

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020

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.

METATECH (AP) INC. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2021, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. If relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

METATECH (AP) INC.
Yang Chih Hui, Chairman
March 25, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of MetaTech (AP) Inc.

Opinion

We have audited the accompanying consolidated balance sheets of MetaTech (AP) Inc. and subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of the other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Appropriateness of warehouse operating revenue cut-off

Description

For a description of accounting policy on revenue recognition, please refer to Note 4(29). For details of operating revenue, please refer to Note 6(16).

The Group has two delivery types for sales of goods: factory direct shipment and hub warehouse sales. In accordance with IFRS 15 'Revenue from contracts with customers' as endorsed by the Financial Supervisory Commission, assets are transferred when customers obtain control of the assets. Revenue is recognised when the Company transfers promised goods to customers and the performance obligation is satisfied. The Company's warehouses are located in Shanghai, and a consignee obtains control of the assets when a consignee picks up the goods, but the timing of assets transfer is not fixed and management recognises revenue based on the reports of inventory movement provided by the hub custodians. As the information process, recording and maintenance of the reports were done manually, it may lead to improper revenue recognition or a discrepancy between physical inventory quantities in the hubs and the quantities in accounting records. Moreover, since transaction amounts before and after the balance sheet date are significant to the financial statements, we determined the appropriateness of warehouse operating revenue cut-off as a key audit matter.

How our audit addressed the matter:

We performed the following audit procedures on appropriateness of warehouse operating revenue cut-off:

1. Based on our understanding of the Company's business and industry, we assessed the reasonableness of warehouse operating revenue recognition policies and procedures and confirmed that these were consistently applied in the financial statements.

2. Understood the warehouses' process of collection, management and shipping, assessed and tested relevant internal controls, including randomly checking whether the product name, quantity and amount in the reports provided by hub custodians were in agreement with pick-up details and information on sales vouchers and confirmed that revenue from inventory movement are recognised in the correct reporting periods.
3. Performed cut-off tests on warehouse operating sales transactions that took place shortly before and after the balance sheet date, including verifying pick-up details provided by hub custodians are in agreement with the product name and quantity of inventory movement records and sales revenue amount, and are recognised in the correct reporting periods.
4. Performed confirmation for stock quantities at the warehouse and verified it against the system and accounting records.

Valuation of allowance for inventory valuation losses

Description

For a description of the accounting policy on inventory valuation, please refer to Note 4(12); for accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2); and for information on the allowance for inventory valuation losses, please refer to Note 6(4).

The Group's inventories and allowance for inventory valuation losses amounted to \$173,593 thousand and \$14,456 thousand, respectively, as at December 31, 2021. The Group is an agent of semiconductor components which is primarily engaged in sales of niche products and agent of consumer products, communications and connectors. As the agent products are in a small-volume, large-variety production, facing highly competitive nature of the market price and having a short life cycle, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group recognises inventories at the lower of cost and net realisable value. The assessment of the allowance for inventory valuation losses, including the identification of obsolete inventory and determination of net realisable value, often involves subjective judgement and a high degree of uncertainty. Considering the material effect of

inventory and its allowance for valuation losses on the consolidated financial statements, we determined the valuation of allowance for inventory valuation losses as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed the reasonableness of policies and procedures related to the provision of allowance for inventory valuation losses based on our understanding of the operations and the characteristics of its industry.
2. Understood the Group's warehousing control procedures. Reviewed the annual physical inventory count plan and participated in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
3. Tested the accuracy of obsolete inventory aging report and assessed the individual assessment used by the management, including confirming that the inventory movement is within the appropriate age range.
4. Reviewed the appropriateness of the estimation basis for the evaluation of net realisable value, randomly checked supporting documents of product sales and purchases and recalculated and evaluated the reasonableness of allowance for inventory valuation losses.

Other matter – Reference to the reports of other auditors

We did not audit the financial statements of certain investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$27,417 thousand, constituting 2% of the consolidated total assets as at December 31, 2020, and the comprehensive loss recognized from associates and joint ventures accounted for under the equity method amounted to NT\$5,583 thousand, constituting 6% of the consolidated total comprehensive income for the year then ended.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of MetaTech (AP) Inc. as at and for the years ended December 31, 2021 and 2020.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditors’ responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

Hsu, Ming-Chuan

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 25, 2022

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' 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
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current Assets						
1100	Cash and cash equivalents	6(1)	\$ 748,307	21	\$ 367,577	25
1136	Current financial assets at amortised cost	6(2) and 8	1,415,673	40	13,015	1
1150	Notes receivable, net	6(3)	603	-	237	-
1170	Accounts receivable, net	6(3)	479,175	14	273,946	18
1200	Other receivables		6,593	-	2,197	-
1220	Current income tax assets		74	-	8	-
130X	Inventories	6(4)	159,137	4	83,740	6
1410	Prepayments		20,032	1	6,629	-
1470	Other current assets		734	-	692	-
11XX	Current Assets		<u>2,830,328</u>	<u>80</u>	<u>748,041</u>	<u>50</u>
Non-current assets						
1550	Investments accounted for using the equity method	6(5)	20,646	-	27,417	2
1600	Property, plant and equipment	6(6) and 8	201,832	6	212,680	14
1755	Right-of-use assets	6(7)	111,707	3	125,601	8
1780	Intangible assets	6(8)	270,130	8	277,933	19
1840	Deferred income tax assets	6(20)	91,482	3	88,798	6
1900	Other non-current assets		13,268	-	15,521	1
15XX	Non-current assets		<u>709,065</u>	<u>20</u>	<u>747,950</u>	<u>50</u>
1XXX	Total assets		<u>\$ 3,539,393</u>	<u>100</u>	<u>\$ 1,495,991</u>	<u>100</u>

(Continued)

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
	Current Liabilities					
2100	Short-term borrowings	6(9) and 8	\$ 45,226	1	\$ 111,000	8
2130	Current contract liabilities	6(16)	44,149	1	9,484	1
2150	Notes payable		1,422	-	324	-
2170	Accounts payable		169,855	5	133,547	9
2200	Other payables		35,174	1	28,805	2
2230	Current income tax liabilities	6(20)	4,209	-	197	-
2250	Provisions for liabilities - current		-	-	4,433	-
2280	Current lease liabilities		13,323	1	17,002	1
2320	Long-term liabilities, current portion	6(10)	146,200	4	-	-
2399	Other current liabilities, others		649	-	733	-
21XX	Current Liabilities		<u>460,207</u>	<u>13</u>	<u>305,525</u>	<u>21</u>
	Non-current liabilities					
2530	Corporate bonds payable	6(10)	-	-	147,408	10
2570	Deferred income tax liabilities	6(20)	18,325	-	15,533	1
2580	Non-current lease liabilities		102,523	3	112,158	7
2600	Other non-current liabilities		300	-	300	-
25XX	Non-current liabilities		<u>121,148</u>	<u>3</u>	<u>275,399</u>	<u>18</u>
2XXX	Total Liabilities		<u>581,355</u>	<u>16</u>	<u>580,924</u>	<u>39</u>
	Equity					
	Equity attributable to owners of the parent					
	Share capital					
3110	Share capital - common stock	6(13)	681,116	19	580,160	39
	Capital surplus					
3200	Capital surplus	6(14)	672,092	20	657,872	43
	Retained earnings					
3350	Accumulated deficit	6(15)	(24,663)	(1)	(289,712)	(19)
	Other equity					
3400	Other equity interest		(41,191)	(1)	(33,253)	(2)
31XX	Equity attributable to owners of the parent		<u>1,287,354</u>	<u>37</u>	<u>915,067</u>	<u>61</u>
36XX	Non-controlling interests	4(3)	<u>1,670,684</u>	<u>47</u>	<u>-</u>	<u>-</u>
3XXX	Total equity		<u>2,958,038</u>	<u>84</u>	<u>915,067</u>	<u>61</u>
	Significant contingent liabilities and unrecognised contract commitments					
3X2X	Total liabilities and equity	9	<u>\$ 3,539,393</u>	<u>100</u>	<u>\$ 1,495,991</u>	<u>100</u>

