METATECH (AP) INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REVIEW REPORT

SEPTEMBER 30, 2020 AND 2019

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of METATECH (AP) INC.

Introduction

We have reviewed the accompanying consolidated balance sheets of METATECH (AP) INC. AND SUBSIDIARIES (the "Group") as at September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020 and 2019, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Hsu, Ming-Chuan　　　　　　　　　　Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

November 6, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

			September 30, 2020		December 31, 2019		September 30, 2019	
	Assets	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current Assets							
1100	Cash and cash equivalents	6(1)	$ 341,290	23	$ 364,039	24	$ 384,647	26
1136	Current financial assets at amortised cost	6(2) and 8	13,015	1	12,204	1	12,313	1
1150	Notes receivable, net	6(3)	1,863	-	2,684	-	3,186	-
1170	Accounts receivable, net	6(3)	340,477	22	297,460	20	328,750	22
1200	Other receivables		4,316	-	2,310	-	1,621	-
1220	Current income tax assets		8	-	1,593	-	479	-
130X	Inventories	6(4)	80,807	5	88,559	6	79,722	5
1410	Prepayments		10,489	1	6,347	1	7,542	-
1470	Other current assets		328	-	973	-	1,254	-
11XX	**Current Assets**		792,593	52	776,169	52	819,514	54
	Non-current assets							
1510	Non-current financial assets at fair value through profit or loss	6(11)	15	-	-	-	-	-
1550	Investments accounted for using the equity method	6(5)	29,844	2	-	-	-	-
1600	Property, plant and equipment	6(6) and 8	215,668	14	222,399	15	225,303	15
1755	Right-of-use assets	6(7)	119,881	8	127,694	8	132,087	9
1780	Intangible assets	6(9)	264,113	17	258,627	17	258,627	17
1840	Deferred income tax assets	6(22)	88,673	6	74,542	5	59,102	4
1900	Other non-current assets	6(6)(8)(12)(24)	15,836	1	46,106	3	11,848	1
15XX	**Non-current assets**		734,030	48	729,368	48	686,967	46
1XXX	**Total assets**		$ 1,526,623	100	$ 1,505,537	100	$ 1,506,481	100

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METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%	September 30, 2019 AMOUNT	%
	Current Liabilities							
2100	Short-term borrowings	6(10)	$ 111,000	7	$ 20,000	1	$ -	-
2130	Current contract liabilities	6(18)	7,348	1	3,135	-	5,243	1
2150	Notes payable		2,628	-	590	-	3,202	-
2170	Accounts payable		136,608	9	162,483	11	150,165	10
2200	Other payables		24,974	2	20,890	2	24,951	2
2230	Current income tax liabilities	6(22)	1,226	-	-	-	-	-
2250	Provisions for liabilities - current	6(13)	4,433	-	4,433	-	4,433	-
2280	Current lease liabilities		14,300	1	15,585	1	16,895	1
2300	Other current liabilities		916	-	1,019	-	1,778	-
21XX	**Current Liabilities**		303,433	20	228,135	15	206,667	14
	Non-current liabilities							
2530	Corporate bonds payable	6(11)	146,767	10	144,861	10	144,231	9
2570	Deferred income tax liabilities	6(22)	18,189	1	14,259	1	13,200	1
2580	Non-current lease liabilities		108,748	7	113,954	7	116,616	8
2600	Other non-current liabilities		300	-	-	-	-	-
25XX	**Non-current liabilities**		274,004	18	273,074	18	274,047	18
2XXX	**Total Liabilities**		577,437	38	501,209	33	480,714	32
	Equity attributable to owners of the parent							
	Share capital	6(15)						
3110	Share capital - common stock		580,160	38	580,160	39	580,160	39
	Capital surplus	6(16)						
3200	Capital surplus		657,828	43	649,086	43	643,541	43
	Retained earnings	6(17)						
3350	Accumulated deficit		(262,457)	(17)	(206,808)	(14)	(189,224)	(13)
	Other equity							
3400	Other equity interest		(26,345)	(2)	(18,110)	(1)	(8,710)	(1)
31XX	**Equity attributable to owners of the parent**		949,186	62	1,004,328	67	1,025,767	68
3XXX	**Total equity**		949,186	62	1,004,328	67	1,025,767	68
	Significant contingent liabilities and unrecognised contract commitments	9						
3X2X	**Total liabilities and equity**		$ 1,526,623	100	$ 1,505,537	100	$ 1,506,481	100

The accompanying notes are an integral part of these consolidated financial statements.

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except loss per share)
(UNAUDITED)

			Three-month periods ended September 30,				Nine-month periods ended September 30,			
			2020		2019		2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(18) and 14	$ 381,959	100	$ 381,511	100	$ 1,248,225	100	$ 1,056,235	100
5000	Operating costs	6(4)(20)(21)	(340,468)	(89)	(342,569)	(90)	(1,116,099)	(89)	(948,324)	(90)
5950	Net operating margin		41,491	11	38,942	10	132,126	11	107,911	10
	Operating expenses	6(12)(20)(21)								
6100	Selling expenses		(27,080)	(7)	(28,216)	(7)	(80,905)	(6)	(81,790)	(8)
6200	General and administrative expenses		(18,676)	(5)	(23,875)	(6)	(61,216)	(5)	(70,080)	(6)
6300	Research and development expenses		(14,806)	(4)	(14,892)	(4)	(45,771)	(4)	(40,076)	(4)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	-	-	(2,115)	(1)	16	-	(2,841)	-
6000	Total operating expenses		(60,562)	(16)	(69,098)	(18)	(187,876)	(15)	(194,787)	(18)
6900	Operating loss		(19,071)	(5)	(30,156)	(8)	(55,750)	(4)	(86,876)	(8)
	Non-operating revenue and expenses									
7100	Interest income		121	-	150	-	420	-	381	-
7010	Other income		489	-	90	-	2,141	-	207	-
7020	Other gains and losses	6(19)	472	-	328	-	(1,818)	-	2,283	-
7050	Finance costs		(1,593)	(1)	(1,176)	-	(4,272)	(1)	(3,424)	-
7060	Share of loss of associates and joint ventures accounted for using the equity method		(1,301)	-	-	-	(3,156)	-	-	-
7000	Total non-operating revenue and expenses		(1,812)	(1)	(608)	-	(6,685)	(1)	(553)	-
7900	**Loss before income tax**		(20,883)	(6)	(30,764)	(8)	(62,435)	(5)	(87,429)	(8)
7950	Income tax benefit	6(22)	3,357	1	5,168	1	6,786	1	12,772	1
8200	**Loss for the period**		($ 17,526)	(5)	($ 25,596)	(7)	($ 55,649)	(4)	($ 74,657)	(7)
	Other comprehensive income (net)									
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations		($ 6,123)	(1)	($ 1,692)	-	($ 10,294)	(1)	$ 2,859	-
8399	Income tax relating to the components of other comprehensive income	6(22)	1,224	-	338	-	2,059	-	(572)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		(4,899)	(1)	(1,354)	-	(8,235)	(1)	2,287	-
8300	**Total other comprehensive income (loss) for the period**		($ 4,899)	(1)	($ 1,354)	-	($ 8,235)	(1)	$ 2,287	-
8500	**Total comprehensive loss for the period**		($ 22,425)	(6)	($ 26,950)	(7)	($ 63,884)	(5)	($ 72,370)	(7)
	Loss attributable to:									
8610	Owners of the parent		($ 17,526)	(5)	($ 25,596)	(7)	($ 55,649)	(4)	($ 74,657)	(7)
	Other comprehensive loss attributable to:									
8710	Owners of the parent		($ 22,425)	(6)	($ 26,950)	(7)	($ 63,884)	(5)	($ 72,370)	(7)
	Basic loss per share	6(23)								
9750	Total basic loss per share		($ 0.30)		($ 0.44)		($ 0.96)		($ 1.29)	
9850	Total diluted loss per share		($ 0.30)		($ 0.44)		($ 0.96)		($ 1.29)	

The accompanying notes are an integral part of these consolidated financial statements.

