

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 30, 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.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of METATECH (AP) INC. AND SUBSIDIARIES (the "Group") as at June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three-month and six-month period then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021 and 2020, and of its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-month periods then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Hsu, Ming-Chuan

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

August 13, 2021

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

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

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021, DECEMBER 31, 2020 AND JUNE 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2021 and 2020 are reviewed, not audited)

| Assets | Notes | June 30, 2021 | | December 31, 2020 | | June 30, 2020 | | |
|---------------------------|--|---------------|---------------------|-------------------|---------------------|---------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| Current Assets | | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 2,473,326 | 67 | \$ 367,577 | 25 | \$ 310,510 | 20 |
| 1136 | Current financial assets at amortised cost | 6(2) and 8 | 13,016 | - | 13,015 | 1 | 15,016 | 1 |
| 1150 | Notes receivable, net | 6(3) | 156 | - | 237 | - | 1,641 | - |
| 1170 | Accounts receivable, net | 6(3) | 348,747 | 9 | 273,946 | 18 | 414,652 | 26 |
| 1200 | Other receivables | | - | - | 2,197 | - | 28 | - |
| 1220 | Current income tax assets | | 13 | - | 8 | - | 8 | - |
| 130X | Inventories | 6(4) | 138,820 | 4 | 83,740 | 6 | 93,110 | 6 |
| 1410 | Prepayments | | 11,980 | - | 6,629 | - | 13,107 | 1 |
| 1470 | Other current assets | | 403 | - | 692 | - | 231 | - |
| 11XX | Current Assets | | <u>2,986,461</u> | <u>80</u> | <u>748,041</u> | <u>50</u> | <u>848,303</u> | <u>54</u> |
| Non-current assets | | | | | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss | 6(11) | - | - | - | - | 30 | - |
| 1550 | Investments accounted for using the equity method | 6(5) | 24,059 | 1 | 27,417 | 2 | 31,145 | 2 |
| 1600 | Property, plant and equipment | 6(6) and 8 | 206,491 | 6 | 212,680 | 14 | 214,550 | 13 |
| 1755 | Right-of-use assets | 6(7) | 117,995 | 3 | 125,601 | 8 | 124,832 | 8 |
| 1780 | Intangible assets | 6(9) | 274,032 | 7 | 277,933 | 19 | 264,113 | 17 |
| 1840 | Deferred income tax assets | 6(21) | 86,868 | 2 | 88,798 | 6 | 82,627 | 5 |
| 1900 | Other non-current assets | 6(8) | 15,346 | 1 | 15,521 | 1 | 15,527 | 1 |
| 15XX | Non-current assets | | <u>724,791</u> | <u>20</u> | <u>747,950</u> | <u>50</u> | <u>732,824</u> | <u>46</u> |
| 1XXX | Total assets | | <u>\$ 3,711,252</u> | <u>100</u> | <u>\$ 1,495,991</u> | <u>100</u> | <u>\$ 1,581,127</u> | <u>100</u> |

(Continued)

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021, DECEMBER 31, 2020 AND JUNE 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2021 and 2020 are reviewed, not audited)