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

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except loss per share)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(16) and 7	\$ 2,011,817	100	\$ 1,576,079	100
5000	Operating costs	6(4)(18)(19)	(1,746,775)	(87)	(1,405,385)	(89)
5950	Net operating margin		<u>265,042</u>	<u>13</u>	<u>170,694</u>	<u>11</u>
	Operating expenses	6(18)(19)				
6100	Selling expenses		(128,854)	(7)	(110,535)	(7)
6200	General and administrative expenses		(105,031)	(5)	(78,418)	(5)
6300	Research and development expenses		(67,195)	(3)	(62,022)	(4)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	<u>1</u>	<u>-</u>	<u>16</u>	<u>-</u>
6000	Total operating expenses		(<u>301,079</u>)	(<u>15</u>)	(<u>250,959</u>)	(<u>16</u>)
6900	Operating loss		(<u>36,037</u>)	(<u>2</u>)	(<u>80,265</u>)	(<u>5</u>)
	Non-operating revenue and expenses					
7100	Interest income		988	-	508	-
7010	Other income		8,826	-	3,008	-
7020	Other gains and losses	6(17)	(732)	-	(3,997)	-
7050	Finance costs		(10,068)	-	(5,846)	(1)
7060	Share of loss of associates and joint ventures accounted for using the equity method		(<u>6,771</u>)	<u>-</u>	(<u>5,583</u>)	<u>-</u>
7000	Total non-operating revenue and expenses		(<u>7,757</u>)	<u>-</u>	(<u>11,910</u>)	(<u>1</u>)
7900	Loss before income tax		(43,794)	(2)	(92,175)	(6)
7950	Income tax (expense) benefit	6(20)	(<u>9,587</u>)	(<u>1</u>)	<u>9,680</u>	<u>1</u>
8200	Loss for the year		(<u>\$ 53,381</u>)	(<u>3</u>)	(<u>\$ 82,495</u>)	(<u>5</u>)

(Continued)

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except loss per share)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Other comprehensive income (net)					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(11)			
			(\$ 680)	-	(\$ 511) -
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)			
			136	-	102 -
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
			(544)	-	(409) -
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations				
			(11,650)	-	(17,202) (1)
8399	Income tax relating to the components of other comprehensive income	6(20)			
			3,712	-	2,059 -
8360	Components of other comprehensive income that will be reclassified to profit or loss				
			(7,938)	-	(15,143) (1)
8300	Total other comprehensive loss for the year				
			(\$ 8,482)	-	(\$ 15,552) (1)
8500	Total comprehensive loss for the year				
			(\$ 61,863) (3)		(\$ 98,047) (6)
Loss attributable to:					
8610	Owners of the parent				
			(\$ 24,119) (1)		(\$ 82,495) (5)
8620	Non-controlling interests				
			(29,262) (2)		- -
			(\$ 53,381) (3)		(\$ 82,495) (5)
Other comprehensive loss attributable to:					
8710	Owners of the parent				
			(\$ 32,601) (2)		(\$ 98,047) (6)
8720	Non-controlling interests				
			(29,262) (1)		- -
			(\$ 61,863) (3)		(\$ 98,047) (6)
Basic loss per share 6(21)					
9750	Total basic loss per share				
			(\$ 0.40)		(\$ 1.42)
9850	Total diluted loss per share				
			(\$ 0.40)		(\$ 1.42)

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

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Equity attributable to owners of the parent											
Capital Surplus											
Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Changes in ownership interests in subsidiaries	Employee stock warrants	Stock warrants	Others	Legal reserve	Financial statements translation differences of foreign operations	Total	Non-controlling interests	Total equity
<u>2020</u>											
	\$ 580,160	\$ 601,205	\$ -	\$ 42,232	\$ 5,565	\$ 84	(\$ 206,808)	(\$ 18,110)	\$ 1,004,328	\$ -	\$ 1,004,328
	-	-	-	-	-	-	(82,495)	-	(82,495)	-	(82,495)
	-	-	-	-	-	-	(409)	(15,143)	(15,552)	-	(15,552)
	-	-	-	-	-	-	(82,904)	(15,143)	(98,047)	-	(98,047)
6(12)	-	-	-	8,786	-	-	-	-	8,786	-	8,786
	\$ 580,160	\$ 601,205	\$ -	\$ 51,018	\$ 5,565	\$ 84	(\$ 289,712)	(\$ 33,253)	\$ 915,067	\$ -	\$ 915,067
<u>2021</u>											
	\$ 580,160	\$ 601,205	\$ -	\$ 51,018	\$ 5,565	\$ 84	(\$ 289,712)	(\$ 33,253)	\$ 915,067	\$ -	\$ 915,067
	-	-	-	-	-	-	(24,119)	-	(24,119)	(29,262)	(53,381)
	-	-	-	-	-	-	(544)	(7,938)	(8,482)	-	(8,482)
	-	-	-	-	-	-	(24,663)	(7,938)	(32,601)	(29,262)	(61,863)
6(22)	-	-	-	-	-	-	-	-	-	1,700,000	1,700,000
6(12)	-	993	-	2,995	-	-	-	-	3,988	-	3,988
6(22)	-	-	54	-	-	-	-	-	54	(54)	-
6(14)	-	(289,712)	-	-	-	-	289,712	-	-	-	-
6(13)	100,000	295,000	-	-	-	-	-	-	395,000	-	395,000
6(12)	350	2,435	-	(739)	-	-	-	-	2,046	-	2,046
6(13)	606	3,335	-	-	(141)	-	-	-	3,800	-	3,800
	\$ 681,116	\$ 613,256	\$ 54	\$ 53,274	\$ 5,424	\$ 84	(\$ 24,663)	(\$ 41,191)	\$ 1,287,354	\$ 1,670,684	\$ 2,958,038

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

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 43,794)	(\$ 92,175)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including right-of-use assets)	6(6)(7)(18)	38,046	36,600
Amortization expense	6(18)	8,506	642
Expected credit gain	12(2)	(1)	(16)
Interest expense		7,476	3,299
Interest expense of bonds discount amortization		2,592	2,547
Interest income		(988)	(508)
Share-based compensation cost	6(12)	3,988	8,786
Share of loss of associates and joint ventures accounted for using the equity method		6,771	5,583
Loss on disposal of property, plant and equipment	6(17)	-	315
Gains arising from lease modifications	6(17)	(1,154)	(4)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(366)	2,447
Accounts receivable		(205,229)	23,554
Other receivables		(4,396)	113
Prepayments		(13,403)	(282)
Inventories		(75,397)	4,819
Other current assets		(41)	281
Net defined benefit assets		(4)	(22)
Changes in operating liabilities			
Contract liabilities		34,665	6,349
Notes payable		1,098	(266)
Accounts payable		36,308	(28,936)
Other payables		6,163	7,892
Provisions for liabilities - current		(4,433)	-
Other current liabilities		(84)	(286)
Cash outflow generated from operations		(203,677)	(19,268)
Interest received		988	508
Interest paid		(7,476)	(3,299)
Interest taxes refunded (paid)		(1,619)	631
Net cash flows used in operating activities		(211,784)	(21,428)

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METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 1,402,658)	(\$ 811)
Acquisition of property, plant and equipment	6(23)	(5,507)	(7,847)
Proceeds from disposal of property, plant and equipment	6(6)	-	385
Decrease in guarantee deposit received		699	(1,613)
Increase in prepayment for equipment		(444)	(1,490)
Acquisition of intangible assets	6(8)	-	(19,306)
Increase in other non-current assets		(773)	(443)
Net cash flows used in investing activities		(1,408,683)	(31,125)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		674,460	318,000
Repayments of short-term borrowings		(740,234)	(227,000)
Repayment of principal portion of lease liabilities	6(7)	(18,370)	(18,008)
Increase in guarantee deposit received		-	300
Proceeds from issuance of common stock	6(13)	395,000	-
Cash input from capital increase of non-controlling interests by subsidiary	6(22)	1,700,000	-
Exercise of employee stock		2,046	-
Net cash flows from financing activities		2,012,902	73,292
Effect of exchange rate changes on cash and cash equivalents		(11,705)	(17,201)
Net increase in cash and cash equivalents		380,730	3,538
Cash and cash equivalents at beginning of year	6(1)	367,577	364,039
Cash and cash equivalents at end of year	6(1)	\$ 748,307	\$ 367,577

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

METATECH (AP) INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(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 March 25, 2022.