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent							
			Capital surplus						
	Notes	Share capital - common stock	Additional paid-in capital	Employee stock warrants	Stock warrants	Others	Accumulated deficit	Financial statements translation differences of foreign operations	Total equity
2019									
Balance at January 1, 2019		$ 580,160	$ 601,205	$ 16,974	$ -	$ 84	($ 114,567)	($ 10,997)	$ 1,072,859
Loss for the period		-	-	-	-	-	(74,657)	-	(74,657)
Other comprehensive income		-	-	-	-	-	-	2,287	2,287
Total comprehensive (loss)		-	-	-	-	-	(74,657)	2,287	(72,370)
Share-based payments	6(14)	-	-	19,713	-	-	-	-	19,713
Due to recognition of equity component of convertible bonds issued		-	-	-	5,565	-	-	-	5,565
Balance at September 30, 2019		$ 580,160	$ 601,205	$ 36,687	$ 5,565	$ 84	($ 189,224)	($ 8,710)	$ 1,025,767
2020									
Balance at January 1, 2020		$ 580,160	$ 601,205	$ 42,232	$ 5,565	$ 84	($ 206,808)	($ 18,110)	$ 1,004,328
Loss for the period		-	-	-	-	-	(55,649)	-	(55,649)
Other comprehensive loss		-	-	-	-	-	-	(8,235)	(8,235)
Total comprehensive loss		-	-	-	-	-	(55,649)	(8,235)	(63,884)
Share-based payments	6(14)	-	-	8,742	-	-	-	-	8,742
Balance at September 30, 2020		$ 580,160	$ 601,205	$ 50,974	$ 5,565	$ 84	($ 262,457)	($ 26,345)	$ 949,186

The accompanying notes are an integral part of these consolidated financial statements.

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nin- month periods ended September 30, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 62,435)	($ 87,429)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including right-of-use assets)	6(6)(7)(20)	27,332	24,730
Amortization expense	6(20)	476	258
Expected credit (loss) gain	12(2)	(16)	2,841
Net (gain) loss on financial assets at fair value through profit or loss	6(19)	(15)	210
Interest expense		2,366	1,550
Interest expense of bonds discount amortization		1,906	1,874
Interest income		(420)	(381)
Share-based compensation cost	6(14)	8,742	19,713
Share of loss of associates and joint ventures accounted for using the equity method		3,156	-
Loss on disposal of property, plant and equipment	6(6)(19)	315	-
Unrealized foreign exchange gain (loss)		(125)	2,070
Gains arising from lease modifications		(4)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		821	401
Accounts receivable		(42,986)	(55,434)
Other receivables		(2,006)	849
Prepayments		(4,142)	(2,457)
Inventories		7,752	37,047
Other current assets		645	(377)
Net defined benefit assets	6(12)	(17)	(15)
Changes in operating liabilities			
Contract liabilities		4,213	1,782
Notes payable		2,038	1,180
Accounts payable		(25,875)	(12,276)
Other payables		140	(4,085)
Other current liabilities		(103)	1,131
Cash outflow generated from operations		(78,242)	(66,818)
Interest received		420	381
Interest paid		(2,366)	(1,550)
Interest taxes received (paid)		1,482	(947)
Net cash flows used in operating activities		(78,706)	(68,934)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost	6(2)	(811)	(2,251)
Acquisition of property, plant and equipment	6(6)(24)	(2,568)	(32,556)
Proceeds from disposal of property, plant and equipment	6(6)	385	-
Increase in guarantee deposit received		(1,644)	(194)
Increase in prepayment for equipment		(1,123)	-
Acquisition of intangible assets	6(9)	(5,486)	(121,652)
Increase in other non-current assets		(422)	(386)
Net cash flows used in investing activities		(11,669)	(157,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(25)	217,000	15,000
Repayments of short-term borrowings	6(25)	(126,000)	(35,000)
Proceeds from issuance of convertible bonds	6(25)	-	147,712
Repayment of principal portion of lease liabilities	6(7)(25)	(13,472)	(12,192)
Increase in guarantee deposit received		300	-
Net cash flows from financing activities		77,828	115,520
Effect of exchange rate changes on cash and cash equivalents		(10,202)	771
Net decrease in cash and cash equivalents		(22,749)	(109,682)
Cash and cash equivalents at beginning of period	6(1)	364,039	494,329
Cash and cash equivalents at end of period	6(1)	$ 341,290	$ 384,647

The accompanying notes are an integral part of these consolidated financial statements.

METATECH (AP) INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

Metatech (AP) Inc. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in September 1998. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in wholesale and retail of electronic products and equipment as well as development and operation of biomedicine related business. The shares of the Company were officially listed on the Taipei Exchange on June 3, 2004 as approved by the Financial Supervisory Commission.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were reported to the Board of Directors on November 6, 2020.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7 ,'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	January 1, 2020 (Note)

Note：Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Defined benefit assets recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(d) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%) September 30, 2020	Ownership(%) December 31, 2019	Ownership(%) September 30, 2019	Description
The Company	MetaTech Investment Holding Co., Ltd. (MetaTech Investment)	Investment holding and reinvestment business	100	100	100	Note
〃	Chienhwa Travel Service Co., Ltd.	Travel business	100	100	100	〃
MetaTech Investment	MTI HoldingCo., Ltd.(MTI Holding)	Investment holding and reinvestment	100 100	100 100	100 100	〃
MTI Holding	MetaTech (S) Pte Ltd.(MetaTech(S))	Wholesale and retail of electronic materials	100	100	100	〃
〃	MetaTech Ltd.	Wholesale and retail of electronic materials	100	100	100	〃
MetaTech Ltd.	MetaTech (Shenzhen) Ltd.(MetaTech (SZ))	Wholesale and retail of electronic materials	100	100	100	〃

Note：The information included in these consolidated financial statements as at September 30, 2020 and 2019 is based on the reviewed financial statements of each company. And the information included in these consolidated financial statements as at December 31, 2019 is based on the audited financial statements of each company.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions:

Cash and short-term deposits of $20,998 deposited in mainland China are under local foreign exchange control which restricts the capital to be remitted outside the borders (except for normal dividend distribution).

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) <u>Foreign currency translation</u>

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

(8) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

A.Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B.The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C.When changes in an associate's equity do not arise from 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 recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D.Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) <u>Property, plant and equipment</u>

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	20 ～50 years
Machinery and equipment	3 ～10 years
Transportation equipment	3 ～ 5 years
Office equipment	3 ～ 5 years
Leasehold improvements	3 ～10 years
Other equipment	3 ～ 5 years

(15) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(16) Intangible assets

Technical skills

These are mainly regarding the acquisition of technical skills for regenerative medicine, which are stated at acquired cost and are amortised on a straight-line basis over their estimated useful lives of 10 years.

(17) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of goods and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Provisions

The Group's provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) <u>Employee share-based payment</u>

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) <u>Income tax</u>

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(27) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(28) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are resolved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

A. Sales of goods

(a) The Group sells electronic products and equipment as an agent. Sales are recognised when control of the products has transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the good or service before it is provided to a customer include the following:

(a) The Group is primarily responsible for the provision of goods or services;

(b) The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

(c) The Group has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

A. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of September 30, 2020, the Group recognised deferred tax assets amounting to $88,673.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of September 30, 2020, the carrying amount of inventories was $80,807.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand and revolving	$ 316	$ 285	$ 297
Checking accounts and demand deposits	311,120	333,212	359,518
Time deposits	29,854	30,542	24,832
	$ 341,290	$ 364,039	$ 384,647

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost

Items	September 30, 2020	December 31, 2019	September 30, 2019
Current items:			
Time deposits maturing in excess of three months	$ 9,013	$ 9,013	$ 9,013
Time deposits maturing within three months	2,000	-	-
Reserve account for demand deposits	2,002	3,191	3,300
	$ 13,015	$ 12,204	$ 12,313

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Three-month periods ended September 30,	
	2020	2019
Interest income	$ 20	$ 26

	Nine-month periods ended September 30,	
	2020	2019
Interest income	$ 66	$ 57

B. As at September 30, 2020, December 31, 2019 and September 30, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was $13,015, $12,204 and $12,313, respectively.

