	4,938	-	150	100.00%	(2,430)	150	100.00%	(5,761)	-	Affiliates
K2	K2 Medical (Thailand) Co., Ltd.	Thailand	Sales of medical consumables	2,884	2,884	-	49.00%	12,295	-	49.00%	132	-	Affiliates
DIC	Data Image (Mauritius) Corporation	Mauritius	Investment and holding activity	518,381	518,381	20,215	100.00%	225,574	20,215	100.00%	49,161	-	Affiliates
DIC	DMC Components International, LLC.	Orlando, USA	Agency sales	24,304	24,304	300	30.00%	11,016	300	30.00%	(558)	-	Associate
EASC	Expert Alliance Smart Technology Co., Ltd.	Macao	Sales of brand-name electronic products and smart services	381	-	-	100.00%	2,320	-	100.00%	2,162	-	Affiliates
Sysage	Global Intelligence Network Co., Ltd.	Taiwan	Sales of network and information and communication hardware and software	80,080	-	8,200	62.12%	143,371	8,200	62.12%	33,255	-	Affiliates
Sysage	Unisage Digital Co., Ltd.	Taiwan	Manufacture of medical equipment	1,687	-	225	38.01%	2,419	225	38.01%	10	-	Associate
Sysage	Dawning Technology Inc.	Taiwan	Sales of network and information hardware and software	106,018	-	7,280	30.33%	124,136	7,280	30.33%	40,387	-	Affiliates
Sysage	Epic Cloud Information Integration Corporation	Taiwan	Software and data processing services	7,000	-	700	70.00%	6,287	700	70.00%	(989)	-	Affiliates
Ginnet	Dawning Technology Inc.	Taiwan	Sales of network and information hardware and software	44,344	-	3,384	14.10%	58,371	3,384	14.10%	40,387	-	Affiliates
Topview	Messosa	Taiwan	Sales, and import and export of video surveillance cameras	23,879	-	1,945	40.78%	3,144	1,945	40.78%	(4,107)	-	Affiliates
Messosa	Messosa Technologies Inc. (USA)	USA	Sales, and import and export of video surveillance cameras and maintenance services	32,859	-	-	100.00%	19,571	-	100.00%	1,365	-	Affiliates

(Note 1) There was no shares as the company is a limited liability company.

(Note 2) The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

**QISDA CORPORATION AND SUBSIDIARIES**  
**Information on investments in Mainland China**  
**For the year ended December 31, 2019**

(Amounts in thousands of New Taiwan dollars and other currencies, unless specified otherwise)

Table 9

A. Qisda Corporation

1. Information on investments in Mainland China:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2019	Investment Flows		Accumulated Outflow of Investment from December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum percentage of ownership during 2019		Investment Income (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow				Shares	Percentage of Ownership			
Qisda (Suzhou) Co., Ltd. ("QCSZ")	Manufacture of monitors and communication devices	2,227,844 (USD 74,000)	(Note 1)	2,137,526 (USD 71,000)	-	-	2,137,526 (USD 71,000)	724,058	100.00%	-	100.00%	724,058 (Note 3)	9,180,622	-
Qisda Electronics (Suzhou) Co., Ltd. ("QCES")	Manufacture of monitors	355,251 (USD 11,800)	(Note 1)	355,251 (USD 11,800)	-	-	355,251 (USD 11,800)	96,284	100.00%	-	100.00%	96,284 (Note 5)	1,406,298	-
Qisda Optronics (Suzhou) Co., Ltd. ("QCOS")	Manufacture of projectors	375,121 (USD 12,460)	(Note 1)	375,121 (USD 12,460)	-	-	375,121 (USD 12,460)	213,115	100.00%	-	100.00%	213,115 (Note 5)	4,007,613	-
Nanjing BenQ Hospital Co., Ltd. ("NMHT")	Hospital	4,576,564 (USD 152,015)	(Note 1)	4,738,564 (USD 157,396)	-	-	4,738,564 (USD 157,396)	195,529	70.05%	-	70.72%	136,968 (Note 3)	1,354,899	-
Suzhou BenQ Hospital Co., Ltd. ("SMHT")	Hospital	2,596,439 (RMB 601,975)	(Note 1)	2,679,314 (USD 88,996)	-	-	2,679,314 (USD 88,996)	204,982	70.05%	-	70.72%	143,590 (Note 3)	627,126	-
BenQ Hospital Management Consulting (Nanjing) Co., Ltd. ("NMHC")	Medical management consulting	30,106 (USD 1,000)	(Note 1)	30,106 (USD 1,000)	-	-	30,106 (USD 1,000)	(363)	70.05%	-	70.72%	(254) (Note 4)	17,076	-
Qisda (Shanghai) Co., Ltd. ("QCSH")	Manufacture of monitors	2,002,049 (USD 66,500)	(Note 1)	1,445,088 (USD 48,000)	-	-	1,445,088 (USD 48,000)	(11,837)	100.00%	-	100.00%	(11,837) (Note 4)	(1,444,381)	-
Guru Systems (Suzhou) Co., Ltd. ("GSS")	R&D and sales of computer information systems	397,399 (USD 13,200)	(Note 1)	292,028 (USD 9,700)	-	-	292,028 (USD 9,700)	(19,173)	100.00%	-	100.00%	(19,173) (Note 4)	88,557	-
BenQ Co., Ltd. ("BQC")	Lease of real estate	2,408,480 (USD 80,000)	(Note 1)	2,408,480 (USD 80,000)	-	-	2,408,480 (USD 80,000)	314,009	100.00%	-	100.00%	314,009 (Note 3)	2,615,377	-
BenQ Technology (Shanghai) Co., Ltd. ("BQIS")	Sales of brand-name electronic products	30,106 (USD 1,000)	(Note 1)	6,021 (USD 200)	-	-	6,021 (USD 200)	16,448	100.00%	-	100.00%	16,448 (Note 4)	25,102	-
Qisda Precision Industry (Suzhou) Co., Ltd. ("QCPIS")	Manufacture of plastic parts	150,530 (USD 5,000)	(Note 1)	143,004 (USD 4,750)	-	-	143,004 (USD 4,750)	19,023	100.00%	-	100.00%	19,023 (Note 4)	378,961	-
BenQ Medical (Shanghai) Co., Ltd. ("BMSH")	Sale of medical consumable and equipment	40,944 (USD 1,360)	(Note 10)	-	-	-	-	(126)	100.00%	-	100.00%	(126) (Note 4)	37,181	-
ShengCheng Trading(Shanghai) Co., Ltd. ("BQsha EC")	Sales of brand-name electronic products	3,011 (USD 100)	(Note 11)	-	-	-	-	5,620	100.00%	-	100.00%	5,620 (Note 4)	(4,655)	-



Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan		Investment Flows		Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum percentage of ownership during 2019		Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
				January 1, 2019	December 31, 2019	Outflow	Inflow			Shares	Percentage of Ownership		
Suzhou BenQ Investment Co., Ltd. ("BIC")	Investment and holding activity	903,180 (USD 30,000)	(Note 9)	-	-	130	70.05%	91 (Note 4)	70.72%	-	70.72%	583,576	-
BenQ Intelligent Technology (Shanghai) Co., Ltd. ("BQC RO")	Sales and maintenance of electronic products in China market	90,318 (USD 3,000)	(Note 1)	-	-	258,623	100.00%	2,58,623 (Note 3)	100.00%	-	100.00%	383,340	-
Nanjing Silvertown Health & Development Co., Ltd. ("NSHD")	Medical services	431,320 (CNY 100,000)	(Note 1)	-	-	(33,479)	21.02%	(7,037) (Note 4)	70.72%	-	70.72%	288,744 (Note 14)	-
BenQ Biotech (Shanghai) Co., Ltd. ("BBC")	Manufacture and sales of medical consumables and	862,640 (CNY 200,000)	(Note 2)	-	-	(8,906)	70.00%	733,244 (CNY 170,000)	70.00%	-	70.00%	727,685 (Note 4)	-

(Note 1) Indirect investment in Mainland China is through a holding company established in a third country.

(Note 2) Direct investment in Mainland China.

(Note 3) Investment income or loss was recognized based on the audited financial statements issued by International CPA firm that has a cooperative relationship with ROC CPA firm.

(Note 4) Investment income or loss was recognized based on the unaudited financial statements of the company.

(Note 5) Investment income or loss was recognized based on the audited financial statements issued by the auditors of the company.

(Note 6) The amount of QCES reinvestments US\$18,500 thousand were excluded.

(Note 7) The amount of GRHK reinvestments US\$3,500 thousand were excluded.

(Note 8) The amount of QCES reinvestments US\$800 thousand were excluded.

(Note 9) The investment was from the operating capital of BBM.

(Note 10) The reinvestments were from the distribution of dividends of QLLB.

(Note 11) The reinvestments were from the distribution of dividends of BQHK.

(Note 12) NSHD is established by NMH's asset division.

(Note 13) The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.106 and CNY\$1=NT\$4.3132.

(Note 14) The above amounts have been eliminated when preparing the consolidated financial statement, except for NSHD, which was classified as investments accounted for using equity method.

(Note 15) Accounting for investments using equity method.

## 2. Limits on investments in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
15,434,065 (USD 488,302 and CNY 170,000)	17,241,917 (USD 572,707)	(Note 15)

(Note 16) Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limit on investment in Mainland China.

## 3. Significant transactions with investee companies in Mainland China:

The transactions between parent and investee companies in Mainland China have been eliminated when preparing the consolidated financial statements. Please refer to section "Information on Significant Transactions" and "Business relationships and significant intercompany transactions" for detail description.

B. BenQ Material Corporation

1. Information on investments in Mainland China:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019		Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum percentage of ownership during 2019		Investment Income (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
				Outflow	Inflow	Shares	Percentage of Ownership								
BenQ Material (Suzhou) Co., Ltd. ("BMS")	Manufacture of optoelectronics	873,074 (USD29,000)	(Note 1)	-	-	873,074 (USD29,000)	-	873,074 (USD 29,000)	72,205	100.00%	-	72,205 (Note 2)	1,947,662 (Note 6)	-	
Daxon Biomedical (Suzhou) Co., Ltd. ("DTB")	Sales of optoelectronics and medical consumables	47,445 (CNY11,000)	(Note 3)	-	-	-	-	-	(46,150)	100.00%	-	(46,150) (Note 2)	(550) (Note 6)	-	
BenQ Materials (Wuhu) Co., Ltd.	Manufacture and sales of optoelectronics	345,056 (CNY 80,000)	(Note 1)	-	-	172,528 (CNY 40,000)	-	172,528 (CNY 40,000)	(151,771)	100.00%	-	(151,771) (Note 2)	(417,694) (Note 6)	-	
BenQ Materials Medical Supplies (Suzhou) Co., Ltd. ("BMM")	Manufacture and sales of medical consumables and equipment	4,313 (CNY1,000)	(Note 3)	-	-	-	-	-	(27)	100.00%	-	(27) (Note 2)	3,492 (Note 6)	-	
Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ")	Manufacture and sales of medical consumables and equipment	47,929 (USD1,592)	(Note 4)	-	-	47,929 (USD1,592)	-	47,929 (USD1,592)	(6,018)	100.00%	-	(6,018) (Note 2)	41,472 (Note 6)	-	

2. Limits on investments in Mainland China:

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
BMC	1,045,602 (USD29,000 and CNY40,000)	1,157,530 (USD29,000 and CNY65,950)	(Note 8)
SMS	47,929 (USD1,592)	47,929 (USD1,592)	232,346

(Note 1) Indirect investment in Mainland China is through a holding company established in a third country.

(Note 2) Investment income or loss was recognized based on the audited financial statements issued by the auditors of BMC.

(Note 3) The reinvestments were from the distribution of dividends of BMLB.

(Note 4) Direct investment in Mainland China.

(Note 5) The amount of BMLB reinvestments CNY\$10,950 thousand were excluded.

(Note 6) The above amounts have been eliminated when preparing the consolidated financial statements.

(Note 7) The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.106 and CNY\$1=NT\$4.3132.

(Note 8) Since BenQ Material Corporation has obtained the Certificate of Headquarter Operation, there is no upper limit on investment in Mainland China.

3. Significant transactions with investee companies in Mainland China:

The transactions between BMC and its investee companies in Mainland China have been eliminated when preparing the consolidated financial statements. Please refer to section "Information on Significant Transactions" and "Business relationships and significant intercompany transactions" for detail description.

C. BenQ Medical Technology Corp.

1. Information on investments in Mainland China

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of		Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum percentage of ownership during 2019		Investment Income (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
				January 1, 2019	December 31, 2019	Outflow	Inflow				Shares	Percentage of Ownership			
BenQ Medical Technology (Shanghai) Ltd. ("BMTS")	Agency of international and entrepot trade business	30,106 (USD 1,000)	(Note 1)	30,106 (USD 1,000)	-	-	-	30,106 (USD 1,000)	5	100.00%	(Note 4)	100.00%	5	9,175 (Note 3)	-
LILY Medical (Suzhou) Co., Ltd. (ALS)	Sales of medical consumables and equipment	6,322 (USD 210)	(Note 2)	6,322 (USD 210)	-	-	-	6,322 (USD 210)	25	100.00%	(Note 4)	100.00%	25	3,221 (Note 3)	-
TDX Medical Technology (Jiangsu) Co., Ltd.	Sales of medical consumables and equipment	86,264 (CNY 20,000)	(Note 2)	34,506 (CNY 8,000)	-	-	-	34,506 (CNY 8,000)	(3,618)	40.00%	(Note 4)	40.00%	(1,447)	25,675	-

(Note 1) Indirect investment in Mainland China is through a holding company established in a third country.

(Note 2) Direct investment in Mainland China.

(Note 3) The above amounts have been eliminated when preparing the consolidated financial statements.

(Note 4) There was no shares as the investee company is a limited liability company.

(Note 5) The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.106 and CNY\$1 = NT\$4.3132.

2. Limits on investments in Mainland China:

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
BMTC	64,612 (USD 1,000 and CNY 8,000)	85,110 (USD 2,827)	630,138
LILY	6,322 (USD 210)	6,332 (USD 210)	105,788

3. Significant transactions with investee companies in Mainland China:

The transactions between BMTC and its investee companies in Mainland China have been eliminated when preparing the consolidated financial statements. Please refer to section "Information on Significant Transactions" and "Business relationships and significant intercompany transactions" for detail description.

D. Partner Tech Corp.

1. Information on investments in Mainland China

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of		Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum Percentage of ownership during 2019		Investment Income (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
				January 1, 2019	December 31, 2019	Outflow	Inflow				Shares	Ownership			
Partner Tech (Shanghai) Co., Ltd. ("PTCM")	Sales, import and export of electronic products	105,371 (USD 3,500)	(Note 1)	150,530 (USD 5,000)	45,159	-	45,159	105,371	(3,884)	100.00%	-	100%	(3,884)	82,269	-
Xiamen Xinchuan Software Technology Co., Ltd. ("PTTNC")	Sales, import and export of electronic products	-	(Note 2)	1,084 (USD 36)	(542)	-	(542)	(USD 3,500)	235	100.00%	-	100%	235	-	-

(Note 1) Indirect investment in Mainland China is through a holding company established in a third country.

(Note 2) Direct investment in Mainland China.

(Note 3) Investment income or loss was recognized based on the audited financial statements issued by International CPA firm that has a cooperative relationship with ROC CPA firm.

(Note 4) Investment income or loss was recognized based on the unaudited financial statements.

(Note 5) PTTNC was liquidated in 2019, and US \$18 thousand was remitted in flows.

(Note 6) The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.106.

(Note 7) The above amounts have been eliminated when preparing the consolidated financial statements.

2. Limits on investments in Mainland China:

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
PTT	105,371 (USD 5,000)	207,912 (USD 6,906)	576,103

3. Significant transactions with investee companies in Mainland China:

The transactions between PTT and its investee companies in Mainland China have been eliminated when preparing the consolidated financial statements. Please refer to section "Information on Significant Transactions" and "Business relationships and significant intercompany transactions" for detail description.

## E. DFI Inc.

## 1. Information on investments in Mainland China

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2019	Investment Flows		Accumulated Outflow of Investment from December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum percentage of ownership during 2019		Investment Income (Loss)	Carrying Value as of December 31, 2019 (Note 11)	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow				Shares	Percentage of Ownership			
Yan Tong Infotech (Dongguan) Co., Ltd. ("DYTI")	Manufacture and sales of industrial motherboards and component	75,265	(Note 1)	-	-	-	-	1,356	100.00%	-	100.00%	1,356 (Note 4)	56,199	33,306
Yan Ying Hao Trading (ShenZhen) Co., Ltd. ("DYTH")	Wholesale, import and export of industrial motherboards and component	15,053	(Note 1)	-	-	-	-	8,269	100.00%	-	100.00%	8,269 (Note 4)	21,248	-
Aewin Beijing Technologies Co., Ltd.	Wholesale of computer peripheral products and software	46,129	(Note 1)	46,129	-	-	46,129	3,315	50.74%	-	51.26%	11,313 (Note 5)	20,492	-
Aewin (Shenzhen) Technologies Co., Ltd.	Wholesale of computer peripheral products and software	-	(Note 3)	-	-	-	-	(3,193)	50.74%	-	51.26%	(2,391) (Note 5)	167	-
Tianjin Ace Pillar Co., Ltd.	Sales of automation mechanical transmission system and component	861,032 (USD 28,600)	(Note 1 and 2)	58,707 (USD 1,950)	-	-	58,707 (USD 1,950)	(194,491)	26.62%	-	26.62%	(55,571) (Note 6)	330,209	125,533
Grace Transmission (Tianjin) Co., Ltd.	Manufacture of automation mechanical transmission system and component	7,203 (CNY 1,670)	(Note 1)	4,817 (USD 160)	-	-	4,817 (USD 160)	(4,225)	26.62%	-	26.62%	(4,510) (Note 6)	37,149	-
Advancedtek Ace (TI) Inc.	Electronic system integration	9,032 (USD 300)	(Note 1)	4,516 (USD 150)	-	-	4,516 (USD 150)	(5,762)	26.62%	-	26.62%	(5,126) (Note 6)	(2,675)	-
Suzhou Super Pillar Automation Equipment Co., Ltd.	Manufacture of automation mechanical transmission system and component	43,654 (USD 1,450)	(Note 1)	-	-	-	-	5,295	26.62%	-	26.62%	830 (Note 6)	76,300	-
Xuchang Ace AI Equipment Co., Ltd.	Wholesale of industrial robot and component	9,032 (USD 300)	(Note 1)	-	-	-	-	(4,047)	26.62%	-	26.62%	(3,152) (Note 6)	4,187	-

## 2. Limits on investments in Mainland China:

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
DFI	- (Note 7)	62,771 (USD 2,085) (Note 9 and 10)	3,105,913 (Note 8)
AEW	46,129 (USD 1,500)	60,212 (USD 2,000)	677,141 (Note 8)
ACE	154,113 (USD 5,119)	154,113 (USD 5,119)	1,154,686 (Note 8)

(Note 1)

Indirect investment in Mainland China is through a holding company established in a third country.

- (Note 2) 21.04% ownership of Tianjin Ace Pillar Co., Ltd. is directly invested by ACE, and 78.96% ownership of Tianjin Ace Pillar Co., Ltd. is indirectly invested by Proton Inc. established in a third country.
- (Note 3) Invested in Mainland China through Acwin Beijing Technologies Co., Ltd..
- (Note 4) Investment income or loss was recognized based on the audited financial statements by the auditors of DFI.
- (Note 5) Investment income or loss was recognized based on the audited financial statements by the auditors of AEWIN.
- (Note 6) The reinvestments and authorized amount of DFI's subsidiaries is excluded from DFI's accumulated investment amounts by the auditors of ACE.
- (Note 7) Pursuant to "Principle of Investment or Technical Cooperation in Mainland China", investment amounts in Mainland China shall not exceed the 60% net worth of the company.
- (Note 8) The investment amount of Dongguan Ri Tong Trading Co., Ltd. that has been liquidated was approved by Investment Commission, MOEA in August 2014 and had been deducted in the investment amount.
- (Note 9) The earnings that has been remitted to DFI by DYTII was approved by the Investment Commission of the MOEA in February 2017 and had been deducted in the investment amount.
- (Note 10) The above amounts have been eliminated when preparing the consolidated financial statements.
- (Note 11) The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.106 and CNY\$1=NT\$4.3132.
- (Note 12)

### 3. Significant transactions with investee companies in Mainland China:

The transactions between DFI and its investee companies in Mainland China have been eliminated when preparing the consolidated financial statements. Please refer to section "Information on Significant Transactions" and "Business relationships and significant intercompany transactions" for detail description.

F. Data Image Corporation

1. Information on investments in Mainland China

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2019	Investment Flows		Accumulated Outflow of Investment from December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum percentage of ownership during 2019		Investment Income (Loss) (Note 3)	Carrying Value as of December 31, 2019 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow				Shares	Percentage of Ownership			
Data Image (Suzhou) Corporation	Manufacture and sales of LCD	534,081 (USD)16,300	(Note 1)	511,884 (USD)15,654	-	-	511,884 (USD)15,654	49,272 (CNY)11,224	100.00%	-	100.00%	49,272	233,432	-

2. Limits on investments in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
USD 15,654	USD 16,952	630,876 (Note 4)

(Note 1) Indirect investment in Mainland China is through a holding company established in a third country.

(Note 2) The above amounts have been eliminated when preparing the consolidated financial statements.

(Note 3) Investment income or loss was recognized based on the audited financial statements issued by the auditors of DIC.

(Note 4) Investment amounts in Mainland China shall not exceed the 60% net worth of DIC according to MOEA letter No. 09704604680.

3. Significant transactions with investee companies in Mainland China:

The transactions between DIC and its investee companies in Mainland China have been eliminated when preparing the consolidated financial statements. Please refer to section "Information on Significant Transactions" and "Business relationships and significant intercompany transactions" for detail description.

G. K2 International Medica Inc.

1. Information on investments in Mainland China

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (USD 1,250)	Method of Investment (Note 1)	Accumulated Outflow of Investment from January 1, 2019 (USD 800)	Investment Flows		Accumulated Outflow of Investment from December 31, 2019 (USD 800)	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum percentage of ownership during 2019		Investment Income (Loss) (Note 3)	Carrying Value as of December 31, 2019 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow				Shares	Percentage of Ownership			
K2 (Shanghai) International Medical Inc.	Sales of medical consumables	37,633 (USD 1,250)	(Note 1)	24,085 (USD 800)	-	-	24,085 (USD 800)	10,542	60.10%	-	60.10%	6,336	27,118	-

2. Limits on investments in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
24,085 (USD 800)	24,085 (USD 800)	193,308 (Note 4)

(Note 1) Direct investment in Mainland China.

(Note 2) The above amounts have been eliminated when preparing the consolidated financial statements.

(Note 3) Investment income or loss was recognized based on the unaudited financial statements of the company.

(Note 4) Investment amounts in Mainland China shall not exceed the 60% net worth of K2 according to MOEA letter No. 09704604680.

(Note 5) The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.106.

3. Significant transactions with investee companies in Mainland China:

The transactions between K2 and its investee companies in Mainland China have been eliminated when preparing the consolidated financial statements. Please refer to section "Information on Significant Transactions" and "Business relationships and significant intercompany transactions" for detail description.



**QISDA CORPORATION**

**Parent-Company-Only Financial Statements  
With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

Address: No. 157, Shan-Ying road, Gueishan, Taoyuan, Taiwan  
Telephone: 886-3-359-8800

The independent auditors' report and the accompanying parent-company-only 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' report and parent-company-only financial statements, the Chinese version shall prevail.

## Independent Auditors' Report

The Board of Directors of Qisda Corporation:

### Opinion

We have audited the parent-company-only financial statements of Qisda Corporation (the "Company"), which comprise the parent-company-only balance sheets as of December 31, 2019 and 2018, and the parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the paragraph on Other Matter of our report), the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit of the parent-company-only financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the parent-company-only financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the paragraph on the Auditors' Responsibilities for the Audit of the parent-company-only Financial Statements of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent-company-only financial statements for the year ended December 31, 2019 are stated as follows:

#### 1. Revenue recognition

Please refer to notes 4(o) and 6(t) for the accounting policy on revenue recognition and "Revenue" for the related disclosures, respectively, of the notes to the parent-company-only financial statements.

Description of key audit matter:

The Company recognizes its revenue depending on the various trade terms in each individual sale transaction and service rendered, which are considered to be complex in determining the timing of revenue recognition. Therefore, revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matters above, our principal audit procedures included testing the design and operating effectiveness of the Company's internal controls over financial reporting in the sales and collection cycle; assessing whether revenue is recognized based on the trade terms with customers through reviewing the related sales contracts or other trade documents; performing a sample test on the sales transactions that took place before and after the balance sheet date to determine whether the performance obligation has been satisfied by transferring control over the goods or services to a customer, and assessing the accuracy of the timing of revenue recognition; reviewing and understanding the reasonableness for any identified significant sales returns and allowances that took place after the balance sheet date, as well as assessing the completeness of the revenue and related sales returns and allowances.

2. Valuation of inventories

Please refer to notes 4(g), 5 and 6(f) for the inventory accounting policy, "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation, and "Inventories" for the related disclosures, respectively, of the notes to the parent-company-only financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environments in the electronic industry, the life cycle of certain products of the Company are short and their market prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the inventory of aging report and analyzing the fluctuation of inventory aging; selecting samples to verify the accuracy of the net realizable value of inventories and inventory aging report prepared by the Company; evaluating whether valuation of inventories was accounted for in accordance with the Company's accounting policies; and assessing the historical reasonableness of management's estimates on inventory provisions.

3. Acquisition of subsidiaries

Please refer to notes 4(r) and 6(g) for the accounting policy on business combination, and the related disclosures on acquisition of subsidiaries, respectively, of the notes to the parent-company-only financial statements.

Description of key audit matter:

The Company acquired 35.04% ownership of Sysage Technology Co., Ltd in 2019, wherein the Company owned more than half of its total number of directors. Therefore, the Company obtained control over it. To adopt the accounting treatment of business combination, the management needs to determine the fair value of the identifiable assets and liabilities. The assessment is complex and involves significant assumptions and estimation. Accordingly, the assessment of acquisition of subsidiaries has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the purchase price allocation report with valuation on intangible assets, conducted by an external expert engaged by the management; and auditing the acquired assets and liabilities identified by the management including any fair value adjustment at the acquisition date. In doing so, we have consulted internal valuation specialists to assist in evaluating the reasonableness of the valuation model and key assumptions used. We have also confirmed that correct accounting treatment has been applied and appropriate disclosures with respect to the acquisition has been made.

4. Assessment of impairment of goodwill from investments in subsidiaries

Please refer to notes 4(m), 5 and 6(g) for the accounting policy on impairment of non-financial assets, “Critical accounting judgments and key sources of estimation uncertainty”, for the estimation uncertainty of impairment of goodwill, and “Investments accounted for using the equity method,” and for the related disclosures, respectively, of the notes to the parent-company-only financial statements.

Description of key audit matter:

Goodwill arising from acquisition of subsidiaries, which are included in the carrying amount of investments accounted for using the equity method. Goodwill are annually subject to impairment test or when there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill involves management’s judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the assessment of goodwill impairment provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of key assumptions and results; and assessing the adequacy of the Company’s disclosures with respect to the related information.

**Other Matter**

We did not audit the financial statements of certain investees accounted for using the equity method of the Company. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those investees, is based solely on the report of other auditors. Those investments accounted for using the equity method amounted to NT\$4,756,920 thousand and NT\$4,396,476 thousand, respectively, constituting 5.64% and 5.41%, respectively, of the total assets as of December 31, 2019 and 2018, and the related shares of profit of subsidiaries, associates and joint ventures amounted to NT\$366,655 thousand and NT\$251,381 thousand, respectively, constituting 9.54% and 5.84%, respectively, of the total income before income tax for the years ended December 31, 2019 and 2018.

**Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Chieh Tang and Huei-Chen Chang.

KPMG

Taipei, Taiwan (Republic of China)  
March 27, 2020

#### **Notes to Readers**

The accompanying parent-company-only financial statements are intended only to present the 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 parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent-company-only 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' audit report and parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)  
**QISDA CORPORATION**

**Parent-Company-Only Balance Sheets**  
**December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 1,052,856	1	1,127,971	1
1110 Financial assets at fair value through profit or loss – current (note 6(b))	37,441	-	13,749	-
1170 Notes and accounts receivable, net (notes 6(d) and (t))	10,926,651	13	10,198,272	13
1181 Notes and accounts receivable from related parties (notes 6(d) and (t) and 7)	14,778,027	18	16,720,699	21
1200 Other receivables (notes 6(d) and (c))	819	-	226,656	-
1210 Other receivables from related parties (notes 6(e) and 7)	1,448	-	-	-
130X Inventories (note 6(f))	5,145,732	6	4,283,816	5
1470 Other current assets	136,605	-	99,927	-
<b>Total current assets</b>	<b>32,079,579</b>	<b>38</b>	<b>32,671,090</b>	<b>40</b>
<b>Non-current assets:</b>				
1520 Financial assets at fair value through other comprehensive income – non-current (note 6(c))	48,438	-	33,750	-
1550 Investments accounted for using the equity method (notes 6(e) and 8)	49,095,776	58	46,312,026	57
1600 Property, plant and equipment (notes 6(h) and 8)	1,519,417	2	1,481,977	2
1755 Right-of-use assets (note 6(i))	940,549	1	-	-
1780 Intangible assets (note 6(j))	10,851	-	6,595	-
1840 Deferred income tax assets (note 6(q))	517,564	1	706,171	1
1990 Other non-current assets	21,198	-	29,591	-
1980 Other financial assets – non-current	40,222	-	42,078	-
<b>Total non-current assets</b>	<b>52,194,015</b>	<b>62</b>	<b>48,612,188</b>	<b>60</b>
<b>Total assets</b>	<b>\$ 84,273,594</b>	<b>100</b>	<b>\$ 81,283,278</b>	<b>100</b>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
Short-term borrowings (note 6(k))	\$ 7,190,000	9	5,150,000	7
Financial liabilities at fair value through profit or loss – current (note 6(b))	-	-	2,388	-
Contract liabilities – current (note 6(t))	252,903	-	384,821	1
Notes and accounts payable	1,314,927	2	2,081,679	3
Accounts payable to related parties (note 7)	25,741,413	31	24,522,696	30
Other payables (note 6(u))	1,780,866	2	1,862,729	2
Other payables to related parties (note 7)	9,931	-	6,738	-
Current portion of long-term debt (notes 6(l) and 8)	100,000	-	1,900,000	2
Lease liabilities – current (note 6(m))	111,584	-	-	-
Lease liabilities to related parties – current (notes 6(m) and 7)	4,770	-	-	-
Provisions – current (note 6(n))	21,516	-	20,445	-
Other current liabilities	1,175,263	1	1,098,814	1
<b>Total current liabilities</b>	<b>37,703,173</b>	<b>45</b>	<b>37,030,310</b>	<b>46</b>
<b>Non-current liabilities:</b>				
Long-term debt (notes 6(l) and 8)	11,347,582	14	11,371,325	14
Lease liabilities – non-current (note 6(m))	867,105	1	-	-
Lease liabilities to related parties – non-current (notes 6(m) and 7)	4,448	-	-	-
Provisions – non-current (note 6(n))	82,009	-	85,381	-
Deferred income tax liabilities (note 6(q))	10,292	-	2,479	-
Other non-current liabilities (note 6(p))	315,026	-	346,464	-
<b>Total non-current liabilities</b>	<b>12,626,462</b>	<b>15</b>	<b>11,805,649</b>	<b>14</b>
<b>Total liabilities</b>	<b>50,329,635</b>	<b>60</b>	<b>48,835,959</b>	<b>60</b>
<b>Equity (note 6(r)):</b>				
Common stock	19,667,820	23	19,667,820	24
Capital surplus	2,220,653	3	2,146,076	3
Retained earnings	12,663,994	15	10,801,845	13
Other equity	(608,508)	(1)	(168,422)	-
<b>Total equity</b>	<b>33,943,959</b>	<b>40</b>	<b>32,447,319</b>	<b>40</b>
<b>Total liabilities and equity</b>	<b>\$ 84,273,594</b>	<b>100</b>	<b>\$ 81,283,278</b>	<b>100</b>

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**QISDA CORPORATION**

**Parent-Company-Only Statements of Comprehensive Income**

**For the years ended December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2019		2018	
		Amount	%	Amount	%
4000	<b>Operating revenues (notes 6(t) and 7)</b>	\$ 98,496,920	100	99,033,057	100
5000	<b>Operating costs (notes 6(f), (h), (i), (j), (m), (n), (o), (p) and (u) and 7 and 12)</b>	<u>(92,860,543)</u>	<u>(94)</u>	<u>(94,213,796)</u>	<u>(95)</u>
	<b>Gross profit</b>	5,636,377	6	4,819,261	5
5910	Unrealized profit on sales to subsidiaries, associated and joint ventures	<u>(89,249)</u>	<u>-</u>	<u>(71,557)</u>	<u>-</u>
	<b>Realized gross profit</b>	<u>5,547,128</u>	<u>6</u>	<u>4,747,704</u>	<u>5</u>
	<b>Operating expenses (notes 6(d), (h), (i), (j), (m), (o), (p) and (u) and 7 and 12):</b>				
6100	Selling expenses	(1,094,220)	(1)	(1,022,710)	(1)
6200	Administrative expenses	(672,893)	(1)	(513,183)	(1)
6300	Research and development expenses	(1,980,680)	(2)	(2,045,683)	(2)
6450	Expected credit losses	<u>(4,033)</u>	<u>-</u>	<u>(22,897)</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>(3,751,826)</u>	<u>(4)</u>	<u>(3,604,473)</u>	<u>(4)</u>
	<b>Operating income</b>	<u>1,795,302</u>	<u>2</u>	<u>1,143,231</u>	<u>1</u>
	<b>Non-operating income and loss:</b>				
7010	Other income (notes 6(o) and (v) and 7)	173,968	-	31,847	-
7020	Other gains and losses — net (notes 6(g), (v) and (x))	242,948	-	43,850	-
7050	Finance costs (notes 6(m) and (v) and 7)	(434,209)	-	(362,611)	-
7375	Share of profit of subsidiaries, associates and joint ventures (note 6(g))	<u>2,062,876</u>	<u>2</u>	<u>3,448,279</u>	<u>3</u>
	<b>Total non-operating income and loss</b>	<u>2,045,583</u>	<u>2</u>	<u>3,161,365</u>	<u>3</u>
	<b>Income before income tax</b>	3,840,885	4	4,304,596	4
7950	<b>Income tax expense (note 6(q))</b>	<u>(265,830)</u>	<u>-</u>	<u>(269,532)</u>	<u>-</u>
	<b>Net income</b>	<u>3,575,055</u>	<u>4</u>	<u>4,035,064</u>	<u>4</u>
	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8311	Remeasurements of defined benefit plans (notes 6(p) and (r))	(21,181)	-	(39,077)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note (r))	14,688	-	(1,250)	-
8320	Share of other comprehensive income of subsidiaries, associates and joint ventures (notes 6(g) and (r))	356,926	-	7,079	-
8349	Less: income tax related to items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>350,433</u>	<u>-</u>	<u>(33,248)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign operations (note 6(r))	(785,841)	(1)	248,819	-
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(785,841)</u>	<u>(1)</u>	<u>248,819</u>	<u>-</u>
	<b>Other comprehensive income for the year, net of income tax</b>	<u>(435,408)</u>	<u>(1)</u>	<u>215,571</u>	<u>-</u>
	<b>Total comprehensive income for the year</b>	<u>\$ 3,139,647</u>	<u>3</u>	<u>4,250,635</u>	<u>4</u>
	<b>Earnings per share (in New Taiwan dollars) (note 6(s)):</b>				
9750	Basic earnings per share	<u>\$ 1.82</u>		<u>2.05</u>	
9850	Diluted earnings per share	<u>\$ 1.80</u>		<u>2.03</u>	

See accompanying notes to parent-company-only financial statements.



(English Translation of Financial Statements Originally Issued in Chinese)  
QISDA CORPORATION

Parent-Company-Only Statements of Changes in Equity  
For the years ended December 31, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			Total other equity interest				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total retained earnings	Foreign currency translation differences	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Remeasurements of defined benefit plans	Total other equity interest	Total equity
<b>Balance at January 1, 2018</b>	\$ 19,667,820	2,173,633	893,834	-	8,607,603	9,501,437	(120,490)	-	30,366	(293,856)	(383,980)	30,958,910
Effects of retrospective application	-	-	-	-	(79,500)	(79,500)	-	30,353	(30,366)	-	(13)	(79,513)
Restated balance at January 1, 2018	19,667,820	2,173,633	893,834	-	8,528,103	9,421,937	(120,490)	30,353	-	(293,856)	(383,993)	30,879,397
Net income in 2018	-	-	-	-	4,035,064	4,035,064	-	-	-	-	-	4,035,064
Other comprehensive income in 2018	-	-	-	-	-	-	248,819	16,637	-	(49,885)	215,571	215,571
Total comprehensive income in 2018	-	-	-	-	4,035,064	4,035,064	248,819	16,637	-	(49,885)	215,571	4,250,635
Appropriation of earnings:												
Legal reserve	-	-	529,139	-	(529,139)	-	-	-	-	-	-	-
Special reserve	-	-	-	383,979	(383,979)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(2,655,156)	(2,655,156)	-	-	-	-	-	(2,655,156)
Changes in equity of subsidiaries, associates and joint ventures accounted for using the equity method	-	15,073	-	-	-	-	-	-	-	-	-	15,073
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	(42,630)	-	-	-	-	-	-	-	-	-	(42,630)
<b>Balance at December 31, 2018</b>	19,667,820	2,146,076	1,422,973	383,979	8,994,893	10,801,845	128,329	46,990	-	(343,741)	(168,422)	32,447,319
Effects of retrospective application	-	-	-	-	(45,819)	(45,819)	-	-	-	-	-	(45,819)
Restated balance at January 1, 2019	19,667,820	2,146,076	1,422,973	383,979	8,949,074	10,756,026	128,329	46,990	-	(343,741)	(168,422)	32,401,500
Net income in 2019	-	-	-	-	3,575,055	3,575,055	(785,841)	367,740	-	(17,307)	(435,408)	3,575,055
Other comprehensive income in 2019	-	-	-	-	-	-	(785,841)	367,740	-	(17,307)	(435,408)	(435,408)
Total comprehensive income in 2019	-	-	-	-	3,575,055	3,575,055	(785,841)	367,740	-	(17,307)	(435,408)	3,139,647
Appropriation of earnings:												
Legal reserve	-	-	403,506	-	(403,506)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(215,557)	215,557	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(1,671,765)	(1,671,765)	-	-	-	-	-	(1,671,765)
Changes in equity of subsidiaries, associates and joint ventures accounted for using the equity method	-	64,335	-	-	-	-	-	-	-	-	-	64,335
Disposal of subsidiaries' financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	(4,678)	-	-	(4,678)	-
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	10,242	-	-	-	-	-	-	-	-	-	10,242
<b>Balance at December 31, 2019</b>	\$ 19,667,820	2,220,653	1,826,479	168,422	10,669,093	12,663,994	(657,512)	410,052	-	(361,048)	(608,508)	33,943,959

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**QISDA CORPORATION**

**Parent-Company-Only Statements of Cash Flows**

**For the years ended December 31, 2019 and 2018**

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

	2019	2018
<b>Cash flows from operating activities:</b>		
<b>Income before income tax</b>	\$ 3,840,885	4,304,596
<b>Adjustments for:</b>		
<b>Adjustments to reconcile profit or loss:</b>		
Depreciation	209,757	77,951
Amortization	13,877	4,839
Expected credit loss	4,033	22,897
Interest expense	434,209	362,611
Interest income	(19,759)	(17,192)
Dividend income	(2,250)	(1,250)
Share of profits of subsidiaries, associates and joint ventures	(2,062,876)	(3,448,279)
Loss (gain) on disposal of property, plant and equipment	(1,485)	621
Gain on disposal of investments	(19,175)	-
Gain on bargain purchase	(20,958)	-
Unrealized profit on sales to subsidiaries, associates and joint ventures	89,249	71,557
Total adjustments to reconcile profit	(1,375,378)	(2,926,245)
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in financial assets at fair value through profit or loss	(23,692)	(11,925)
Decrease (increase) in notes and accounts receivable	(732,412)	1,030,601
Decrease (increase) in notes and accounts receivable from related parties	1,942,672	(2,480,265)
Decrease (increase) in other receivable	225,837	(226,483)
Decrease (increase) in other receivable from related parties	(1,448)	1,180
Increase in inventories	(861,916)	(902,265)
Increase in other current assets	(36,678)	(35,556)
Increase in other non-current assets	(4,144)	(10,227)
Net changes in operating assets	508,219	(2,634,940)
<b>Changes in operating liabilities:</b>		
Decrease in financial liabilities at fair value through profit or loss	(2,388)	(12,462)
Decrease in notes and accounts payable	(766,752)	(12,871)
Increase (decrease) in accounts payable to related parties	1,218,717	(93,318)
Increase (decrease) in other payable to related parties	3,193	(338)
Decrease in provisions	(2,301)	(11,636)
Increase (decrease) in contract liabilities	(131,918)	74,975
Increase (decrease) in other payables and other current liabilities	76,748	(228,783)
Decrease in other non-current liabilities	(52,619)	(18,049)
Net changes in operating liabilities	342,680	(302,482)
Total changes in operating assets and liabilities	850,899	(2,937,422)
Total adjustments	(524,479)	(5,863,667)
Cash provided by (used in) operations	3,316,406	(1,559,071)
Interest received	19,759	17,332
Dividends received	2,324,826	2,650,125
Interest paid	(428,178)	(345,460)
Income taxes paid	(122,729)	(92,578)
<b>Net cash provided by operating activities</b>	5,110,084	670,348

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**QISDA CORPORATION**

**Parent-Company-Only Statements of Cash Flows (Continued)**

**For the years ended December 31, 2019 and 2018**

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

	<b>2019</b>	<b>2018</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments accounted for using the equity method	(3,473,583)	(2,681,134)
Proceeds from investees' capital reduction	2,628	244,658
Additions to property, plant and equipment	(125,035)	(71,592)
Proceeds from disposal of property, plant and equipment	6,943	4,200
Additions to intangible assets	(18,133)	(3,503)
Decrease (increase) in other financial assets	1,856	(5,114)
<b>Net cash flows used in investing activities</b>	<b>(3,605,324)</b>	<b>(2,512,485)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	2,040,000	(677,600)
Increase in long-term debt	16,835,882	12,208,525
Repayments of long-term debt	(18,659,625)	(7,700,000)
Payment of lease liabilities	(124,367)	-
Cash dividends distributed to shareholders	(1,671,765)	(2,655,156)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,579,875)</b>	<b>1,175,769</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(75,115)</b>	<b>(666,368)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,127,971</b>	<b>1,794,339</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,052,856</b>	<b>1,127,971</b>

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

**QISDA CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. Organization and business**

Qisda Corporation (the “Company”) was incorporated on April 21, 1984, as a company limited by shares under the laws of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No. 157, Shan-Ying Road, Gueishan, Taoyuan, Taiwan. The Company is engaged in the sales, manufacturing and services of high-end monitors and opto-mechatronics products.

**2. Authorization of the parent-company-only financial statements:**

These parent-company-only financial statements were authorized for issue by the Board of Directors on March 27, 2020.

**3. Application of New and Revised Accounting Standards and Interpretations**

- (a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”).

In preparing the accompanying parent-company-only financial statements, the Company has adopted the following International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), and Interpretations that have been issued by the International Accounting Standards Board (“IASB”) (collectively, “IFRSs”) and endorsed by the FSC, with effective date from January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the initial application of the above IFRSs did not have any material impact on the parent-company-only financial statements. The extent and impact of changes are as follows:

- (i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

## QISDA CORPORATION

### Notes to the Financial Statements

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The extent and impact of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(k).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of transportation equipment. For leases previously classified as operating leases under IAS 17, at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

In addition, the Company applied the following practical expedients upon transition to IFRS 16.

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognize the right-of-use assets and lease liabilities for leases with lease term that ends within 12 months at the date of initial application;
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- Used hindsight to determine the lease term while the contract contains options to extend or terminate the lease.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognized \$1,058,558 of right-of-use assets and \$1,102,663 of lease liabilities, as well as investments accounted for using the equity method to decrease by \$24,049 and rental payable to decrease by \$22,335 and retained earnings to decrease by \$45,819, respectively, at January 1, 2019. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate. The weighted-average rate applied is 1.80%.

The reconciliation between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized at the date of initial application as follows:

	<b>January 1, 2019</b>
Operating lease commitment at December 31, 2018 as disclosed in the Company's parent-company-only financial statements	\$ <u><u>1,192,284</u></u>
Discounted amount using the incremental borrowing rate at January 1, 2019 (Lease liabilities recognized at January 1, 2019)	\$ <u><u>1,102,663</u></u>

(b) Impact of IFRS endorsed by FSC but not yet in effect

According to Ruling No. 1080323028 issued by the FSC on July 29, 2019, commencing from 2020, the Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from January 1, 2020. The related new, revised or amended standards and interpretations are set out below:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(c) Impact of IFRS issued by IASB but not yet endorsed by the FSC

A summary of new and amended standards issued by the IASB but not yet endorsed by the FSC is set out below:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Those which may be relevant to the Company are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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

**4. Summary of significant accounting policies:**

The significant accounting policies presented in the financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

The Company’s accompanying parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(b) Basis of preparation

(i) Basis of measurement

The accompanying parent-company-only financial statements have been prepared on a historical cost basis except for the following items:

- 1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
- 2) Financial assets measured at fair value through other comprehensive income; and
- 3) Net defined benefit liabilities (assets) are recognized as the present value of the defined benefit obligation less the fair value of the plan assets and the effect of the asset ceiling mentioned in note 4(p).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The Company's parent-company-only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Company's parent-company-only financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Company's financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

(Continued)



**QISDA CORPORATION**  
**Notes to the Financial Statements**

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is reclassified to profit or loss. In the case of a partial disposal that does not result in the Company losing control over a subsidiary, the proportionate share of the accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Company's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

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

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

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(f) Financial instruments

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

(i) Financial assets

On initial recognition, financial assets are classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). A regular way purchases or sales of financial assets is recognized or derecognized on a trade-date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing its financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Financial assets measured at fair value through other comprehensive income

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

## QISDA CORPORATION

### Notes to the Financial Statements

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present the subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive the dividends is established (usually the ex-dividend date).

3) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend and interest income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

5) Impairment of financial assets

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

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

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

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

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

6) Derecognition of financial assets

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

The Company enters into transactions whereby it transfers assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets; in these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received, less, the direct issuing cost.

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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

3) Derecognition of financial liabilities

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

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

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments

Derivative financial instruments are held to hedge the Company's foreign currency exposures. Derivatives are initially measured at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in non-operating income and loss. If the valuation of a derivative instrument is in a positive fair value, it is classified as a financial asset, otherwise, it is classified as a financial liability.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the location and condition ready for sale. Fixed manufacturing overhead is allocated to finished products and work in process based on the higher of normal capacity or actual capacity; variable manufacturing overhead is allocated based on the actual capacity of machinery and equipment. Net realizable value represents the estimated selling price in the ordinary course of business, less, all estimated costs of completion and necessary selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or jointly control, over the financial and operating policies.

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

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

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

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

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

When an associate issues new shares and the Company does not subscribe to the new shares in proportion to its original ownership percentage, the Company's interest in the associate's net assets will be changed. The change in the equity interest is adjusted through the capital surplus and investment accounts. If the Company's capital surplus is insufficient to offset the adjustment to investment accounts, the difference is charged as a reduction of retained earnings. If the Company's interest in an associate is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under equity method, profit or loss, and other comprehensive income recognized in parent-company-only financial statement, is the same as the total comprehensive income attributable to the shareholders of the Company in the consolidated financial statements. In addition, the equity recognized in the parent-company-only financial statements is the same as the total equity attributable to the shareholders of the Company in the consolidated financial statements.

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

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less, accumulated depreciation and any accumulated impairment losses.

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

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

(ii) Subsequent expenditure

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

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated. The estimated useful lives for property, plant and equipment are as follows: buildings: 10 to 40 years; machinery and equipment: 2 to 10 years; furniture and fixtures: 3 years; and other equipment: 3 to 10 years.

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

(k) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined; and
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designs the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(Continued)



**QISDA CORPORATION**  
**Notes to the Financial Statements**

(ii) As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the lease term resulting from a change of the Company's assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications in lease subject, scope of the lease or other terms.

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

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference in profit or loss for any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the balance sheets.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

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

(iii) As a lessor

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

Applicable from January 1, 2019

(i) The Company as lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as expense over the lease term on a straight-line basis.

(ii) The Company as lessee

Payments made under an operating lease (excluding insurance and maintenance expenses) are charged to expense over the lease term on a straight-line basis.

(l) Intangible assets

Intangible assets including acquired software, and patents are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss using the straight-line method over the estimated useful lives of 2 to 5 years.

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

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(m) Impairment of non-financial assets

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

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

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

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

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

(n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

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

(o) Revenue recognition

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

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(i) Sale of goods

The Company recognizes revenue when control of the goods has been transferred to the customer, being when the goods are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Company has objective evidence that all criteria for acceptance have been satisfied. Sales discount and rebates are recognized and estimated based on historical experience and each contractual term. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (presented under other current liabilities) is recognized for expected sales discounts and rebate payables to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term ranging from 30 to 120 days, which is consistent with the market practice.

The Company's obligation to provide a refund for faulty goods sold under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(n).

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

(ii) Rendering of services

The Company's revenue from providing product design and development services is recognized in the accounting period in which services are rendered.

(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer, and the payment by the customer, exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date, less, the fair value of plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the term of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

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

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

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(q) Income taxes

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

Current taxes comprise the expected tax payable or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

- (i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

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

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

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

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

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

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

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

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

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

Contingent consideration as part of the consideration transferred is measured at the acquisition date fair value. Any fluctuation of the fair value during the measurement period after acquisition date is retrospectively adjusted to the acquisition cost and goodwill. The adjustments are to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date. For the fair value adjustments of the contingent consideration that occurred not during the measurement period, the accounting treatment will be based on the classification of contingent consideration. Contingent consideration classified as equity cannot be re-measured and has to be adjusted under owner's equity. Other contingent consideration should be subsequently measured at fair value at the end of each reporting period, and recognized in profit or loss.

(s) Earnings per share (“EPS”)

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

(t) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent-company-only financial statements.

**5. Critical accounting judgments and key sources of estimation uncertainty**

The preparation of the parent-company-only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about judgments made in applying the accounting policies that have significant effects on the amounts recognized in the financial statements is as follows:

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(a) Judgment regarding significant influence of associates

The Company holds less than 20% of the voting rights in AU Optronics Corp. but has significant influence over the associates as the chairman of the Company was elected as director and participates in the decision-making on the board.

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

(a) Valuation of inventory

Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environments in the electronic industry, the life cycle of certain products of the Company are short and their market prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value.

(b) Assessment of impairment of goodwill from investments in subsidiaries

The assessment of impairment of goodwill requires the Company to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years.

**6. Significant account disclosures**

(a) Cash and cash equivalents

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Demand deposits and checking accounts	\$ 299,921	282,827
Foreign currency deposits	<u>752,935</u>	<u>845,144</u>
	<b><u>\$ 1,052,856</u></b>	<b><u>1,127,971</u></b>

(b) Financial instruments measured at fair value through profit or loss

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Financial assets measured at fair value through profit or loss— current:		
Foreign currency forward contracts	\$ 37,441	12,500
Foreign exchange swaps	<u>-</u>	<u>1,249</u>
	<b><u>\$ 37,441</u></b>	<b><u>13,749</u></b>
Financial liabilities at fair value through profit or loss— current:		
Financial liabilities held for trading— current:		
Foreign currency forward contracts	\$ -	(298)
Foreign exchange swaps	<u>-</u>	<u>(2,090)</u>
	<b><u>\$ -</u></b>	<b><u>(2,388)</u></b>

(Continued)



**QISDA CORPORATION**  
**Notes to the Financial Statements**

Refer to note 6(v) for the amounts of gain (loss) recognized related to financial assets measured at fair value.

The Company entered into derivative contracts to manage foreign currency exchange risk resulting from its operating and financing activities. As of December 31, 2019 and 2018, the outstanding derivative financial instruments that did not conform to the criteria for hedge accounting consisted of the following:

(i) Foreign currency forward contracts

		<b>December 31, 2019</b>	
		<b>Contract amount (in thousands)</b>	<b>Maturity period</b>
MYR	Buy/ USD Sell	MYR 21,000	2020/02
CNY	Buy/ USD Sell	USD 84,600	2020/01~2020/03
		<b>December 31, 2018</b>	
		<b>Contract amount (in thousands)</b>	<b>Maturity period</b>
MYR	Buy/ USD Sell	MYR 21,000	2019/01
CNY	Buy/ USD Sell	USD 41,960	2019/02~2019/03

(ii) Foreign exchange swaps

		<b>December 31, 2018</b>	
		<b>Contract amount (in thousands)</b>	<b>Maturity period</b>
Swap in USD/Swap out TWD		USD 61,000	2019/02~2019/03

(c) Financial assets at fair value through other comprehensive income—non-current

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Equity investments at fair value through other comprehensive income:		
Domestic listed stocks	<b>\$ 48,438</b>	<b>33,750</b>

The Company designated the investments shown above as financial assets at fair value through other comprehensive income because these equity investments are held for long-term for strategic purposes and not for trading.

No strategic investments were disposed for the years ended December 31, 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(d) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes and accounts receivable	\$ 10,959,792	10,263,763
Notes and accounts receivable from related parties	<u>14,778,027</u>	<u>16,720,699</u>
	25,737,819	26,984,462
Less: loss allowance	<u>(33,141)</u>	<u>(65,491)</u>
	<u><u>\$ 25,704,678</u></u>	<u><u>26,918,971</u></u>

- (i) The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables (including related parties). Forward looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable (including receivables from related parties) was as follows:

	<u>December 31, 2019</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 23,952,944	0.09%	20,917
Past due 1-90 days	1,781,547	0.50%	8,896
Past due over 91 days	<u>3,328</u>	100%	<u>3,328</u>
	<u><u>\$ 25,737,819</u></u>		<u><u>33,141</u></u>
	<u>December 31, 2018</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 24,990,100	0.09%	22,723
Past due 1-90 days	1,955,359	0.19%	3,765
Past due over 91 days	<u>39,003</u>	100%	<u>39,003</u>
	<u><u>\$ 26,984,462</u></u>		<u><u>65,491</u></u>

- (ii) Movements of the loss allowance for notes and accounts receivable (including related parties) were as follows:

	<u>2019</u>	<u>2018</u>
Balance at January 1 (per IAS 39)	\$ -	21,475
Adjustment on initial application of IFRS 9	<u>-</u>	<u>41,106</u>
Balance at January 1 (per IFRS 9)	65,491	62,581
Impairment losses	4,033	22,897
Write-off	<u>(36,383)</u>	<u>(19,987)</u>
Balance at December 31	<u><u>\$ 33,141</u></u>	<u><u>65,491</u></u>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

- (iii) The Company entered into factoring contracts with financial institutions to sell its accounts receivable without recourse. According to these contracts, the Company is not responsible for any risk of uncollectible accounts receivable, but only the risk of loss due to commercial disputes. The Company derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The receivable from the financial institutions were recognized as “other receivables” upon the derecognition of those accounts receivables. Details of these contracts at each reporting date were as follows:

December 31, 2019						
Underwriting bank	Factored amount	Unpaid advance amount	Advance amount	Amount recognized in other receivables	Range of interest rates	Collateral
Taishin International Bank	\$ <u>5,168,640</u>	<u>-</u>	<u>5,168,640</u>	<u>-</u>	2.79%~2.813%	<u>-</u>
December 31, 2018						
Underwriting bank	Factored amount	Unpaid advance amount	Advance amount	Amount recognized in other receivables	Range of interest rates	Collateral
CTBC Bank	\$ 2,245,817	1,454	2,019,781	226,036		-
Taishin International Bank	<u>3,675,009</u>	<u>-</u>	<u>3,675,009</u>	<u>-</u>		-
	<u>\$ 5,920,826</u>	<u>1,454</u>	<u>5,694,790</u>	<u>226,036</u>	2.392%~3.648%	<u>-</u>

- (e) Other receivables

	December 31, 2019	December 31, 2018
Other receivables (note 6(d))	\$ 819	226,656
Other receivables from related parties	1,448	-
	<u>\$ 2,267</u>	<u>226,656</u>

As of December 31, 2019 and 2018, no loss allowance was provided for other receivables after management’s assessment.