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 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
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 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 2022 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 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
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 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
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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(%)		Description
			December 31, 2021	December 31, 2020	
The Company	MetaTech Investment Holding Co., Ltd. (MetaTech Investment)	Investment holding and reinvestment business	100	100	Note 1
"	Chienhwa Travel Service Co., Ltd.	Travel business	100	100	"
"	LOCUS CELL CO., LTD.	Cell R&D and production business	15	100	Note 1、2、3、4
MetaTech Investment	MTI HoldingCo., Ltd.(MTI Holding)	Investment holding and reinvestment business	100	100	Note 1
MTI Holding	MetaTech (S) Pte Ltd.(MetaTech(S))	Wholesale and retail of electronic materials	100	100	"
"	MetaTech Ltd.	Wholesale and retail of electronic materials	100	100	"
MetaTech Ltd.	MetaTech (Shenzhen) Ltd.(MetaTech (SZ))	Wholesale and retail of electronic materials	100	100	"

Note 1 : The information included in these consolidated financial statements as at December 30, 2021 and 2020 is based on the reviewed financial statements of each company. And the information included in these consolidated financial statements as at December 31, 2020 is based on the audited financial statements of each company.

Note 2 : Incorporation registered in October 2020.

Note 3 : The company has assessed that it has control over the company's business and personnel, so it is included in the consolidated financial statements.

Note 4 : Please refer to Note 6(22) for changes in shareholding ratio.

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 \$22,968 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:

As of December 31, 2021 and 2020 ,the non-controlling interest amounted to \$1,670,684 and \$0, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest	
		December 31, 2021	
		Amount	Ownership (%)
LOCUS CELL CO., LTD	Taiwan	\$ 1,670,684	85%

Summarised financial information of the subsidiaries:

Balance sheets

	LOCUS CELL CO.,LTD.	
	December 31, 2021	
Current assets	\$	1,963,815
Non-current assets		71,767
Current liabilities	(	7,131)
Non-current liabilities	(	63,032)
Total net assets	\$	<u>1,965,419</u>

Statements of comprehensive income

	LOCUS CELL CO.,LTD.	
	Year ended December 31, 2021	
Revenue	\$	-
Loss before income tax	(	34,518)
Income tax expense		-
Loss for the period from continuing operations	(	34,518)
Loss from discontinued operations		-
Loss for the period	(	34,518)
Other comprehensive income, net of tax		-
Total comprehensive loss for the period	\$	<u>34,518)</u>
Comprehensive loss attributable to non-controlling interest	\$	<u>29,262)</u>
Dividends paid to non-controlling interest	\$	<u>-</u>

Cash flows

	LOCUS CELL CO.,LTD.	
	Year ended December 31, 2021	
Net cash used in operating activities	(\$	28,765)
Net cash used in investing activities	(	1,409,691)
Net cash provided by financing activities		1,995,291
Effect of exchange rates on cash and cash equivalents		-
Increase in cash and cash equivalents		<u>556,835</u>
Cash and cash equivalents, beginning of period		<u>1,000</u>
Cash and cash equivalents, end of period	\$	<u>557,835</u>

(4) Foreign currency translation

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) Classification of current and non-current items

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) Property, plant and equipment

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

A. The intangible assets are stated at acquired cost and amortised on a straight-line basis over their estimated useful lives of 17 years.

B. The technical skills -Esophagus acquired from an external party are not yet available for use, and therefore are not amortised. It will be tested for impairment annually.

(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 intangible assets with an indefinite useful life 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.

(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.

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) Employee share-based payment

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) Income tax

- 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.

(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

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.

(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

None.

(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.

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 December 31, 2021, the carrying amount of inventories was \$159,137.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 300	\$ 317
Checking accounts and demand deposits	448,007	338,020
Time deposits	100,000	29,240
Repurchase agreement-cash	200,000	-
	<u>\$ 748,307</u>	<u>\$ 367,577</u>

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Time deposits maturing in excess of three months	\$ 1,408,669	\$ 9,013
Time deposits maturing within three months	5,000	-
Reserved accounts for demand deposits	2,004	4,002
	<u>\$ 1,415,673</u>	<u>\$ 13,015</u>

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

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest income	<u>\$ 73</u>	<u>\$ 86</u>

B. As at December 31, 2021 and 2020, 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 \$16,017 and \$13,015, 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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 603	\$ 237
Accounts receivable	\$ 479,598	\$ 274,382
Less: Allowance for bad debts	(423)	(436)
	<u>\$ 479,175</u>	<u>\$ 273,946</u>

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 419,447	\$ 338	\$ 232,852	\$ 237
Up to 30 days	53,703	265	37,925	-
31 to 90 days	6,049	-	2,780	-
Over 90 days	399	-	825	-
	<u>\$ 479,598</u>	<u>\$ 603</u>	<u>\$ 274,382</u>	<u>\$ 237</u>

The above ageing analysis was based on past due date.

B. As at December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$300,620.

C. As at December 31, 2021 and 2020, 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 \$603 and \$237; \$479,175 and \$273,946, 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

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 10,936	(\$ 913)	\$ 10,023
Work in progress	12,154	-	12,154
Semi-finished goods	8,611	-	8,611
Finished goods	1,167	-	1,167
Merchandises	140,725	(13,543)	127,182
	<u>\$ 173,593</u>	<u>(\$ 14,456)</u>	<u>\$ 159,137</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 11,752	(\$ 140)	\$ 11,612
Work in progress	1,325	-	1,325
Semi-finished goods	708	-	708
Finished goods	283	-	283
Merchandises	81,691	(11,879)	69,812
	<u>\$ 95,759</u>	<u>(\$ 12,019)</u>	<u>\$ 83,740</u>

	Years ended December 31,	
	2021	2020
Cost of goods sold	\$ 1,743,766	\$ 1,405,583
Gain on reversal of decline in market value	2,711	(311)
Loss of inventory scrap	298	118
Gain on physical inventory	-	(5)
	<u>\$ 1,746,775</u>	<u>\$ 1,405,385</u>

The Group reversed 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 years ended December 31, 2020.

(5) Investments accounted for using the equity method

	December 31, 2021	December 31, 2020
Up Cell Biomedical Inc.	<u>\$ 20,646</u>	<u>\$ 27,417</u>

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2021	December 31, 2020		
Up Cell Biomedical Inc.	Taiwan	25.38%	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.