C. Details of the Group’s financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(3) Notes and accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	$ 1,863	$ 2,684	$ 3,186
Accounts receivable	$ 340,922	$ 297,936	$ 332,255
Less: Allowance for bad debts	(445)	(476)	(3,505)
	$ 340,477	$ 297,460	$ 328,750

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	September 30, 2020		December 31, 2019		September 30, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 308,056	$ 1,863	$ 251,533	$ 2,684	$ 280,692	$ 3,186
Up to 30 days	24,454	-	44,319	-	38,781	-
31 to 90 days	7,514	-	1,691	-	7,894	-
Over 90 days	898	-	393	-	4,888	-
	$ 340,922	$ 1,863	$ 297,936	$ 2,684	$ 332,255	$ 3,186

The above ageing analysis was based on past due date.

B. As at September 30, 2020, December 31, 2019 and September 30, 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to $280,408.

C. As at September 30, 2020, December 31, 2019 and September 30, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable was $1,863, $2,684 and $3,186 as well as $340,477, $297,460 and $328,750, respectively.

D. The Group does not hold any collateral as security.

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

	September 30, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 8,060	$ -	$ 8,060
Work in progress	234	-	234
Semi-finished goods	146	-	146
Finished goods	707	-	707
Merchandises	82,821	(11,161)	71,660
	$ 91,968	($ 11,161)	$ 80,807

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 2,756	$ -	$ 2,756
Work in progress	197	-	197
Semi-finished goods	549	-	549
Finished goods	369	-	369
Merchandises	97,018	(12,330)	84,688
	$ 100,889	($ 12,330)	$ 88,559

	September 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 2,853	$ -	$ 2,853
Work in progress	809	-	809
Semi-finished goods	163	-	163
Finished goods	387	-	387
Merchandises	93,338	(17,828)	75,510
	$ 97,550	($ 17,828)	$ 79,722

	Three-month periods ended September 30,	
	2020	2019
Cost of goods sold	$ 336,913	$ 343,047
Loss on decline (gain on reversal of) in market value	3,555	(413)
Others	-	(65)
	$ 340,468	$ 342,569

	Nine-month periods ended September 30,	
	2020	2019
Cost of goods sold	$ 1,116,996	$ 946,858
(Gain on reversal of) loss on decline in market value	(779)	1,531
Others	(118)	(65)
	$ 1,116,099	$ 948,324

The Group reversed from a previous inventory write-down because inventories with decline in market value and obsolete and slow-moving inventories were actively sold by the Group for the three-month period ended September 30, 2019 and the nine-month period ended September 30, 2020.

(5) Investments accounted for using the equity method

	September 30, 2020	December 31, 2019	September 30, 2019
Up Cell Biomedical Inc.	$ 29,844	$ -	$ -

A. The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio September 30, 2020	Shareholding ratio September 30, 2019	Nature of relationship	Methods of measurement
Up Cell Biomedical Inc.	Taiwan	25.38%	-	Note	Equity method

Note: The Group serves as a legal person director of Up Cell Biomedical Inc. and was elected as the Chairman of the company. Therefore, the Group has significant influence over the company.

B. The summarised financial information of the associates that are material to the Group is as follows:

(a) Balance sheet

	Up Cell Biomedical Inc.		
	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	$ 91,662	$ -	$ -
Non-current assets	26,903	-	-
Current liabilities	(998)	-	-
Total net assets	$ 117,567	$ -	$ -
Share in associate's net assets	$ 29,844	$ -	$ -

(b) Statement of comprehensive income

	Up Cell Biomedical Inc.	
	Three-month periods ended September 30,	
	2020	2019
Revenue	$ -	$ -
Loss for the period from continuing operations	(5,125)	-
Loss for the period from discontinued operations	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive loss	($ 5,125)	$ -
Dividends received from associates	$ -	$ -

	Up Cell Biomedical Inc.	
	Nine-month periods ended September 30,	
	2020	2019
Revenue	$ -	$ -
Loss for the period from continuing operations	(12,433)	-
Loss for the period from discontinued operations	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive loss	($ 12,433)	$ -
Dividends received from associates	$ -	$ -

(6) Property, plant and equipment

	2020							
	Land	Buildings and structures	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
At January 1								
Cost	$ 17,209	$ 147,199	$ 57,428	$ 6,217	$ 33,997	$ 21,562	$ 2,061	$ 285,673
Accumulated depreciation	-	(16,597)	(7,805)	(2,785)	(25,145)	(9,534)	(1,408)	(63,274)
	$ 17,209	$ 130,602	$ 49,623	$ 3,432	$ 8,852	$ 12,028	$ 653	$ 222,399
Opening net book amount as at January 1	$ 17,209	$ 130,602	$ 49,623	$ 3,432	$ 8,852	$ 12,028	$ 653	$ 222,399
Additions	-	-	5,181	-	1,271	-	60	6,512
Disposal	-	-	(700)	-	-	-	-	(700)
Depreciation charge	-	(4,413)	(4,354)	(682)	(1,867)	(980)	(236)	(12,532)
Net exchange differences	-	-	-	-	(8)	(3)	-	(11)
Closing net book amount as at September 30	$ 17,209	$ 126,189	$ 49,750	$ 2,750	$ 8,248	$ 11,045	$ 477	$ 215,668
At September 30								
Cost	$ 17,209	$ 147,199	$ 61,409	$ 6,210	$ 34,925	$ 21,503	$ 2,122	$ 290,577
Accumulated depreciation	-	(21,010)	(11,659)	(3,460)	(26,677)	(10,458)	(1,645)	(74,909)
	$ 17,209	$ 126,189	$ 49,750	$ 2,750	$ 8,248	$ 11,045	$ 477	$ 215,668

	2019								
	Land	Buildings and structures	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress (Note 1)	Total
At January 1									
Cost	$ 17,209	$ 40,313	$ 14,013	$ 6,247	$ 31,071	$ 12,903	$ 1,626	$ 109,337	$ 232,719
Accumulated depreciation	-	(11,656)	(2,753)	(1,905)	(27,247)	(11,019)	(1,123)	-	(55,703)
	$ 17,209	$ 28,657	$ 11,260	$ 4,342	$ 3,824	$ 1,884	$ 503	$ 109,337	$ 177,016
Opening net book amount as at January 1	$ 17,209	$ 28,657	$ 11,260	$ 4,342	$ 3,824	$ 1,884	$ 503	$ 109,337	$ 177,016
Additions	-	4,695	14,413	-	3,895	-	476	4,124	27,603
Transfers (Note 2)	-	102,191	29,002	-	2,786	11,270	-	(113,461)	31,788
Depreciation charge	-	(3,469)	(3,597)	(681)	(1,540)	(1,578)	(240)	-	(11,105)
Net exchange differences	-	-	-	(1)	(1)	4	(1)	-	1
Closing net book amount as at September 30	$ 17,209	$ 132,074	$ 51,078	$ 3,660	$ 8,964	$ 11,580	$ 738	$ -	$ 225,303
At September 30									
Cost	$ 17,209	$ 147,199	$ 57,428	$ 6,225	$ 37,439	$ 24,190	$ 2,061	$ -	$ 291,751
Accumulated depreciation	-	(15,125)	(6,350)	(2,565)	(28,475)	(12,610)	(1,323)	-	(66,448)
	$ 17,209	$ 132,074	$ 51,078	$ 3,660	$ 8,964	$ 11,580	$ 738	$ -	$ 225,303

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8. The information about the property, plant and equipment in terms of the capital expenditure contracted for at the balance sheet date but not yet incurred is provided in Note 9(2)D.

Note 1: The Group capitalised the related costs of building a laboratory, which is used for the need to develop the innovative transformation of regenerative medicine.