- (f) Inventories

	December 31, 2019	December 31, 2018
Raw materials	\$ 373,544	135,817
Work in process	38,499	25,176
Finished goods	4,648,133	4,009,334
Inventories in transit	<u>85,556</u>	<u>113,489</u>
	<u>\$ 5,145,732</u>	<u>4,283,816</u>

For the years ended December 31, 2019 and 2018, the cost of inventories sold amounted to \$92,636,030 and \$94,001,465, respectively.

For the years ended December 31, 2019 and 2018, the write-downs of inventories to net realizable value amounted to \$10,225, and \$20,392, respectively, and were included in cost of sales.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(g) Investments accounted for using the equity method

A summary of the Company's investments accounted for using the equity method at the reporting date is as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Subsidiaries	\$ 32,906,960	28,327,736
Associates	16,188,816	17,984,290
	<b>\$ 49,095,776</b>	<b>46,312,026</b>

(i) Subsidiaries

Please refer to consolidated financial statements for the year ended December 31, 2019.

(ii) Acquisition of subsidiaries – BenQ Biotech (Shanghai) Co., Ltd (“BBC”)

1) The cost of acquisition

On October 8, 2019, the Company invested the amount of \$739,789 in BenQ Biotech (Shanghai) Co., Ltd (“BBC”), and acquired 70% of its ownership. Therefore, the Company obtained control over BBC. BBC is engaged in the manufacturing and sale of hemodialysis machines. The acquisition of BBC enables the Company to obtain an experienced workforce from the original shareholder, Shanghai Kunxin Medical Technology Co., Ltd., to integrate the existing hemodialysis business, to produce the competitive products and expand its marketing channel in China.

2) Identifiable net assets acquired in a business combination

On October 8, 2019 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value, were as follows:

Consideration transferred:

Cash	\$ 739,789
Add: Non-controlling interest (measured at non-controlling interest's proportionate share of the fair value of BBC's identifiable net assets)	261,102
Less: identifiable net assets acquired at fair value:	
Cash and cash equivalents	870,340
Goodwill	<b>\$ 130,551</b>

Goodwill arising from the acquisition are included in the carrying amount of investments accounted for using the equity method.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(iii) Acquisition of subsidiaries — Sysage Technology Co., Ltd (“Sysage”)

1) The cost of acquisition

On August 15, 2019, the Company invested the amount of \$1,815,000 in Sysage Technology Co., Ltd (“Sysage”), and acquired 35.04% of its ownership, wherein the Company owned more than half of its total number of directors. Therefore, the Company obtained control over Sysage. Sysage has become the Company’s subsidiary. Sysage is engaged in agent sales and trading of communication and internet hardware and software, workstations and servers, and application integration tools software. The acquisition of Sysage enables the Company to penetrate into network and system integration solution market, and to seize the business opportunities of cloud computing, artificial intelligence and internet of things (IoT) integrations.

2) Identifiable net assets acquired in a business combination

On August 15, 2019 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value, were as follows:

Consideration transferred:

Cash		\$ 1,815,000
Add: Non-controlling interest (measured at non-controlling interest’s proportionate share of the fair value of Sysage’s identifiable net assets)		3,113,913
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	\$ 1,983,472	
Financial assets at fair value through profit or loss— current	126,870	
Notes and accounts receivable, net	2,387,056	
Inventories	3,083,928	
Other current assets	192,108	
Financial assets at fair value through profit or loss— non-current	105,342	
Investments accounted for using the equity method	2,712	
Property, plant and equipment	1,789,025	
Right-of-use assets	197,724	
Deferred income tax assets	48,609	
Other non-current assets	89,685	
Short-term borrowings	(1,305,000)	
Short-term notes and bills payable	(80,000)	
Contract liabilities— current	(838,853)	
Notes and accounts payable	(1,661,410)	
Other payables	(361,499)	
Other current liabilities	(45,108)	
Current portion of long-term debt	(16,216)	
Lease liabilities— current	(25,606)	
Long-term debt	(316,756)	
Lease liabilities— non-current	(172,606)	
Deferred income tax liabilities	(67,051)	
Other non-current liabilities	(66,961)	
Non-controlling interest	(255,880)	
	4,793,585	
Goodwill		<b>\$ 135,328</b>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

Goodwill arising from the acquisition are included in the carrying amount of investments accounted for using the equity method.

(iv) Acquisition of subsidiaries – Topview Optronics Corporation (“Topview”)

1) The cost of acquisition

On August 15, 2019, the Company invested the amount of \$172,500 in Topview Optronics Corporation (“Topview”), and acquired 20% of its ownership. The Company’s subsidiaries, Darly Venture Inc. and Darly2 Venture Co., Ltd. also invested the amount of \$56,045 and \$123,120, respectively, in Topview and acquired 3.91% and 9.08%, respectively, of its ownership. After these investments in Topview, the Company owned more than half of Topview’s total number of directors. Therefore, the Company obtained control over Topview, resulting in Topview to become the Company’s subsidiary. Topview is engaged in the manufacturing and sale of video surveillance cameras. The acquisition of Topview enables the Company to optimize the existing business and expand the operation scale through the strategic alliance.

2) Identifiable net assets acquired in a business combination

On August 15, 2019 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value, were as follows:

<u>Account</u>	<u>Amount</u>
Cash and cash equivalents	\$ 561,124
Financial assets at fair value through profit or loss – current	251
Notes and accounts receivable, net	344,216
Inventories	226,020
Other current assets	31,436
Property, plant and equipment	877,791
Right-of-use assets	3,189
Investment property	128,849
Intangible assets – others	5,150
Deferred income tax assets	8,418
Other non-current assets	200
Short-term borrowings	(335,933)
Notes and accounts payable	(237,592)
Other payables	(70,475)
Other current liabilities	(37,185)
Current portion of long-term debt	(28,986)
Long-term debt	(311,585)
Lease liabilities – non-current	(2,301)
Provisions – non-current	(1,381)
Other non-current liabilities	(24,704)
Non-controlling interest	(12,834)
Identifiable net assets acquired at fair value	<u><u>\$ 1,123,668</u></u>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

3)	Gain on bargain purchase		
	Consideration transferred—Cash	\$	351,665
	Add: Non-controlling interest (measured at non-controlling interest’s proportionate share of the fair value of Topview’s identifiable net assets):		752,970
	Less: identifiable net assets acquired at fair value		<u>1,123,668</u>
	Gain on bargain purchase	\$	<u><b>(19,033)</b></u>
(v)	Acquisition of subsidiaries — Expert Alliance Systems & Consultancy (HK) Company Limited (“EASC”)		
1)	The cost of acquisition		
	On March 4, 2019, the Company invested the amount of \$78,338 in Expert Alliance Systems & Consultancy (HK) Company Limited (“EASC”), and acquired 54% of its ownership.		
2)	Identifiable net assets acquired in a business combination		
	On March 4, 2019 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value were as follows:		
	Consideration transferred:		
	Cash	\$	78,338
	Add: Non-controlling interests (measured at non-controlling interest’s proportionate share of fair value of EASC’s identifiable net assets)		54,711
	Less: the fair value of put option		(10,504)
	Less: the fair value of contingent consideration		(5,533)
	Less: identifiable net assets acquired at fair value:		
	Cash and cash equivalents	\$	89,998
	Notes and accounts receivable, net		11,764
	Inventories		18,607
	Other current assets		251
	Other non-current assets		6,579
	Notes and accounts payable		(3,941)
	Other current liabilities		<u>(4,321)</u>
	Gain on bargain purchase	\$	<u><b>(1,925)</b></u>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(vi) Acquisition of subsidiaries – Data Image Corporation (“DIC”)

1) The cost of acquisition

On November 12, 2018, the Company invested the amount of \$260,000 in Data Image Corporation (“DIC”), and acquired 28.82% of its ownership. The Company’s subsidiary, D2 Venture Co, Ltd., also invested the amount of \$48,000 in DIC, and acquired 4.32% of its ownership. After these investments in DIC, the Company owned more than half of DIC’s total number of directors. Therefore, the Company obtained control over DIC, resulting in DIC and its subsidiaries to become the Company’s subsidiaries. DIC and its subsidiaries are engaged in the manufacture and sale of marine display modules. The acquisition of DIC and its subsidiaries expects to integrate the Company’s strong technological and manufacturing strengths, as well as DIC’s design and manufacturing capability on marine display modules to expand the related business.

2) Identifiable net assets acquired in a business combination

On November 12, 2018 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value, were as follows:

Consideration transferred:

Cash	\$	308,000
Add: Non-controlling interest (measured at non-controlling interest’s proportionate share of the fair value of DIC’s identifiable net assets)		618,441
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	\$	483,510
Notes and accounts receivable, net		493,324
Other receivables		48,646
Inventories		504,819
Other current assets		27,549
Property, plant and equipment		321,969
Intangible assets		2,162
Investments accounted for using the equity method		22,973
Deferred income tax assets		16,312
Other non-current assets		104,841
Short-term borrowings		(358,699)
Notes and accounts payable		(527,353)
Other payables		(73,241)
Current portion of long-term debt		(33,200)
Other current liabilities		(74,842)
Long-term debt		(24,200)
Deferred income tax liabilities		(9,067)
Other non-current liabilities		(524)
		<u>924,979</u>
Goodwill	\$	<u><u>1,462</u></u>

(Continued)



**QISDA CORPORATION**  
**Notes to the Financial Statements**

Goodwill arising from the acquisition are included in the carrying amount of investments accounted for using the equity method.

(vii) Acquisition of subsidiaries – K2 International Medical Inc.

1) The cost of acquisition

On August 14, 2018, the Company invested the amount of \$121,134 in K2 International Medical Inc. (“K2”), and acquired 29.85% of its ownership. The Company’s subsidiary, D2 Venture Co., Ltd. also invested the amount of \$44,997 in K2, and acquired 7.71% of its ownership. After these investments in K2, the Company owned more than half of K2's total number of directors. Therefore, the Company obtained control over K2, resulting in K2 to become the Company’s subsidiary. K2 served as an agency, and is engaged in the sale of hemodialysis machines and related accessories and consumables of well-known brand. The acquisition of K2 enables the Company to penetrate into hemodialysis products market and expand its Asia Pacific market through K2’s market channel.

2) Identifiable net assets acquired in a business combination

On August 14, 2018 (the acquisition date), the identifiable assets and liabilities arising from the acquisition at fair value, were as follows:

Consideration transferred:

Cash	\$	166,131
Add: Non-controlling interest (measured at non-controlling interest’s proportionate share of the fair value of K2’s identifiable net assets):		212,649
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	\$	268,829
Notes and accounts receivable, net		179,170
Inventories		66,046
Other current assets		1,921
Property, plant and equipment		11,832
Intangible assets – customer relationships		30,745
Intangible assets – computer software		81
Deferred income tax assets		1,217
Other non-current financial assets		13,322
Short-term borrowings		(169,944)
Notes and accounts payable		(39,191)
Other current liabilities		(17,310)
Deferred income tax liabilities		(6,152)
		340,566
Goodwill		\$ 38,214

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

Goodwill and identifiable intangible assets arising from the acquisition are included in the carrying amount of investments accounted for using the equity method.

(viii) Impairment test on goodwill

The carrying amounts of goodwill arising from business combinations and the respective CGUs to which the goodwill was allocated for impairment test purpose as of December 31, 2019 and 2018 were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
DFI and its subsidiaries (“DFI”)	<u>\$ 1,670,735</u>	<u>1,614,920</u>
PTT and its subsidiaries (“PTT”)	<u>\$ 941,147</u>	<u>943,775</u>

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
DFI :		
Revenue growth rate	10%~53%	10%
Discount rates	16.58%	17.62%
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
PTT :		
Revenue growth rate	6%~8%	6%~66%
Discount rates	15.38%	15.83%

- 1) The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by management and estimated terminal values at the end of the 5-year period. Cash flows beyond that 5-year period have been extrapolated using 1.5% to 2% growth rate.
- 2) The estimation of discount rate is based on the weighted average cost of capital.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(ix) Investments in associates

<u>Name of Associates</u>	<u>Main Business and Relationship</u>	<u>Location</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
			<u>Percentage of voting rights</u>	<u>Carrying amount</u>	<u>Percentage of voting rights</u>	<u>Carrying amount</u>
AU Optronics Corp. ("AU")	R & D, manufacture and sale of TFT-LCD panels, the Company's strategic partners	Taiwan	6.99 %	12,272,814	6.90 %	13,921,968
Darfon Electronics Corp. ("DFN")	Manufacture and sale of power devices, peripheral equipment, and integrated communication devices, the Company's strategic partners	Taiwan	20.72 %	1,798,607	20.72 %	1,846,261
Alpha Networks Inc. ("Alpha")	R & D, manufacture and sale of LAN/MAN, wireless, mobile & broadband, and digital multimedia product, the Company's strategic partners	Taiwan	18.43 %	2,064,817	18.40 %	2,166,624
Q.S.Control Corp.	Manufacture and sales of medical consumables and equipment, the Company's strategic partners	Taiwan	20.00 %	52,578	20.00 %	49,437
				<u>\$ 16,188,816</u>		<u>17,984,290</u>

The equity-method was used to account for investments in AU of which the Company holds less than 20% of the voting rights but has significant influence over AU as the chairman of the Company was elected as director and participates in the decision-making on the board.

On March 15, 2018, the Company subscribed 100,000 thousand shares of Alpha Networks Inc. ("Alpha") for \$2,300,000 through private offering.

For the years ended December 31, 2019 and 2018, the Company's shares of profits (losses) of associates amounted to \$(1,111,565) and \$1,005,607, respectively.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

The fair value of the investment in associates which are publicly traded was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
AU	\$ 6,669,170	8,162,268
DFN	2,555,120	2,276,696
Alpha	2,355,000	1,655,000

The summarized financial information in respect of each of the Company's material associates is set out below:

1) The summarized financial information of AU:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 143,200,211	149,067,627
Non-current assets	254,437,380	260,764,148
Current liabilities	(90,528,089)	(128,937,971)
Non-current liabilities	<u>(119,132,753)</u>	<u>(63,615,116)</u>
Equity	<b><u>\$ 187,976,749</u></b>	<b><u>217,278,688</u></b>
Equity attributable to non-controlling interests of AU	<b><u>\$ 11,304,909</u></b>	<b><u>14,415,973</u></b>
Equity attributable to shareholders of AU	<b><u>\$ 176,671,840</u></b>	<b><u>202,862,715</u></b>
	<b>2019</b>	<b>2018</b>
Net sales	<b><u>\$ 268,791,694</u></b>	<b><u>307,634,389</u></b>
Net income (loss)	\$ (21,599,416)	7,959,895
Other comprehensive income	<u>(1,411,771)</u>	<u>(1,383,775)</u>
Total comprehensive income	<b><u>\$ (23,011,187)</u></b>	<b><u>6,576,120</u></b>
Total comprehensive income attributable to non-controlling interests of AU	<b><u>\$ (2,818,733)</u></b>	<b><u>(2,509,140)</u></b>
Total comprehensive income attributable to shareholders of AU	<b><u>\$ (20,192,454)</u></b>	<b><u>9,085,260</u></b>
	<b>2019</b>	<b>2018</b>
The Company's share of equity of associates at January 1	\$ 13,997,527	14,362,651
Total comprehensive income attributable to the Company	(1,395,394)	624,788
Capital surplus attributable to the Company	78,039	5,499
Dividend received from associates	(331,799)	(995,398)
Cumulative effect of investment income recognized under treasury stock method	(75,559)	(75,559)
Adjustment on initial application of IFRS 9	<u>-</u>	<u>(13)</u>
The carrying amount of investments in the associates	<b><u>\$ 12,272,814</u></b>	<b><u>13,921,968</u></b>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

2) The summarized financial information of DFN:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 13,073,263	12,741,445
Non-current assets	7,814,501	6,353,987
Current liabilities	(9,721,813)	(8,968,442)
Non-current liabilities	<u>(1,398,360)</u>	<u>(684,007)</u>
Equity	<u><b>\$ 9,767,591</b></u>	<u><b>9,442,983</b></u>
Equity attributable to non-controlling interests of DFN	<u><b>\$ 1,087,054</b></u>	<u><b>532,458</b></u>
Equity attributable to shareholders of DFN	<u><b>\$ 8,680,537</b></u>	<u><b>8,910,525</b></u>
	<b>2019</b>	<b>2018</b>
Net sales	<u><b>\$ 19,137,173</b></u>	<u><b>20,113,619</b></u>
Net income	\$ 969,393	1,525,848
Other comprehensive income	<u>(133,115)</u>	<u>(36,920)</u>
Total comprehensive income	<u><b>\$ 836,278</b></u>	<u><b>1,488,928</b></u>
Total comprehensive income attributable to non-controlling interests of DFN	<u><b>\$ 62,057</b></u>	<u><b>6,164</b></u>
Total comprehensive income attributable to shareholders of DFN	<u><b>\$ 774,221</b></u>	<u><b>1,482,764</b></u>
	<b>2019</b>	<b>2018</b>
The Company's share of equity of associates at January 1	\$ 1,846,261	1,655,064
Total comprehensive income attributable to the Company	160,378	307,206
Capital surplus attributable to the Company	(5,016)	-
Dividend received from associates	<u>(203,016)</u>	<u>(116,009)</u>
The carrying amount of investments in the associates	<u><b>\$ 1,798,607</b></u>	<u><b>1,846,261</b></u>

3) The summarized financial information of Alpha:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 19,148,501	12,517,041
Non-current assets	5,851,867	2,412,034
Current liabilities	(9,584,608)	(4,173,154)
Non-current liabilities	<u>(1,368,466)</u>	<u>(362,170)</u>
Equity	<u><b>\$ 14,047,294</b></u>	<u><b>10,393,751</b></u>
Equity attributable to non-controlling interests of Alpha	<u><b>\$ 4,066,496</b></u>	<u><b>-</b></u>
Equity attributable to shareholders of Alpha	<u><b>\$ 9,980,798</b></u>	<u><b>10,393,751</b></u>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

	<u>2019</u>	<u>2018</u>
Net sales	\$ <u>15,825,808</u>	<u>15,608,222</u>
Net income (loss)	\$ 238,903	(88,009)
Other comprehensive income	(122,759)	(76,053)
Total comprehensive income	\$ <u>116,144</u>	<u>(164,062)</u>
Total comprehensive income attributable to non-controlling interests of Alpha	\$ -	-
Total comprehensive income attributable to shareholders of Alpha	\$ <u>116,144</u>	<u>(164,062)</u>
	<u>2019</u>	<u>2018</u>
The Company's share of equity of associates at January 1	\$ 2,166,624	-
Purchase of investments	-	2,300,000
Total comprehensive income attributable to the Company	2,024	(37,185)
Capital surplus attributable to the Company	(544)	3,809
Dividend received from associates	(100,037)	(100,000)
Adjustment on initial application of IFRS 16	(3,250)	-
The carrying amount of investments in the associates	\$ <u>2,064,817</u>	<u>2,166,624</u>

- 4) Aggregate financial information of associates that were not individually material was summarized as follows. The financial information was included in the Company's parent-company-only financial statements.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
The aggregate carrying amount of associates that were not individually material	\$ <u>52,578</u>	<u>49,437</u>
	<u>2019</u>	<u>2018</u>
Attributable to the Company:		
Net income	\$ 3,141	2,208
Other comprehensive income	-	-
Total comprehensive income	\$ <u>3,141</u>	<u>2,208</u>

Refer to note 8 for a description of the Company's investments accounted for using the equity method pledged as collateral for long-term debt and credit facilities.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(h) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2019	\$ 805,484	1,648,955	865,795	170,768	29,397	3,520,399
Additions	-	11,848	71,044	13,090	29,053	125,035
Disposals	-	-	(101,832)	(23,987)	-	(125,819)
Reclassification	-	-	14,000	3,465	(17,465)	-
Balance at December 31, 2019	<u>\$ 805,484</u>	<u>1,660,803</u>	<u>849,007</u>	<u>163,336</u>	<u>40,985</u>	<u>3,519,615</u>
Balance at January 1, 2018	\$ 805,484	1,641,930	935,279	161,968	22,343	3,567,004
Additions	-	7,025	30,881	18,704	14,982	71,592
Disposals	-	-	(104,279)	(13,918)	-	(118,197)
Reclassification	-	-	3,914	4,014	(7,928)	-
Balance at December 31, 2018	<u>\$ 805,484</u>	<u>1,648,955</u>	<u>865,795</u>	<u>170,768</u>	<u>29,397</u>	<u>3,520,399</u>
Accumulated depreciation:						
Balance at January 1, 2019	\$ -	1,119,186	779,810	139,426	-	2,038,422
Depreciation	-	43,025	27,366	11,746	-	82,137
Disposals	-	-	(99,941)	(20,420)	-	(120,361)
Balance at December 31, 2019	<u>\$ -</u>	<u>1,162,211</u>	<u>707,235</u>	<u>130,752</u>	<u>-</u>	<u>2,000,198</u>
Balance at January 1, 2018	\$ -	1,074,501	860,933	138,413	-	2,073,847
Depreciation	-	44,685	23,156	10,110	-	77,951
Disposals	-	-	(104,279)	(9,097)	-	(113,376)
Balance at December 31, 2018	<u>\$ -</u>	<u>1,119,186</u>	<u>779,810</u>	<u>139,426</u>	<u>-</u>	<u>2,038,422</u>
Carrying amount:						
Balance at December 31, 2019	<u>\$ 805,484</u>	<u>498,592</u>	<u>141,772</u>	<u>32,584</u>	<u>40,985</u>	<u>1,519,417</u>
Balance at December 31, 2018	<u>\$ 805,484</u>	<u>529,769</u>	<u>85,985</u>	<u>31,342</u>	<u>29,397</u>	<u>1,481,977</u>

(i) The Company owned a parcel of land with a book value of \$104,324. Because of certain legal restrictions, this land was registered under the name of individuals. In order to protect the Company's rights to this land, the Company signed a deed of trust with these individuals, under which they are obliged to surrender their rights to the Company when required.

(ii) Pledge as collateral

Refer to note 8 for a description of the Company's property, plant and equipment pledged as collateral for long-term debt.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(i) Right-of-use assets

	<b>Buildings</b>
Cost:	
Balance at January 1, 2019	\$ -
Effects of initial application of IFRS 16	1,237,750
Additions	9,611
Balance at December 31, 2019	<b><u><u>\$ 1,247,361</u></u></b>
Accumulated depreciation:	
Balance at January 1, 2019	\$ -
Effects of initial application of IFRS 16	179,192
Depreciation	127,620
Balance at December 31, 2019	<b><u><u>\$ 306,812</u></u></b>
Carrying amount:	
Balance at December 31, 2019	<b><u><u>\$ 940,549</u></u></b>

The Group leases office buildings under operating leases in 2018, please refer to note 6(o).

(j) Intangible assets

(i) The movements of cost and accumulated amortization of intangible assets were as follows:

	<b>Computer software</b>	<b>Others</b>	<b>Total</b>
Cost:			
Balance at January 1, 2019	\$ 11,865	10,239	22,104
Addition	18,133	-	18,133
Balance at December 31, 2019	<b><u><u>\$ 29,998</u></u></b>	<b><u><u>10,239</u></u></b>	<b><u><u>40,237</u></u></b>
Balance at January 1, 2018	\$ 15,467	14,777	30,244
Addition	3,503	-	3,503
Disposal	(7,105)	(4,538)	(11,643)
Balance at December 31, 2018	<b><u><u>\$ 11,865</u></u></b>	<b><u><u>10,239</u></u></b>	<b><u><u>22,104</u></u></b>
Accumulated amortization:			
Balance at January 1, 2019	\$ 6,478	9,031	15,509
Amortization	12,669	1,208	13,877
Balance at December 31, 2019	<b><u><u>\$ 19,147</u></u></b>	<b><u><u>10,239</u></u></b>	<b><u><u>29,386</u></u></b>
Balance at January 1, 2018	\$ 11,106	11,207	22,313
Amortization	2,477	2,362	4,839
Disposal	(7,105)	(4,538)	(11,643)
Balance at December 31, 2018	<b><u><u>\$ 6,478</u></u></b>	<b><u><u>9,031</u></u></b>	<b><u><u>15,509</u></u></b>
Carrying amount:			
Balance at December 31, 2019	<b><u><u>\$ 10,851</u></u></b>	<b><u><u>-</u></u></b>	<b><u><u>10,851</u></u></b>
Balance at December 31, 2018	<b><u><u>\$ 5,387</u></u></b>	<b><u><u>1,208</u></u></b>	<b><u><u>6,595</u></u></b>

(Continued)



**QISDA CORPORATION**  
**Notes to the Financial Statements**

(ii) Amortization

The amortization of intangible assets is included in the following line items of the statement of comprehensive income:

	<u>2019</u>	<u>2018</u>
Cost of sales	\$ <u>743</u>	<u>600</u>
Operating expenses	\$ <u>13,134</u>	<u>4,239</u>

(k) Short-term borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured bank loans	\$ <u>7,190,000</u>	<u>5,150,000</u>
Unused credit facilities	\$ <u>7,552,931</u>	<u>7,042,349</u>
Interest rate	<u>0.86%~1.17%</u>	<u>0.75%~1.24%</u>

(l) Long-term debt

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured bank loans	\$ 8,647,582	8,421,325
Secured bank loans	<u>2,800,000</u>	<u>4,850,000</u>
	11,447,582	13,271,325
Less: current portion of long-term debt	<u>(100,000)</u>	<u>(1,900,000)</u>
	<u>\$ 11,347,582</u>	<u>11,371,325</u>
Unused credit facilities	<u>\$ 10,051,428</u>	<u>3,239,450</u>
Interest rate	<u>0.52%~2.436%</u>	<u>1.33%~3.758%</u>
Maturity year	<u>2020~2026</u>	<u>2019~2022</u>

(i) Collateral for bank borrowings

Refer to note 8 for a description of the Company's assets pledged as collateral to secure the bank loans.

(ii) Compliance with loan agreement

According to the syndicated loan agreement signed between the Company and the banks, the Company has promised to maintain certain financial ratios based on the Company's semi-annual reviewed consolidated financial statements and annual audited consolidated financial statements. If the Company violates any of the related financial ratios, the Company should mend it in a specific period, and then the failure to maintain the required financial ratios would not be considered a default. The Company has also pledged stock to secure the syndicated loan and has to maintain the fair value of the related pledged stock at a specific percentage of the loan.

For the years 2019 and 2018, the Company's financial ratio was in compliance with the syndicated loan agreement.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(m) Lease liabilities

The carrying amount of lease liabilities were as follows:

	<b>December 31, 2019</b>
Current:	
Related parties	\$ 4,770
Non-related parties	111,584
	<b>\$ 116,354</b>
Non-current:	
Related parties	\$ 4,448
Non-related parties	867,105
	<b>\$ 871,553</b>

Please refer to note 6(x) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

	<b>2019</b>
Expenses relating to short-term leases	\$ 4,073
Income from sub-leasing right-of-use assets	\$ 112,643
Interest on lease liabilities	\$ 18,814

The amounts recognized in the statement of cash flows for the Company was as follows:

	<b>2019</b>
Total cash outflow for leases	\$ 147,254

(i) Real estate leases

The Company leases buildings for its office and factory. These leases typically run for 3 to 10 years. The Company has to negotiate the new leased term and recognize relevant right-of-use assets and lease liabilities when the lease expires. Some of the leases include options to extend the lease term after the end of the contract term.