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

(a) Balance sheet

	Up Cell Biomedical Inc.	
	December 31, 2021	December 31, 2020
Current assets	\$ 49,004	\$ 79,105
Non-current assets	37,930	39,096
Current liabilities	(3,397)	(6,703)
Non-current liabilities	(2,211)	(3,495)
Total net assets	<u>\$ 81,326</u>	<u>\$ 108,003</u>
Share in associate's net assets	<u>\$ 20,646</u>	<u>\$ 27,417</u>

(b) Statement of comprehensive income

	Up Cell Biomedical Inc.	
	Years ended December 31,	
	2021	2020
Revenue	\$ -	\$ -
Loss for the period from continuing operations	(\$ 26,677)	(\$ 21,997)
Loss for the period from discontinued operations	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive loss	<u>(\$ 26,677)</u>	<u>(\$ 21,997)</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

(6) Property, plant and equipment

	2021							Total
	Land	Buildings and structures	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	
At January 1								
Cost	\$ 17,209	\$ 147,199	\$ 62,273	\$ 6,230	\$ 35,264	\$ 21,464	\$ 2,121	\$ 291,760
Accumulated depreciation	-	(22,481)	(13,311)	(3,706)	(27,179)	(10,743)	(1,660)	(79,080)
	<u>\$ 17,209</u>	<u>\$ 124,718</u>	<u>\$ 48,962</u>	<u>\$ 2,524</u>	<u>\$ 8,085</u>	<u>\$ 10,721</u>	<u>\$ 461</u>	<u>\$ 212,680</u>
Opening net book amount as at January 1	\$ 17,209	\$ 124,718	\$ 48,962	\$ 2,524	\$ 8,085	\$ 10,721	\$ 461	\$ 212,680
Additions	-	-	3,062	-	2,494	157	-	5,713
Transfers	-	-	1,389	-	-	-	-	1,389
Depreciation charge	-	(5,885)	(6,945)	(909)	(2,830)	(1,314)	(57)	(17,940)
Net exchange differences	-	-	-	-	(8)	(2)	-	(10)
Closing net book amount as at December 31	<u>\$ 17,209</u>	<u>\$ 118,833</u>	<u>\$ 46,468</u>	<u>\$ 1,615</u>	<u>\$ 7,741</u>	<u>\$ 9,562</u>	<u>\$ 404</u>	<u>\$ 201,832</u>
At December 31								
Cost	\$ 17,209	\$ 147,199	\$ 66,724	\$ 6,224	\$ 37,138	\$ 14,377	\$ 2,121	\$ 290,992
Accumulated depreciation	-	(28,366)	(20,256)	(4,609)	(29,397)	(4,815)	(1,717)	(89,160)
	<u>\$ 17,209</u>	<u>\$ 118,833</u>	<u>\$ 46,468</u>	<u>\$ 1,615</u>	<u>\$ 7,741</u>	<u>\$ 9,562</u>	<u>\$ 404</u>	<u>\$ 201,832</u>

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)
	<u>\$ 17,209</u>	<u>\$ 130,602</u>	<u>\$ 49,623</u>	<u>\$ 3,432</u>	<u>\$ 8,852</u>	<u>\$ 12,028</u>	<u>\$ 653</u>	<u>\$ 222,399</u>
Opening net book amount as at January 1	\$ 17,209	\$ 130,602	\$ 49,623	\$ 3,432	\$ 8,852	\$ 12,028	\$ 653	\$ 222,399
Additions	-	-	6,045	-	1,765	-	60	7,870
Disposal	-	-	(700)	-	-	-	-	(700)
Depreciation charge	-	(5,884)	(6,006)	(909)	(2,521)	(1,303)	(252)	(16,875)
Net exchange differences	-	-	-	1	(11)	(4)	-	(14)
Closing net book amount as at December 31	<u>\$ 17,209</u>	<u>\$ 124,718</u>	<u>\$ 48,962</u>	<u>\$ 2,524</u>	<u>\$ 8,085</u>	<u>\$ 10,721</u>	<u>\$ 461</u>	<u>\$ 212,680</u>
At December 31								
Cost	\$ 17,209	\$ 147,199	\$ 62,273	\$ 6,230	\$ 35,264	\$ 21,464	\$ 2,121	\$ 291,760
Accumulated depreciation	-	(22,481)	(13,311)	(3,706)	(27,179)	(10,743)	(1,660)	(79,080)
	<u>\$ 17,209</u>	<u>\$ 124,718</u>	<u>\$ 48,962</u>	<u>\$ 2,524</u>	<u>\$ 8,085</u>	<u>\$ 10,721</u>	<u>\$ 461</u>	<u>\$ 212,680</u>

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(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 18 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. Short-term leases with a lease term of 12 months or less comprise of laboratories, parking spaces and some office premises. Low-value assets comprise printers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Land	\$ 64,284	\$ 67,268
Buildings	47,137	58,051
Transportation equipment	286	282
	<u>\$ 111,707</u>	<u>\$ 125,601</u>
	2021	2020
	Depreciation charge	Depreciation charge
Land	\$ 5,650	\$ 3,737
Buildings	14,118	15,580
Transportation equipment	338	408
	<u>\$ 20,106</u>	<u>\$ 19,725</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets amounted to \$79,772 and \$18,165, respectively.

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

	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,506	\$ 2,136
Expense on short-term lease contracts	1,184	141
Expense on leases of low-value assets	125	20

F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$22,185 and \$20,305, respectively.

(8) Intangible assets

	<u>2021</u>	<u>2020</u>
	<u>Technical skills (Notes 1 and 2)</u>	<u>Technical skills (Notes 1 and 2)</u>
At January 1		
Cost	\$ 277,933	\$ 258,627
Accumulated amortisation	-	-
	<u>\$ 277,933</u>	<u>\$ 258,627</u>
Opening net book amount as at January 1	\$ 277,933	\$ 258,627
Additions - acquired separately	-	19,306
Amortisation charge	(7,803)	-
Closing net book amount as at December 31	<u>\$ 270,130</u>	<u>\$ 277,933</u>
At December 31		
Cost	\$ 277,933	\$ 277,933
Accumulated amortisation	(7,803)	-
	<u>\$ 270,130</u>	<u>\$ 277,933</u>

Note 1: The Group's technical skills-Esophagus 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)C.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 27,266	1.32%~1.35%	None
Bank secured borrowings	18,000	1.35%	Note 8
	<u>\$ 45,266</u>		

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 65,000	1.32% ~ 1.75%	None
Bank secured borrowings	46,000	1.35% ~ 1.62%	Note 8
	<u>\$ 111,000</u>		

(10) Bonds payable

	December 31, 2021	December 31, 2020
Bonds payable	\$ 150,000	\$ 150,000
Less: Conversion of convertible bonds to share common stock	(3,800)	
Less: Discount on bonds payable	-	(2,592)
	<u>146,200</u>	<u>147,408</u>
Less: Current portion or exercise of put options	(146,200)	-
	<u>\$ -</u>	<u>\$ 147,408</u>

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 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 rate of the bonds payable after such separation was 1.75%.

C. As of December 31, 2021, the face value of this convertible corporate bond of \$3,800 has been converted into ordinary 60,603 shares of common stock. The Company adjusted the price from September 27, 2021 to 62.7 yuan.

D. The Company has paid off the conversion company with cash of \$146,200 on January 20, 2022.

(11) 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) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 9,028	\$ 8,170
Fair value of plan assets	(10,043)	(9,867)
Net defined benefit asset	<u>(\$ 1,015)</u>	<u>(\$ 1,697)</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset</u>
<u>Year ended December 31, 2021</u>			
Balance at January 1	\$ 8,170	(\$ 9,867)	(\$ 1,697)
Interest (expense) income	<u>81</u>	<u>(79)</u>	<u>2</u>
	<u>8,251</u>	<u>(9,946)</u>	<u>(1,695)</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(97)	(97)
Change in financial assumptions	81	-	81
Experience adjustments	<u>696</u>	<u>-</u>	<u>696</u>
	<u>777</u>	<u>(97)</u>	<u>680</u>
Balance at December 31	<u>\$ 9,028</u>	<u>(\$ 10,043)</u>	<u>(\$ 1,015)</u>
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 7,298	(\$ 9,484)	(\$ 2,186)
Interest (expense) income	<u>73</u>	<u>(95)</u>	<u>(22)</u>
	<u>7,371</u>	<u>(9,579)</u>	<u>(2,208)</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(288)	(288)
Change in financial assumptions	115	-	115
Experience adjustments	<u>684</u>	<u>-</u>	<u>684</u>
	<u>799</u>	<u>(288)</u>	<u>511</u>
Balance at December 31	<u>\$ 8,170</u>	<u>(\$ 9,867)</u>	<u>(\$ 1,697)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and

Utilisation of the Labor Retirement Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2021	2020
Discount rate	0.65%	0.80%
Future salary increases	2.25%	2.25%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 135)	\$ 138	\$ 560	(\$ 516)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 143)	\$ 148	\$ 598	(\$ 551)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending

December 31, 2022 amount to \$0.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 8.3 years.