Note 2: The laboratory and equipment used for regenerative medicine were accepted and transferred from 'prepayments for the lab machinery and equipment' (shown as 'other non-current assets').

(7) Leasing arrangements - lessee

A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
	Carrying amount	Carrying amount	Carrying amount
Land	$ 68,203	$ 68,638	$ 69,541
Buildings	51,312	57,993	61,329
Transportation equipment	366	1,063	1,217
	$ 119,881	$ 127,694	$ 132,087

	Three-month periods ended September 30,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	$ 934	$ 904
Buildings	3,876	3,738
Transportation equipment	85	154
	$ 4,895	$ 4,796

	Nine-month periods ended September 30,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	$ 2,803	$ 2,108
Buildings	11,674	11,054
Transportation equipment	323	463
	$ 14,800	$ 13,625

C. For the nine-month periods ended September 30, 2020 and 2019, the additions to right-of-use assets amounted to $7,517 and $81,099, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Three-month periods ended September 30,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 532	$ 550
Expense on short-term lease contracts	39	35
Expense on leases of low-value assets	-	12

	Nine-month periods ended September 30,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 1,591	$ 1,493
Expense on short-term lease contracts	104	101
Expense on leases of low-value assets	20	36

E. For the nine-month periods ended September 30, 2020 and 2019, the Group's total cash outflow for leases were $15,187 and $13,822, respectively.

(8) Other non-current assets

	September 30, 2020	December 31, 2019	September 30, 2019
Prepayments	$ 1,123	$ 33,000	$ -
Guarantee deposits paid	8,362	6,718	6,806
Others	6,351	6,388	5,042
	$ 15,836	$ 46,106	$ 11,848

Prepayments for the nine-month periods ended September 30, 2020 and 2019 refer to the prepayments for the lab machinery and equipment.

Prepayments for the year ended December 31, 2019 refer to prepayments for shares.

(9) Intangible assets

	2020		2019	
	Technical skills (Notes 1 and 2)		Technical skills (Notes 1 and 2)	
At January 1				
Cost	$	258,627	$	136,975
Accumulated amortisation		-		-
	$	258,627	$	136,975
Opening net book amount as at January 1	$	258,627	$	136,975
Additions - acquired separately		5,486		121,652
Closing net book amount as at September 30	$	264,113	$	258,627
At September 30				
Cost	$	264,113	$	258,627
Accumulated amortisation		-		-
	$	264,113	$	258,627

Note 1: The Group's technical skills are not yet available for use, and therefore are not amortised. It will be amortised on a straight-line basis over their estimated useful life upon being available for use. In accordance with IAS 36, the intangible assets that are not yet available for use should at least be tested for impairment annually by comparing its recoverable amount and the carrying amount.

Note 2: The information about the intangible assets in terms of the capital expenditure contracted for at the balance sheet date but not yet incurred is provided in Note 9(2)D.

(10) Short-term borrowings

Type of borrowings	September 30, 2020		Interest rate range	Collateral
Bank borrowings				
Bank unsecured borrowings	$	85,000	1.32%～1.75%	None
Bank secured borrowings		26,000	1.35%	Notes 8
	$	111,000		

Type of borrowings	December 31, 2019		Interest rate range	Collateral
Bank borrowings				
Bank unsecured borrowings	$	20,000	1.55%	None

Type of borrowings	September 30, 2019	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	$ -	-	None

(11) Bonds payable

	September 30, 2020	December 31, 2019	September 30, 2019
Bonds payable	$ 150,000	$ 150,000	$ 150,000
Less: Discount on bonds payable	(3,233)	(5,139)	(5,769)
	$ 146,767	$ 144,861	$ 144,231

A. The terms of the third domestic secured convertible bonds issued by the Company are as follows:

(a) The Company issued $150 million, 0%, the third domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (January 9, 2019 ~ January 9, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on January 9, 2019.

(b) The Company commissioned the Taiwan Business Bank Co., Ltd. to offer a guarantee for its convertible bonds. The guarantee duration is from the date that the borrowing amounts of the convertible bonds are fully collected to the date that the principal, interests and subordinated liabilities of the bonds are fully repaid. Except for the principal, the guarantee also covers interests and all subordinated liabilities, including the delay interest and all payments required to be made in accordance with the terms of bonds issuance and conversion when exercising the early redemption of the bonds by the issuing companies or foreign issuers.

(c) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue (April 10, 2019) to the maturity date (January 9, 2022), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(d) The conversion price of the bonds, which was NTD 63.30 (in dollars) at the issuance, is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the reset conversion price shall not be less than 80% of the conversion price set on the issue date.

(e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue (April 10, 2019) to 40 days before the maturity date (November 30, 2021), or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

(f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

B. Regarding the issuance of the third convertible bonds, the equity conversion options amounting to $5,565 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets at fair value through profit or loss - non-current' in net amount of $15 as of September 30, 2020 in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 1.75%.

(12) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. However, the Group ceased to contribute to the labor pension reserve from March 2009 to March 2021 after receiving the approval from the New Taipei City Government. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) For the aforementioned pension plan, the Group reversed pension costs of ($6) , ($5) , ($17) and ($15) for the three-month and nine-month periods ended September 30, 2020 and 2019, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to $0.

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The employee retirement plans of MetaTech(S) and MetaTech Ltd. were based on the defined contribution plan in accordance with the relevant regulations applied by the local government.

(c) MetaTech(SZ) has a defined contribution plan. Monthly contribution to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The abovementioned contribution percentage for the nine-month periods ended September 30, 2020 and 2019 were both 13%. Other than the monthly contributions, the Group has no further obligations.

(d) For the aforementioned pension plan, the Group recognised pension costs of $1,182, $1,500, $3,655 and $4,352 for the three-month and nine-month periods ended September 30, 2020 and 2019, respectively.

(13) Current provisions

	September 30, 2020	December 31, 2019	September 30, 2019
Current provisions	$ 4,433	$ 4,433	$ 4,433

The Group signed a sales and purchase agreement with TBMS INTERNATIONAL CORPORATION and agrees to purchase equipment totaling $33,050 before December 31, 2016. The Group has to pay 20% of the unpurchased amount as penalty for breach of contract if the purchase is cancelled. The unpurchased amount of the agreement was $29,090 and hence the Group recognised provisions of $4,433 in accordance with the agreement. As of November 6, 2020, the amount of compensation was still under negotiation by both parties.

(14) Share-based payment

A. For the nine-month periods ended September 30, 2020 and 2019, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2018.04.02	2,280 thousand shares	6 years	2 ~ 5 years' service
Employee stock options	2018.05.14	1,297 thousand shares	6 years	2 ~ 5 years' service
Employee stock options	2018.11.15	423 thousand shares	6 years	2 ~ 5 years' service

The share-based payment arrangements above are settled by equity.

B. Details of the share-based payment arrangements are as follows:

	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	4,000,000	$ 58.36	4,000,000	$ 58.36
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options outstanding at September 30	4,000,000	58.36	4,000,000	58.36
Options exercisable at September 30	-	-	-	-

C. The Group did not have any options exercised for the nine-month periods ended September 30, 2020 and 2019.

D. For the nine-month periods ended September 30, 2020 and 2019, the range of exercise prices of stock options outstanding was $55.00～$59.20 (in dollars), respectively; the weighted-average remaining contractual period was 3.61 years and 4.61 years, respectively.

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee stock options	2018.04.02	58.5	58.5	44.54~46.90% (Note)	4 ~ 5.5 years	0.64~0.76%	0.64~0.76%	20.61~24.70
Employee stock options	2018.05.14	59.2	59.2	44.25~47.03% (Note)	4 ~ 5.5 years	0.67~0.76%	0.67~0.76%	20.76~25.07
Employee stock options	2018.11.15	55.0	55.0	40.56~48.61% (Note)	4 ~ 5.5 years	0.73~0.83%	0.73~0.83%	17.88~24.44

Note : The expected price volatility is estimated based on the annualised standard deviation by reference to the historical daily rate of returns of the Company (code: 3224) over the length of period approximating the expected option life.