| Liabilities and Equity | Notes | June 30, 2021 | | December 31, 2020 | | June 30, 2020 | | |
|--|--|---------------|---------------------|-------------------|---------------------|---------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| Current Liabilities | | | | | | | | |
| 2100 | Short-term borrowings | 6(10) and 8 | \$ 477,837 | 13 | \$ 111,000 | 8 | \$ 66,000 | 4 |
| 2130 | Current contract liabilities | 6(17) | 191,261 | 5 | 9,484 | 1 | 11,982 | 1 |
| 2150 | Notes payable | | - | - | 324 | - | - | - |
| 2170 | Accounts payable | | 141,168 | 4 | 133,547 | 9 | 204,761 | 13 |
| 2200 | Other payables | | 34,030 | 1 | 28,805 | 2 | 29,503 | 2 |
| 2230 | Current income tax liabilities | 6(21) | 1,323 | - | 197 | - | 726 | - |
| 2250 | Provisions for liabilities - current | | - | - | 4,433 | - | 4,433 | - |
| 2280 | Current lease liabilities | | 16,153 | - | 17,002 | 1 | 15,359 | 1 |
| 2300 | Other current liabilities | 6(11) | 149,531 | 4 | 733 | - | 872 | - |
| 21XX | Current Liabilities | | <u>1,011,303</u> | <u>27</u> | <u>305,525</u> | <u>21</u> | <u>333,636</u> | <u>21</u> |
| Non-current liabilities | | | | | | | | |
| 2530 | Corporate bonds payable | 6(11) | - | - | 147,408 | 10 | 146,129 | 10 |
| 2570 | Deferred income tax liabilities | 6(21) | 17,047 | 1 | 15,533 | 1 | 17,245 | 1 |
| 2580 | Non-current lease liabilities | | 106,106 | 3 | 112,158 | 7 | 112,206 | 7 |
| 2600 | Other non-current liabilities | | 300 | - | 300 | - | 300 | - |
| 25XX | Non-current liabilities | | <u>123,453</u> | <u>4</u> | <u>275,399</u> | <u>18</u> | <u>275,880</u> | <u>18</u> |
| 2XXX | Total Liabilities | | <u>1,134,756</u> | <u>31</u> | <u>580,924</u> | <u>39</u> | <u>609,516</u> | <u>39</u> |
| Equity | | | | | | | | |
| Equity attributable to owners of the parent | | | | | | | | |
| Share capital | | | | | | | | |
| 3110 | Share capital - common stock | 6(14) | 580,160 | 16 | 580,160 | 39 | 580,160 | 37 |
| Capital surplus | | | | | | | | |
| 3200 | Capital surplus | 6(15) | 660,921 | 17 | 657,872 | 43 | 657,828 | 41 |
| Retained earnings | | | | | | | | |
| 3350 | Accumulated deficit | 6(16) | (320,884) | (9) | (289,712) | (19) | (244,931) | (16) |
| Other equity | | | | | | | | |
| 3400 | Other equity interest | | (42,106) | (1) | (33,253) | (2) | (21,446) | (1) |
| 31XX | Equity attributable to owners of the parent | | <u>878,091</u> | <u>23</u> | <u>915,067</u> | <u>61</u> | <u>971,611</u> | <u>61</u> |
| 36XX | Non-controlling interests | 4(3) | <u>1,698,405</u> | <u>46</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 3XXX | Total equity | | <u>2,576,496</u> | <u>69</u> | <u>915,067</u> | <u>61</u> | <u>971,611</u> | <u>61</u> |
| Significant contingent liabilities and unrecognised contract commitments 9 | | | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 3,711,252</u> | <u>100</u> | <u>\$ 1,495,991</u> | <u>100</u> | <u>\$ 1,581,127</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 SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except loss per share)
(UNAUDITED)