(h) The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	3,995
1-2 year(s)		2,344
2-5 years		1,041
	\$	<u>7,380</u>

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 years ended December 31, 2021 and 2020 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 \$6,318 and \$4,943 for the years ended December 31, 2021 and 2020, respectively.

(12) Share-based payment

A. For the years ended December 31, 2021 and 2020, 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
Cash capital increase reserved for employee preemption	2021.09.27	247 thousand shares	NA	NA

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

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

	2021		2020	
	No. of options	Weighted-average exercise price	No. of options	Weighted-average exercise price
		(in dollars)		(in dollars)
Options outstanding at January 1	2,909,000	58.40	4,000,000	\$ 58.36
Options exercised	(35,000)	58.48	-	-
Options expired	(288,000)	56.49	(1,091,000)	58.25
Options outstanding at December 31	<u>2,586,000</u>	57.94	<u>2,909,000</u>	58.40
Options exercisable at December 31	<u>1,422,300</u>	57.94	<u>1,018,150</u>	58.40

C. The Group did not have any options exercised for the years ended December 30, 2021 and 2020.

D. For the years ended December 31, 2021 and 2020, the range of exercise prices of stock options outstanding was \$54.50 ~ \$58.60 (in dollars), respectively; the weighted-average remaining contractual period was 2.32 years and 3.35 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%	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%	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%	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:

	2021	2020
Equity-settled	\$ <u>3,988</u>	\$ <u>8,786</u>

(13) Share capital

A. As of December 31, 2021, the Company's authorised capital was \$2,000,000, consisting of 200 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$680,160, consisting of 68,016 thousand shares outstanding, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding are as follows:

	2021	2020
	No. of shares	No. of shares
At January 1	58,016,045	58,016,045
Employee stock options exercised	35,000	-
Cash capital increase	10,000,000	-
Conversion of convertible bonds to share common stock	60,603	-
At December 31	<u>68,111,648</u>	<u>58,016,045</u>

B. On August 11, 2020, the Company increased its capital by issuing 10,000,000 shares, with a par value of \$10 per share, and an issue price of \$39.5 through board resolution. The date of the capital increase was set on September 27, 2021. The above capital increase was registered.

C. In December, 2021, the Company converted the convertible bonds into 60,603 ordinary shares.

(14) 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(12) and (13).

C. On July 20, 2021, capital surplus used to cover accumulated deficit amounting to \$289,712 had been approved by the Financial Supervisory Commission and registered.

(15) Accumulated deficit

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 as of December 31, 2019 and 2020, and thus had no earnings for distribution. On June 30, 2020 and July 20, 2021, the shareholders approved the deficit compensation of 2019 and 2020, respectively.

(16) Operating revenue

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:

	2021						
	Hong Kong and Mainland China	Southeast Asia	Taiwan		Others	Write-offs	Total
			Electronics	Biomedicine			
Total segment revenue	\$ 774,694	\$ 549,913	\$ 507,369	\$ 200,939	\$ 124	(\$ 21,222)	\$ 2,011,817
Inter-segment revenue	(16,748)	(488)	(3,921)	-	(65)	21,222	-
Revenue from external customer contracts	<u>\$ 757,946</u>	<u>\$ 549,425</u>	<u>\$ 503,448</u>	<u>\$ 200,939</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 2,011,817</u>
Timing of revenue recognition							
At a point in time	\$ 757,946	\$ 549,425	\$ 503,448	\$ 200,912	\$ 59	\$ -	\$ 2,011,790
Over time	-	-	-	27	-	-	27
	<u>\$ 757,946</u>	<u>\$ 549,425</u>	<u>\$ 503,448</u>	<u>\$ 200,939</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 2,011,817</u>
	2020						
	Hong Kong and Mainland China	Southeast Asia	Taiwan		Others	Write-offs	Total
			Electronics	Biomedicine			
Total segment revenue	\$ 630,357	\$ 385,759	\$ 620,150	\$ 10,836	\$ 339	(\$ 71,362)	\$ 1,576,079
Inter-segment revenue	(66,947)	(1,038)	(3,122)	-	(255)	71,362	-
Revenue from external customer contracts	<u>\$ 563,410</u>	<u>\$ 384,721</u>	<u>\$ 617,028</u>	<u>\$ 10,836</u>	<u>\$ 84</u>	<u>\$ -</u>	<u>\$ 1,576,079</u>
Timing of revenue recognition							
At a point in time	\$ 563,410	\$ 384,721	\$ 617,028	\$ 9,920	\$ 84	\$ -	\$ 1,575,163
Over time	-	-	-	916	-	-	916
	<u>\$ 563,410</u>	<u>\$ 384,721</u>	<u>\$ 617,028</u>	<u>\$ 10,836</u>	<u>\$ 84</u>	<u>\$ -</u>	<u>\$ 1,576,079</u>

B. Contract liabilities

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities:			
Advance sales receipts	<u>\$ 44,149</u>	<u>\$ 9,484</u>	<u>\$ 3,135</u>

(a) Significant changes in contract liabilities

None.

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

	2021	2020
Revenue recognised that was included in the contract liability balance at the beginning of the Advance sales receipts	<u>\$ 7,815</u>	<u>\$ 2,997</u>

(17) Other gains and losses

	Years ended December 31	
	2021	2020
Losses on disposals of property, plant and equipment	\$ -	(\$ 315)
Gains arising from lease modifications	1,154	4
Net currency exchange losses	(40)	(3,686)
Other losses	(1,846)	-
	<u>(\$ 732)</u>	<u>(\$ 3,997)</u>

(18) Expenses by nature

Function Nature	Years ended December 31,					
	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense	\$ 2,751	\$ 145,861	\$ 148,612	\$ 1,643	\$ 132,477	\$ 134,120
Depreciation Expense	4,032	34,014	38,046	7,190	29,410	36,600
Amortisation Expense	7,803	703	8,506	-	642	642

(19) Employee benefit expense

	2021	2020
Wages and salaries	\$ 121,202	\$ 104,921
Employee stock options	3,988	8,786
Labour and health insurance fees	8,658	7,303
Pension costs	6,320	4,921
Directors' remuneration	3,453	2,360
Other personnel expenses	4,991	5,829
	<u>\$ 148,612</u>	<u>\$ 134,120</u>

- 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 December 31, 2021 and 2020, 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.