F. Expenses incurred on share-based payment transactions are shown below:

	Three-month periods ended September 30,	
	2020	2019
Equity-settled	$ -	$ 6,571

	Nine-month periods ended September 30,	
	2020	2019
Equity-settled	$ 8,742	$ 19,713

(15) Share capital

As of September 30, 2020, the Company's authorised capital was $1,000,000, consisting of 100 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was $580,160, consisting of 58,016 thousand shares outstanding, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(16) Capital surplus

A. Pursuant to Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. The information regarding capital surplus - share options and employee share options is provided in Notes 6(11) and (14).

(17) Accumulated deficits to be covered

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remaining earnings along with unappropriated earnings of prior years will be retained or distributed as proposed by the Board of Directors and resolved by the shareholders. Regarding the bonus distributed to the shareholders, cash dividends shall account for at least 30% of the total distribution and the remainder is distributed in shares.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The Group incurred accumulated deficit for the years ended December 31, 2019 and 2018, and thus had no earnings for distribution. On June 30, 2020 and June 17, 2019, the shareholders approved the deficit compensation of 2019 and 2018.

(18) Operating revenue

	Three-month periods ended September 30,	
	2020	2019
Revenue from contracts with customers	$ 378,616	$ 380,395
Others	3,343	1,116
	$ 381,959	$ 381,511

	Nine-month periods ended September 30,	
	2020	2019
Revenue from contracts with customers	$ 1,241,108	$ 1,053,250
Others	7,117	2,985
	$ 1,248,225	$ 1,056,235

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following geographical regions:

Three-month period ended September 30, 2020	Hong Kong and Mainland China	Southeast Asia	Taiwan Electronics	Taiwan Biomedicine	Others	Write-offs	Total
Total segment revenue	$ 140,223	$ 81,046	$ 165,840	$ 3,434	$ 27	($ 8,611)	$ 381,959
Inter-segment revenue	(7,893)	(561)	(39)	-	(118)	8,611	-
Revenue from external customer contracts	$ 132,330	$ 80,485	$ 165,801	$ 3,434	($ 91)	$ -	$ 381,959
Timing of revenue recognition							
At a point in time	$ 132,330	$ 80,485	$ 165,801	$ 2,910	($ 91)	$ -	$ 381,435
Over time	-	-	-	524	-	-	524
	$ 132,330	$ 80,485	$ 165,801	$ 3,434	($ 91)	$ -	$ 381,959

Three-month period ended September 30, 2019	Hong Kong and Mainland China	Southeast Asia	Taiwan Electronics	Taiwan Biomedicine	Others	Write-offs	Total
Total segment revenue	$ 173,801	$ 111,336	$ 111,705	$ 915	$ 287	($ 16,533)	$ 381,511
Inter-segment revenue	(15,927)	(241)	(279)	-	(86)	16,533	-
Revenue from external customer contracts	$ 157,874	$ 111,095	$ 111,426	$ 915	$ 201	$ -	$ 381,511
Timing of revenue recognition							
At a point in time	$ 157,874	$ 111,095	$ 111,426	$ 725	$ 201	$ -	$ 381,321
Over time	-	-	-	190	-	-	190
	$ 157,874	$ 111,095	$ 111,426	$ 915	$ 201	$ -	$ 381,511

	Nine-month period ended September 30, 2020						
	Hong Kong and Mainland China	Southeast Asia	Taiwan Electronics	Taiwan Biomedicine	Others	Write-offs	Total
Total segment revenue	$ 487,006	$ 292,637	$ 517,476	$ 7,040	$ 195	($ 56,129)	$ 1,248,225
Inter-segment revenue	(54,293)	(956)	(762)	-	(118)	56,129	-
Revenue from external customer contracts	$ 432,713	$ 291,681	$ 516,714	$ 7,040	$ 77	$ -	$ 1,248,225
Timing of revenue recognition							
At a point in time	$ 432,713	$ 291,681	$ 516,714	$ 6,124	$ 77	$ -	$ 1,247,309
Over time	-	-	-	916	-	-	916
	$ 432,713	$ 291,681	$ 516,714	$ 7,040	$ 77	$ -	$ 1,248,225

	Nine-month period ended September 30, 2019						
	Hong Kong and Mainland China	Southeast Asia	Taiwan Electronics	Taiwan Biomedicine	Others	Write-offs	Total
Total segment revenue	$ 502,278	$ 244,525	$ 339,350	$ 2,226	$ 937	($ 33,081)	$ 1,056,235
Inter-segment revenue	(27,141)	(3,428)	(2,334)	-	(178)	33,081	-
Revenue from external customer contracts	$ 475,137	$ 241,097	$ 337,016	$ 2,226	$ 759	$ -	$ 1,056,235
Timing of revenue recognition							
At a point in time	$ 475,137	$ 241,097	$ 337,016	$ 1,587	$ 759	$ -	$ 1,055,596
Over time	-	-	-	639	-	-	639
	$ 475,137	$ 241,097	$ 337,016	$ 2,226	$ 759	$ -	$ 1,056,235

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	September 30, 2020	December 31, 2019	September 30, 2019	January 1, 2019
Contract liabilities:				
Advance sales receipts	$ 7,348	$ 3,135	$ 5,243	$ 3,461

(a) Significant changes in contract liabilities

None.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period.

	Three-month periods ended September 30, 2020	Three-month periods ended September 30, 2019
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	$ 73	$ 7

	Nine-month periods ended September 30, 2020	Nine-month periods ended September 30, 2019
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	$ 2,982	$ 1,859

(19) Other gains and losses

	Three-month periods ended September 30,	
	2020	2019
Losses on disposals of property, plant and equipment	$ 4	$ -
Net currency exchange (losses) gains	(1,456)	343
Losses (gains) on financial assets at fair value through profit or loss	(15)	(15)
Other gains	1,939	-
	$ 472	$ 328

	Nine-month periods ended September 30,	
	2020	2019
Losses on disposals of property, plant and equipment	($ 315)	$ -
Gains arising from lease modifications	4	-
Net currency exchange (losses) gains	(1,522)	2,505
Gains (losses) on financial assets at fair value through profit or loss	15	(210)
Other losses	-	(12)
	($ 1,818)	$ 2,283

(20) Expenses by nature

Function / Nature	Three-month periods ended September 30,					
	2020			2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense	$ -	$ 32,164	$ 32,164	$ -	$ 39,056	$ 39,056
Depreciation Expense	1,986	7,111	9,097	4,618	4,544	9,162
Amortisation Expense	-	167	167	-	102	102

Function / Nature	Nine-month periods ended September 30,					
	2020			2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense	$ -	$ 103,147	$ 103,147	$ -	$ 105,194	$ 105,194
Depreciation Expense	4,834	22,498	27,332	7,802	16,928	24,730
Amortisation Expense	-	476	476	-	258	258

(21) Employee benefit expense

	Three-month periods ended September 30,	
	2020	2019
Wages and salaries	$ 28,087	$ 27,416
Employee stock options	-	6,571
Labour and health insurance fees	1,765	1,702
Pension costs	1,176	1,495
Other personnel expenses	1,136	1,872
	$ 32,164	$ 39,056

	Nine-month periods ended September 30,	
	2020	2019
Wages and salaries	$ 81,012	$ 72,181
Employee stock options	8,742	19,713
Labour and health insurance fees	5,316	4,938
Pension costs	3,638	4,337
Other personnel expenses	4,439	4,025
	$ 103,147	$ 105,194

A. Under the amended Company's Articles of Incorporation, the current year's earnings, if any, shall first be reserved to cover accumulated deficit amount. The remainder, if any, shall be distributed as employees' compensation at 1%-5%.