(ii) Other leases

The Company leases some transportation equipment with contract terms within one year. These leases are short-term and the Company has elected to applied exemption and not to recognize right-of-use assets and lease liabilities.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(n) Provisions

	<u><b>Warranties</b></u>
Balance at January 1, 2019	\$ 105,826
Provisions made	49,941
Amount utilized	(21,516)
Amount reversed	<u>(30,726)</u>
Balance at December 31, 2019	<u><b>\$ 103,525</b></u>
Current	<u><b>\$ 21,516</b></u>
Non-current	<u><b>\$ 82,009</b></u>
Balance at January 1, 2018	\$ 117,462
Provisions made	55,523
Amount utilized	(20,444)
Amount reversed	<u>(46,715)</u>
Balance at December 31, 2018	<u><b>\$ 105,826</b></u>
Current	<u><b>\$ 20,445</b></u>
Non-current	<u><b>\$ 85,381</b></u>

The provision for warranties is estimated based on historical warranty data associated with similar products and services. The Company expects to settle most of the warranty liability within three years from the date of the sale of the product.

(o) Operating lease

(i) Lessee

As of December 31, 2018, the future minimum lease payments under non-cancellable operating leases were as follows:

	<b>December 31,</b>
	<b>2018</b>
Not later than 1 year	\$ <u>142,774</u>
Later than 1 year but not later than 5 years	532,521
Later than 5 years	<u>516,989</u>
	<u><b>\$ 1,192,284</b></u>

The Company leases offices under operating leases. The leases typically run for 10 years, with an option to renew.

One of the leased properties has been sublet by the Company. The rental income of property sublease for the year ended December 31, 2018 amounted to \$96,063, which was recognized as deduction of operating expense.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

In 2018, the rental expense of operating leases amounted to \$43,613, which was recognized in profit or loss.

(ii) Lessor

The Company leased its land and buildings to others under operating leases. In 2019 and 2018, the related rental income amounted to \$112,643 and \$13,405, respectively, and was recognized under non-operating income and loss—other gains and losses—net.

(p) Employee benefits

(i) Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the net defined benefit liabilities for defined benefit plans was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Present value of defined benefit obligations	\$ 747,266	727,372
Fair value of plan assets	(441,843)	(433,280)
	305,423	294,092
Effects of the asset ceiling	-	-
Net defined benefit liabilities	<b>\$ 305,423</b>	<b>294,092</b>

The Company make defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement.

1) Composition of plan assets

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

As of December 31, 2019 and 2018, the Company's labor pension fund account balance at Bank of Taiwan amounted to \$441,843 and \$433,280, respectively. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

2) Movements in present value of defined benefit obligations

In 2019 and 2018, the movements in present value of defined benefit obligations of the Company were as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit obligations at January 1	\$ 727,372	722,547
Current service costs and interest expense	11,696	13,909
Remeasurement on the net defined benefit liabilities:		
– Actuarial losses (gains) arising from experience adjustments	11,669	26,116
– Actuarial losses (gains) arising from changes in financial assumptions	23,626	24,160
Benefits paid by the plan	(25,985)	(54,417)
Benefits paid by employer	(1,112)	(4,943)
Defined benefit obligations at December 31	<u>\$ 747,266</u>	<u>727,372</u>

3) Movements of fair value of plan assets

In 2019 and 2018, the movements of the fair value of plan assets of the Company were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets at January 1	\$ 433,280	451,173
Interest income	6,081	7,368
Remeasurement on the net defined benefit liabilities (assets)		
– Actuarial gains (losses)	14,114	11,199
Contributions by the employer	14,353	17,957
Benefits paid by the plan	(25,985)	(54,417)
Fair value of plan assets at December 31	<u>\$ 441,843</u>	<u>433,280</u>

4) Changes in the effect of the asset ceiling

In 2019 and 2018, there was no effect of the asset ceiling.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

5) Expenses recognized in profit or loss

In 2019 and 2018, the expenses recognized in profit or loss were as follows:

	<u>2019</u>	<u>2018</u>
Current service costs	\$ 1,664	2,153
Net interest expense on the net defined benefit liability	<u>3,951</u>	<u>4,388</u>
	<u><b>\$ 5,615</b></u>	<u><b>6,541</b></u>
Cost of sales	\$ 937	1,014
Selling expenses	1,049	1,191
Administrative expenses	712	862
Research and development expenses	<u>2,917</u>	<u>3,474</u>
	<u><b>\$ 5,615</b></u>	<u><b>6,541</b></u>

6) Remeasurement of the net defined benefit liabilities recognized in other comprehensive income

In 2019 and 2018, the remeasurement of the net defined benefit liabilities recognized in other comprehensive income were as follows:

	<u>2019</u>	<u>2018</u>
Cumulative amount at January 1	\$ (242,044)	(202,967)
Recognized during the period	<u>(21,181)</u>	<u>(39,077)</u>
Cumulative amount at December 31	<u><b>\$ (263,225)</b></u>	<u><b>(242,044)</b></u>

7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	1.125 %	1.375 %
Future salary increases rate	2.500 %	2.500 %

The Company expects to make contribution of \$14,190 to the defined benefit plans in the year following December 31, 2019.

The weighted average duration of the defined benefit plans is 16.14 years.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

8) Sensitivity analysis

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2019 and 2018.

	<b>Increase (decrease) in present value of defined benefit obligations</b>	
	<b>0.25% Increase</b>	<b>0.25% Decrease</b>
December 31, 2019		
Discount rate	(23,626)	24,615
Future salary change	23,822	(23,011)
December 31, 2018		
Discount rate	(24,160)	25,226
Future salary change	24,525	(23,631)

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

(ii) Defined contribution plans

The Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

For the years ended December 31, 2019 and 2018, the Company recognized pension expenses of \$86,753 and \$88,787, respectively, in relation to the defined contribution plans.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(q) Income taxes

(i) In 2019 and 2018, the components of income tax expense were as follows:

	<u>2019</u>	<u>2018</u>
Current income tax expense	\$ <u>69,410</u>	<u>146,196</u>
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	552,160	395,866
Adjustment in tax rate	-	(145,946)
Changes in unrecognized deductible temporary differences and tax losses	<u>(355,740)</u>	<u>(126,584)</u>
Deferred income tax expense	<u>196,420</u>	<u>123,336</u>
Income tax expense	<u>\$ <u>265,830</u></u>	<u><u>269,532</u></u>

In 2019 and 2018, there was no income tax recognized directly in equity or other comprehensive income.

Reconciliation of income tax expense and income before income tax for 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Income before income tax	<u>\$ <u>3,840,885</u></u>	<u><u>4,304,596</u></u>
Income tax using the Company's statutory tax rate	\$ 768,177	860,919
Adjustment in tax rate	-	(145,946)
Investment income recorded under equity method	(163,266)	(538,027)
Surtax on undistributed earnings	108,768	172,311
Tax-exempt dividend income	(450)	(250)
Change in unrecognized temporary differences and tax losses	(355,740)	(126,584)
Others	<u>(91,659)</u>	<u>47,109</u>
Income tax expense	<u>\$ <u>265,830</u></u>	<u><u>269,532</u></u>

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets and liabilities

As the Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2019 and 2018, and management believes that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences are not recognized as deferred income tax liabilities. In addition, as the Company determined that it is not probable that future taxable profits will be available against which the temporary differences and operating loss carryforwards can be utilized, these items were not recognized as deferred income tax assets.

(Continued)



**QISDA CORPORATION**  
**Notes to the Financial Statements**

Unrecognized deferred income tax assets:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Aggregate deductible temporary differences associated with investments in subsidiaries	\$ 212,076	240,682
Deductible temporary differences	1,560,877	1,563,341
Tax losses	<u>1,108</u>	<u>133,194</u>
	<u><u>\$ 1,774,061</u></u>	<u><u>1,937,217</u></u>

Unrecognized deferred income tax liabilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Aggregate taxable temporary differences associated with investments in subsidiaries	<u>\$ 1,891,133</u>	<u>1,698,549</u>

As of December 31, 2019, the unrecognized tax losses and the respective expiry years were as follows:

<u>Year of expiry</u>	<u>Unrecognized tax losses</u>	<u>Year of expiry</u>
2011	<u>\$ 5,540</u>	2021

2) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2019 and 2018 were as follows:

Deferred income tax assets:

	<u>Balance at January 1, 2019</u>	<u>Recognized in profit or loss</u>	<u>Balance at December 31, 2019</u>
Unrealized inter-company profits	\$ 41,436	17,850	59,286
Deferred revenue	24,594	25,248	49,842
Operating loss carryforwards	317,896	(239,478)	78,418
Allowance for sales discounts	210,944	12,119	223,063
Unrealized accrued expenses	14,989	-	14,989
Others	<u>96,312</u>	<u>(4,346)</u>	<u>91,966</u>
	<u><u>\$ 706,171</u></u>	<u><u>(188,607)</u></u>	<u><u>517,564</u></u>
	<u>Balance at January 1, 2018</u>	<u>Recognized in profit or loss</u>	<u>Balance at December 31, 2018</u>
Unrealized inter-company profits	\$ 23,056	18,380	41,436
Deferred revenue	31,350	(6,756)	24,594
Operating loss carryforwards	514,555	(196,659)	317,896
Allowance for sales discounts	166,631	44,313	210,944
Unrealized accrued expenses	12,741	2,248	14,989
Others	<u>81,783</u>	<u>14,529</u>	<u>96,312</u>
	<u><u>\$ 830,116</u></u>	<u><u>(123,945)</u></u>	<u><u>706,171</u></u>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

Deferred income tax liabilities:

	Balance at January 1, 2019	Recognized in profit or loss	Balance at December 31, 2019
Unrealized foreign exchange gain	\$ (2,479)	(7,813)	(10,292)
	Balance at January 1, 2018	Recognized in profit or loss	Balance at December 31, 2018
Unrealized foreign exchange gain	\$ (3,088)	609	(2,479)

(iii) The Company's income tax returns for the years through 2017 have been examined and approved by the R.O.C. income tax authorities.

(r) Capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, the Company's authorized shares of common stock consisted of 5,000,000,000 shares, of which 1,966,781,958 shares were issued and outstanding. The par value of the Company's common stock is \$10 (dollars) per share.

As of December 31, 2019 and 2018, the Company had issued 351 thousand units and 511 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the Luxemburg Stock Exchange, and each GDR represents five common shares.

(ii) Capital surplus

	December 31, 2019	December 31, 2018
Changes in equity of associates accounted for using the equity method	\$ 222,425	161,325
Changes in ownership interests in subsidiaries	1,829,317	1,826,082
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	168,911	158,669
	\$ 2,220,653	2,146,076

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

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(iii) Unappropriated earnings and dividend policy

The Company's articles of incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside or reversed in accordance with applicable laws and regulations. The remaining balance of the annual net income, together with unappropriated earnings from previous years, if any, can be distributed as dividends after the earnings distribution plan proposed by the Board of Directors is approved during the stockholders' meeting. The abovementioned distribution of earnings by way of cash dividends should be approved by the Company's Board of Directors and should be reported to the Company's shareholders in its meeting.

As the Company is a technology- and capital-intensive enterprise in its growing phase, the Company has adopted a remaining earnings appropriation method as its dividend policy in order to meet long-term capital needs and cash requirements of stockholders, and thereby maintain continuous development and steady growth.

The Company's requirements for future expansion and cash flow are the primary factors that the Company considers when appropriating its earnings. The distribution ratio for cash dividends shall not be less than 10% of the total distribution.

1) Legal reserve

If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital. According to the Company Act and the Company's articles of incorporation, the abovementioned distribution of earnings by way of cash dividends should be approved by the Company's Board of Directors and should be reported to the Company's shareholders in its meeting.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the total amount of items that were accounted for as deductions from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

3) Earnings distribution

The appropriation of 2018 and 2017 earnings were approved by the stockholders at the meetings on June 21, 2019 and June 21, 2018, respectively. The resolved appropriation of the dividend per share were as follows:

	2018		2017	
	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)	Amount
Dividends per share:				
Cash dividends	\$ 0.85	<u>1,671,765</u>	1.35	<u>2,655,156</u>

(iv) Other equity items (net after tax)

1) Foreign currency translation differences:

	2019	2018
Balance at January 1	\$ 128,329	(120,490)
Foreign exchange differences arising from translation of foreign operations	(785,841)	248,819
Balance at December 31	<u>\$ (657,512)</u>	<u>128,329</u>

2) Unrealized gains (losses) on financial assets at fair value through other comprehensive income:

	2019	2018
Balance at January 1	\$ 46,990	-
Effects of retrospective application	-	30,353
Restated balance at January 1	46,990	30,353
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	14,688	(1,250)
Disposal of financial assets measured at fair value through other comprehensive income	(4,678)	-
Share of other comprehensive income of subsidiaries and associates	353,052	17,887
Balance at December 31	<u>\$ 410,052</u>	<u>46,990</u>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

3) Remeasurement of defined benefit plans:

	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (343,741)	(293,856)
Remeasurement of the defined benefit plans	(21,181)	(39,077)
Shares of remeasurement of the defined benefit plans of subsidiaries and associates accounted for using the equity method	3,874	(10,808)
Balance at December 31	<b>\$ (361,048)</b>	<b>(343,741)</b>

(s) Earnings per share (“EPS”)

(i) Basic earnings per share

The basic earnings per share were calculated as the profit attributable to shareholders of the Company divided by the weighted-average number of ordinary shares outstanding as follows:

	<b>2019</b>	<b>2018</b>
Profit attributable to shareholders of the Company	\$ <b>3,575,055</b>	<b>4,035,064</b>
Weighted-average number of ordinary shares outstanding (in thousands)	<b>1,966,782</b>	<b>1,966,782</b>
Basic earnings per share (in dollars)	<b>\$ 1.82</b>	<b>2.05</b>

(ii) Diluted earnings per share

	<b>2019</b>	<b>2018</b>
Profit attributable to shareholders of the Company	\$ <b>3,575,055</b>	<b>4,035,064</b>
Weighted-average number of ordinary shares outstanding (in thousands)	1,966,782	1,966,782
Effect of dilutive potential common stock:		
Employee bonuses	18,758	21,555
Weighted-average number of ordinary shares outstanding (including effect of dilutive potential common stock)	<b>1,985,540</b>	<b>1,988,337</b>
Diluted earnings per share (in dollars)	<b>\$ 1.80</b>	<b>2.03</b>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Asia	\$ 55,955,750	58,922,127
Europe	9,624,182	18,445,087
America	32,045,539	21,110,946
Others	871,449	554,897
	<u>\$ 98,496,920</u>	<u>99,033,057</u>
Major products/services lines:		
Electronic products	\$ 97,682,045	98,143,593
Other design and development service	814,875	889,464
	<u>\$ 98,496,920</u>	<u>99,033,057</u>

(ii) Contract balances

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>January 1,</u> <u>2018</u>
Notes and accounts receivable (including related parties)	\$ 25,737,819	26,984,462	25,554,787
Less: loss allowance	(33,141)	(65,491)	(62,581)
Total	<u>\$ 25,704,678</u>	<u>26,918,971</u>	<u>25,492,206</u>
Contract liabilities	<u>\$ 252,903</u>	<u>384,821</u>	<u>309,846</u>

For details on notes and accounts receivable and related loss allowance, please refer to note 6(d).

The amounts of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balances at the beginning of the period were \$384,821 and \$309,846, respectively.

(u) Remuneration to employees and directors

The Company's article of incorporation requires that earnings shall first be offset against any deficit, then, a range from 5% to 20% will be distributed as remuneration to its employees and no more than 1% to its directors. Employees who are entitled to receive the abovementioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

For the years ended December 31, 2019 and 2018, the Company estimated its remuneration to employees amounting to \$322,920 and \$341,480, respectively, and the remuneration to directors amounting to \$31,463 and \$35,112, respectively. The abovementioned estimated amounts are calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by a certain percentage of the remuneration to employees and directors. The estimations are recognized as cost of sales or operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year. The abovementioned estimated remuneration to employees and directors is the same as the amount approved by the Board of Directors and will be paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(v) Non-operating income and loss

(i) Other income

	<b>2019</b>	<b>2018</b>
Interest income from bank deposits	\$ 19,759	17,192
Rental income	112,643	13,405
Dividend income	2,250	1,250
Subsidy income	39,316	-
	<b>\$ 173,968</b>	<b>31,847</b>

(ii) Other gains and losses – net

	<b>2019</b>	<b>2018</b>
Gain (loss) on disposal of property, plant and equipment	\$ 1,485	(621)
Gain on disposal of investments	19,175	-
Foreign currency exchange gains (losses)	91,165	(68,624)
Gains (losses) on financial assets and liabilities at fair value through profit or loss	25,172	79,044
Gain on bargain purchase (note 6(g))	20,958	-
Gain on reversal of other payables	60,721	-
Others	24,272	34,051
	<b>\$ 242,948</b>	<b>43,850</b>

(iii) Finance costs

	<b>2019</b>	<b>2018</b>
Interest expense from bank loans	\$ (415,395)	(362,611)
Interest expense on lease liabilities	(18,814)	-
	<b>\$ (434,209)</b>	<b>(362,611)</b>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(w) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Financial assets at fair value through profit or loss	\$ <u>37,441</u>	<u>13,749</u>
Financial assets at fair value through other comprehensive income	<u>48,438</u>	<u>33,750</u>
Financial assets measured at amortized cost:		
Cash and cash equivalents	1,052,856	1,127,971
Notes and accounts receivable and other receivables (including related parties)	25,706,945	27,145,627
Other financial assets—non-current	<u>40,222</u>	<u>42,078</u>
Subtotal	<u>26,800,023</u>	<u>28,315,676</u>
Total	<b><u>\$ 26,885,902</u></b>	<b><u>28,363,175</u></b>

2) Financial liabilities

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Financial liabilities at fair value through profit or loss	\$ <u>-</u>	<u>2,388</u>
Financial liabilities measured at amortized cost:		
Short-term borrowings	7,190,000	5,150,000
Notes and accounts payable and other payables (including related parties)	27,694,798	27,312,252
Lease liabilities (including current portion and related parties)	987,907	-
Long-term debt (including current portion)	11,447,582	13,271,325
Other non-current liabilities—guarantee deposits	<u>9,104</u>	<u>51,650</u>
Subtotal	<u>47,329,391</u>	<u>45,785,227</u>
Total	<b><u>\$ 47,329,391</u></b>	<b><u>45,787,615</u></b>

(Continued)



**QISDA CORPORATION**  
**Notes to the Financial Statements**

(ii) Fair value information

1) Financial instruments not measured at fair value

The Company considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments measured at fair value

The financial department of the Company evaluates the fair value of financial instrument and utilizes the assistance of external experts or financial institutions in performing the valuation of fair value when necessary, and regularly revises the inputs and any essential adjustments on the fair value to confirm the evaluation results is reasonable.

When measuring the fair value of financial instruments, the Company usually use market observable data. The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	<b>December 31, 2019</b>			
	<b>Fair Value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit and loss:				
Foreign currency forward contracts	\$ -	37,441	-	37,441
Financial assets measured at fair value through other comprehensive income:				
Domestic listed stocks	48,438	-	-	48,438
Total	<u>\$ 48,438</u>	<u>37,441</u>	<u>-</u>	<u>85,879</u>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

	December 31, 2018			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss:				
Foreign currency forward contracts	\$ -	12,500	-	12,500
Foreign exchange swaps	-	1,249	-	1,249
Subtotal	-	13,749	-	13,749
Financial assets measured at fair value through other comprehensive income:				
Domestic listed stocks	33,750	-	-	33,750
Total	\$ 33,750	13,749	-	47,499
Financial liabilities at fair value through profit and loss:				
Foreign currency forward contracts	\$ -	298	-	298
Foreign exchange swaps	-	2,090	-	2,090
Total	\$ -	2,388	-	2,388

3) Valuation techniques and assumptions used in fair value measurement

a) Non-derivative financial instruments

The fair value of financial instruments traded in active liquid markets is determined with reference to quoted market prices.

For listed stock with standard terms and conditions and traded in active markets. The fair value is based on quoted market prices.

b) Derivative financial instruments

The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and that are readily available to the Company. The fair value of foreign currency forward contracts and foreign exchange swaps is computed individually by each contract using the valuation technique.

4) Transfers between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the years ended December 31, 2019 and 2018.

(x) Financial risk management

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

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

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

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

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, derivative instruments, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Company's financial assets. As of December 31, 2019 and 2018, the Company's maximum exposure to credit risk amounted to \$26,885,902 and \$28,363,175, respectively.

The Company maintains cash and enters into derivative transactions with various reputable financial institutions; therefore, the exposure related to potential default by those counterparties is not considered significant.

The majority of the Company's customers are well-known international companies with high financial transparency in the electronics industry. In order to reduce credit risk of accounts receivable, the Company has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Company continuously evaluates the credit quality of customers and utilizes insurance to minimize the risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Company manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of December 31, 2019 and 2018, the Company had unused credit facilities of \$17,604,359 and \$10,281,799, respectively.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and interest.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2019</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 7,208,956	6,706,918	502,038	-	-	-
Lease liabilities (including current portion and related parties)	1,058,894	72,391	60,734	132,716	418,747	374,306
Long-term debt (including current portion)	11,753,522	17,358	120,803	411,067	11,036,975	167,319
Notes and accounts payable (including related parties)	27,056,340	27,056,340	-	-	-	-
Other payables (including related parties)	638,458	638,458	-	-	-	-
Guarantee deposits	9,104	-	-	-	9,104	-
	<u>\$ 47,725,274</u>	<u>34,491,465</u>	<u>683,575</u>	<u>543,783</u>	<u>11,464,826</u>	<u>541,625</u>
Derivative financial instruments:						
Foreign currency forward contracts:						
Outflow	\$ 2,701,508	2,701,508	-	-	-	-
Inflow	(2,738,949)	(2,738,949)	-	-	-	-
	<u>\$ (37,441)</u>	<u>(37,441)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>December 31, 2018</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 5,161,744	4,710,827	450,917	-	-	-
Long-term debt (including current portion)	13,856,164	1,705,900	418,000	6,905,746	4,826,518	-
Notes and accounts payable (including related parties)	26,604,375	26,604,375	-	-	-	-
Other payables (including related parties)	707,877	707,877	-	-	-	-
Guarantee deposits	51,650	-	-	-	51,650	-
	<u>\$ 46,381,810</u>	<u>33,728,979</u>	<u>868,917</u>	<u>6,905,746</u>	<u>4,878,168</u>	<u>-</u>
Derivative financial instruments:						
Foreign currency forward contracts:						
Outflow	\$ 1,444,040	1,444,040	-	-	-	-
Inflow	(1,456,242)	(1,456,242)	-	-	-	-
Foreign exchange swaps:						
Outflow	1,864,613	1,864,613	-	-	-	-
Inflow	(1,863,772)	(1,863,772)	-	-	-	-
	<u>\$ (11,361)</u>	<u>(11,361)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(iii) Market risk

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

The Company utilizes derivative financial instruments to manage market risk and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Company's Board of Directors.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

1) Foreign currency risk

The Company utilizes foreign currency forward contracts and foreign exchange swaps to hedge its foreign currency exposure with respect to its sales and purchases. These financial instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

The maturity dates of derivative financial instruments the Company entered into were less than six months and did not conform to the criteria for hedge accounting.

The Company's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (including related-party transactions), notes and accounts payable (including related-party transactions), other receivables (including related-party transactions), other payables (including related-party transactions), and loans and borrowings that are denominated in a currency other than the functional currency of Company. At the reporting date, the carrying amounts of the Company's significant monetary assets and liabilities denominated in a currency other than the functional currency of the Company and the sensitivity analysis were as follows:

<b>December 31, 2019</b>					
	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>TWD (in thousands)</b>	<b>Change in magnitude</b>	<b>Effect on profit or loss (in thousands)</b>
<u>Financial assets</u>					
USD	\$ 876,501	30.106	26,387,939	1 %	263,879
<u>Financial liabilities</u>					
USD	909,315	30.106	27,375,837	1 %	273,758
<b>December 31, 2018</b>					
	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>TWD (in thousands)</b>	<b>Change in magnitude</b>	<b>Effect on profit or loss (in thousands)</b>
<u>Financial assets</u>					
USD	\$ 910,645	30.715	27,970,461	1 %	279,705
<u>Financial liabilities</u>					
USD	917,153	30.715	28,170,354	1 %	281,704

As the Company deal in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gains (losses) for the years ended December 31, 2019 and 2018 were \$91,165 and \$(68,624), respectively.

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

2) Interest rate risk

The Company's short-term borrowings and long-term debt carried floating interest rates. To manage the interest rate risk, the Company periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Company also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period.

If interest rates had been 100 basis points (1%) higher/lower, with all other variables held constant, pre-tax income for the years ended December 31, 2019 and 2018 would have been \$186,376 and \$184,213, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

The Company is exposed to the risk of price fluctuation in the securities market due to the investment in domestic listed stock. The Company supervises the equity price risk actively and manages the risk based on fair value.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2019 and 2018, would have increased or decreased by \$2,422 and \$1,688, respectively.

(y) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Company maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital expenditures, repayment of debts, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders. The Company monitors its capital through reviewing the liability-to-equity ratio periodically.

The Company's liability-to-equity ratio at the end of each reporting period was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total liabilities	<u>\$ 50,329,635</u>	<u>48,835,959</u>
Total equity	<u>\$ 33,943,959</u>	<u>32,447,319</u>
Liability-to-equity ratio	<u>148.27 %</u>	<u>150.51 %</u>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

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

(i) Please refer to note 6(i) for a description of acquisition of right-of-use assets through leases in 2019.