(20) Income tax

- A. Income tax expense (benefit)
- (a) Components of income tax expense (benefit):

	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the year	\$ 4,626	\$ 1,079
Prior year income tax (over) understimation	<u>1,005</u>	<u>62</u>
Total current tax	5,631	1,141
Deferred tax:		
Origination and reversal of temporary differences	<u>3,956</u>	<u>(10,821)</u>
Income tax expense (benefit)	<u>\$ 9,587</u>	<u>(\$ 9,680)</u>

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

	<u>2021</u>	<u>2020</u>
Currency translation differences	\$ 3,712	\$ 2,059
Remeasurement of defined benefit obligations	<u>136</u>	<u>102</u>
	<u>\$ 3,848</u>	<u>\$ 2,161</u>

B. Reconciliation between income tax benefit and accounting profit

	<u>2021</u>	<u>2020</u>
Tax calculated based on loss before tax and statutory tax rate (note)	(\$ 3,902)	(\$ 16,404)
Expenses disallowed by tax regulation	13,209	7,450
Change in assessment of realisation of deferred	(7,297)	(788)
Prior year income tax overestimation	1,005	62
Taxable loss not recognised as deferred tax assets	<u>6,572</u>	<u>-</u>
Income tax expense (benefit)	<u>\$ 9,587</u>	<u>(\$ 9,680)</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
– Temporary differences:				
Loss on inventory	\$ 661	\$ 583	\$ -	\$ 1,244
Adjustment to unused paid annual leave	240	-	-	240
Currency translation differences	5,884	-	3,712	9,596
Remeasurement of defined benefit obligations	749	-	136	885
Unrealized exchange loss	28	(28)	-	-
Onerous contracts provision	1,164	(1,164)	-	-
Lease liability	-	-	-	-
Others	149	-	-	149
– Tax losses	<u>79,923</u>	<u>(555)</u>	<u>-</u>	<u>79,368</u>
Subtotal	<u>88,798</u>	<u>(1,164)</u>	<u>3,848</u>	<u>91,482</u>
Deferred tax liabilities:				
– Temporary differences:				
Share of profit or loss of associates and joint ventures accounted for using equity method	(15,344)	(2,735)	-	(18,079)
Unrealised exchange gain	-	(57)	-	(57)
Pension	(189)	-	-	(189)
Subtotal	<u>(15,533)</u>	<u>(2,792)</u>	<u>-</u>	<u>(18,325)</u>
Total	<u>\$ 73,265</u>	<u>(\$ 3,956)</u>	<u>\$ 3,848</u>	<u>\$ 73,157</u>

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
– Temporary differences:				
Loss on inventory	\$ 242	\$ 419	\$ -	\$ 661
Adjustment to unused paid annual leave	240	-	-	240
Currency translation differences	3,825	-	2,059	5,884
Remeasurement of defined benefit obligations	647	-	102	749
Unrealized exchange loss	-	28	-	28
Onerous contracts provision	1,164	-	-	1,164
Lease liability	326	(326)	-	-
Others	149	-	-	149
– Tax losses	<u>67,949</u>	<u>11,974</u>	<u>-</u>	<u>79,923</u>
Subtotal	<u>74,542</u>	<u>12,095</u>	<u>2,161</u>	<u>88,798</u>

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax liabilities:				
– Temporary differences:				
Share of profit or loss of associates and joint ventures accounted for using equity method	(13,862)	(1,482)		(15,344)
Unrealised exchange gain	(208)	208	-	-
Pension	(189)	-	-	(189)
Subtotal	<u>(14,259)</u>	<u>(1,274)</u>	<u>-</u>	<u>(15,533)</u>
Total	<u>\$ 60,283</u>	<u>\$ 10,821</u>	<u>\$ 2,161</u>	<u>\$ 73,265</u>

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	Amount assessed	\$ 17,232	\$ 17,232	2022
2013	Amount assessed	15,876	15,876	2023
2014	Amount assessed	12,959	12,959	2024
2015	Amount assessed	21,087	21,087	2025
2016	Amount assessed	42,849	12,855	2026
2017	Amount assessed	28,478	8,543	2027
2018	Amount assessed	82,217	24,665	2028
2019	Amount assessed	131,452	-	2029
2020	Amount filed	104,225	-	2030
2021	Amount estimated	53,679	-	2031
		<u>\$ 510,054</u>	<u>\$ 113,217</u>	

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2010	Amount assessed	\$ 18,341	\$ 18,341	2020
2011	Amount assessed	14,982	14,982	2021
2012	Amount assessed	17,232	17,232	2022
2013	Amount assessed	15,876	4,763	2023
2014	Amount assessed	12,959	3,888	2024
2015	Amount assessed	21,087	6,326	2025
2016	Amount assessed	42,849	12,855	2026
2017	Amount assessed	28,478	-	2027
2018	Amount assessed	82,217	-	2028

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2019	Amount filed	131,452	-	2029
2020	Amount estimated	92,526	-	2030
		<u>\$ 477,999</u>	<u>\$ 78,387</u>	

(21) Losses per share

Year ended December 31, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders of the parent	<u>(\$ 24,119)</u>	<u>60,646</u>	<u>(\$ 0.40)</u>

Year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders of the parent	<u>(\$ 82,495)</u>	<u>58,016</u>	<u>(\$ 1.42)</u>

For the years ended December 31, 2021 and 2020, 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.

(22) Transactions with non-controlling interest

The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary.

Subsidiary LOCUS CELL CO., LTD. of the Group increased its capital by issuing new shares on May 14, 2021. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest by 85%. The transaction decreased non-controlling interest by \$54 and increased the equity attributable to owners of parent by \$54.

(23) Supplemental cash flow information

A. Investing activities with partial cash payments

	2021	2020
Purchase of property, plant and equipment	\$ 7,102	\$ 7,870
Add: Opening balance of payable on equipment	79	56
Less: Ending balance of payable on equipment	(285)	(79)
Less: Opening balance of prepayments on equipment	(1,389)	-
Cash paid during the period	<u>\$ 5,507</u>	<u>\$ 7,847</u>

B. Financing activities with no cash flow effects

	2021	2020
Prepayments for equipment being converted to property, plant and equipment	<u>\$ 1,389</u>	<u>\$ -</u>

(24) Changes in liabilities from financing activities

	2021				
	Short-term borrowings	Bonds payable	Lease liabilities	Guarantee deposits received	Liabilities from financing activities
At January 1	\$ 111,000	\$ 147,408	\$ 129,160	\$ 300	\$ 387,868
Changes in cash flow from financing activities	(65,774)	-	(18,370)	-	(84,144)
Impact of changes in foreign exchange rate	-	-	-	-	-
Changes in other non-cash items	-	(1,208)	5,056	-	3,848
At December 31	<u>\$ 45,226</u>	<u>\$ 146,200</u>	<u>\$ 115,846</u>	<u>\$ 300</u>	<u>\$ 307,572</u>
	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	-	(18,008)	300	73,292
Impact of changes in foreign exchange rate	-	-	(142)	-	(142)
Changes in other non-cash items	-	2,547	17,771	-	20,318
At December 31	<u>\$ 111,000</u>	<u>\$ 147,408</u>	<u>\$ 129,160</u>	<u>\$ 300</u>	<u>\$ 387,868</u>

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

A. Operating revenue:

	2021	2020
Income:		
Associates	\$ 1,523	\$ -

The collection term for related parties is determined according to the gross profits in mutual agreement and the credit term is 90 days after monthly billing. The collection term to general customers is 30 to 90 days after monthly billing.

B. Non-operating revenue:

	2021	2020
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.

C. Other payables:

	Years ended December 31,	
	2021	2020
Associates	\$ 100	\$ -

D. Operating cost:

	2021	2020
Interest expense:		
Associates	\$ 1,032	\$ -

(3) Key management compensation

	2021	2020
Salaries and other short-term employee benefits	\$ 13,374	\$ 12,918
Post-employment benefits	420	409
Share-based payment	1,534	1,857
	\$ 15,328	\$ 15,184

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Financial assets at amortised cost			
-Time deposits maturing in excess of three months	\$ 9,013	\$ 9,013	Guarantee for customs, credit card and performance bond of lease agreements
-Reserve account for demand deposits	2,004	4,002	Guarantee for limit on short-term borrowings

	Book value		Purpose
	December 31, 2021	December 31, 2020	
Restricted bank deposits	5,000		Guarantee for limit on short-term borrowings
Property, plant and equipment			
-Land	17,209	17,209	Guarantee for short-term credit line
-Buildings and structures	26,286	27,076	"
	<u>\$ 59,512</u>	<u>\$ 57,300</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. On December 31, 2021 and 2020, guaranteed notes as well as endorsements and guarantees amounting to \$13,840 (USD 500 thousand) and \$14,240 (USD 500 thousand), respectively, were issued for subsidiaries' borrowings.