B. As of September 30, 2020, December 31, 2019 and September 30, 2019, no employees' compensation and directors' remuneration were accrued due to accumulated deficit of the Company.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax benefit

(a) Components of income tax benefit:

	Three-month periods ended September 30, 2020	Three-month periods ended September 30, 2019
Current tax:		
Current tax on profits for the period	$ 520	$ 1,069
Deferred tax:		
Origination and reversal of temporary differences	(3,877)	(6,237)
Income tax benefit	($ 3,357)	($ 5,168)

	Nine-month periods ended September 30, 2020	Nine-month periods ended September 30, 2019
Current tax:		
Current tax on profits for the period	$ 1,355	$ 1,494
Deferred tax:		
Origination and reversal of temporary differences	(8,141)	(14,266)
Income tax benefit	($ 6,786)	($ 12,772)

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Three-month periods ended September 30, 2020	Three-month periods ended September 30, 2019
Currency translation differences	($ 1,224)	($ 338)

	Nine-month periods ended September 30, 2020	Nine-month periods ended September 30, 2019
Currency translation differences	($ 2,059)	$ 572

B. The Company’s income tax returns through 2018 have been assessed and approved by the Tax Authority.

(23) Losses per share

	Three-month period ended September 30, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders of the parent	($ 17,526)	$ 58,016	($ 0.30)

	Three-month period ended September 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders of the parent	($ 25,596)	$ 58,016	($ 0.44)

	Nine-month period ended September 30, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders of the parent	($ 55,649)	58,016	($ 0.96)

	Nine-month period ended September 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders of the parent	($ 74,657)	58,016	($ 1.29)

For the three-month and nine-month periods ended September 30, 2020 and 2019, the employee stock options and convertible bonds issued by the Group were excluded from the calculation of diluted earnings per share since such options and bonds were anti-dilutive.

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	Nine-month periods ended September 30, 2020	Nine-month periods ended September 30, 2019
Purchase of property, plant and equipment	$ 6,512	$ 27,603
Add: Opening balance of payable on equipment	56	5,237
Less: Ending balance of payable on equipment	(4,000)	(284)
Cash paid during the period	$ 2,568	$ 32,556

(25) Changes in liabilities from financing activities

2020	Short-term borrowings	Bonds payable	Lease liabilities	Guarantee deposits received	Liabilities from financing activities
At January 1	$ 20,000	$ 144,861	$ 129,539	$ -	$ 294,400
Changes in cash flow from financing activities	91,000	-	(13,472)	300	77,828
Impact of changes in foreign exchange rate	-	-	(142)	-	(142)
Changes in other non-cash items	-	1,906	7,123	-	9,029
At September 30	$ 111,000	$ 146,767	$ 123,048	$ 300	$ 381,115

2019	Short-term borrowings	Bonds payable	Lease liabilities	Liabilities from financing activities
At January 1	$ 20,000	$ -	$ 64,774	$ 84,774
Changes in cash flow from financing activities	(20,000)	147,712	(12,192)	115,520
Impact of changes in foreign exchange rate	-	-	63	63
Changes in other non-cash items	-	(3,481)	80,866	77,385
At September 30	$ -	$ 144,231	$ 133,511	$ 277,742

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Up Cell Biomedical Inc.	Investee company accounted for using the equity method

(2) Significant related party transactions

Non-operating revenue:

	September 30, 2020	December 31, 2019	September 30, 2019
Other income:			
Associates	$ 17	$ -	$ -

The other income from related parties arise mainly from rental contracts which are made from 2019 to 2020. Rents are paid at the end of the month.

(3) Key management compensation

	Three-month periods ended September 30,	
	2020	2019
Salaries and other short-term employee benefits	$ 3,116	$ 3,714
Post-employment benefits	103	121
Share-based payment	853	713
	$ 4,072	$ 4,548

	Nine-month periods ended September 30,	
	2020	2019
Salaries and other short-term employee benefits	$ 9,696	$ 11,683
Post-employment benefits	305	381
Share-based payment	1,474	2,141
	$ 11,475	$ 14,205

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

	Book value			
Pledged asset	September 30, 2020	December 31, 2019	September 30, 2019	Purpose
Financial assets at amortised				
-Time deposits maturing in excess of three months	$ 9,013	$ 9,013	$ 9,013	Guarantee for customs, credit card and performance bond of lease agreements
-Time deposits maturing within three months	2,000	-	-	Guarantee for limit on short-term borrowings
-Reserve account for demand deposits	2,002	3,191	3,300	Guarantee for limit on short-term borrowings
Property, plant and equipment				
-Land	17,209	17,209	17,209	Guarantee for short-term credit line
-Buildings and structures	27,273	27,866	28,064	〃
	$ 57,497	$ 57,279	$ 57,586	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. As of September 30, 2020, the Company used credit line of bank borrowings amounting to $5,000 as the performance bond for purchase agreements.

B. On September 30, 2020, December 31, 2019 and September 30, 2019, guaranteed notes as well as endorsements and guarantees amounting to $14,550 (USD 500 thousand), $24,990 (NTD 10 million and USD 500 thousand) and $25,520 (NTD 10 million and USD 500 thousand), respectively, were issued for subsidiaries' borrowings.

C. The joint credit line of the Group for financial institution short-term secured borrowings was NTD 50 million on September 30, 2020, December 31, 2019 and September 30, 2019. As of September 30, 2020, December 31, 2019 and September 30, 2019, the promissory note amounting to NTD 65 million, NTD 60 million and NTD 60 million was issued to bank as guarantee and the abovementioned joint credit line amounting to NTD 50 million, NTD 20 million and NTD 15 million was used, respectively.

D. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Intangible assets	$ 29,309	$ 36,246	$ 37,795

Note: The Company entered into a start-up agreement of cell sheet regenerative medical cooperation with Japan CellSeed Inc. on December 21, 2016 with the consideration amounting to JPY 50 million for expanding biomedical research and development, business development, as well as promoting the Company's innovative transformation of regenerative medicine. The Board of Directors during its meeting on March 24, 2017 adopted a resolution to enter into a cooperation agreement of abovementioned cell sheet regenerative medicine with Japan CellSeed Inc., which was formally signed on April 24, 2017 with the consideration amounting to JPY 1.25 billion. As of September 30, 2020, the Company has paid JPY 1,193,653,870 in respect of the payment schedule for arrangement.

10. Significant Disaster Loss

None.

11. Significant events after the balance sheet date

None.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets			
Financial assets at amortised cost			
Cash and cash equivalents	$ 341,290	$ 364,039	$ 384,647
Financial assets at amortised cost	13,015	12,204	12,313
Notes receivable	1,863	2,684	3,186
Accounts receivable	340,477	297,460	328,750
Other receivables	4,316	2,310	1,621
Guarantee deposits paid (shown as 'other non-current assets')	8,362	6,718	6,806
	$ 709,323	$ 685,415	$ 737,323

	September 30, 2020	December 31, 2019	September 30, 2019
Financial liabilities			
Financial liabilities at amortised cost			
Short-term borrowings	$ 111,000	$ 20,000	$ -
Notes payable	2,628	590	3,202
Accounts payable	136,608	162,483	150,165
Other payables	24,974	20,890	24,951
Bonds payable	146,767	144,861	144,231
Guarantee deposits recieved (shown as 'other non-current liabilities')	300	-	-
	$ 422,277	$ 348,824	$ 322,549
Lease liability	$ 123,048	$ 129,539	$ 133,511

B. Financial risk management policies

(a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency.