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

	<u>January 1,</u> <u>2019</u>	<u>Cash flows</u>	<u>Non-cash</u> <u>changes</u> <u>Additions</u>	<u>December 31,</u> <u>2019</u>
Short-term borrowing	\$ 5,150,000	2,040,000	-	7,190,000
Long-term debts	13,271,325	(1,823,743)	-	11,447,582
Lease liabilities	<u>1,102,663</u>	<u>(124,367)</u>	<u>9,611</u>	<u>987,907</u>
Total liabilities from financing activities	<u>\$ 19,523,988</u>	<u>91,890</u>	<u>9,611</u>	<u>19,625,489</u>

	<u>January 1,</u> <u>2018</u>	<u>Cash flows</u>	<u>December 31,</u> <u>2018</u>
Short-term borrowing	\$ 5,827,600	(677,600)	5,150,000
Long-term debts	<u>8,762,800</u>	<u>4,508,525</u>	<u>13,271,325</u>
Total liabilities from financing activities	<u>\$ 14,590,400</u>	<u>3,830,925</u>	<u>18,421,325</u>

**7. Related-party transactions:**

(a) Related party name and categories

The followings are subsidiaries and other related parties that have had transactions with the Company during the reporting periods.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Qisda Sdn. Bhd. (“QLPG”)	The Company’s subsidiary
Qisda Mexicana S.A. De C.V. (“QMMX”)	The Company’s subsidiary (note 6)
Qisda America Corp. (“QALA”)	The Company’s subsidiary
Qisda Japan Co., Ltd. (“QJTO”)	The Company’s subsidiary
BenQ Corp. (“BenQ”)	The Company’s subsidiary
BenQ Material Corp. (“BMC”)	The Company’s subsidiary
BenQ Dialysis Technology Corp. (“BDT”)	The Company’s subsidiary
Qisda Optronics Corp. (“QTOS”)	The Company’s subsidiary
Qisda (L) Corp. (“QLLB”)	The Company’s subsidiary
Darly Venture (L) Ltd. (“Darly”)	The Company’s subsidiary
Darly Venture Inc. (“APV”)	The Company’s subsidiary
BenQ BM Holding Cayman Corp. (“BBHC”)	The Company’s subsidiary
BenQ Biotech (Shanghai) Co., Ltd (“BBC”)	The Company’s subsidiary
Qisda Vietnam Co., Ltd. (“QVH”)	The Company’s subsidiary (note 5)
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	The Company’s subsidiary
Qisda (Hong Kong) Limited (“QCHK”)	The Company’s subsidiary

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
BenQ Medical (Shanghai) Co., LTD (“BMSH”)	The Company’s subsidiary
Qisda (Shanghai) Co., Ltd. (“QCSH”)	The Company’s subsidiary
Qisda Electronics (Suzhou) Co., Ltd. (“QCES”)	The Company’s subsidiary
Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	The Company’s subsidiary
Qisda Precision Industry (Suzhou) Co., Ltd. (“QCPS”)	The Company’s subsidiary
BenQ ESCO Corp. (“BES”)	The Company’s subsidiary
BenQ (Hong Kong) Limited (“BQHK”)	The Company’s subsidiary
BenQ Europe B.V. (“BQE”)	The Company’s subsidiary
BenQ Asia Pacific Corp. (“BQP”)	The Company’s subsidiary
BenQ America Corporation (“BQA”)	The Company’s subsidiary
BenQ Latin America Corp. (“BQL”)	The Company’s subsidiary
Mainteq Europe B.V. (“MQE”)	The Company’s subsidiary
Darly2 Venture Co., Ltd. (“Darly 2”)	The Company’s subsidiary
BenQ Intelligent Technology (Hong Kong) Co., Ltd. (“BQHK_HLD”)	The Company’s subsidiary
Zowie Gear Corporation (“ZGC”)	The Company’s subsidiary
BenQ Guru Holding Limited (“GSH”)	The Company’s subsidiary
BenQ Medical Technology Corp. (“BMTC”)	The Company’s subsidiary
PT BenQ Teknologi Indonesia (“BQid”)	The Company’s subsidiary
BenQ Korea Co., Ltd. (“BQkr”)	The Company’s subsidiary
BenQ Japan Co., Ltd. (“BQjp”)	The Company’s subsidiary
BenQ Australia Pty Ltd. (“BQau”)	The Company’s subsidiary
BenQ (M.E.) FZE (“BQme”)	The Company’s subsidiary
BenQ India Private Ltd. (“BQin”)	The Company’s subsidiary
BenQ Singapore Pte Ltd. (“BQsg”)	The Company’s subsidiary
BenQ Service & Marketing (M) Sdn. Bhd (“BQmy”)	The Company’s subsidiary
BenQ (Thailand) Co., Ltd. (“BQth”)	The Company’s subsidiary
BenQ Co., Ltd. (“BQC”)	The Company’s subsidiary
BenQ Technology (Shanghai) Co., Ltd. (“BQls”)	The Company’s subsidiary
ShengCheng Trading (Shanghai) Co., Ltd (“BQsha_EC2”)	The Company’s subsidiary
BenQ Intelligent Technology (Shanghai) Co., Ltd (“BQC_RO”)	The Company’s subsidiary
Guru Systems (Suzhou) Co., Ltd. (“GSS”)	The Company’s subsidiary
BenQ GURU Corp. (“GST”)	The Company’s subsidiary
BenQ Canada Corp. (“BQca”)	The Company’s subsidiary
BenQ Mexico S. de R.L. de C.V. (“BQmx”)	The Company’s subsidiary
Joytech LLC. (“Joytech”)	The Company’s subsidiary
Vividtech LLC. (“Vividtech”)	The Company’s subsidiary
MaxGen Comercio Industrial Imp E Exp Ltda. (“MaxGen”)	The Company’s subsidiary
BenQ Service de Mexico S. de R.L. de C.V. (“BQms”)	The Company’s subsidiary
BenQ UK Limited (“BQuk”)	The Company’s subsidiary
BenQ Deutschland GmbH (“BQde”)	The Company’s subsidiary
BenQ Iberica S.L. Unipersonal (“BQib”)	The Company’s subsidiary
BenQ Austria GmbH (“BQat”)	The Company’s subsidiary

(Continued)



**QISDA CORPORATION**  
**Notes to the Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
BenQ Benelux B.V. (“BQnl”)	The Company’s subsidiary
BenQ Italy S.R.L. (“BQit”)	The Company’s subsidiary
BenQ France SAS (“BQfr”)	The Company’s subsidiary
BenQ Nordic A.B. (“BQse”)	The Company’s subsidiary
BenQ LLC. (“BQru”)	The Company’s subsidiary
BenQ BM Holding Corp. (“BBM”)	The Company’s subsidiary
Darly Consulting Corporation (“Darly C”)	The Company’s subsidiary
Highview Investments Limited (“Highview”)	The Company’s subsidiary
Asiacconnect International Company (“Asiacconnect”)	The Company’s subsidiary
LILY Medical Corporation (“LILY”)	The Company’s subsidiary
BenQ AB DentCare Corporation (“BABD”)	The Company’s subsidiary
BenQ Hearing Solution Corporation (“BHS”)	The Company’s subsidiary
BenQ Medical Technology (Shanghai) Ltd. (“BMTS”)	The Company’s subsidiary
LILY Medical (Suzhou) Co., Ltd. (“ALS”)	The Company’s subsidiary
BenQ Materials (L) Co. (“BMLB”)	The Company’s subsidiary
Sigma Medical Supplies Corp (“SMS”)	The Company’s subsidiary (note 1)
Suzhou Sigma Medical Supplies Co., Ltd. (“SMSZ”)	The Company’s subsidiary (note 1)
BenQ Material (Suzhou) Co., Ltd. (“BMS”)	The Company’s subsidiary
Daxon Biomedical (Suzhou) Co., Ltd. (“DTB”)	The Company’s subsidiary
BenQ Materials Medical Supplies (Suzhou) Co., Ltd (“BMM”)	The Company’s subsidiary (note 5)
BenQ Meterials (Wuhu) Co., Ltd.	The Company’s subsidiary
Nanjing BenQ Hospital Co., Ltd. (“NMH”)	The Company’s subsidiary
Suzhou BenQ Hospital Co., Ltd. (“SMH”)	The Company’s subsidiary
BenQ Hospital Management Consulting (Nanjing) Co., Ltd. (“NMHC”)	The Company’s subsidiary
BenQ Healthcare Consulting Corporation (“BHCC”)	The Company’s subsidiary
Suzhou BenQ Investment Co., Ltd. (“BIC”)	The Company’s subsidiary
Nanjing Silvertown Health & Development Co., Ltd (“NSHD”)	The Company’s subsidiary (note 7)
Partner Tech Corp. (“PTT”)	The Company’s subsidiary
Partner-Tech Europe GmbH (“PTE”)	The Company’s subsidiary
Partner Tech Middle East FZCO (“PTME”)	The Company’s subsidiary
Partner Tech North Africa (“PTNA”)	The Company’s subsidiary
Partner Tech UK Corp., Ltd. (“PTUK”)	The Company’s subsidiary
P&J Investment Holding Co., Ltd. (B.V.I.)	The Company’s subsidiary
P&S Investment Holding Co., Ltd. (B.V.I.)	The Company’s subsidiary
Partner Tech (Shanghai) Co., Ltd. (“PTCM”)	The Company’s subsidiary
Partner Tech USA Inc. (“PTU”)	The Company’s subsidiary
Webest Solution Corporation (“WEBEST”)	The Company’s subsidiary
Sloga Team D.o.o. (“Sloga”)	The Company’s subsidiary
Retail Solution & System S.L. (“RSS”)	The Company’s subsidiary
E-POS International LLC (“E-POS”)	The Company’s subsidiary
Epoint Systems Pte. Ltd. (“PTSE”)	The Company’s subsidiary (note 1)

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
Partner Tech Africa (Pty) Ltd. (“PTA”)	The Company’s subsidiary (notes 3 and 8)
La Fresh information Co., Ltd (“PTTN”)	The Company’s subsidiary (note 1)
Corex (Pty) Ltd. (“PCX”)	The Company’s subsidiary (note 1)
Ace Pillar Co., Ltd. (“ACE”)	The Company’s subsidiary (note 4)
Cyber South Management Ltd.	The Company’s subsidiary (note 4)
Tianjin Ace Pillar Co., Ltd.	The Company’s subsidiary (note 4)
Hong Kong Ace Pillar Enterprise Company Limited	The Company’s subsidiary (note 4)
Proton Inc.	The Company’s subsidiary (note 4)
Ace Tek (HK) Holding Co., Ltd.	The Company’s subsidiary (note 4)
Suzhou Super Pillar Automation Equipment Co., Ltd.	The Company’s subsidiary (note 4)
Grace Transmossion (Tianjin) Co., Ltd.	The Company’s subsidiary (note 4)
Xuchang Ace AI Equipment Co., Ltd.	The Company’s subsidiary (note 4)
Advancedtek Ace (TJ) Inc.	The Company’s subsidiary (note 4)
DFI Inc.(“DFI”)	The Company’s subsidiary
DFI AMERICA, LLC	The Company’s subsidiary
DFI Co., Ltd.	The Company’s subsidiary
Yan Tong Technology Ltd.	The Company’s subsidiary
Diamond Flower Information (NL) B.V.	The Company’s subsidiary
Dual-Tech International Co., Ltd.	The Company’s subsidiary
Yan-Tong Infotech (Dongguan) Co., Ltd.	The Company’s subsidiary
Yan Ying Hao Trading (ShenZhen) Co., Ltd	The Company’s subsidiary
Aewin Technologies Co., Ltd (“AEWIN”)	The Company's associate (note 4)
Wise Way	The Company's associate (note 4)
Aewin Tech Inc.	The Company's associate (note 4)
Bright Profit	The Company's associate (note 4)
Aewin Beijing Technologies Co., Ltd	The Company's associate (note 4)
Aewin (Shenzhen) Technologies Co., Ltd	The Company's associate (note 4)
New Best Hearing International Trade Co. Ltd. (“NBHIT”)	The Company’s subsidiary
K2 International Medical Inc. (“K2”)	The Company’s subsidiary (note 1)
K2 Medical (Thailand) Co., Ltd.	The Company’s subsidiary (note 1)
K2 (Shanghai) International Medical Inc. (“K2SH”)	The Company's associate (note 4)
Data Image Corporation (“DIC”)	The Company’s subsidiary (note 1)
Data Image (Mauritius) Corporation	The Company’s subsidiary(note 1)
Data Image (Suzhou) Corporation	The Company's associate (note 1)
Expert Alliance Systems & Consultancy (HK) Co., Ltd. (“EASC”)	The Company's associate (note 4)
Expert Alliance Smart Technology Co., Ltd.	The Company's associate (note 4)
Topview Optronics Corporation (“Topview”)	The Company's associate (note 4)
Messoa Technologies Inc.	The Company's associate (note 4)
Messoa Technologies Inc. (USA)	The Company's associate (note 4)
Sysage Technology Co., Ltd. (“Sysage”)	The Company's associate (note 4)
Global Intelligence Network Co., Ltd.	The Company's associate (note 4)

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
Dawning Technology Inc.	The Company's associate (note 4)
Epic Cloud Information Integration Corporation	The Company's associate (note 4)
AU Optronics Corp. ("AU")	The Company's associate
Darfon Electronics Corp. ("DFN")	The Company's associate
Visco Vision Inc. ("Visco Vision")	The Company's associate
Q.S.Control Corp.	The Company's associate
Alpha Networks Inc. ("Alpha")	The Company's associate (note 2)
TDX Medical Technology (Jiangsu) Co., Ltd	BMTC's joint venture
Darwin Precisions Corporation ("Darwin")	AU's subsidiary
AU Optronics (L) Corp. ("AUL")	AU's subsidiary
AU Optronics (Kunshan) Co., Ltd. ("AUKS")	AU's subsidiary
a.u. Vista Inc. ("AUVI")	AU's subsidiary
AU Optronics (Suzhou) Corp. ("AUSZ")	AU's subsidiary
AU Optronics (Slovakia) s.r.o. ("AUSK")	AU's subsidiary
BenQ Foundation	Substantive related party

(note 1) Starting 2018, SMS, K2, and DIC, and their subsidiaries, have become the Company's subsidiaries.

(note 2) Starting 2018, Alpha is the Company's associate.

(note 3) Prior to 2018, PTA was an associate of the Company. Starting 2018, PTA has become the Company's subsidiary.

(note 4) Starting 2019, ACE, AEWIN, K2SH, EASC, Topview, and Sysage, and their subsidiaries, have become the Company's subsidiaries.

(note 5) QVH and BMM is newly established in 2019.

(note 6) QMMX was liquidated in 2019.

(note 7) Prior to March 2019, NSHD was the Company's subsidiary. Starting March 2019, NSHD has become the Company's associate.

(note 8) PTA was merged into PCX in 2019, and PTA is the dissolved company.

(b) Parent company and ultimate controlling company

The Company is both the parent company and the ultimate controlling party of the Group.

(c) Significant related-party transactions

(i) Revenue

	<u>2019</u>	<u>2018</u>
Subsidiaries:		
QALA	\$ 26,685,853	24,321,437
BenQ	5,043,193	5,175,255
Other subsidiaries	<u>4,403,702</u>	<u>4,099,994</u>
	<u>36,132,748</u>	<u>33,596,686</u>
Associates	<u>7,067,820</u>	<u>7,322,859</u>
	<u>\$ 43,200,568</u>	<u>40,919,545</u>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

There were no significant differences between the sales prices for related parties and those for third-party customers. The payment terms of 30~120 days showed no significant difference between related parties and third-party customers.

The Company sold raw materials and work in process to its subsidiaries for reprocessing, and the related finished goods were resold back to the Company. For this reason, the Company offset the recognized revenues and costs from these transactions, which amounted to \$26,615,549 and \$28,182,443, for the years ended December 31, 2019 and 2018, respectively.

(ii) Purchases

	<u>2019</u>	<u>2018</u>
Subsidiaries:		
QLLB	\$ 54,870,165	89,901,865
QCSZ	28,506,605	-
Other associates	<u>4,976,500</u>	<u>-</u>
	88,353,270	89,901,865
Associates	<u>47,018</u>	<u>78,143</u>
	<u><b>\$ 88,400,288</b></u>	<u><b>89,980,008</b></u>

There were no significant differences between the purchase prices for related parties and those for third-party vendors. The payment terms of 30~120 days showed no significant difference between related parties and third-party vendors.

(iii) Lease

The Company leased its office and plant to its related parties. In 2019 and 2018, the related rental income from subsidiaries amounted to \$66,497 and \$68,994, respectively, and from associates amounted to \$2,930 and \$2,244, respectively, recognized as the deduction from operating expenses and the non-operating income and loss— other income. The related receivables were classified as other receivables from related parties.

The Company leased factory from AU, and the rent is paid monthly with reference to the nearby office rental rates. In 2018, the related rental expense amounted to \$4,896. The Company applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized right-of-use assets of \$4,405 and lease liabilities of \$4,448, respectively. In 2019, the related interest expense on lease liabilities amounted to \$54. As of December 31, 2019, the balance of the lease liability amounted to \$9,218.

(iv) Repair service

The Company's subsidiaries provided repair service to the Company. These subsidiaries charged the Company for their repair service based on the actual costs of services rendered. For the years ended December 31, 2019 and 2018, the repair service fees amounted to \$1,921 and \$4,738, respectively, recognized as operating costs. The related payables were classified as "other payables to related parties".

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(v) Donation

In 2019 and 2018, the Company made a donation to a substantive related party (BenQ Foundation) for \$5,000.

(vi) Guarantees

For the years ended December 31, 2019 and 2018, the Company provided guarantees in order to apply for foreign exchange credit line for its subsidiaries amounting to \$3,191,236 and \$2,764,350, respectively.

(vii) Receivables

<u>Account</u>	<u>Related-party categories</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable	Subsidiaries:		
	QALA	\$ 7,950,735	9,325,491
	BenQ	2,039,637	2,548,125
	QJTO	1,278,199	1,014,294
	QCSZ	839,310	843,445
	Other subsidiaries	<u>421,594</u>	<u>639,170</u>
		<u>12,529,475</u>	<u>14,370,525</u>
	Associates	<u>2,248,552</u>	<u>2,350,174</u>
Other receivables	Subsidiaries	<u>1,448</u>	<u>-</u>
		<u>\$ 14,779,475</u>	<u>16,720,699</u>

(viii) Payables

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable	Subsidiaries:		
	QCSZ	\$ 18,262,591	-
	QLLB	-	20,583,191
	QCES	3,966,944	3,868,107
	QCOS	3,251,756	-
	Other subsidiaries	239,643	64,464
	Associates	<u>20,479</u>	<u>6,934</u>
		<u>25,741,413</u>	<u>24,522,696</u>
Other payables	Subsidiaries	<u>9,931</u>	<u>6,738</u>
		<u>\$ 25,751,344</u>	<u>24,529,434</u>

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

(d) Compensation for key management personnel

	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 148,265	145,575
Post-employment benefits	741	999
	<b>\$ 149,006</b>	<b>146,574</b>

**8. Pledged assets:**

The carrying amounts of the assets pledged as collateral are detailed below:

<b>Pledged assets</b>	<b>Pledged to secure</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Common stock of investments accounted for using the equity method	Credit lines of bank loans	\$ 4,808,527	8,834,783
Land and buildings	Credit lines of bank loans	1,199,753	1,230,929
		<b>\$ 6,008,280</b>	<b>10,065,712</b>

**9. Significant commitments and contingencies:**

In addition to those in note 7, the Company had the following commitments and contingencies:

(a) Significant unrecognized commitments

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Unused letters of credit	<b>\$ 100,643</b>	<b>143,814</b>

(b) Significant contingent liabilities

(i) In September 2010, some direct and indirect U.S. purchasers of optical disk drive products filed class actions against the Company and BQA, among other co-defendants. In the complaints, the plaintiffs claimed monetary damages from an alleged antitrust conspiracy. The Company has reached a settlement with direct U.S. purchasers.

In January 2018, the U.S. district court dismissed the claim from the indirect U.S. purchasers. In November 2019, the U.S. Federal Court of Appeal affirmed the district court's decision, and the indirect purchasers did not seek an appeal, so the case is closed.

(ii) In January 2012, some direct and indirect Canadian purchasers of optical disk drive products filed class actions against the Company and BQA, among other co-defendants. In the complaints, the plaintiffs claimed monetary damages from an alleged antitrust conspiracy. The Company has retained counsel to handle the related matters. Currently, the lawsuit is still in progress.

**10. Significant loss from disaster: None.**

(Continued)

**QISDA CORPORATION**  
**Notes to the Financial Statements**

**11. Significant subsequent events:**

Coronavirus disease (COVID-19) outbreak in the beginning of 2020, which caused uncertainty in the operating environment of the Company. As the related information is still unclear, the Company cannot reasonably estimate the impact on its operating results and financial position. The Company will stay tuned for updates of the event to make in-time assessment.

**12. Others:**

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

	2019			2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	400,534	2,109,865	2,510,399	391,298	2,118,086	2,509,384
Insurance	27,699	126,941	154,640	26,468	130,930	157,398
Pension	14,174	78,194	92,368	14,434	80,894	95,328
Remuneration of directors	-	44,083	44,083	-	47,652	47,652
Others	38,060	162,446	200,506	35,130	124,768	159,898
Depreciation	37,583	172,174	209,757	30,711	47,240	77,951
Amortization	743	13,134	13,877	600	4,239	4,839

	<u>2019</u>	<u>2018</u>
The number of employees	<u>1,659</u>	<u>1,652</u>
The number of non-employee directors	<u>6</u>	<u>6</u>
Average employee benefits	<u>\$ 1,789</u>	<u>1,775</u>
Average employee salaries	<u>\$ 1,519</u>	<u>1,525</u>
Average employee salaries adjustment rate	<u>(0.39)%</u>	

**13. Additional disclosures:**

(a) Information on significant transactions:

- (i) Financing provided to other parties: Table 1 (attached)
- (ii) Guarantees and endorsements provided to other parties: Table 2 (attached)
- (iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and joint ventures): Table 3 (attached)
- (iv) Marketable securities for which the accumulated purchase or sale amounts for the year exceed \$300 million or 20% of the paid-in capital: Table 4 (attached)
- (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None

(Continued)

**QISDA CORPORATION**  
**Notes to Financial Statements**

- (vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None
- (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: Table 5 (attached)
- (viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: Table 6 (attached)
- (ix) Transactions about derivative instruments: Refer to note 6(b)
- (b) Information on investees : Table 7 (attached)
- (c) Information on investments in Mainland China: Table 8 (attached)

**14. Segment information:**

Please refer to the consolidated financial statements for the year ended December 31, 2019.



**QISDA CORPORATION**  
**Financing provided to other parties**  
**For the year ended December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars and other currencies)**

Table 1

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a Related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the Period	Range of Interest Rates During the Period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amounts Limits
													Item	Value		
0	The Company	QLLB	Other receivables from related parties	Yes	915,000 (USD 30,000)	903,180 (USD 30,000)	-	-	2	-	Operating requirements	-	-	-	6,788,792	13,577,584
1	QLLB	Qisda (Shanghai) Co., Ltd. ("QCSH")	Other receivables from related parties	Yes	1,852,800 (USD 58,000)	-	-	-	2	-	Operating requirements	-	-	-	6,788,792	13,577,584
1	QLLB	Qisda (Shanghai) Co., Ltd. ("QCSH")	Other receivables from related parties	Yes	1,818,880 (USD 58,000)	1,746,148 (USD 58,000)	1,746,148 (USD 58,000)	-	2	-	Operating requirements	-	-	-	6,788,792	13,577,584
1	QLLB	Daily Venture (L) Ltd	Other receivables from related parties	Yes	231,150 (USD 7,500)	-	-	-	2	-	Operating requirements	-	-	-	1,488,802	13,577,584
1	QLLB	BBHC	Other receivables from related parties	Yes	307,700 (USD 10,000)	-	-	-	2	-	Operating requirements	-	-	-	2,627,305	5,254,610
1	QLLB	BBHC	Other receivables from related parties	Yes	308,950 (USD 10,000)	-	-	-	2	-	Operating requirements	-	-	-	2,627,305	5,254,610
2	BenQ	BQL	Other receivables from related parties	Yes	276,615 (USD 9,000)	-	-	-	2	-	Operating requirements	-	-	-	1,562,972	3,125,943
2	BenQ	BQL	Other receivables from related parties	Yes	237,000 (USD 7,500)	-	-	-	2	-	Operating requirements	-	-	-	1,562,972	3,125,943
2	BenQ	BQL	Other receivables from related parties	Yes	274,500 (USD 9,000)	270,954 (USD 9,000)	270,954 (USD 9,000)	-	2	-	Operating requirements	-	-	-	1,562,972	3,125,943
2	BenQ	Daily Venture (L) Ltd	Other receivables from related parties	Yes	152,500 (USD 5,000)	150,530 (USD 5,000)	150,530 (USD 5,000)	0.75%	2	-	Operating requirements	-	-	-	1,562,972	3,125,943
3	BBM	Suzhou BenQ Hospital Co., Ltd. ("SMH")	Other receivables from related parties	Yes	30,895 (USD 1,000)	-	-	-	2	-	Operating requirements	-	-	-	1,488,802	1,488,802
3	BBM	Suzhou BenQ Hospital Co., Ltd. ("SMH")	Other receivables from related parties	Yes	376,320 (USD 12,000)	361,272 (USD 12,000)	361,272 (USD 12,000)	-	2	-	Operating requirements	-	-	-	1,488,802	1,488,802
3	BBM	Nanjing BenQ Hospital Co., Ltd. ("NMH")	Other receivables from related parties	Yes	109,760 (USD 3,500)	45,159 (USD 1,500)	45,159 (USD 1,500)	-	2	-	Operating requirements	-	-	-	1,488,802	1,488,802
4	BBHC	Suzhou BenQ Hospital Co., Ltd. ("SMH")	Other receivables from related parties	Yes	369,240 (USD 12,000)	-	-	-	2	-	Operating requirements	-	-	-	1,520,848	1,520,848
4	BBHC	Suzhou BenQ Hospital Co., Ltd. ("SMH")	Other receivables from related parties	Yes	379,200 (USD 12,000)	-	-	-	2	-	Operating requirements	-	-	-	1,520,848	1,520,848
4	BBHC	Nanjing BenQ Hospital Co., Ltd. ("NMH")	Other receivables from related parties	Yes	139,028 (USD 4,500)	-	-	-	2	-	Operating requirements	-	-	-	1,520,848	1,520,848
4	BBHC	Nanjing BenQ Hospital Co., Ltd. ("NMH")	Other receivables from related parties	Yes	308,200 (USD 10,000)	-	-	-	2	-	Operating requirements	-	-	-	1,520,848	1,520,848
4	BBHC	Nanjing BenQ Hospital Co., Ltd. ("NMH")	Other receivables from related parties	Yes	110,600 (USD 3,500)	-	-	-	2	-	Operating requirements	-	-	-	1,520,848	1,520,848
4	BBHC	BBM	Other receivables from related parties	Yes	126,400 (USD 4,000)	-	-	-	2	-	Operating requirements	-	-	-	1,520,848	1,520,848

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a Related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the Period	Range of Interest Rates During the Period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amounts Limits
													Item	Value		
5	QCOS	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	369,840 (USD 12,000)	-	-	-	2	-	Operating requirements	-	-	1,603,045	1,603,045	
5	QCOS	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	373,080 (USD 12,000)	-	-	-	2	-	Operating requirements	-	-	1,603,045	1,603,045	
5	QCOS	Qisda (Shanghai) Co., Ltd. ("QCSHF")(Note 19)	Other receivables from related parties	Yes	9,207 (RMB 2,000)	-	-	-	2	-	Operating requirements	-	-	3,394,396	33,943,959	
5	QCOS	Qisda (Shanghai) Co., Ltd. ("QCSHF")(Note 19)	Other receivables from related parties	Yes	9,120 (RMB 2,000)	8,626 (RMB 2,000)	8,626	2.30%	2	-	Operating requirements	-	-	3,394,396	33,943,959	
5	QCOS	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	138,105 (RMB 30,000)	129,396 (RMB 30,000)	129,396	4.28%	2	-	Operating requirements	-	-	1,603,045	1,603,045	
5	QCOS	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	230,175 (RMB 50,000)	-	-	-	2	-	Operating requirements	-	-	1,603,045	1,603,045	
5	QCOS	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	86,264 (RMB 20,000)	86,264 (RMB 20,000)	86,264	4.28%	2	-	Operating requirements	-	-	1,603,045	1,603,045	
5	QCOS	Nanjing BenQ Hospital Co., Ltd. ("NMHF")(Note 19)	Other receivables from related parties	Yes	243,986 (RMB 53,000)	-	-	-	2	-	Operating requirements	-	-	1,603,045	1,603,045	
5	QCOS	Nanjing BenQ Hospital Co., Ltd. ("NMHF")(Note 19)	Other receivables from related parties	Yes	108,815 (USD 3,500)	-	-	-	2	-	Operating requirements	-	-	1,603,045	1,603,045	
6	QLPG	QLLB	Other receivables from related parties	Yes	166,571 (MYR 22,000)	-	-	-	2	-	Operating requirements	-	-	6,788,792	13,577,584	
6	QLPG	QLLB	Other receivables from related parties	Yes	165,880 (MYR 22,000)	161,900 (MYR 22,000)	161,900	3.20%	2	-	Operating requirements	-	-	6,788,792	13,577,584	
7	BIC	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	23,018 (RMB 5,000)	-	-	-	2	-	Operating requirements	-	-	333,234	333,234	
7	BIC	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	22,584 (RMB 5,000)	21,566 (RMB 5,000)	21,566	1.00%	2	-	Operating requirements	-	-	333,234	333,234	
8	BMS	BenQ Material (WuHu) Co., Ltd. (Note 19)	Other receivables from related parties	Yes	920,700 (RMB 200,000)	862,640 (RMB 200,000)	862,640	1.800%	2	-	Operating requirements	-	-	1,168,597	1,947,662	
8	BMS	BenQ Material (WuHu) Co., Ltd. (Note 19)	Other receivables from related parties	Yes	282,003 (RMB 65,000)	280,358 (RMB 65,000)	280,358	1.800%	2	-	Operating requirements	-	-	1,168,597	1,947,662	
8	BMS	Suzhou Sigma Medical Supplies Co., Ltd. (Note 19)	Other receivables from related parties	Yes	86,264 (RMB 20,000)	86,264 (RMB 20,000)	86,264	1.800%	2	-	Operating requirements	-	-	1,168,597	1,947,662	
9	PTT	Corex (Pty) Ltd.	Other receivables from related parties	Yes	63,200 (USD 2,000)	60,212 (USD 2,000)	60,212	3.50%	2	-	Operating requirements	-	-	384,069	384,069	
10	PTTN	PTTNC	Other receivables from related parties	Yes	2,914 (RMB 633)	-	-	-	2	-	Operating requirements	-	-	12,555	12,555	
11	NMHC	Nanjing BenQ Hospital Co., Ltd. ("NMHF")(Note 19)	Other receivables from related parties	Yes	23,938 (RMB 5,200)	-	-	-	2	-	Operating requirements	-	-	24,377	24,377	
11	NMHC	Nanjing BenQ Hospital Co., Ltd. ("NMHF")(Note 19)	Other receivables from related parties	Yes	22,560 (RMB 5,200)	22,429 (RMB 5,200)	22,429	1.00%	2	-	Operating requirements	-	-	24,377	24,377	
12	NMH	Suzhou BenQ Hospital Co., Ltd. ("SMHF")(Note 19)	Other receivables from related parties	Yes	125,397 (RMB 27,500)	118,613 (RMB 27,500)	118,613	1.00%	2	-	Operating requirements	-	-	773,675	773,675	
13	Ace Pillar Co., Ltd.	Tianjin Ace Pillar Co., Ltd.	Other receivables from related parties	Yes	149,189	147,692	147,692	1.2%-4.35%	2	-	Operating requirements	-	-	384,895	481,119	

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a Related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the Period	Range of Interest Rates During the Period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amounts Limits
													Item	Value		
14	Cyber South	Tianjin Ace Pillar Co., Ltd.	Other receivables from related parties	Yes	44,474	42,640	42,640	1.8%-4.35%	2	-	Operating requirements	-	-	-	551,911	551,911
15	Proton	Tianjin Ace Pillar Co., Ltd.	Other receivables from related parties	Yes	387,136	312,957	279,840	1.8%-4.8%	2	-	Operating requirements	-	-	-	363,277	363,277
15	Proton	Ace Pillar Co., Ltd.	Other receivables from related parties	Yes	23,473	22,168	22,168	1.50%	2	-	Operating requirements	-	-	-	363,277	363,277
16	Hong Kong Ace Pillar Enterpris Company Limited	Tianjin Ace Pillar Co., Ltd.	Other receivables from related parties	Yes	18,320	17,253	17,253	1.80%	2	-	Operating requirements	-	-	-	41,883	41,883
17	Grace Transmission (Tianjin) Co., Ltd.	Tianjin Ace Pillar Co., Ltd.	Other receivables from related parties	Yes	13,740	12,940	12,940	1.80%	2	-	Operating requirements	-	-	-	37,149	37,149
17	Grace Transmission (Tianjin) Co., Ltd.	Advancedtek Ace (TJ) Inc.	Other receivables from related parties	Yes	10,776	10,352	10,352	1.80%	2	-	Operating requirements	-	-	-	37,149	37,149

(Note 1) The aggregate financing amount and the individual financing amount of the Company to subsidiaries shall not exceed 40% and 20%, respectively, of the most recent audited or reviewed net worth of the Company.