| Items | Notes | Three-month period ended June 30 | | | | Six-month period ended June 30 | | | |
|---|--------------|----------------------------------|-------------|--------------------|-------------|--------------------------------|-------------|--------------------|-------------|
| | | 2021 | | 2020 | | 2021 | | 2020 | |
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| 4000 Sales revenue | 6(17) | \$ 404,991 | 100 | \$ 464,830 | 100 | \$ 808,756 | 100 | \$ 866,266 | 100 |
| 5000 Operating costs | 6(4)(19)(20) | (353,726) | (87) | (413,410) | (89) | (698,070) | (86) | (775,631) | (89) |
| 5950 Net operating margin | | 51,265 | 13 | 51,420 | 11 | 110,686 | 14 | 90,635 | 11 |
| Operating expenses | 6(19)(20) | | | | | | | | |
| 6100 Selling expenses | | (32,111) | (8) | (27,745) | (6) | (63,505) | (8) | (53,825) | (6) |
| 6200 General and administrative expenses | | (23,077) | (6) | (21,128) | (4) | (43,078) | (5) | (42,540) | (5) |
| 6300 Research and development expenses | | (17,057) | (4) | (14,618) | (3) | (32,665) | (4) | (30,965) | (4) |
| 6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 | 12(2) | | | | | | | | |
| | | 1 | - | - | - | 1 | - | 16 | - |
| 6000 Total operating expenses | | (72,244) | (18) | (63,491) | (13) | (139,247) | (17) | (127,314) | (15) |
| 6900 Operating loss | | (20,979) | (5) | (12,071) | (2) | (28,561) | (3) | (36,679) | (4) |
| Non-operating revenue and expenses | | | | | | | | | |
| 7100 Interest income | | 195 | - | 248 | - | 257 | - | 299 | - |
| 7010 Other income | 7 | 3,649 | 1 | 1,375 | - | 8,458 | 1 | 1,652 | - |
| 7020 Other gains and losses | 6(18) | (544) | - | (2,476) | (1) | 21 | - | (2,290) | - |
| 7050 Finance costs | | (2,884) | (1) | (1,357) | - | (4,365) | (1) | (2,679) | (1) |
| 7060 Share of loss of associates and joint ventures accounted for using the equity method | | (1,814) | (1) | (1,225) | - | (3,358) | - | (1,855) | - |
| 7000 Total non-operating revenue and expenses | | (1,398) | (1) | (3,435) | (1) | 1,013 | - | (4,873) | (1) |
| 7900 Loss before income tax | | (22,377) | (6) | (15,506) | (3) | (27,548) | (3) | (41,552) | (5) |
| 7950 Income tax (expense) benefit | 6(21) | (590) | - | 2,615 | - | (5,165) | (1) | 3,429 | - |
| 8200 Loss for the period | | <u>(\$ 22,967)</u> | <u>(6)</u> | <u>(\$ 12,891)</u> | <u>(3)</u> | <u>(\$ 32,713)</u> | <u>(4)</u> | <u>(\$ 38,123)</u> | <u>(5)</u> |
| Other comprehensive income (net) | | | | | | | | | |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | | | | | |
| 8361 Financial statements translation differences of foreign operations | | (\$ 8,854) | (2) | (\$ 7,723) | (1) | (\$ 8,853) | (1) | (\$ 4,171) | - |
| 8399 Income tax relating to the components of other comprehensive income | 6(21) | - | - | 1,545 | - | - | - | 835 | - |
| 8360 Components of other comprehensive income that will be reclassified to profit or loss | | (8,854) | (2) | (6,178) | (1) | (8,853) | (1) | (3,336) | - |
| 8300 Total other comprehensive loss for the period | | <u>(\$ 8,854)</u> | <u>(2)</u> | <u>(\$ 6,178)</u> | <u>(1)</u> | <u>(\$ 8,853)</u> | <u>(1)</u> | <u>(\$ 3,336)</u> | <u>-</u> |
| 8500 Total comprehensive loss for the period | | <u>(\$ 31,821)</u> | <u>(8)</u> | <u>(\$ 19,069)</u> | <u>(4)</u> | <u>(\$ 41,566)</u> | <u>(5)</u> | <u>(\$ 41,459)</u> | <u>(5)</u> |
| Loss attributable to: | | | | | | | | | |
| 8610 Owners of the parent | | (\$ 21,426) | (6) | (\$ 12,891) | (3) | (\$ 31,172) | (4) | (\$ 38,123) | (5) |
| 8620 Non-controlling interests | | (1,541) | - | - | - | (1,541) | - | - | - |
| | | <u>(\$ 22,967)</u> | <u>(6)</u> | <u>(\$ 12,891)</u> | <u>(3)</u> | <u>(\$ 32,713)</u> | <u>(4)</u> | <u>(\$ 38,123)</u> | <u>(5)</u> |
| Other comprehensive loss attributable to: | | | | | | | | | |
| 8710 Owners of the parent | | (\$ 30,280) | (8) | (\$ 19,069) | (4) | (\$ 40,025) | (5) | (\$ 41,459) | (5) |
| 8720 Non-controlling interests | | (1,541) | - | - | - | (1,541) | - | - | - |
| | | <u>(\$ 31,821)</u> | <u>(8)</u> | <u>(\$ 19,069)</u> | <u>(4)</u> | <u>(\$ 41,566)</u> | <u>(5)</u> | <u>(\$ 41,459)</u> | <u>(5)</u> |
| Basic loss per share | 6(22) | | | | | | | | |
| 9750 Total basic loss per share | | <u>(\$ 0.37)</u> | | <u>(\$ 0.23)</u> | | <u>(\$ 0.54)</u> | | <u>(\$ 0.66)</u> | |
| 9850 Total diluted loss per share | | <u>(\$ 0.37)</u> | | <u>(\$ 0.23)</u> | | <u>(\$ 0.54)</u> | | <u>(\$ 0.66)</u> | |