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

iv. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: HKD and SGD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 6,400	29.100	$186,240
USD:HKD	6,914	7.7500	201,197
JPY:NTD	40,565	0.2756	11,180
Financial liabilities			
Monetary items			
USD:NTD	2,673	29.100	77,784
USD:HKD	1,532	7.7500	44,581

	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 3,727	29.980	$111,735
USD:HKD	7,025	7.7890	210,610
JPY:NTD	51,567	0.2760	14,232
Financial liabilities			
Monetary items			
USD:NTD	2,467	29.980	73,961
USD:HKD	2,132	7.7890	63,917

	September 30, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 3,587	31.040	$111,340
USD:HKD	7,329	7.8402	227,492
JPY:NTD	896	0.2878	258
Financial liabilities			
Monetary items			
USD:NTD	2,079	31.040	64,532
USD:HKD	2,199	7.8402	68,257

v. The total exchange (losses) gain arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2020 and 2019, amounted to ($1,456), $343, ($1,522) and $2,502, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Nine-month period ended September 30, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss before tax	Effect on other comprehensive income after tax
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 1,862	$ -
USD:HKD	1%	2,012	-
JPY:NTD	1%	112	-
Financial liabilities			
Monetary items			
USD:NTD	1%	778	$ -
USD:HKD	1%	446	-

	Nine-month period ended September 30, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss before tax	Effect on other comprehensive income after tax
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 1,113	$ -
USD:HKD	1%	2,275	-
JPY:NTD	1%	3	-
Financial liabilities			
Monetary items			
USD:NTD	1%	645	$ -
USD:HKD	1%	683	-

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and notes receivable based on the agreed terms, as well as the contract cash flows of financial assets at amortised cost.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only above investment grade are accepted. According to the credit policy, each local entity in company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management . The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables.

iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) Default or delinquency in interest or principal repayments;

(iii) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.

vii. On September 30, 2020, December 31, 2019 and September 30, 2019, the Group has no written-off financial assets that are still under recourse procedures.

viii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the loss allowance for accounts receivable. The Group's expected credit loss rate of not past due accounts receivable on September 30, 2020, December 31, 2019 and September 30, 2019 is not material.

ix. The Group did not recognise loss allowance for accounts receivable applied using the simplified approach since it was not material for the nine-month periods ended September 30, 2020 and 2019.

	2020	2019
At January 1	$ 476	$ 661
Provision for impairment	-	2,841
Reversal of impairment loss	(16)	-
Effect of exchange rate changes	(15)	3
At September 30	$ 445	$ 3,505

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

September 30, 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	$ 111,835	$ -	$ -
Notes payable	2,628	-	-
Accounts payable	136,608	-	-
Other payables	24,974	-	-
Lease liability	16,292	43,913	76,599
Bonds payable	-	150,000	-

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	$ 20,310	$ -	$ -
Notes payable	590	-	-
Accounts payable	162,483	-	-
Other payables	20,890	-	-
Lease liability	17,559	43,690	83,007
Bonds payable	-	150,000	-

Non-derivative financial liabilities:

September 30, 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Notes payable	$ 3,202	$ -	$ -
Accounts payable	150,165	-	-
Other payables	24,951	-	-
Lease liability	18,636	43,089	85,421
Bonds payable	-	150,000	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group’s investment in certain derivative instruments is included in Level 3.

B. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

	Level 3		
	September 30, 2020	December 31, 2019	September 30, 2019
Assets			
Recurring fair value measurements			
Financial assets at fair value value through profit or loss			
-Options embedded in convertible bonds	$ 15	$ -	$ -

C. The following chart is the movement of Level 3 for the nine-month periods ended September 30, 2020 and 2019:

	2020	2019
At January 1	$ -	$ -
Issued in the period	-	210
Valuation gain (loss)	15	(210)
At September 30	$ 15	$ -

D. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

E. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative instrument					
Options	$ 15	Binomial model	Volatility	37.95%	The higher the volatility, the higher the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative instrument					
Options	$ -	Binomial model	Volatility	19.07%	The higher the volatility, the higher the fair value

	Fair value at September 30, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative instrument					
Options	$ -	Binomial model	Volatility	20.31%	The higher the volatility, the higher the fair value

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative financial instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Information on investees in the Mainland Area: Please refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 4.

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Operating Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group considers the business from a geographic perspective.

(2) Segment information

The segment information provided by the Group to the chief operating decision-maker for the reportable segments is as follows:

	Three-month period ended September 30, 2020						
	Hong Kong and Mainland China	Southeast Asia	Taiwan Electronics	Taiwan Biomedicine	Others	Write-offs	Total
Revenue from external customers	$ 132,330	$ 80,485	$165,801	$ 3,434	($ 91)	$ -	$ 381,959
Inter-segment revenue	7,893	561	39	-	118	(8,611)	-
Total segment revenue	$ 140,223	$ 81,046	$165,840	$ 3,434	$ 27	($ 8,611)	$ 381,959
Segment income (loss)	$ 3,952	$ 750	($ 464)	($ 23,019)	($ 304)	$ 14	($ 19,071)
Depreciation and amortisation	$ 1,125	$ 233	$ 663	$ 7,243	$ -	$ -	$ 9,264

	Three-month period ended September 30, 2019						
	Hong Kong and Mainland China	Southeast Asia	Taiwan Electronics	Taiwan Biomedicine	Others	Write-offs	Total
Revenue from external customers	$ 157,874	$111,095	$111,426	$ 915	$ 201	$ -	$ 381,511
Inter-segment revenue	15,927	241	279	-	86	(16,533)	-
Total segment revenue	$ 173,801	$111,336	$111,705	$ 915	$ 287	($ 16,533)	$ 381,511
Segment income (loss)	$ 7,683	$ 1,540	($ 14,842)	($ 24,368)	($ 184)	$ 15	($ 30,156)
Depreciation and amortisation	$ 1,247	$ 263	$ 532	$ 7,222	$ -	$ -	$ 9,264

	Nine-month period ended September 30, 2020						
	Hong Kong and Mainland China	Southeast Asia	Taiwan Electronics	Taiwan Biomedicine	Others	Write-offs	Total
Revenue from external customers	$ 432,713	$291,681	$516,714	$ 7,040	$ 77	$ -	$ 1,248,225
Inter-segment revenue	54,293	956	762	-	118	(56,129)	-
Total segment revenue	$ 487,006	$292,637	$517,476	$ 7,040	$ 195	($ 56,129)	$ 1,248,225
Segment income (loss)	$ 16,965	$ 6,199	($ 10,047)	($ 68,516)	($ 859)	$ 508	($ 55,750)
Depreciation and amortisation	$ 3,459	$ 724	$ 2,002	$ 21,623	$ -	$ -	$ 27,808

	Nine-month period ended September 30, 2019						
	Hong Kong and Mainland China	Southeast Asia	Taiwan Electronics	Taiwan Biomedicine	Others	Write-offs	Total
Revenue from external customers	$ 475,137	$241,097	$337,016	$ 2,226	$ 759	$ -	$ 1,056,235
Inter-segment revenue	27,141	3,428	2,334	-	178	(33,081)	-
Total segment revenue	$ 502,278	$244,525	$339,350	$ 2,226	$ 937	($ 33,081)	$ 1,056,235
Segment income (loss)	$ 15,273	$ 1,436	($ 37,352)	($ 66,456)	($ 405)	$ 628	($ 86,876)
Depreciation and amortisation	$ 3,758	$ 801	$ 1,525	$ 18,904	$ -	$ -	$ 24,988

The Group did not provide information to the chief operating decision-maker with respect to the measurement amounts of total assets and liabilities for decision making.

(3) Reconciliation for segment income (loss)

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the three-month and nine-month periods ended September 30, 2020 and 2019 is provided as follows:

	Three-month periods ended September 30,	
	2020	2019
Reportable segments loss	($ 19,071)	($ 30,156)
Interest income	121	150
Other income	489	90
Other gains and losses	472	328
Finance costs	(1,593)	(1,176)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(1,301)	-
Loss before tax from continuing operations	($ 20,883)	($ 30,764)

	Nine-month periods ended September 30,	
	2020	2019
Reportable segments loss	($ 55,750)	($ 86,876)
Interest income	420	381
Other income	2,141	207
Other gains and losses	(1,818)	2,283
Finance costs	(4,272)	(3,424)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(3,156)	-
Loss before tax from continuing operations	($ 62,435)	($ 87,429)

Metatech (AP) Inc. and Subsidiaries

Loans to others

For the nine-month period ended September 30, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2020	Balance at September 30, 2020	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	MTI Holding Co., Ltd.	Metatech (AP) Inc.	Other receivables	Y	60,500	58,200	-	3.35%	Short-term financing	-	Operations	-	-	-	316,078	395,098	Notes 4 and 5
1	MTI Holding Co., Ltd.	MetaTech Ltd.	Other receivables	Y	30,250	29,100	-	3.36%	Short-term financing	-	Operations	-	-	-	316,078	395,098	Notes 4 and 5
1	MTI Holding Co., Ltd.	MetaTech (S) Pte Ltd.	Other receivables	Y	15,125	14,550	-	3.36%	Short-term financing	-	Operations	-	-	-	316,078	395,098	Notes 4 and 5

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: According to the company’s “Regulations for Provision of Loans”, the interest rate of loans to others should be no less than the average interest rate of the Company’s short-term funds borrowed from financial institutions at that time.