B. The joint credit line of the Group for financial institution short-term secured borrowings was NTD 85 million and NTD 50 million on December 31, 2021 and 2020. As of December 31, 2021 and 2020, the promissory note amounting to NTD 85 million and NTD 65 million was issued to bank as guarantee and the abovementioned joint credit line amounting to NTD 27.197 million and NTD 50 million was used, respectively.

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

	December 31, 2021	December 31, 2020
Intangible assets	<u>\$ 13,482</u>	<u>\$ 15,489</u>

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 June 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 December 31, 2021, the Company has paid JPY 1,243,942,865 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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 748,307	\$ 367,577
Financial assets at amortised cost	1,415,673	13,015
Notes receivable	603	237
Accounts receivable	479,175	273,946
Other receivables	6,593	2,197
Guarantee deposits paid (shown as 'other non-current assets')	<u>7,632</u>	<u>8,331</u>
	<u>\$ 2,657,983</u>	<u>\$ 665,303</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 45,226	\$ 111,000
Notes payable	1,422	324
Accounts payable	169,855	133,547
Other payables	35,174	28,805
Bonds payable(including current portion)	146,200	147,408
Guarantee deposits received (shown as 'other non-current liabilities')	<u>300</u>	<u>300</u>
	<u>\$ 398,177</u>	<u>\$ 421,384</u>
Lease liability	<u>\$ 115,846</u>	<u>\$ 129,160</u>

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:

	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 12,347	27.680	\$ 341,765
USD:HKD	9,317	7.7994	257,895
JPY:NTD	22,437	0.2405	5,396
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	2,460	27.680	68,093
USD:HKD	3,389	7.7994	93,808

	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,640	28.480	\$ 103,667
USD:HKD	7,295	7.7536	207,762
JPY:NTD	3,064	0.2763	847
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	2,168	28.480	61,745
USD:HKD	1,928	7.7536	54,909

- v. The total exchange gain (losses) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to (\$40) and (\$3,686), respectively.

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

		2021		
		Sensitivity analysis		
	Degree of variation	Effect on profit or loss before tax		Effect on other comprehensive income after tax
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 3,418	\$	-
USD:HKD	1%	2,579		-
JPY:NTD	1%	54		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	681		-
USD:HKD	1%	938		-
		2020		
		Sensitivity analysis		
	Degree of variation	Effect on profit or loss before tax		Effect on other comprehensive income after tax
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 1,037	\$	-
USD:HKD	1%	2,078		-
JPY:NTD	1%	8		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	617		-
USD:HKD	1%	549		-

(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 Group's credit policy, each local entity in the Group 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. After the recourse procedure, the Group will pay the amount of financial assets that cannot reasonably be expected to be recovered. These will be written off, but the Group will continue to carry out legal proceedings of recourse to preserve the rights of the debt profit. The Group had no write offs and there are still claims for recourse activities.
- viii. The Group incorporates forward-looking considerations into the future in the Business Observation Report of the Taiwan Economic Research Institute, and adjusts the loss rate established based on historical and current information for a specific period to estimate the allowance loss for accounts receivable (including related parties) and loss at December 31, 2021 and 2020. The rate method is as follows:

	Not past due	Up to 30 days past due	Up to 90 days past due	Over 90 days	Total
<u>At December 31, 2021</u>					
Expected loss	0.03%	0.03%	0.07%	50%~100%	
Total book value	419,447	53,703	6,049	399	479,598
Loss allowance	126	27	4	266	423
<u>At December 31, 2020</u>					
Expected loss	0.03%	0.03%	0.07%	40%~100%	
Total book value	232,852	37,925	2,780	825	274,382
Loss allowance	70	11	2	353	436

- ix. The Group did not recognise loss allowance for accounts receivable applied using the simplified approach since it was not material for the years ended December 31, 2021 and 2020.

	2021		2020	
At January 1	\$	436	\$	476
Reversal of impairment loss	(	1)	(	16)
Effect of exchange rate changes	(	12)	(	24)
At December 31	\$	423	\$	436

(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

December 31, 2021	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 45,437	\$ -	\$ -
Notes payable	1,422	-	-
Accounts payable	169,855	-	-
Other payables	35,174	-	-
Lease liability	15,109	50,192	62,229
Bonds payable	146,200	-	-

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 111,594	\$ -	\$ -
Notes payable	324	-	-
Accounts payable	133,547	-	-
Other payables	28,805	-	-
Lease liability	19,023	49,815	73,760
Bonds payable	-	150,000	-

(3) Fair value information

A. The Group has determined that the book value of financial assets and liabilities that does not use fair value is approximate to fair value, including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable and other payables.

B. 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.

C. 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:

	December 31, 2021	December 31, 2020
Assets		
<u>Recurring fair value measurements</u>		
Financial assets at fair value through profit or loss		
-Options embedded in convertible bonds	\$ -	\$ -

D. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	2020
At January 1	\$ -	\$ -
Issued in the period	-	-
Valuation profit	-	-
At December 31	\$ -	\$ -

- E. 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.
- F. 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 December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative instrument Options	\$ -	Binomial model	Volatility	38.58%	The higher the volatility, the higher the fair value

(4) Others matters

In response to the impact of the Covid-19 pandemic, the Group cooperated with the Central Epidemic Command Center announced related measures and epidemic prevention regulations related to the Infectious Disease Prevention and Control Act, implemented work-from-home measures and strengthened staff health management. The Group's financial condition and continued operations have not been significantly impacted by the Covid-19 pandemic and the government's promotion of various anti-epidemic measures.

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 4.

(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) Measurement of segment information

The chief operating decision-maker evaluates the performance of the operating segments based on a measure of adjusted EBITDA.

(3) Segment information

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

	2021						
	Hong Kong and Mainland China	Southeast Asia	Taiwan		Others	Write-offs	Total
			Electronics	Biomedicine			
Revenue from external customers	\$ 757,946	\$549,425	\$503,448	\$ 200,939	\$ 59	\$ -	\$ 2,011,817
Inter-segment revenue	16,748	488	3,921	-	65	(21,222)	-
Total segment revenue	<u>\$ 774,694</u>	<u>\$549,913</u>	<u>\$507,369</u>	<u>\$ 200,939</u>	<u>\$ 124</u>	<u>(\$ 21,222)</u>	<u>\$ 2,011,817</u>
Segment income (loss)	\$ 38,789	\$ 8,581	\$ 24,371	(\$ 111,115)	(\$ 1,150)	\$ 4,487	(\$ 36,037)
Depreciation and amortisation	<u>\$ 4,413</u>	<u>\$ 894</u>	<u>\$ 3,002</u>	<u>\$ 38,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,553</u>

	2020						
	Hong Kong and	Southeast	Taiwan		Others	Write-offs	Total
	Mainland China	Asia	Electronics	Biomedicine			
Revenue from external customers	\$ 563,410	\$384,721	\$617,028	\$ 10,836	\$ 84	\$ -	\$ 1,576,079
Inter-segment revenue	66,947	1,038	3,122	-	255	(71,362)	-
Total segment revenue	<u>\$ 630,357</u>	<u>\$385,759</u>	<u>\$620,150</u>	<u>\$ 10,836</u>	<u>\$ 339</u>	<u>(\$ 71,362)</u>	<u>\$ 1,576,079</u>
Segment income (loss)	\$ 18,912	\$ 6,001	(\$ 10,999)	(\$ 94,015)	(\$ 1,122)	\$ 958	(\$ 80,265)
Depreciation and amortisation	\$ 4,606	\$ 951	\$ 2,670	\$ 29,015	\$ -	\$ -	\$ 37,242

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.