(Note 2) The aggregate financing amount to subsidiaries wholly owned by the Company and the individual financing amount of QLLB shall not exceed 40% and 20%, respectively, of the most recent audited or reviewed net worth of the Company. The aggregate financing amount to subsidiaries not wholly owned by the Company and the individual financing amount of QLLB shall not exceed 40% and 20%, respectively, of the most recent net worth of QLLB.

(Note 3) The aggregate financing amount and the individual financing amount of BBM and BBHC to subsidiaries shall not exceed 40% of the most recent net worth of BBM and BBHC.

(Note 4) The aggregate financing amount and the individual financing amount of QLPG to subsidiaries shall not exceed 40% and 20%, respectively, of the most recent audited or reviewed net worth of the Company.

(Note 5) The aggregate financing amount to subsidiaries wholly owned by BMC and the individual financing amount of BMS shall not exceed 100% and 60%, respectively, of the most recent audited or reviewed net worth of BMS.

(Note 6) The aggregate financing amount and the individual financing amount of BenQ to subsidiaries shall not exceed 40% and 20%, respectively, of the most recent net worth of BenQ.

(Note 7) The aggregate financing amount to subsidiaries wholly owned by the Company and the individual financing amount of QCOS shall not exceed 100% and 10%, respectively, of the most recent audited or reviewed net worth of the Company. The financing amount to the subsidiaries not wholly owned by the Company and the individual financing amount of QCOS shall not exceed 40% of the most recent net worth of QCOS.

(Note 8) The aggregate financing amount and the individual financing amount of BIC to subsidiaries shall not exceed 40% of the most recent net worth of BIC.

(Note 9) The aggregate financing amount and the individual financing amount of PTT to subsidiaries shall not exceed 40% of the most recent audited or reviewed net worth of PTT.

(Note 10) The aggregate financing amount and the individual financing amount of NMH to subsidiaries shall not exceed 40% of the most recent net worth of NMH.

(Note 11) The aggregate financing amount and the individual financing amount of NMHC to subsidiaries shall not exceed 100% of the most recent net worth of NMHC.

(Note 12) The aggregate financing amount and the individual financing amount of PTTN to subsidiaries shall not exceed 40% of the most recent net worth of PTTN.

(Note 13) The aggregate financing amount and the individual financing amount of ACE to subsidiaries shall not exceed 25% and 20%, respectively, of the most recent audited or reviewed net worth of ACE.

(Note 14) The aggregate financing amount to foreign subsidiaries wholly owned by ACE and the individual financing amount of Cyber South shall not exceed 100% of the most recent audited or reviewed net worth of ACE. The aggregate financing amount to foreign subsidiaries not wholly owned by ACE and the individual financing amount of Cyber South shall not exceed 10% and 5%, respectively, of the most recent net worth of Cyber South.

(Note 15) The aggregate financing amount to foreign subsidiaries wholly owned by ACE and the individual financing amount of Grace Transmission (Tianjin) Co., Ltd. shall not exceed 100% of the most recent audited or reviewed net worth of ACE. The aggregate financing amount to foreign subsidiaries not wholly owned by ACE and the individual financing amount of Grace Transmission (Tianjin) Co., Ltd. shall not exceed 10% and 5%, respectively, of the most recent net worth of Grace Transmission (Tianjin) Co., Ltd.

(Note 16) The aggregate financing amount to foreign subsidiaries wholly owned by ACE and the individual financing amount of Hong Kong Ace Pillar Enterpris Company Limited shall not exceed 100% of the most recent audited or reviewed net worth of ACE. The aggregate financing amount to foreign subsidiaries not wholly owned by ACE and the individual financing amount of Hong Kong Ace Pillar Enterpris Company Limited shall not exceed 10% and 5%, respectively, of the most recent net worth of Hong Kong Ace Pillar Enterpris Company Limited.

(Note 17) The aggregate financing amount to foreign subsidiaries wholly owned by ACE and the individual financing amount of Proton shall not exceed 100% of the most recent audited or reviewed net worth of ACE. The aggregate financing amount to foreign subsidiaries not wholly owned by ACE and the individual financing amount of Proton shall not exceed 10% and 5%, respectively, of the most recent net worth of Proton.

(Note 18) Purpose of Fund Financing: 1. Business transaction purpose. 2. Short-term financing purpose.

(Note 19) To decrease the interest expense of the Group, certain subsidiaries using special purpose trust account through financial intermediaries, offer idle fund to other subsidiaries in need.

**QISDA CORPORATION**  
**Guarantees and endorsements provided to other parties**  
**For the year ended December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars and other currencies)**

Table 2

No.	Endorsements / Guarantee Provider	Counter-party of Guarantee and Endorsement		Limits on Amount of Guarantees and Endorsements Provided to Each Guaranteed Party	Highest Balance of Guarantees and Endorsements During the Period	Balance of Guarantees and Endorsements as of Reporting Date	Actual Usage Amount During the Period	Property Pledged for Guarantees and Endorsements	Ratio of Accumulated Amounts of Guarantees and Endorsements to Net Worth of the Latest Financial Statements	Maximum Amounts for Guarantees and Endorsements	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Endorsements / Guarantees Provided to Subsidiaries in Mainland China
		Name	Relationship with the Company										
0	The Company	QLLB	Parent/Subsidiary	6,788,792	6,648,600 (USD 212,000)	3,672,932 (USD 122,000)	3,191,236 (USD 106,000)	-	10.82%	16,971,980	Y	-	-
1	PTT	Partner Tech USA Inc.	Parent/Subsidiary	192,034	30,820 (USD 1,000)	-	-	-	-	480,086	Y	-	-
1	PTT	Partner Tech USA Inc.	Parent/Subsidiary	192,034	31,600 (USD 1,000)	30,106 (USD 1,000)	30,106 (USD 1,000)	-	3.14%	480,086	Y	-	-
1	PTT	Partner Tech (Shanghai) Co., Ltd.	Parent/Subsidiary	192,034	31,600 (USD 1,000)	30,106 (USD 1,000)	30,106 (USD 1,000)	-	3.14%	480,086	Y	-	Y
1	PTT	Partner Tech (Shanghai) Co., Ltd.	Parent/Subsidiary	192,034	30,770 (USD 1,000)	-	-	-	-	480,086	Y	-	Y
1	PTT	Partner Tech Middle East FZCO	Parent/Subsidiary	192,034	63,200 (USD 2,000)	-	-	-	-	480,086	Y	-	-
1	PTT	Partner Tech Middle East FZCO	Parent/Subsidiary	192,034	62,720 (USD 2,000)	60,212 (USD 2,000)	60,212 (USD 2,000)	-	6.27%	480,086	Y	-	-
1	PTT	Partner-Tech Europe GmbH	Parent/Subsidiary	192,034	31,600 (USD 1,000)	30,106 (USD 1,000)	30,106 (USD 1,000)	-	3.14%	480,086	Y	-	-
1	PTT	Partner-Tech Europe GmbH	Parent/Subsidiary	192,034	30,770 (USD 1,000)	-	-	-	-	480,086	Y	-	-
1	PTT	Partner Tech Africa (Pty) Ltd.	Parent/Subsidiary	192,034	31,600 (USD 1,000)	-	-	-	-	480,086	Y	-	-
1	PTT	Partner Tech Africa (Pty) Ltd.	Parent/Subsidiary	192,034	31,360 (USD 1,000)	-	-	-	-	480,086	Y	-	-
1	PTT	Corex (Pty) Ltd.	Parent/Subsidiary	192,034	126,400 (USD 4,000)	120,424 (USD 4,000)	120,424 (USD 4,000)	-	12.54%	480,086	Y	-	-
1	PTT	Corex (Pty) Ltd.	Parent/Subsidiary	192,034	31,360 (USD 1,000)	30,106 (USD 1,000)	30,106 (USD 1,000)	-	3.14%	480,086	Y	-	-
2	DIC	Data Image (Suzhou) Corporation	Parent/Subsidiary	841,168	31,600 (USD 1,000)	-	-	-	-	841,168	Y	-	Y
2	DIC	Data Image (Suzhou) Corporation	Parent/Subsidiary	841,168	30,500 (USD 1,000)	30,106 (USD 1,000)	11,551 (RMB 2,678)	-	3.14%	841,168	Y	-	Y
3	Sysage	Global Intelligence Network Co., Ltd.	Parent/Subsidiary	857,379	130,000	-	-	-	-	1,714,758	Y	-	-
4	ACE	Tianjin Ace Pillar Co., Ltd.	Parent/Subsidiary	769,790	100,000	100,000	100,000	-	5.20%	962,238	Y	-	Y
4	ACE	Proton	Parent/Subsidiary	769,790	286,338	270,636	258,876	-	14.06%	962,238	Y	-	-

Endorsements / Guarantee Provider	Counter-party of Guarantee and Endorsement		Limits on Amount of Endorsements Provided to Each Guaranteed Party	Highest Balance of Guarantees and Endorsements During the Period	Balance of Guarantees and Endorsements as of Reporting Date	Actual Usage Amount During the Period	Property Pledged for Guarantees and Endorsements	Ratio of Accumulated Amounts of Guarantees and Endorsements to Net Worth of the Latest Financial Statements	Maximum Amounts for Guarantees and Endorsements	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Endorsements / Guarantees Provided to Subsidiaries in Mainland China
	Name	Relationship with the Company										
5	Cyber South	Tianjin Ace Pillar Co., Ltd.	165,573	45,800 (RMB 10,000)	43,132 (RMB 10,000)	39,534 (RMB 9,166)	43,654 (USD 1,450)	7.82%	275,956	Y	-	Y

(Note 1) The aggregate endorsement/guarantee amount provided by the Company to QLLB and the endorsement/guarantee amount provided to individual party shall not exceed 50% and 20%, respectively, of the most recent audited or reviewed net worth of the Company.

(Note 2) The aggregate endorsement/guarantee amount provided by PTT to PTT's subsidiaries and the endorsement/guarantee amount provided to individual party shall not exceed 50% and 20%, respectively, of the most recent audited or reviewed net worth of PTT.

(Note 3) The aggregate endorsement/guarantee amount provided by DIC to Data Image (Suzhou) Corporation and the endorsement/guarantee amount provided to individual party shall not exceed 80% of the most recent audited or reviewed net worth of DIC.

(Note 4) The aggregate endorsement/guarantee amount provided by Sysage to Global Intelligence Network Co., Ltd. and the endorsement/guarantee amount provided to individual party shall not exceed 40% and 20%, respectively, of the most recent audited or reviewed net worth of Sysage.

(Note 5) The aggregate endorsement/guarantee amount provided by ACE to ACE's subsidiaries and the endorsement/guarantee amount provided to individual party shall not exceed 50% and 40%, respectively, of the most recent audited or reviewed net worth of ACE.

(Note 6) The aggregate endorsement/guarantee amount provided by Cyber South to Tianjin Ace Pillar Co., Ltd. and the endorsement/guarantee amount provided to individual party shall not exceed 50% and 30%, respectively, of the net worth of Cyber South.

**QISDA CORPORATION**  
**Marketable securities held (excluding investments in subsidiaries, associates, and joint ventures)**  
**For the year ended December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars/shares, unless specified otherwise)**

Table 3

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019			Note	
				Shares/Units	Carrying Value	Percentage of Ownership		Fair Value
The Company	Stock: APLEX Technology, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	1,250	48,438	4.61%	48,438	-
QLLB	CPEC Huachuang Private Equity Fund (Fujian) Co., Ltd. Fund	-	Financial assets at fair value through other comprehensive income-non-current	-	86,229	2.50%	86,229	-
BMC	Stock: Lagis Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,600	101,232	5.25%	101,232	-
BMC	Stock: Biodenta Corporation	-	Financial assets at fair value through profit or loss-non-current	225	(Note 1)	2.50%	-	-
APV	Stock: Hi-Clearance Inc.	-	Financial assets at fair value through other comprehensive income-current	317	33,247	0.88%	33,247	-
APV	Stock: Joymaster Inc.	-	Financial assets at fair value through other comprehensive income-non-current	619	2,236	6.19%	2,236	-
APV	Stock: Crystalvue Medical Corp.	-	Financial assets at fair value through other comprehensive income-non-current	672	52,752	2.77%	52,752	-
APV	Stock: Gigastone Corporation	-	Financial assets at fair value through other comprehensive income-non-current	31	126	0.06%	126	-
APV	Stock: Athena Capital Management	-	Financial assets at fair value through other comprehensive income-non-current	2,000	13,069	6.17%	13,069	-
APV	Stock: CDIB Capital Innovation Advisors Corporation	-	Financial assets at fair value through other comprehensive income-non-current	4,333	35,672	3.33%	35,672	-
APV	Preferred Stock: D8AI Holdings Coporation	-	Financial assets at fair value through other comprehensive income-non-current	10,000	5,629	6.56%	5,629	-
APV	Stock: APLEX Technology, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	1,932	74,863	7.13%	74,863	-
APV	Stock: Raydium Semiconductor Corporation	-	Financial assets at fair value through other comprehensive income-non-current	2,940	298,151	4.39%	298,151	-
Darly 2	Stock: Crystalvue Medical Corp.	-	Financial assets at fair value through other comprehensive income-non-current	470	36,895	1.94%	36,895	-
Darly 2	Stock: Raydium Semiconductor Corporation	-	Financial assets at fair value through other comprehensive income-non-current	1,633	165,573	2.44%	165,573	-
Darly C	Stock: Crystalvue Medical Corp.	-	Financial assets at fair value through other comprehensive income-non-current	34	2,669	0.14%	2,669	-
Darly C	Stock: Athena Capital Management	-	Financial assets at fair value through other comprehensive income-non-current	1,000	6,535	3.09%	6,535	-

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Darly C	Stock: Anqing Innovation	-	Financial assets at fair value through other comprehensive income-non-current	1,033	6,624	2.24%	6,624	-
Darly C	Stock: Visco Vision Inc.	-	Financial assets at fair value through other comprehensive income-non-current	285	3,628	0.53%	3,628	-
Darly C	Stock: Raydium Semiconductor Corporation	-	Financial assets at fair value through other comprehensive income-non-current	220	22,333	0.33%	22,333	-
BenQ	Stock: Crystalvue Medical Corp.	-	Financial assets at fair value through other comprehensive income-non-current	1,487	116,730	6.13%	116,730	-
PTT	Stock: We Can Financial Technology, Inc.	-	Financial assets at fair value through profit or loss-non-current	1,375	(Note 1)	13.75%	-	-
PTT	Preferred Stock: D8AI Holdings Coporation	-	Financial assets at fair value through other comprehensive income-non-current	3,500	10,687	2.30%	10,687	-
WEBEST	Stock: We Can Financial Technology, Inc.	-	Financial assets at fair value through profit or loss-non-current	50	(Note 1)	0.50%	-	-
DFI	Stock: APLEX Technology, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	900	34,875	3.32%	34,875	-
DFI	Asia Tech Taiwan Venture Fund	-	Financial assets at fair value through profit or loss-non-current	USD 225	(Note 1)	-	-	-
DFI	Fund: Cathay No 1 REIT	-	Financial assets at fair value through profit or loss-current	1,810	32,037	-	32,037	-
DFI	Bond: WM 7.25% Perpetual	-	Financial assets at fair value through profit or loss-current	USD 200	(Note 1)	-	-	-
AEWIN	Stock: Aewin Korea Co., Ltd	-	Financial assets at fair value through other comprehensive income-non-current	10	1,414	16.70%	1,414	-
ACE	Stock: Innodisk Corporation	-	Financial assets at fair value through other comprehensive income-non-current	141	24,455	0.18%	24,455	-
K2	Stock: Isotope Biotech., LLC.	-	Financial assets at fair value through other comprehensive income-non-current	50	500	5.00%	500	-
QCES	Stock: Jianguo Yudi Optical Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	7,692	172,520	11.20%	172,520	-
Sysage	Stock: Dynasafe Technologies, Inc.	-	Financial assets at fair value through profit or loss-non-current	2,132	70,630	17.77%	70,630	-
Sysage	Stock: Grandsys Inc.	-	Financial assets at fair value through profit or loss-non-current	828	3,678	3.46%	3,678	-
Sysage	Stock: CDS Holdings Limited	-	Financial assets at fair value through profit or loss-non-current	600	192	1.15%	192	-
Sysage	Stock: Yobon Technologies, Inc.	-	Financial assets at fair value through profit or loss-non-current	3	(Note 1)	0.42%	-	-
Sysage	Stock: TSTI Technologies (Shanghai) Co., Ltd.	-	Financial assets at fair value through profit or loss-non-current	(Note 2)	896	3.33%	896	-

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Sysage	Stock: Touch Cloud, Inc.	-	Financial assets at fair value through profit or loss-non-current	200	744	2.74%	744	-
Sysage	Stock: Gemini Data, Inc.	-	Financial assets at fair value through profit or loss-non-current	2,706	25,328	1.94%	25,328	-
Sysage	Stock: Kingtel Corporation	-	Financial assets at fair value through profit or loss-non-current	443	2,894	18.09%	2,894	-
Sysage	Fund: Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss-current	12,272	200,266	-	200,266	-
Sysage	Fund: Capital Money Market Fund	-	Financial assets at fair value through profit or loss-current	12,351	200,057	-	200,057	-
Dawningtech	Fund: Union Money Market Fund	-	Financial assets at fair value through profit or loss-current	7,359	97,534	-	97,534	-
Dawningtech	Fund: Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss-current	1,594	20,071	-	20,071	-
Dawningtech	Fund: Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss-current	921	15,031	-	15,031	-
Dawningtech	Fund: UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss-current	2,387	40,054	-	40,054	-

(Note 1) The impairment loss was fully recognized.

(Note 2) There was no shared as the company is a limited liability company.



**QISDA CORPORATION**

**Marketable securities for which the accumulated purchase or sale amount for the year exceed NT\$300 million or 20% of the paid-in capital  
For the year ended December 31, 2019**

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

Table 4

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Name of Relationship	Beginning Balance		Purchase		Disposal		Ending Balance(Note)		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares
DFI	AEWIN	Investment accounted for using equity method	-	Parent/Subsidiary	-	-	30,000	555,000	-	-	-	30,000	589,564
DFI	ACE	Investment accounted for using equity method	-	Parent/Subsidiary	-	-	29,875	630,623	-	-	-	29,875	567,932
BenQ	DFN	Investment accounted for using equity method	-	Associate	21,723	691,284	-	-	7,706	396,967	143,838	14,017	434,540
Sysage	Capital Money Market Fund	Financial assets at fair value through profit or loss-current	Hua Nan Commercial Bank	-	-	-	-	43,267	700,000	500,000	203	12,351	200,057
The Company	Sysage	Investment accounted for using equity method	-	Parent/Subsidiary	-	-	66,000	1,815,000	-	-	-	66,000	1,865,728
The Company	BBC	Investment accounted for using equity method	-	Parent/Subsidiary	-	-	-	739,789	-	-	-	-	727,685
The Company	QVH	Investment accounted for using equity method	-	Parent/Subsidiary	-	-	-	667,956	-	-	-	-	627,436

(Note) The ending balance includes shares of profits/losses of investees and other related adjustment.

**QISDA CORPORATION**  
**Total purchases from and sales to related parties which exceed NT\$100 million or 20% of the paid-in capital**  
**For the year ended December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars, unless specified otherwise)**

Table 5

Company Name	Related Party	Nature of Relationship	Transaction Detail					Transactions with Terms Different from Others		Notes/Accounts Receivable or (Payable)		
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Accounts Receivable or (Payable)	Note	
The Company	BenQ	Parent/Subsidiary	(Sales)	(5,043,193)	(5)	OA90	-	-	-	2,039,637	8	-
The Company	QJTO	Parent/Subsidiary	(Sales)	(3,049,912)	(3)	OA120	-	-	-	1,278,199	5	-
The Company	QALA	Parent/Subsidiary	(Sales)	(26,685,853)	(27)	OA90	-	-	-	7,950,735	31	-
The Company	AU	Associate	(Sales)	(4,408,178)	(4)	OA120	-	-	-	1,167,727	5	-
The Company	AUSZ	Associate	(Sales)	(2,554,984)	(3)	OA120	-	-	-	1,033,446	4	-
The Company	DFI	Parent/Subsidiary	(Sales)	(968,973)	(1)	EOM60	-	-	-	201,594	1	-
The Company	PTT	Parent/Subsidiary	(Sales)	(224,277)	-	OA30	-	-	-	49,567	-	-
The Company	QLLB	Parent/Subsidiary	Purchases	54,870,165	58	OA90	-	-	-	(534)	-	-
The Company	QCOS	Parent/Subsidiary	Purchases	4,913,528	5	OA120	-	-	-	(3,251,756)	(12)	-
The Company	QCSZ	Parent/Subsidiary	Purchases	28,506,605	30	OA120	-	-	-	(18,262,591)	(67)	-
BMC	AU	Other related party	(Sales)	(4,052,092)	(31)	OA90	(Note 1)	-	-	13,217	1	-
BMC	AUSZ	Other related party	(Sales)	(1,227,025)	(9)	OA90	(Note 1)	-	-	10,893	1	-
BMC	AUXM	Other related party	(Sales)	(807,828)	(6)	OA90	(Note 1)	-	-	26,818	1	-
BMC	DTB	Affiliates	(Sales)	(201,912)	(2)	OA90	(Note 1)	-	-	120,417	6	-
BMC	BMLB	Affiliates	Purchases	294,842	2	OA90	(Note 2)	-	-	-	-	-
BMC	Visco	Associate	Purchases	225,656	2	OA90	(Note 2)	-	-	(21,830)	(1)	-

Company Name	Related Party	Nature of Relationship	Transaction Detail				Transactions with Terms Different from Others		Notes/Accounts Receivable or (Payable)		
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)	Note
BMC	BMS	Affiliates	Purchases	796,802	6	OA90	(Note 2)	-	(125,238)	(5)	-
BMLB	BMC	Affiliates	(Sales)	(294,842)	(100)	OA90	-	-	-	-	-
BMS	BMC	Affiliates	(Sales)	(796,802)	(100)	OA90	-	-	125,238	100	-
DTB	BMC	Affiliates	Purchases	201,912	100	OA90	-	-	(120,417)	100	-
QCSZ	The Company	Parent/Subsidiary	(Sales)	(28,506,605)	(34)	OA120	-	-	18,262,591	92	-
QCSZ	QLLB	Affiliates	(Sales)	(49,303,631)	(58)	OA60	-	-	-	-	-
QCSZ	BQC_RO	Affiliates	(Sales)	(678,412)	(1)	OA120	-	-	12,334	-	-
QCSZ	QCES	Affiliates	(Sales)	(161,566)	-	OA120	-	-	12,788	-	-
QCSZ	QCOS	Affiliates	(Sales)	(123,316)	-	OA120	-	-	5,610	-	-
QCSZ	AU	Other related party	Purchases	7,598,950	9	EOM55	-	-	(1,163,416)	(7)	-
QCSZ	QCPS	Affiliates	Purchases	1,541,462	2	OA60	-	-	(145,851)	(1)	-
QCSZ	DFI	Affiliates	Purchases	158,113	-	60-90 Days	-	-	(30,204)	-	-
QCPS	QCSZ	Affiliates	(Sales)	(1,541,462)	(81)	OA60	-	-	145,851	73	-
QCPS	QCOS	Affiliates	(Sales)	(277,449)	(15)	OA60	-	-	32,184	16	-
QCOS	The Company	Parent/Subsidiary	(Sales)	(4,913,528)	(30)	OA120	-	-	3,251,756	20	-
QCOS	QLLB	Affiliates	(Sales)	(8,448,726)	(51)	OA60	-	-	-	-	-
QCOS	BQC_RO	Affiliates	(Sales)	(1,687,655)	(10)	OA120	-	-	17,482	1	-
QCOS	QCES	Affiliates	Purchases	353,094	2	OA60	-	-	(54,106)	(2)	-