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

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| Equity attributable to owners of the parent | | | | | | | | | | | | |
|---|---|--------------------------------|---|----------------------------|------------------|-----------------|------------------------|---|--------------------|------------------------------|---------------------|---------------------|
| Capital surplus | | | | | | | | | | | | |
| Notes | Share capital - common stock | Additional paid- in capital | Capital Surplus, changes in ownership interests in subsidiaries | Employee stock warrants | Stock warrants | Others | Accumulated deficit | Financial statements translation differences of foreign operations | Total | Non-controlling interests | Total equity | |
| 2020 | | | | | | | | | | | | |
| | Balance at January 1, 2020 | \$ 580,160 | \$ 601,205 | \$ - | \$ 42,232 | \$ 5,565 | \$ 84 | (\$ 206,808) | (\$ 18,110) | \$ 1,004,328 | \$ - | \$ 1,004,328 |
| | Loss for the period | - | - | - | - | - | - | (38,123) | - | (38,123) | - | (38,123) |
| | Other comprehensive income | - | - | - | - | - | - | (3,336) | (3,336) | - | - | (3,336) |
| | Total comprehensive loss | - | - | - | - | - | - | (38,123) | (3,336) | (41,459) | - | (41,459) |
| 6(13) | Share-based payments | - | - | - | 8,742 | - | - | - | - | 8,742 | - | 8,742 |
| | Balance at June 30, 2020 | <u>\$ 580,160</u> | <u>\$ 601,205</u> | <u>\$ -</u> | <u>\$ 50,974</u> | <u>\$ 5,565</u> | <u>\$ 84</u> | <u>(\$ 244,931)</u> | <u>(\$ 21,446)</u> | <u>\$ 971,611</u> | <u>\$ -</u> | <u>\$ 971,611</u> |
| 2021 | | | | | | | | | | | | |
| | Balance at January 1, 2021 | \$ 580,160 | \$ 601,205 | \$ - | \$ 51,018 | \$ 5,565 | \$ 84 | (\$ 289,712) | (\$ 33,253) | \$ 915,067 | \$ - | \$ 915,067 |
| | Loss for the period | - | - | - | - | - | - | (31,172) | - | (31,172) | (1,541) | (32,713) |
| | Other comprehensive loss | - | - | - | - | - | - | (8,853) | (8,853) | - | - | (8,853) |
| | Total comprehensive loss | - | - | - | - | - | - | (31,172) | (8,853) | (40,025) | (1,541) | (41,566) |
| | Cash input from capital increase of non- controlling interests by subsidiary | - | - | - | - | - | - | - | - | - | 1,700,000 | 1,700,000 |
| 6(13) | Share-based payments | - | - | - | 2,995 | - | - | - | - | 2,995 | - | 2,995 |
| | Changes in the equity of the subsidiary based on the shareholding ratio | - | - | 54 | - | - | - | - | - | 54 | (54) | - |
| | Balance at June 30, 2021 | <u>\$ 580,160</u> | <u>\$ 601,205</u> | <u>\$ 54</u> | <u>\$ 54,013</u> | <u>\$ 5,565</u> | <u>\$ 84</u> | <u>(\$ 320,884)</u> | <u>(\$ 42,106)</u> | <u>\$ 878,091</u> | <u>\$ 1,698,405</u> | <u>\$ 2,576,496</u> |