(4) 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 years ended December 31, 2021 and 2020 is provided as follows:

	2021	2020
Reportable segments loss	(\$ 36,037)	(\$ 80,265)
Interest income	988	508
Other income	8,826	3,008
Other gains and losses	(732)	(3,997)
Finance costs	(10,068)	(5,846)
Share of loss of associates and joint ventures accounted for using the equity method	(6,771)	(5,583)
Loss before tax from continuing operations	<u>(\$ 43,794)</u>	<u>(\$ 92,175)</u>

(5) Information on products and services

Please refer to Note 6 (16) for the related information.

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Hongkong and China	\$ 757,946	\$ 7,770	\$ 563,410	\$ 3,914
Taiwan	704,446	579,658	627,948	616,253
Singapore	549,425	443	384,721	1,255
Total	<u>\$ 2,011,817</u>	<u>\$ 587,871</u>	<u>\$ 1,576,079</u>	<u>\$ 621,422</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2021 and 2020 is as follows:

	<u>Year ended December 31, 2021</u>		<u>Year ended December 31, 2020</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	\$ 204,124	10%	\$ 286,374	18%

Metatech (AP) Inc. and Subsidiaries

Loans to others

For the year ended December 31, 2021

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 year ended December 31, 2021	Balance at December 31, 2021	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			
0	Metatech (AP) Inc.	MetaTech(S) Pte Ltd.	Other receivables	Y	27,850	27,680	19,376	1.33%	Short-term financing	-	Operations	-	-	-	\$ 257,471	\$ 514,942	Notes 3 and 5
1	MTI Holding Co., Ltd.	Metatech (AP) Inc.	Other receivables	Y	57,070	-	-	1.30%	Short-term financing	-	Operations	-	-	-	339,751	424,689	Notes 4 and 5
1	MTI Holding Co., Ltd.	MetaTech(S) Pte Ltd.	Other receivables	Y	55,700	55,360	41,520	1.48%	Short-term financing	-	Operations	-	-	-	339,751	424,689	Notes 4 and 5
1	MTI Holding Co., Ltd.	MetaTech Ltd.	Other receivables	Y	28,535	27,680	13,840	1.33%	Short-term financing	-	Operations	-	-	-	339,751	424,689	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 ceiling 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 ceiling 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 ceiling 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:27.68TWD).

Metatech (AP) Inc. and Subsidiaries
 Provision of endorsements and guarantees to others
 For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021	Outstanding endorsement/ guarantee amount at December 31, 2021	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
		Company name	Relationship with the endorser/ guarantor											
0	Metatech (AP) Inc.	MetaTech Ltd.	The Company's third-tier subsidiary	\$ 643,677	\$ 14,268	\$ 13,840	\$ 13,840	\$ -	1.08	\$ 1,287,354	Y	N	N	Notes 2,3 and 4
1	MetaTech Ltd.	Metatech (AP) Inc.	Parent company	119,831	-	-	-	-	-	239,661	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: According to the Subsidiary's "Regulations for Provision of Endorsements and Guarantees", the Subsidiary's limit on endorsements/guarantees provided for a single party is 50% of the Subsidiary's net assets.

Note 5: According to the Subsidiary's "Regulations for Provision of Endorsements and Guarantees", the Subsidiary's limit on total endorsements/guarantees is 100% of the Subsidiary's net assets.

Note 6: The current period ending balance was translated into TWD at the exchange rate at the balance sheet date (1USD:27.68TWD).

Metatech (AP) Inc. and Subsidiaries
 Significant inter-company transactions during the reporting periods
 For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Metatech (AP) Inc.	MetaTech Ltd.	1	Sales revenue	\$ 3,001	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	0%
0	"	"	1	Other income	1,023	Administrative service fees and payment on behalf of others, 90 days after monthly billing	0%
0	"	"	1	Accounts receivable	14	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	0%
0	"	"	1	Other receivables	4,675	Administrative service fees and payment on behalf of others, 90 days after monthly billing	0%
0	"	MetaTech (S) Pte Ltd.	1	Sales revenue	920	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	0%
0	"	"	1	Other income	293	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	0%
0	"	"	1	Accounts receivable	425	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	0%
0	"	"	1	Other receivables	25,275	Administrative service fees and short-term capital financing, 90 days after monthly billing	1%
0	"	Chienhwa Travel Service Co.,Ltd.	1	Rental revenue	57	Prices are determined according to the amount in mutual agreement	0%
0	"	MTI Holding Co., Ltd.	1	Other receivables	20	Advance payment, 90 days after monthly billing	0%
0	"	LOCUS CELL CO., LTD.	1	Rental revenue	3,112	Prices are determined according to the amount in mutual agreement	0%
1	MetaTech (S) Pte Ltd.	Metatech (AP) Inc.	2	Sales revenue	434	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	0%
1	"	"	2	Accounts receivable	257	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	0%
1	"	MetaTech Ltd.	3	Sales revenue	54	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	0%
2	MetaTech Ltd.	Metatech (AP) Inc.	2	Sales revenue	4,793	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	0%
2	"	"	2	Other receivables	15	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	0%
2	"	MetaTech (S) Pte Ltd.	3	Sales revenue	11,955	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	1%
2	"	MetaTech (Shenzhen) Ltd.	3	Sales revenue	26,397	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	1%
2	"	"	3	Service revenue	29,847	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	1%
3	Chienhwa Travel Service Co.,Ltd.	Metatech (AP) Inc.	2	Service revenue	65	Services rendered terms and the credit term are the same with third parties	0%
3	"	"	2	Other receivables	91	Advance payment, 30 days after monthly billing	0%
3	"	"	2	Guarantee deposits	30	Securities deposits are determined according to the amount in mutual agreement	0%
4	Chienhwa Travel Service Co., Ltd.	Metatech (AP) Inc.	3	Other receivables	13,873	short-term capital financing and interest receivables	0%
4	"	"	3	Other receivables	41,763	short-term capital financing and interest receivables	1%

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 year ended December 31, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	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	\$ 424,689	\$ 45,597	\$ 45,597	Subsidiary
Metatech (AP) Inc.	Chienhwa Travel Service Co., Ltd.	Taiwan	Travel business	3,400	3,400	800	100	1,683	(666)	(666)	Subsidiary
Metatech (AP) Inc.	Up Cell Biomedical Inc.	Taiwan	Cell sheet development and medical production	33,000	33,000	3,300,000	25.38	20,646	(26,677)	(6,771)	Investee accounted for using the equity method
Metatech (AP) Inc.	LOCUS CELL CO., LTD.	Taiwan	Cell therapy phase available product and commissioned to Manufacturing Services	300,000	1,000	200,000,000	15	294,734	(34,518)	(5,237)	Subsidiary
MetaTech Investment Holding Co., Ltd.	MTI Holding Co., Ltd.	Samoa	Investment holding and reinvestment business	333,065	333,065	10,000,000	100	424,689	45,597	45,597	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	125,171	7,763	7,763	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	239,661	37,518	37,518	Third-tier subsidiary

Metatech (AP) Inc. and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2021

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, 2021	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31,2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MetaTech (Shenzhen) Ltd.	Wholesale and retail of electronic materials	\$ 72,652	Through investing in an existing company in the third areas, which then invested in the investee in Mainland China	\$ 72,652	\$ -	\$ -	\$ 72,652	\$ 14,814	100	\$ 14,814	\$ 47,674	\$ -	Notes 1,2 and 3

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	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.	\$ 72,652	\$ 73,482	\$ 1,774,823

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:27.68 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
December 31, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
Zhen Long, Wu	7,570,319	11.12%
JUN INVESTMENT INTERNATIONAL CO., LTD.	6,201,516	9.10%