Company Name	Related Party	Nature of Relationship	Transaction Detail					Transactions with Terms Different from Others			Notes/Accounts Receivable or (Payable)	
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)	Note	
QCOS	QCSZ	Affiliates	Purchases	123,316	4	OA120	-	-	-	(5,610)	-	-
QCOS	QCPS	Affiliates	Purchases	277,449	2	OA60	-	-	-	(32,184)	(1)	-
QCOS	AU	Other related party	Purchases	262,822	2	EOM55	-	-	-	(44,757)	(1)	-
QCES	QCOS	Affiliates	(Sales)	(353,094)	(2)	OA60	-	-	-	54,106	1	-
QCES	QCSZ	Affiliates	Purchases	161,566	1	OA120	-	-	-	(12,788)	-	-
QCES	Darwin	Other related party	Purchases	215,829	1	OA120	-	-	-	-	-	-
QJTO	The Company	Parent/Subsidiary	Purchases	3,049,912	96	OA120	-	-	-	(1,278,199)	(100)	-
QLLB	The Company	Parent/Subsidiary	(Sales)	(54,870,165)	(100)	OA90	-	-	-	534	100	-
QLLB	QCSZ	Affiliates	Purchases	49,303,631	85	OA60	-	-	-	-	-	-
QLLB	QCOS	Affiliates	Purchases	8,448,726	15	OA60	-	-	-	-	-	-
QALA	The Company	Parent/Subsidiary	Purchases	26,685,853	96	OA90	-	-	-	(7,950,735)	(100)	-
BenQ	BQA	Affiliates	(Sales)	(3,118,528)	(19)	OA90	-	-	-	1,222,618	23	-
BenQ	BQE	Affiliates	(Sales)	(7,016,491)	(42)	OA90	-	-	-	2,017,036	38	-
BenQ	BQL	Affiliates	(Sales)	(541,741)	(3)	OA90	-	-	-	198,926	4	-
BenQ	BQP	Affiliates	(Sales)	(5,544,847)	(33)	OA60	-	-	-	1,404,134	26	-
BenQ	The Company	Parent/Subsidiary	Purchases	5,043,193	33	OA90	-	-	-	(2,039,637)	(54)	-
BenQ	AU	Other related party	Purchases	2,847,615	19	EOM55	-	-	-	(430,055)	(11)	-
BQA	BenQ	Affiliates	Purchases	3,118,528	98	OA90	-	-	-	(1,222,618)	(99)	-

Company Name	Related Party	Nature of Relationship	Transaction Detail				Transactions with Terms Different from Others		Notes/Accounts Receivable or (Payable)		
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)	Note
BQA	BQCA	Affiliates	(Sales)	(628,267)	(17)	OA60	-	-	133,803	23	-
BQCA	BQA	Affiliates	Purchases	628,267	100	OA60	-	-	(133,803)	(100)	-
BQC_RO	QCOS	Affiliates	Purchases	1,687,655	44	OA120	-	-	(17,482)	(4)	-
BQC_RO	QCSZ	Affiliates	Purchases	678,412	18	OA120	-	-	(12,334)	(3)	-
BQL	BenQ	Affiliates	Purchases	541,741	86	OA90	-	-	(198,926)	(41)	-
BQL	BQmx	Affiliates	(Sales)	(363,754)	(52)	OA90	-	-	185,641	29	-
BQL	Maxgen	Affiliates	(Sales)	(236,714)	(34)	OA90	-	-	443,039	68	-
BQmx	BQL	Affiliates	Purchases	363,754	83	OA90	-	-	(185,641)	(95)	-
Maxgen	BQL	Affiliates	Purchases	236,714	100	OA90	-	-	(443,039)	(99)	-
BQP	BQJP	Affiliates	(Sales)	(1,145,051)	(18)	OA60	-	-	205,965	13	-
BQP	BQME	Affiliates	(Sales)	(1,089,625)	(17)	OA60	-	-	411,123	25	-
BQP	BQIN	Affiliates	(Sales)	(819,407)	(13)	OA60	-	-	437,315	27	-
BQP	BQAU	Affiliates	(Sales)	(359,627)	(6)	OA60	-	-	46,583	3	-
BQP	BQTH	Affiliates	(Sales)	(170,482)	(3)	OA60	-	-	98,214	6	-
BQP	BenQ	Affiliates	Purchases	5,544,847	95	OA60	-	-	(1,404,134)	(99)	-
BQJP	BQP	Affiliates	Purchases	1,145,051	99	OA60	-	-	(205,965)	(94)	-
BQME	BQP	Affiliates	Purchases	1,089,625	100	OA60	-	-	(411,123)	(95)	-
BQIN	BQP	Affiliates	Purchases	819,407	100	OA60	-	-	(437,315)	(100)	-

Company Name	Related Party	Nature of Relationship	Transaction Detail				Transactions with Terms Different from Others			Notes/Accounts Receivable or (Payable)	
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)	Note
BQAU	BQP	Affiliates	Purchases	359,627	91	OA60	-	-	(46,583)	(96)	-
BQTH	BQP	Affiliates	Purchases	170,482	94	OA60	-	-	(98,214)	(98)	-
BQE	BenQ	Affiliates	Purchases	7,016,491	94	OA90	-	-	(2,017,036)	(97)	-
BQE	BQUK	Affiliates	(Sales)	(1,204,327)	(15)	OA30	-	-	233,731	16	-
BQE	BQIT	Affiliates	(Sales)	(341,959)	(4)	OA30	-	-	64,493	5	-
BQE	BQCH	Affiliates	(Sales)	(231,686)	(3)	OA30	-	-	57,108	4	-
BQE	BQDE	Affiliates	(Sales)	(1,843,497)	(23)	OA30	-	-	258,751	18	-
BQE	BQAT	Affiliates	(Sales)	(1,070,470)	(13)	OA45	-	-	121,105	8	-
BQE	BQSE	Affiliates	(Sales)	(646,390)	(8)	OA30	-	-	12,216	1	-
BQE	BQFR	Affiliates	(Sales)	(741,674)	(9)	OA30	-	-	285,703	20	-
BQE	BQIB	Affiliates	(Sales)	(567,765)	(7)	OA30	-	-	52,971	4	-
BQE	BQNL	Affiliates	(Sales)	(407,672)	(5)	OA30	-	-	188,842	13	-
BQUK	BQE	Affiliates	Purchases	1,204,327	100	OA30	-	-	(233,731)	(98)	-
BQDE	BQE	Affiliates	Purchases	1,843,497	98	OA30	-	-	(258,751)	(103)	-
BQAT	BQE	Affiliates	Purchases	1,070,470	99	OA45	-	-	(121,105)	(100)	-
BQSE	BQE	Affiliates	Purchases	646,390	100	OA30	-	-	(12,216)	(86)	-
BQFR	BQE	Affiliates	Purchases	741,674	100	OA30	-	-	(285,703)	(98)	-
BQIB	BQE	Affiliates	Purchases	567,765	100	OA30	-	-	(52,971)	(93)	-

Company Name	Related Party	Nature of Relationship	Transaction Detail				Transactions with Terms Different from Others			Notes/Accounts Receivable or (Payable)		
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)	Note	
BQNL	BQE	Affiliates	Purchases	407,672	100	OA30	-	-	-	(188,842)	(98)	-
BQJT	BQE	Affiliates	Purchases	341,959	100	OA30	-	-	-	(64,493)	(99)	-
BQCH	BQE	Affiliates	Purchases	231,686	100	OA30	-	-	-	(57,108)	(84)	-
PTT	PTU	Affiliates	(Sales)	(324,072)	(29)	OA90	(Note 3)	-	-	53,920	15	-
PTT	PTE	Affiliates	(Sales)	(204,855)	(18)	OA90	(Note 3)	-	-	110,737	31	-
PTT	PTUK	Affiliates	(Sales)	(110,399)	(10)	OA90	(Note 3)	-	-	19,095	5	-
PTT	The Company	Parent/Subsidiary	Purchases	224,277	25	OA30	(Note 2)	-	-	(49,567)	(27)	-
PTU	PTT	Affiliates	Purchases	324,072	90	OA90	(Note 2)	-	-	(53,920)	(96)	-
PTE	PTT	Affiliates	Purchases	204,855	52	OA90	(Note 2)	-	-	(110,737)	(79)	-
PTUK	PTT	Affiliates	Purchases	110,399	83	OA90	(Note 2)	-	-	(19,095)	(79)	-
DFI	The Company	Parent/Subsidiary	Purchases	968,973	25	EOM60	-	-	-	(201,594)	(23)	-
DFI	DFI AMERICA, LLC.	Affiliates	(Sales)	(1,094,347)	(23)	60~90 Days	-	-	-	160,311	19	-
DFI	DFI Co., Ltd.	Affiliates	(Sales)	(542,513)	(11)	60~90 Days	-	-	-	24,956	3	-
DFI	Diamond Flower Informa	Affiliates	(Sales)	(395,489)	(8)	60~90 Days	-	-	-	16,143	2	-
DFI	QCSZ	Affiliates	(Sales)	(158,113)	(3)	60~90 Days	-	-	-	30,204	4	-
DFI	Yan Ying Hao Trading (S	Affiliates	(Sales)	(131,235)	(3)	60~90 Days	-	-	-	30,409	4	-
DFI	AEWIN	Affiliates	(Sales)	(153,183)	3	60~90 Days	-	-	-	78,294	9	-
AEWIN	DFI	Affiliates	Purchases	153,183	18	60~90 Days	-	-	-	(78,294)	(28)	-

Company Name	Related Party	Nature of Relationship	Transaction Detail				Transactions with Terms Different from Others		Notes/Accounts Receivable or (Payable)	
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Note/Accounts Receivable or (Payable)
Yan Ying Hao Trading (ShenZhen) Co., Ltd.	DFI	Affiliates	Purchases	131,235	93	60-90 Days	-	(30,409)	(91)	-
DFI AMERICA, LLC.	DFI	Affiliates	Purchases	1,094,347	99	60-90 Days	-	(160,311)	(100)	-
DFI Co., Ltd.	DFI	Affiliates	Purchases	542,513	98	60-90 Days	-	(24,956)	(88)	-
Diamond Flower Information(NL) B.V.	DFI	Affiliates	Purchases	395,489	100	60-90 Days	-	(16,143)	(100)	-
AEWIN	Aewin Beijing Technologies Co., Ltd	Affiliates	(Sales)	(399,645)	(36)	60-90 Days	-	516,689	78	-
Aewin Beijing Technologies Co., Ltd	AEWIN	Affiliates	Purchases	399,645	77	60-90 Days	-	(516,689)	(82)	-
DIC	Data Image (Suzhou) Corporation	Affiliates	Processing Costs	1,056,188	99	Depends on its working capital status	-	(1,551)	-	-
Data Image (Suzhou) Corporation	DIC	Affiliates	Processing Revenue	(1,056,188)	(46)	Depends on its working capital status	-	1,551	-	-

(Note 1) The selling prices of BMC to related parties are not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transaction, there were no significant differences between the sales for related parties and those for third-party customers.

(Note 2) The purchase prices to related parties are not comparable to the purchase prices for third-party vendors as the specifications of products were different, and it is conducted under the agreed purchase price and conditions.

(Note 3) The selling prices of PTT to related parties are not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transaction, there were no significant differences between the sales for related parties and those for third-party customers.



**QISDA CORPORATION**  
**Receivables from related parties which exceed NT\$100 million or 20% of the paid-in capital**  
**December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars, unless specified otherwise)**

Table 6

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	BenQ	Parent/Subsidiary	2,039,637	2.20	169,446	-	-	-
The Company	QJTO	Parent/Subsidiary	1,278,199	2.66	110	-	593,826	-
The Company	QALA	Parent/Subsidiary	7,950,735	3.09	1,342,515	-	4,447,771	-
The Company	QCSZ	Parent/Subsidiary	839,310	(Note 1)	-	-	-	-
The Company	QCOS	Parent/Subsidiary	126,235	(Note 1)	-	-	-	-
The Company	AU	Associate	1,167,727	3.57	30,672	-	661,210	-
The Company	AUSZ	Associate	1,033,446	4.94	-	-	-	-
The Company	DFI	Parent/Subsidiary	201,594	4.91	-	-	163,556	-
BMC	DTB	Parent/Subsidiary	120,417	2.87	-	-	11,163	-
BMS	BMC	Parent/Subsidiary	125,238	12.63	-	-	99,257	-
QCSZ	The Company	Affiliates	18,262,591	3.12	-	-	5,996,916	-
QCPS	QCSZ	Affiliates	145,851	8.74	-	-	145,851	-
QCOS	The Company	Affiliates	3,251,756	3.02	-	-	1,830,746	-
QCES	The Company	Parent/Subsidiary	3,966,944	(Note 1)	-	-	3,966,944	-
BenQ	BQA	Affiliates	1,222,618	2.81	93,520	-	459,496	-
BenQ	BQE	Affiliates	2,017,036	3.19	517,963	-	1,325,789	-
BenQ	BQL	Affiliates	198,926	2.03	96,961	-	142,512	-
BenQ	BQP	Affiliates	1,404,134	3.69	499,766	-	830,427	-
BenQ	QCSZ	Affiliates	266,101	(Note 1)	20,535	-	266,101	-

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
BQA	BQCA	Affiliates	133,803	5.47	-	-	-	-
BQL	BQmx	Affiliates	185,641	1.65	97,093	-	84,460	-
BQL	Maxgen	Affiliates	443,039	0.53	397,978	-	26,375	-
BQP	BQJP	Affiliates	205,965	4.57	108,123	-	147,310	-
BQP	BQME	Affiliates	411,123	3.16	235,303	-	99,070	-
BQP	BQIN	Affiliates	437,315	1.95	331,355	-	95,126	-
BQE	BQJK	Affiliates	233,731	5.32	166,895	-	209,304	-
BQE	BQDE	Affiliates	258,751	6.00	114,651	-	229,807	-
BQE	BQAT	Affiliates	121,105	5.94	-	-	-	-
BQE	BQFR	Affiliates	285,703	2.52	285,703	-	161,022	-
BQE	BQNL	Affiliates	188,842	2.42	133,200	-	172,467	-
PTT	PTE	Affiliates	110,737	1.47	70,045	-	39,910	-
DFI	The Company	Parent/Subsidiary	204,814	0.79	-	-	204,450	-
DFI	DFI AMERICA, LLC.	Affiliates	160,311	4.92	-	-	138,154	-
AEWIN	Aewin Beijing Technologies Co., Ltd.	Affiliates	516,689	0.99	305,545	-	35,442	-
ACE	Tianjin Ace Pillar Co., Ltd.	Affiliates	149,421	-	-	-	-	-
Proton	Tianjin Ace Pillar Co., Ltd.	Affiliates	281,315	-	-	-	-	-

(Note 1) The sales from repurchasing after processing have been eliminated; therefore, calculation of turnover rate is not applicable.

**QISDA CORPORATION**  
**Information of Investees (Excluding Information on investments in Mainland China)**  
**For the year ended December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars / shares, unless specified otherwise)**

Table 7

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
The Company	AU	Taiwan	R&D, manufacture and sale of TFT-LCD panels	8,085,543	8,085,543	663,599	6.99%	12,272,814	(1,325,785)	Associate	
The Company	DFN	Taiwan	R&D, manufacture and sale of MLCC and keyboards	662,195	662,195	58,005	20.72%	1,798,607	186,430	Associate	
The Company	BMC	Taiwan	R&D, manufacture and sale of optoelectronics film	507,883	507,883	43,659	13.61%	562,226	35,004	Parent/Subsidiary	
The Company	QMMX	Mexico	Manufacture of computer peripheral products	-	79,449	-	-	-	16,863	Parent/Subsidiary	
The Company	BenQ	Taiwan	Manufacture and sales of brand-name electronic products	7,160,050	7,160,050	408,641	100.00%	7,836,632	1,485,312	Parent/Subsidiary	
The Company	QALA	USA	Sales of electronic products	32,800	32,800	1,000	100.00%	40,022	(7,872)	Parent/Subsidiary	
The Company	QJTO	Japan	Sales and maintenance of electronic products in Japanese market	2,701	2,701	-	100.00%	53,585	17,591	Parent/Subsidiary	
The Company	QLPG	Malaysia	Leasing and management services	578,128	578,128	50,000	100.00%	316,347	(21,826)	Parent/Subsidiary	
The Company	QLLB	Malaysia	Investment and holding activity	3,687,539	3,687,539	114,250	100.00%	12,881,689	1,139,856	Parent/Subsidiary	
The Company	APV	Taiwan	Investment and holding activity	170,016	170,016	113,258	100.00%	2,021,449	123,513	Parent/Subsidiary	
The Company	Darly	Malaysia	Investment and holding activity	165,000	165,000	6,000	100.00%	141,187	35,012	Parent/Subsidiary	
The Company	BBHC	Cayman	Investment and holding activity	1,476,632	1,476,632	47,400	19.35%	730,658	110,764	Parent/Subsidiary	
The Company	PTT	Taiwan	Manufacture, sales, and import and export of POS terminals and peripherals	1,475,978	1,475,978	43,577	58.04%	1,339,803	(31,416)	Parent/Subsidiary	
The Company	BDT	Taiwan	Manufacture and sale of medical consumable and equipment	259,990	259,990	25,999	92.85%	137,596	(31,369)	Parent/Subsidiary	
The Company	QTOS	Taiwan	Manufacture of computer peripheral products	1,000	1,000	100	100.00%	1,009	10	Parent/Subsidiary	
The Company	Q.S.Control Corp.	Taiwan	Manufacture and sales of medical consumables and equipments	63,000	63,000	6,000	20.00%	52,578	3,141	Associate	
The Company	DFI	Taiwan	Manufacture and sales of industrial motherboards and components	3,154,750	3,154,750	51,610	45.08%	3,238,166	207,007	Parent/Subsidiary	
The Company	Alpha	Taiwan	R & D, manufacture and sale of LAN/MAN, wireless, mobile & broadband, and digital multimedia products	2,300,000	2,300,000	100,000	18.43%	2,064,817	24,649	Associate	
The Company	K2	Taiwan	Sale of medical consumable and equipment	121,134	121,134	3,880	29.85%	120,311	5,235	Parent/Subsidiary	
The Company	DIC	Taiwan	Manufacture and sales of marine display modules	260,000	260,000	20,000	28.82%	284,247	59,696	Parent/Subsidiary	
The Company	EASC	Hong Kong	Sales of brand-name electronic products and smart services	78,338	-	1	54.00%	80,943	1,728	Parent/Subsidiary	

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
The Company	Sysage	Taiwan	The agent sales and trading of network software and information and communication hardware and software	1,815,000	-	66,000	35.04%	1,865,728	379,456	50,982	Parent/Subsidiary
The Company	Topview	Taiwan	Manufacture and sales of video surveillance cameras	172,500	-	5,750	20.00%	196,674	64,190	4,886	Parent/Subsidiary
The Company	QVH	Vietnam	Manufacture of monitors	667,956	-	-	100.00%	627,436	(20,132)	(20,132)	Parent/Subsidiary
QALA	QMMX	Mexico	Manufacture of computer peripheral products	-	10,811	-	-	-	16,863	-	Affiliates
BMC	BMLB	Malaysia	Investment and holding activity	1,141,340	1,141,340	35,082	100.00%	1,495,217	(128,110)	-	Affiliates
BMC	SMS	Taiwan	Manufacture and sale of medical consumable and equipment	560,000	498,716	40,000	100.00%	494,430	(38,683)	-	Affiliates
BMC	Visco Vision Inc.	Taiwan	Manufacture and sale of contact lenses	180,523	180,523	9,984	18.58%	186,053	319,860	-	Associate
BMC	Cenefom Corporation	Taiwan	R&D, manufacture and sale of medical consumable and equipment	29,127	29,127	1,095	12.12%	15,659	(12,708)	-	Associate
APV	DarlyC	Taiwan	Investment management consulting	77,933	77,933	12,011	45.11%	150,957	4,723	-	Affiliates
APV	BMC	Taiwan	R&D, manufacture and sale of optoelectronics film	221,786	221,786	15,182	4.74%	195,579	257,124	-	Affiliates
APV	BMTC	Taiwan	Manufacture and sales of medical consumables and equipments	42,584	42,584	3,549	7.96%	84,166	75,407	-	Affiliates
APV	BBHC	Cayman	Investment and holding activity	904,102	904,102	25,000	10.21%	386,379	575,152	-	Affiliates
APV	BES	Taiwan	Energy service	50,250	50,250	4,100	41.00%	8,656	(6,897)	-	Affiliates
APV	PTT	Taiwan	Manufacture, sales, and import and export of POS terminals and peripherals	112,080	112,080	6,006	8.00%	156,953	5,987	-	Affiliates
APV	BDT	Taiwan	Manufacture and sales of medical consumables and equipments	10	10	1	0.00%	5	(32,982)	-	Affiliates
APV	GST	Taiwan	R&D and sales of computer information system	12	12	1	0.02%	11	10,161	-	Affiliates
APV	DFI	Taiwan	Manufacture and sales of industrial motherboards and components	149,096	149,096	2,294	2.00%	152,133	630,936	-	Affiliates
APV	Alpha	Taiwan	R & D, manufacture and sale of LAN/MAN, wireless, mobile & broadband, and digital multimedia products	262,110	262,110	11,187	2.06%	238,487	238,903	-	Associate
APV	Topview	Taiwan	Manufacture and sales of video surveillance cameras	61,896	-	1,250	4.35%	61,030	64,190	-	Affiliates
APV	DIC	Taiwan	Manufacture and sales of marine display modules	35,884	-	1,494	2.15%	36,706	208,749	-	Affiliates
Darly C	BES	Taiwan	Energy service	28,000	28,000	2,400	24.00%	5,067	(6,897)	-	Affiliates
Darly C	Green Island Co., Ltd.	Taiwan	Cultural and Art Industry	2,000	2,000	(Note 1)	33.33%	12	-	-	Associate
Darly C	Alpha	Taiwan	R & D, manufacture and sale of LAN/MAN, wireless, mobile & broadband, and digital multimedia products	273,445	273,445	12,710	2.34%	246,605	238,903	-	Associate

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value		
Darby	BenQ Guru Holding Ltd. (GSH)	Hong Kong	Investment and holding activity	30,456	30,456	7,800	12.50%	20,128	(9,074)	Affiliates
Darby	BBHC	Cayman	Investment and holding activity	471,516	526,134	14,158	5.78%	220,616	575,152	Affiliates
BenQ	BQA	USA	Sales of brand-name electronic products in North America markets	114,553	114,553	200	100.00%	194,323	(64,989)	Affiliates
BenQ	BQL	USA	Sales of brand-name electronic products in Latin America markets	203,839	203,839	4,350	100.00%	(36,078)	(24,324)	Affiliates
BenQ	BQHK	Hong Kong	Investment and holding activity	859,037	859,037	466,200	100.00%	2,608,479	314,107	Affiliates
BenQ	BQE	The Netherlands	Sales of electronic products in European markets	960,568	960,568	5,009	100.00%	1,081,299	90,034	Affiliates
BenQ	BQP	Taiwan	Sales of brand-name electronic products in Asia markets	950,000	950,000	20,000	100.00%	282,023	176,838	Affiliates
BenQ	Darby 2	Taiwan	Investment and holding activity	2,061,132	2,061,132	(Note 1)	100.00%	2,603,940	229,493	Affiliates
BenQ	BenQ Guru Holding Ltd. (GSH)	Hong Kong	Investment and holding activity	74,021	74,021	23,400	37.50%	65,786	(9,074)	Affiliates
BenQ	DFN	Taiwan	R&D, manufacture and sale of MLCC and keyboards	233,491	361,856	14,017	5.01%	434,540	899,950	Associate
BenQ	BMC	Taiwan	R&D, manufacture and sale of optoelectronics film	946,731	946,731	80,848	25.21%	1,041,491	257,124	Affiliates
BenQ	BBHC	Cayman	Investment and holding activity	719,088	719,088	20,000	8.16%	309,103	575,152	Affiliates
BenQ	BMTC	Taiwan	Manufacture and sales of medical consumables and equipments	235,069	235,069	19,353	43.43%	447,700	75,407	Affiliates
BenQ	MQE	The Netherlands	Maintenance of brand-name electronic monitors and projectors in European markets	74,659	74,659	82	100.00%	67,352	(1,262)	Affiliates
BenQ	ZGC	Taiwan	Assembly and sales of gaming electronic products	117,971	109,410	7,626	99.98%	97,817	8,362	Affiliates
BenQ	BQHK_HLD	Hong Kong	Sales of brand-name electronic products in HK markets	118,282	118,282	4,000	100.00%	401,225	287,221	Affiliates
BenQ	PT BenQ Teknologi Indonesia	Indonesia	Sales of brand-name electronic products	21	21	-	0.31%	(7)	(9,509)	Affiliates
BQP	BenQ India Private Ltd.	India	Sales of brand-name electronic products	224,405	224,405	440,296	100.00%	19,769	11,638	Affiliates
BQP	BenQ (M.E.) FZE	United Arab Emirates	Sales of brand-name electronic products	8,891	8,891	-	100.00%	(201)	14,631	Affiliates
BQP	BenQ Japan Co., Ltd.	Japan	Sales of brand-name electronic products	4,518	4,518	-	100.00%	85,266	6,001	Affiliates
BQP	BenQ Singapore Pte Ltd.	Singapore	Sales of brand-name electronic products	1,837	1,837	500	100.00%	(21,553)	(226)	Affiliates
BQP	BenQ Australia Pte Ltd.	Australia	Sales of brand-name electronic products	132,590	132,590	2,191	100.00%	57,915	4,161	Affiliates
BQP	BenQ Service & Marketing (M) Sdn Bhd	Malaysia	Sales of brand-name electronic products	119,488	119,488	100	100.00%	7,009	(585)	Affiliates

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
BQP	BenQ (Thailand) Co., Ltd.	Thailand	Sales of brand-name electronic products	120,116	120,116	12,000	100.00%	(52,268)	(11,392)	Affiliates	
BQP	BenQ Korea Co., Ltd.	Korea	Providing administration and management service to affiliates	1,713	1,713	10	100.00%	8,366	1,228	Affiliates	
BQP	PT BenQ Teknologi Indonesia	Indonesia	Sales of brand-name electronic products	6,901	6,901	6	99.69%	(2,214)	(9,509)	Affiliates	
BQA	BenQ Canada Corp.	Canada	Sales of brand-name electronic products	26	26	1	100.00%	(1,524)	(20,645)	Affiliates	
BQL	BenQ Mexico S. de R.L. de C.V.	Mexico	Sales of brand-name electronic products	77,591	77,591	3	100.00%	39,365	6,546	Affiliates	
BQL	Joytech LLC.	USA	Investment and holding activity	4,671	4,671	1	100.00%	(129,972)	(20,599)	Affiliates	
BQL	Vividtech LLC.	USA	Investment and holding activity	4,671	4,671	1	100.00%	(129,972)	(20,599)	Affiliates	
Joytech LLC	Maxgen Comércio Industrial Imp E Exp Ltda.	Brazil	Sales of brand-name electronic products	4,671	4,671	-	50.00%	(129,972)	(41,198)	Affiliates	
Vividtech LLC	Maxgen Comércio Industrial Imp E Exp Ltda.	Brazil	Sales of brand-name electronic products	4,671	4,671	-	50.00%	(129,972)	(41,198)	Affiliates	
BQmx	BenQ Service de Mexico S. de R.L. de C.V.	Mexico	Providing administration and management services to affiliates	87	87	3	100.00%	3,840	800	Affiliates	
GSH	GST	Taiwan	R&D and sales of computer information system	64,898	64,898	5,756	99.94%	59,551	10,161	Affiliates	
Darly 2	Darly C	Taiwan	Investment management consulting	89,179	89,179	14,614	54.89%	183,677	4,723	Affiliates	
Darly 2	BBHC	Cayman	Investment and holding activity	2,122,721	2,122,721	65,024	26.55%	1,005,096	575,152	Affiliates	
Darly 2	BenQ Guru Holding Ltd. (GSH)	Hong Kong	Investment and holding activity	121,860	121,860	31,200	50.00%	87,719	(9,074)	Affiliates	
Darly 2	BMTC	Taiwan	Manufacture and sales of medical consumables and equipment	27,337	27,337	1,590	3.57%	37,708	75,407	Affiliates	
Darly 2	BES	Taiwan	Energy service	22,250	22,250	1,800	18.00%	3,800	(6,897)	Affiliates	
Darly 2	PTT	Taiwan	Manufacture, sales, and import and export of POS terminals and peripherals	49,426	49,426	1,648	2.19%	43,067	5,987	Affiliates	
Darly 2	ZGC	Taiwan	Assembly and sales of gaming electronic products	10	10	1	0.02%	16	8,362	Affiliates	
Darly 2	DFI	Taiwan	Manufacture and sales of industrial motherboards and components	596,382	596,382	9,175	8.01%	608,854	630,936	Affiliates	
Darly 2	Alpha	Taiwan	R & D, manufacture and sale of LAN/MAN, wireless, mobile & broadband, and digital multimedia products	15,885	15,885	795	0.15%	14,206	238,903	Associate	
Darly 2	K2	Taiwan	Sale of medical consumable and equipment	44,997	44,997	1,003	7.71%	45,612	23,262	Affiliates	
Darly 2	DIC	Taiwan	Manufacture and sales of marine display modules	48,000	48,000	3,000	4.32%	53,934	208,749	Affiliates	
Darly 2	Topview	Taiwan	Manufacture and sales of video surveillance cameras	123,120	-	2,612	9.08%	125,175	64,190	Affiliates	