Note 3: According to the Company’s “Regulations for Provision of Loans”, the Company’s celling on total loans granted to others are as follows:

A. For business transactions, the accumulated loan amount is the transaction amount.

B. For short-term financing, the total amount is lower than 40% of the creditor’s net assets.

C. The limit on total loans to the same party is 20% of the Company’s net assets.

Note 4: According to the subsidiary’s “Regulations for Provision of Loans”, the subsidiary’s celling on total loans granted to others are as follows:

A. For business transactions, the accumulated loan amount is the transaction amount.

B. For short-term financing, the total amount is lower than 100% of the creditor’s net assets.

C. The limit on total loans to the same party is 80% of the subsidiary’s net assets.

The subsidiary’s celling on total loans granted to related parties, which its 100% voting shares directly or indirectly held by the parent Company and to the same party is 100% and 80% of the subsidiary’s net assets, respectively.

Note 5: The current period ending balance was translated into TWD at the exchange rate at the balance sheet date (1USD:29.10TWD).

Metatech (AP) Inc. and Subsidiaries

Provision of endorsements and guarantees to others

For the nine-month period ended September 30, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of September 30, 2020	Outstanding endorsement/ guarantee amount at September 30, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Metatech (AP) Inc.	MetaTech Ltd.	The Company's third-tier subsidiary	$ 474,593	$ 15,125	$ 14,550	$ -	$ -	1.53	$ 949,186	Y	N	N	Notes 2,3 and 4
0	Metatech (AP) Inc.	MetaTech (Shenzhen) Ltd.	The Company's third-tier subsidiary	474,593	10,000	-	-	-	-	949,186	Y	N	Y	Notes 2 and 3
1	MetaTech Ltd.	Metatech (AP) Inc.	Parent company	104,574	50,000	50,000	50,000	-	23.91	209,147	N	Y	N	Notes 2 and 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: According to the Company's "Regulations for Provision of Endorsements and Guarantees", the Company's limit on endorsements/guarantees provided for a single party is 50% of the Company's net assets.

Note 3: According to the Company's "Regulations for Provision of Endorsements and Guarantees", the Company's limit on total endorsements/guarantees is 100% of the Company's net assets.

Note 4: The current period ending balance was translated into TWD at the exchange rate at the balance sheet date (1USD:29.10TWD).

Metatech (AP) Inc. and Subsidiaries

Significant inter-company transactions during the reporting periods

For the nine-month period ended September 30, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	Metatech (AP) Inc.	MetaTech Ltd.	1	Sales revenue	$ 576	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
0	〃	〃	1	Service revenue	466	Administrative service fees and payment on behalf of others, 90 days after monthly billing	-
0	〃	MetaTech (S) Pte Ltd.	1	Sales revenue	186	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
0	〃	Chienhwa Travel Service Co., Ltd.	1	Rental revenue	43	Prices are determined according to the amount in mutual agreement	-
0	〃	MTI Holding Co., Ltd.	1	Other receivables	21	Advance payment, 90 days after monthly billing	-
1	MetaTech (S) Pte Ltd.	Metatech (AP) Inc.	2	Sales revenue	392	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
1	〃	MetaTech Ltd.	3	Sales revenue	564	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
2	MetaTech Ltd.	Metatech (AP) Inc.	2	Sales revenue	5,046	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
2	〃	〃	2	Other receivables	25	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
2	〃	MetaTech (S) Pte Ltd.	3	Sales revenue	49,247	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	4%
2	〃	〃	3	Accounts receivable	7,076	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
2	〃	MetaTech (Shenzhen) Ltd.	3	Sales revenue	16,998	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	1%
2	〃	〃	3	Accounts receivable	397	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
2	〃	〃	3	Service revenue	17,306	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	1%
2	〃	〃	3	Other payables	5,071	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
3	Chienhwa Travel Service Co., Ltd.	Metatech (AP) Inc.	2	Service revenue	118	Services rendered terms and the credit term are the same with third parties	-
3	〃	〃	2	Guarantee deposits	30	Securities deposits are determined according to the amount in mutual agreement	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The sales prices and credit terms are the same with the third parties. The credit terms on sales to third parties were 30 to 90days.

Metatech (AP) Inc. and Subsidiaries

Information on investees

For the nine-month period ended September 30, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net profit (loss) of the investee for the nine-month period ended September 30, 2020	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2020	Footnote
				Balance as at September 30, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Metatech (AP) Inc.	MetaTech Investment Holding Co., Ltd.	British Virgin Islands	Investment holding and reinvestment business	$ 333,065	$ 333,065	10,000,000	100	$ 395,098	$ 22,145	$ 22,145	Subsidiary
Metatech (AP) Inc.	Chienhwa Travel Service Co., Ltd.	Taiwan	Travel business	3,400	3,400	800	100	2,492	(295)	(295)	Subsidiary
Metatech (AP) Inc.	Up Cell Biomedical Inc.	Taiwan	Cell sheet development and medical production	33,000	-	33,000,000	25.38	29,844	(12,433)	(3,156)	Investee accounted for using the equitymethod
MetaTech Investment Holding Co., Ltd.	MTI Holding Co., Ltd.	Samoa	Investment holding and reinvestment business	333,065	333,065	10,000,000	100	395,098	22,145	22,145	Sub-subsidiary
MTI Holding Co., Ltd.	MetaTech (S) Pte Ltd.	Singapore	Wholesale and retail of electronic materials	82,259	82,259	3,800,000	100	123,378	6,874	6,874	Third-tier subsidiary
MTI Holding Co., Ltd.	MetaTech Ltd.	Hong Kong	Wholesale and retail of electronic materials	199,170	199,170	46,000,000	100	209,147	14,726	14,726	Third-tier subsidiary

Metatech (AP) Inc. and Subsidiaries

Information on investments in Mainland China

Nine-month period ended September 30, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the nine-month period ended September 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020	Net income of investee as of September 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2020 (Note 2)	Book value of investments in Mainland China as of September 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MetaTech (Shenzhen) Ltd.	Wholesale and retail of electronic materials	$ 76,494	Through investing in an existing company in the third areas, which then invested in the investee in Mainland China	$ 76,494	$ -	$ -	$ 76,494	$ 4,024	100	$ 4,024	$ 28,344	$ -	Notes 1,2 and 3

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Celling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
Metatech (AP) Inc.	$ 76,494	$ 77,367	$ 569,512

Note 1: Through investing in the subsidiary, MetaTech Investment Holding Co, Ltd in the third areas by cash and reinvesting by its second-tier subsidiary, MetaTech Ltd. The investments were approved by the Investment Commission of the Ministry of Economic Affairs.

Note 2: The amount of investment income (loss) recognised is the amount recognised in the financial statements of the investee that were reviewed by R.O.C parent company's CPA.

Note 3: Paid-in capital and investment amount are translated into TWD at exchange rate at the balance sheet date (1USD:29.10 TWD).

Note 4: According to the MOEA Regulation No. 09704604680, "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area", announced on August 29, 2008, limit on accumulated amount of investment in Mainland China is the higher of 60% of net assets and consolidated net assets.

Metatech (AP) Inc. and Subsidiaries
Major shareholders information
September 30, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
JUN INVESTMENT INTERNATIONAL CO., LTD.	5,450,000	9.39%
Zhen Long, Wu	3,886,000	6.69%
Bei De Bi Xiu Investment Co., Ltd.	3,141,924	5.41%