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
BQE	BenQ UK Limited	UK	Sales of brand-name electronic products	14,800	14,800	-	100.00%	38,127	12,791	Affiliates	
BQE	BenQ Deutschland GmbH	Germany	Sales of brand-name electronic products	25,587	25,587	-	100.00%	189,823	9,215	Affiliates	
BQE	BenQ Benelux B.V.	The Netherlands	Sales of brand-name electronic products	567	567	-	100.00%	(38,948)	3,411	Affiliates	
BQE	BenQ Austria GmbH	Australia	Sales of brand-name electronic products	1,091	1,091	-	100.00%	54,396	9,316	Affiliates	
BQE	BenQ Iberica S.L. Unipersonal	Spain	Sales of brand-name electronic products	4,677	4,677	-	100.00%	51,836	4,405	Affiliates	
BQE	BenQ Italy S.R.L.	Italy	Sales of brand-name electronic products	92,654	92,654	50	100.00%	28,722	2,203	Affiliates	
BQE	BenQ France SAS	France	Sales of brand-name electronic products	2,045	2,045	-	100.00%	(127,815)	1,838	Affiliates	
BQE	BenQ Nordic A.B.	Sweden	Sales of brand-name electronic products	445	445	-	100.00%	72,874	7,022	Affiliates	
BQE	BenQ LLC.	Russia	Providing administration and management services to affiliates	52	52	-	100.00%	14,090	(951)	Affiliates	
BMTC	Asiacomnet	Taiwan	Sales of medical consumables and equipment	21,984	21,984	1,995	99.75%	25,068	130	Affiliates	
BMTC	Highview	Samoa	Investment and holding activity	36,211	36,211	1,062	100.00%	8,053	(31)	Affiliates	
BMTC	LILLY	Taiwan	Manufacture and sales of medical consumables and equipment	185,000	185,000	10,000	100.00%	236,028	11,600	Affiliates	
BMTC	BABD	Taiwan	Manufacture and sales of medical consumables and equipment	88,000	88,000	8,800	88.00%	60,319	4,874	Affiliates	
BMTC	BHS	Taiwan	Investment and holding activity	100,000	100,000	10,000	100.00%	123,943	22,610	Affiliates	
BHS	NBHIT	Taiwan	Sales of medical consumables and equipment	59,280	70,200	1,092	52.00%	79,425	46,013	Affiliates	
PTT	WEBEST	Taiwan	Sales, import and export of electronic products	21,843	21,843	2,500	100.00%	15,393	(2,894)	Affiliates	
PTT	P&J Investment Holding Co., Ltd. (B.V.I.)	British Virgin Islands	Investment and holding activity	230,307	276,492	5,551	100.00%	172,785	29,021	Affiliates	
PTT	Partner Tech UK Corp., Ltd.	UK	Sales, import and export of electronic products	43,834	43,834	886	88.60%	33,148	2,522	Affiliates	
PTT	Corex (Pty) Ltd.	South Africa	Sales, import and export of electronic products	109,828	109,828	0,329	77.00%	168,741	(32,747)	Affiliates	
PTT	Partner-Tech Europe GmbH	Germany	Sales, import and export of electronic products	51,451	51,451	(Note 1)	50.02%	92,387	(11,098)	Affiliates	
PTT	Partner Tech Middle East FZCO	United Arab Emirates	Sales, import and export of electronic products	137,387	137,387	0,099	99.00%	32,446	(16,367)	Affiliates	
PTT	Epoint Systems Pre. Ltd.	Singapore	R&D and sales of software	27,449	27,449	100	50.10%	32,897	1,317	Affiliates	
PTT	PTTN	Taiwan	R&D and sales of software	20,500	20,500	2,050	50.62%	26,051	575	Affiliates	

Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value		
PTT	Partner Tech Africa (Pty) Ltd.	South Africa	Sales, import and export of electronic products	-	22,451	-	-	140	-	Affiliates
PTT	Partner Tech North Africa	Morocco	Sales, import and export of electronic products	4,075	4,075	13	58.18%	361	-	Affiliates
PTE	Partner Tech UK Corp., Ltd.	UK	Sales, import and export of electronic products	5,640	5,640	114	11.40%	4,496	-	Affiliates
PTE	Sloga team D.o.o.	Slovenia	Sales, import and export of electronic products	980	980	(Note 1)	90.00%	(15,626)	-	Affiliates
PTE	Retail Solution & System S.L.	Spain	Sales, import and export of electronic products	-	-	(Note 1)	68.00%	1,379	-	Affiliates
PTME	E-POS International LLC.	United Arab Emirates	Sales, import and export of electronic products	2,485	2,485	0.3	100.00%	(57,863)	-	Affiliates
WEBEST	Youpos	Taiwan	R&D and sales of software	6,500	6,500	500	27.03%	2,497	-	Associate
WEBEST	PTTN	Taiwan	R&D and sales of software	10	10	1	0.02%	11	-	Affiliates
WEBEST	Partner Tech North Africa	Morocco	Sales, import and export of electronic products	1	1	0.001	0.005%	-	-	Affiliates
WEBEST	Partner Tech Middle East FZCO	United Arab Emirates	Sales, import and export of electronic products	1,560	1,560	0.001	1.00%	258	-	Affiliates
P&J	P&S Investment Holding Co., Ltd. (B.V.I)	British Virgin Islands	Investment and holding activity	134,973	181,158	4,560	100.00%	154,300	-	Affiliates
P&J	Corex (Pty) Ltd.	South Africa	Sales, import and export of electronic products	12,157	-	0.096	23.00%	7,685	-	Affiliates
P&J	Partner Tech Africa (Pty) Ltd.	South Africa	Sales, import and export of electronic products	-	12,157	-	-	-	-	Affiliates
P&S	Partner Tech USA Inc.	USA	Sales, import and export of electronic products	31,593	31,593	1,091	100.00%	72,004	-	Affiliates
DFI	DFI AMERICA, LLC.	USA	Sales of industrial motherboards	254,716	254,716	1,209	100.00%	351,302	-	Affiliates
DFI	Yan Tong Technology Ltd.	Mauritius	Investment and holding activity	187,260	187,260	6,000	100.00%	165,478	-	Affiliates
DFI	DFI Co., Ltd.	Japan	Sales of industrial motherboards	104,489	104,489	6	100.00%	296,505	-	Affiliates
DFI	Diamond Flower Information (NL) B.V.	The Netherlands	Sales of industrial motherboards	35,219	35,219	12	100.00%	51,044	-	Affiliates
DFI	Dual-Tech International Co., Ltd.	Hong Kong	Manufacture of industrial motherboards	-	20,223	-	-	-	-	Affiliates
DFI	AEWIN	Taiwan	Manufacture and sale of industrial motherboards and component	555,000	-	30,000	50.74%	589,564	-	Affiliates
DFI	ACE	Taiwan	Sales of automation mechanical transmission system and component	630,623	-	29,875	26.62%	567,932	-	Affiliates
AEWIN	Wise Way	Anguilla	Investment and holding activity	46,129	-	1,500	100.00%	(18,113)	-	Affiliates
AEWIN	Aewin Tech Inc.	USA	Wholesale of computer peripheral products and software	54,990	-	1,760	100.00%	(4,572)	-	Affiliates



Investor	Investee	Location	Main Businesses and Products	Original investment Amount		Balances as of December 31, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
Wise Way	Bright Profit	Hong Kong	Investment and holding activity	46,129	-	1,500	100.00%	20,492	3,315	Affiliates	
ACE	Cyber South	Samoa	Investment and holding activity	107,041	-	4,669	100.00%	551,911	(161,135)	Affiliates	
ACE	Hong Kong Ace Pillar Enterprises Company Limited	Hong Kong	Sales of automation mechanical transmission system and component	5,120	-	1,200	100.00%	41,833	(2,619)	Affiliates	
Cyber South	Proton Inc.	Samoa	Investment and holding activity	442,955	-	14,785	100.00%	363,277	(154,373)	Affiliates	
Cyber South	Ace Tek (HK) Holding Co., Ltd.	Hong Kong	Investment and holding activity	4,938	-	150	100.00%	(2,430)	(5,761)	Affiliates	
K2	K2 Medical (Thailand) Co., Ltd.	Thailand	Sales of medical consumables	2,884	2,884	-	49.00%	12,295	132	Affiliates	
DIC	Data Image (Mauritius) Corporation	Mauritius	Investment and holding activity	518,381	518,381	20,215	100.00%	225,574	49,161	Affiliates	
DIC	DMC Components International, LLC.	Orlando, USA	Agency sales	24,304	24,304	300	30.00%	11,016	(558)	Associate	
EASC	Expert Alliance Smart Technology Co., Ltd.	Macao	Sales of brand-name electronic products and smart services	381	-	-	100.00%	2,320	2,162	Affiliates	
Sysage	Global Intelligence Network Co., Ltd.	Taiwan	Sales of network and information and communication hardware and software	80,080	-	8,200	62.12%	143,371	33,255	Affiliates	
Sysage	Unisage Digital Co., Ltd.	Taiwan	Manufacture of medical equipment	1,687	-	225	38.01%	2,419	10	Associate	
Sysage	Dawning Technology Inc.	Taiwan	Sales of network and information hardware and software	106,018	-	7,280	30.33%	124,136	40,387	Affiliates	
Sysage	Epic Cloud Information Integration Corporation	Taiwan	Software and data processing services	7,000	-	700	70.00%	6,287	(989)	Affiliates	
Ginnet	Dawning Technology Inc.	Taiwan	Sales of network and information hardware and software	44,344	-	3,384	14.10%	58,371	40,387	Affiliates	
Topview	Messoa	Taiwan	Sales, and import and export of video surveillance cameras	23,879	-	1,945	40.78%	3,144	(4,107)	Affiliates	
Messoa	Messoa Technologies Inc. (USA)	USA	Sales, and import and export of video surveillance cameras and maintenance services	32,859	-	-	100.00%	19,571	1,365	Affiliates	

(Note 1) There was no shares as the company is a limited liability company.

**QISDA CORPORATION**  
**Information on investments in Mainland China**  
**For the year ended December 31, 2019**  
**(Amounts in thousands of New Taiwan dollars and other currencies, unless specified otherwise)**

Table 8

A. Qisda Corporation

1. Information on investments in Mainland China:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2019	Investment Flows		Accumulated Outflow of Investment from December 31, 2019	Net Income (Loss) of Investee	% of Ownership Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Qisda (Suzhou) Co., Ltd. ("QCSZ")	Manufacture of monitors and communication devices	2,227,844 (USD 74,000)	(Note 1)	2,137,526 (USD 71,000)	-	-	2,137,526 (USD 71,000)	724,058	100.00%	724,058 (Note 3)	9,180,622	-
Qisda Electronics (Suzhou) Co., Ltd. ("QCES")	Manufacture of monitors	355,251 (USD 11,800)	(Note 1)	355,251 (USD 11,800)	-	-	355,251 (USD 11,800)	96,284	100.00%	96,284 (Note 5)	1,406,298	-
Qisda Optronics (Suzhou) Co., Ltd. ("QCOS")	Manufacture of projectors	375,121 (USD 12,460)	(Note 1)	375,121 (USD 12,460)	-	-	375,121 (USD 12,460)	213,115	100.00%	213,115 (Note 5)	4,007,613	-
Nanjing BenQ Hospital Co., Ltd. ("NMH")	Hospital	4,576,564 (USD 152,015)	(Note 1)	4,738,564 (USD 157,396)	-	-	4,738,564 (USD 157,396)	195,529	70.05%	136,968 (Note 3)	1,354,899	-
Suzhou BenQ Hospital Co., Ltd. ("SMH")	Hospital	2,596,439 (RMB 601,975)	(Note 1)	2,679,314 (USD 88,996)	-	-	2,679,314 (USD 88,996)	204,982	70.05%	143,590 (Note 3)	627,126	-
BenQ Hospital Management Consulting (Nanjing) Co., Ltd. ("NMHC")	Medical management consulting	30,106 (USD 1,000)	(Note 1)	30,106 (USD 1,000)	-	-	30,106 (USD 1,000)	(363)	70.05%	(254) (Note 4)	17,076	-
Qisda (Shanghai) Co., Ltd. ("QCSH")	Manufacture of monitors	2,002,049 (USD 66,500)	(Note 1)	1,445,088 (USD 48,000)	-	-	1,445,088 (USD 48,000)	(11,837)	100.00%	(11,837) (Note 4)	(1,444,381)	-
Guru Systems (Suzhou) Co., Ltd. ("GSS")	R&D and sales of computer information systems	397,399 (USD 13,200)	(Note 1)	292,028 (USD 9,700)	-	-	292,028 (USD 9,700)	(19,173)	100.00%	(19,173) (Note 4)	88,557	-
BenQ Co., Ltd. ("BQC")	Lease of real estate	2,408,480 (USD 80,000)	(Note 1)	2,408,480 (USD 80,000)	-	-	2,408,480 (USD 80,000)	314,009	100.00%	314,009 (Note 3)	2,615,377	-
BenQ Technology (Shanghai) Co., Ltd. ("BQIs")	Sales of brand-name electronic products	30,106 (USD 1,000)	(Note 1)	6,021 (USD 200)	-	-	6,021 (USD 200)	16,448	100.00%	16,448 (Note 4)	25,102	-
Qisda Precision Industry (Suzhou) Co., Ltd. ("QCPS")	Manufacture of plastic parts	150,530 (USD 5,000)	(Note 1)	143,004 (USD 4,750)	-	-	143,004 (USD 4,750)	19,023	100.00%	19,023 (Note 4)	378,961	-
BenQ Medical (Shanghai) Co., Ltd. ("BMSH")	Sale of medical consumable and equipment	40,944 (USD 1,360)	(Note 10)	-	-	-	-	(126)	100.00%	(126) (Note 4)	37,181	-
ShengCheng Trading(Shanghai) Co., Ltd. ("BQsha_EC2")	Sales of brand-name electronic products	3,011 (USD 100)	(Note 11)	-	-	-	-	5,620	100.00%	5,620 (Note 4)	(4,655)	-

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2019	Investment Flows		Accumulated Outflow of Investment from December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Suzhou BenQ Investment Co., Ltd. ("BIC")	Investment and holding activity	903,180 (USD 30,000)	(Note 9)	-	-	-	-	130	70.05%	91 (Note 4)	583,576	-
BenQ Intelligent Technology (Shanghai) Co., Ltd. ("BOC_RO")	Sales and maintenance of electronic products in China market	90,318 (USD 3,000)	(Note 1)	90,318 (USD 3,000)	-	-	90,318 (USD 3,000)	258,623	100.00%	258,623 (Note 3)	383,340	-
Nanjing Silvertown Health & Development Co., Ltd. ("NSHD")	Medical services	431,320 (CNY 100,000)	(Note 1)	-	-	-	(Note 12)	(33,479)	21.02%	(7,037) (Note 4)	288,744 (Note 14)	-
BenQ Biotech (Shanghai) Co., Ltd. ("BBC")	Manufacture and sales of medical consumables and	862,640 (CNY 200,000)	(Note 2)	733,244 (CNY 170,000)	-	-	733,244 (CNY 170,000)	(8,906)	70.00%	(6,234) (Note 4)	727,685	-

(Note 1) Indirect investment in Mainland China is through a holding company established in a third country.

(Note 2) Direct investment in Mainland China.

(Note 3) Investment income or loss was recognized based on the audited financial statements issued by International CPA firm that has a cooperative relationship with ROC CPA firm.

(Note 4) Investment income or loss was recognized based on the unaudited financial statements of the company.

(Note 5) Investment income or loss was recognized based on the audited financial statements issued by the auditors of the company.

(Note 6) The amount of QCES reinvestments US\$18,500 thousand were excluded.

(Note 7) The amount of GRHK reinvestments US\$3,500 thousand were excluded.

(Note 8) The amount of QCES reinvestments US\$800 thousand were excluded.

(Note 9) The investment was from the operating capital of BEM.

(Note 10) The reinvestments were from the distribution of dividends of QLLB.

(Note 11) The reinvestments were from the distribution of dividends of BQHK.

(Note 12) NSHD is established by NMH's asset division.

(Note 13) The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.106 and CNY\$1 = NT\$4.3132.

(Note 14) Accounting for investments using equity method.

2. Limits on investments in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
15,434,065 (USD 488,302 and CNY 170,000)	17,241,917 (USD 572,707)	(Note 15)

(Note 15) Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limit on investment in Mainland China.

3. Significant transactions with investee companies in Mainland China:

Please refer to section "Information on Significant Transactions" for detail description.

B. BenQ Material Corporation

1. Information on investments in Mainland China:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2019	Investment Flows		Accumulated Outflow of Investment from December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
BenQ Material (Suzhou) Co., Ltd. ("BMS")	Manufacture of optoelectronics	873,074 (USD29,000)	(Note 1)	873,074 (USD29,000)	-	-	873,074 (USD 29,000)	72,205	100.00%	72,205 (Note 2)	1,947,662 (Note 6)	-
Daxon Biomedical (Suzhou) Co., Ltd. ("DTB")	Sales of optoelectronics and medical consumables	47,445 (CNY11,000)	(Note 3)	-	-	-	-	(46,150)	100.00%	(46,150) (Note 2)	(550) (Note 6)	-
BenQ Materials (Wuhu) Co., Ltd.	Manufacture and sales of optoelectronics	345,056 (CNY80,000)	(Note 1)	172,528 (CNY 40,000)	-	-	172,528 (CNY 40,000) (Note 5)	(151,771)	100.00%	(151,771) (Note 2)	(417,694) (Note 6)	-
BenQ Materials Medical Supplies (Suzhou) Co., Ltd. ("BMM")	Manufacture and sales of medical consumables and equipment	4,313 (CNY1,000)	(Note 3)	-	-	-	-	(27)	100.00%	(27) (Note 2)	3,492 (Note 6)	-
Suzhou Sigma Medical Supplies Co., Ltd. ("SMSZ")	Manufacture and sales of medical consumables and equipment	47,929 (USD1,592)	(Note 4)	47,929 (USD1,592)	-	-	47,929 (USD1,592)	(6,018)	100.00%	(6,018) (Note 2)	41,472 (Note 6)	-

2. Limits on investments in Mainland China:

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
BMC	1,045,602 (USD29,000 and CNY40,000)	1,157,530 (USD29,000 and CNY65,950)	(Note 7)
SMS	47,929 (USD1,592)	47,929 (USD1,592)	232,346

(Note 1) Indirect investment in Mainland China is through a holding company established in a third country.

(Note 2) Investment income or loss was recognized based on the audited financial statements issued by the auditors of BMC.

(Note 3) The reinvestments were from the distribution of dividends of BMLB.

(Note 4) Direct investment in Mainland China.

(Note 5) The amount of BMLB reinvestments CNY\$10,950 thousand were excluded.

(Note 6) The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.106 and CNY\$1 = NT\$4.3132.

(Note 7) Since BenQ Material Corporation has obtained the Certificate of Headquarter Operation, there is no upper limit on investment in Mainland China.

3. Significant transactions with investee companies in Mainland China:

Please refer to section "Information on Significant Transactions" for detail description.

C. BenQ Medical Technology Corp.

1. Information on investments in Mainland China

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2019	Investment Flows		Accumulated Outflow of Investment from December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
BenQ Medical Technology (Shanghai) Ltd. ("BMTS")	Agency of international and entropot trade business	30,106 (USD 1,000)	(Note 1)	30,106 (USD 1,000)	-	-	30,106 (USD 1,000)	5	100.00%	5	9,175 (Note 3)	-
LILY Medical (Suzhou) Co., Ltd. (ALS)	Sales of medical consumables and equipment	6,322 (USD 210)	(Note 2)	6,322 (USD 210)	-	-	6,322 (USD 210)	25	100.00%	25	3,221 (Note 3)	-
TDX Medical Technology (Jiangsu) Co., Ltd.	Sales of medical consumables and equipment	86,264 (CNY 20,000)	(Note 2)	34,506 (CNY 8,000)	-	-	34,506 (CNY 8,000)	(3,618)	40.00%	(1,447)	25,675	-

(Note 1) Indirect investment in Mainland China is through a holding company established in a third country.

(Note 2) Direct investment in Mainland China.

(Note 3) There was no shares as the investee company is a limited liability company.

(Note 4) The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.106 and CNY\$1 = NT\$4.3132.

2. Limits on investments in Mainland China:

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
BMTC	64,612 (USD 1,000 and CNY 8,000)	85,110 (USD 2,827)	630,138
LILY	6,322 (USD 210)	6,332 (USD 210)	105,788

3. Significant transactions with investee companies in Mainland China:

Please refer to section "Information on Significant Transactions" for detail description.

D. Partner Tech Corp.

1. Information on investments in Mainland China

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Partner Tech (Shanghai) Co., Ltd. ("PTCM")	Sales, import and export of electronic products	105,371 (USD 3,500)	(Note 1)	150,530 (USD 5,000)	-	45,159 (USD 1,500)	105,371	(3,884)	100.00%	(3,884)	82,269	-
Xiamen Xinchuan Software Technology Co., Ltd. ("PTTNC")	Sales, import and export of electronic products	-	(Note 2)	1,084 (USD 36)	-	(542) (USD 18)	(USD 3,500)	235	100.00%	235 (Note 4)	-	-

(Note 1) Indirect investment in Mainland China is through a holding company established in a third country.

(Note 2) Direct investment in Mainland China.

(Note 3) Investment income or loss was recognized based on the audited financial statements issued by International CPA firm that has a cooperative relationship with ROC CPA firm.

(Note 4) Investment income or loss was recognized based on the unaudited financial statements.

(Note 5) PTTNC was liquidated in 2019, and US \$18 thousand was remitted inflows.

(Note 6) The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.106.

2. Limits on investments in Mainland China:

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
PTT	105,371 (USD 5,000)	207,912 (USD 6,906)	576,103

3. Significant transactions with investee companies in Mainland China:

Please refer to section "Information on Significant Transactions" for detail description.

E. DFI Inc.

1. Information on investments in Mainland China

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2019 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Yan Tong Infotech (Dongguan) Co., Ltd. ("DYIT")	Manufacture and sales of industrial motherboards and component	75,265	(Note 1)	-	-	-	-	1,356	100.00%	1,356	56,199	33,306
Yan Ying Hao Trading (ShenZhen) Co., Ltd. ("DYTH")	Wholesale, import and export of industrial motherboards and component	15,053	(Note 1)	-	-	-	-	8,269	100.00%	8,269	21,248	-
Aewin Beijing Technologies Co., Ltd.	Wholesale of computer peripheral products and software	46,129	(Note 1)	46,129	-	-	46,129	3,315	50.74%	11,313	20,492	-
Aewin (Shenzhen) Technologies Co., Ltd.	Wholesale of computer peripheral products and software	-	(Note 3)	-	-	-	-	(3,193)	50.74%	(2,391)	167	-
Tianjin Ace Pillar Co., Ltd.	Sales of automation mechanical transmission system and component	861,032 (USD 28,600)	(Note 1 and 2)	58,707 (USD 1,950)	-	-	58,707 (USD 1,950)	(194,491)	26.62%	(55,571)	330,209	125,533
Grace Transmission (Tianjin) Co., Ltd.	Manufacture of automation mechanical transmission system and component	7,203 (CNY 1,670)	(Note 1)	4,817 (USD 160)	-	-	4,817 (USD 160)	(4,225)	26.62%	(4,510)	37,149	-
Advancedtek Ace (TJ) Inc.	Electronic system integration	9,032 (USD 300)	(Note 1)	4,516 (USD 150)	-	-	4,516 (USD 150)	(5,762)	26.62%	(5,126)	(2,675)	-
Suzhou Super Pillar Automation Equipment Co., Ltd.	Manufacture of automation mechanical transmission system and component	43,654 (USD 1,450)	(Note 1)	-	-	-	-	5,295	26.62%	830	76,300	-
Xuchang Ace AI Equipment Co., Ltd.	Wholesale of industrial robot and component	9,032 (USD 300)	(Note 1)	-	-	-	-	(4,047)	26.62%	(3,152)	4,187	-

2. Limits on investments in Mainland China:

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
DFI	- (Note 7)	62,771 (USD 2,085) (Note 9 and 10)	3,105,913 (Note 8)
AEW	46,129 (USD 1,500)	60,212 (USD 2,000)	677,141 (Note 8)
ACE	154,113 (USD 5,119)	154,113 (USD 5,119)	1,154,686 (Note 8)

(Note 1) Indirect investment in Mainland China is through a holding company established in a third country.

- (Note 2) 21.04% ownership of Tianjin Ace Pillar Co., Ltd. is directly invested by ACE, and 78.96% ownership of Tianjin Ace Pillar Co., Ltd. is indirectly invested by Proton Inc. established in a third country.
- (Note 3) Invested in Mainland China through Aewin Beijing Technologies Co., Ltd.,
- (Note 4) Investment income or loss was recognized based on the audited financial statements by the auditors of DFI.
- (Note 5) Investment income or loss was recognized based on the audited financial statements by the auditors of AEWIN.
- (Note 6) Investment income or loss was recognized based on the audited financial statements by the auditors of ACE.
- (Note 7) The reinvestments and authorized amount of DFI's subsidiaries is excluded from DFI's accumulated investment amounts and the investment amounts authorized by Investment Commission, MOEA.
- (Note 8) Pursuant to "Principle of Investment or Technical Cooperation in Mainland China", investment amounts in Mainland China shall not exceed the 60% net worth of the company.
- (Note 9) The investment amount of Dongguan Ri Tong Trading Co., Ltd. that has been liquidated was approved by Investment Commission, MOEA in August 2014 and had been deducted in the investment amount.
- (Note 10) The earnings that has been remitted to DFI by DYTI was approved by the Investment Commission of the MOEA in February 2017 and had been deducted in the investment amount.
- (Note 11) The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.106 and CNY\$1 = NT\$4.3132.

### 3. Significant transactions with investee companies in Mainland China:

Please refer to section "Information on Significant Transactions" for detail description.



F. Data Image Corporation

1. Information on investments in Mainland China

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2019	Investment Flows		Accumulated Outflow of Investment from December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2019 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Data Image (Suzhou) Corporation	Manufacture and sales of LCD	534,081 (USD)16,300	(Note 1)	511,884 (USD)15,654	-	-	511,884 (USD)15,654	49,272 (CNY)11,224	100.00%	49,272	233,432	-

2. Limits on investments in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
USD 15,654	USD 16,952	630,876 (Note 3)

(Note 1) Indirect investment in Mainland China is through a holding company established in a third country.

(Note 2) Investment income or loss was recognized based on the audited financial statements issued by the auditors of DIC.

(Note 3) Investment amounts in Mainland China shall not exceed the 60% net worth of DIC according to MOEA letter No. 09704604680.

3. Significant transactions with investee companies in Mainland China:

Please refer to section "Information on Significant Transactions" for detail description.

G. K2 International Medica Inc.  
 I. Information on investments in Mainland China

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2019	Investment Flows		Accumulated Outflow of Investment from December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
K2 (Shanghai) International Medical Inc.	Sales of medical consumables	37,633 (USD 1,250)	(Note 1)	24,085 (USD 800)	-	-	24,085 (USD 800)	10,542	60.10%	6,336	27,118	-

2. Limits on investments in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
24,085 (USD 800)	24,085 (USD 800)	193,308 (Note 4)

- (Note 1) Direct investment in Mainland China.  
 (Note 2) Investment income or loss was recognized based on the unaudited financial statements of the company.  
 (Note 3) Investment amounts in Mainland China shall not exceed the 60% net worth of K2 according to MOEA letter No. 09704604680.  
 (Note 4) The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.106.

3. Significant transactions with investee companies in Mainland China:

Please refer to section "Information on Significant Transactions" for detail description.

**Qisda**

Qisda.com