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

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Notes | Six-month period ended June 30 | |
|--|-------------|--------------------------------|-------------------|
| | | 2021 | 2020 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Loss before tax | | (\$ 27,548) | (\$ 41,552) |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation expense (including right-of-use assets) | 6(6)(7)(19) | 18,962 | 18,235 |
| Amortization expense | 6(19) | 4,255 | 309 |
| Expected credit (loss) gain | 12(2) | (1) | (16) |
| Net gain on financial assets at fair value through profit or loss | 6(18) | - | (30) |
| Interest expense | | 3,075 | 1,412 |
| Interest expense of bonds discount amortization | | 1,290 | 1,268 |
| Interest income | | (257) | (299) |
| Share-based compensation cost | 6(13) | 2,995 | 8,742 |
| Share of loss of associates and joint ventures accounted for using the equity method | | 3,358 | 1,855 |
| Loss on disposal of property, plant and equipment | 6(6)(18) | - | 319 |
| Gains arising from lease modifications | 6(18) | - | (4) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | 81 | 1,043 |
| Accounts receivable | | (74,790) | (117,170) |
| Other receivables | | 2,197 | 2,282 |
| Prepayments | | (5,351) | (6,760) |
| Inventories | | (55,080) | (4,551) |
| Other current assets | | 289 | 742 |
| Net defined benefit assets | | (1) | (11) |
| Changes in operating liabilities | | | |
| Contract liabilities | | 181,777 | 8,847 |
| Notes payable | | (324) | (590) |
| Accounts payable | | 7,621 | 42,278 |
| Other payables | | 5,210 | 8,669 |
| Provisions for liabilities - current | | (4,433) | - |
| Other current liabilities | | 100 | (147) |
| Cash inflow (outflow) generated from operations | | 63,425 | (75,129) |
| Interest received | | 257 | 299 |
| Interest paid | | (3,075) | (1,412) |
| Interest taxes received (paid) | | (582) | 1,490 |
| Net cash flows from (used in) operating activities | | <u>60,025</u> | <u>(74,752)</u> |

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METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Notes | <u>Six-month period ended June 30</u> | |
|---|----------|---------------------------------------|-------------------|
| | | <u>2021</u> | <u>2020</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Acquisition of financial assets at amortised cost | | (\$ 1) | (\$ 2,812) |
| Acquisition of property, plant and equipment | 6(24) | (1,862) | (1,245) |
| Proceeds from disposal of property, plant and equipment | 6(6) | - | 381 |
| Decrease in guarantee deposit received | | 41 | 60 |
| Increase in prepayment for equipment | | (444) | (2,431) |
| Acquisition of intangible assets | 6(9) | - | (5,486) |
| Increase in other non-current assets | | (563) | (348) |
| Net cash flows used in investing activities | | <u>(2,829)</u> | <u>(11,881)</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Increase in short-term borrowings | 6(25) | 569,234 | 122,000 |
| Repayments of short-term borrowings | 6(25) | (202,397) | (76,000) |
| Repayment of principal portion of lease liabilities | 6(7)(25) | (9,409) | (9,009) |
| Increase in guarantee deposit received | 6(25) | - | 300 |
| Cash input from capital increase of non-controlling interests by subsidiary | | <u>1,700,000</u> | <u>-</u> |
| Net cash flows from financing activities | | <u>2,057,428</u> | <u>37,291</u> |
| Effect of exchange rate changes on cash and cash equivalents | | (8,875) | (4,187) |
| Net increase (decrease) in cash and cash equivalents | | 2,105,749 | (53,529) |
| Cash and cash equivalents at beginning of period | 6(1) | <u>367,577</u> | <u>364,039</u> |
| Cash and cash equivalents at end of period | 6(1) | <u>\$ 2,473,326</u> | <u>\$ 310,510</u> |

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

METATECH (AP) INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX-MONTH PERIODS ENDED JUNE 30, 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 August 13, 2021.

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:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| 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:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’ | To be determined by International Accounting Standards Board |
| IFRS 17, ‘Insurance contracts’ | January 1, 2023 |
| Amendments to IFRS 17, ‘Insurance contracts’ | January 1, 2023 |
| Amendments to IAS 1, ‘Classification of liabilities as current or non-current’ | January 1, 2023 |
| Amendments to IAS 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 |
|---------------------|---|--|---------------|-------------------|---------------|-------------|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| The Company | MetaTech Investment Holding Co., Ltd. (MetaTech Investment) | Investment holding and reinvestment business | 100 | 100 | 100 | Note 1 |
| " | Chienhwa Travel Service Co., Ltd. | Travel business | 100 | 100 | 100 | " |
| " | LOCUS CELL CO., LTD. | Cell R&D and production business | 15 | 100 | - | Note 1、2、3 |
| MetaTech Investment | MTI HoldingCo., Ltd.(MTI Holding) | Investment holding and reinvestment | 100 | 100 | 100 | Note 1 |
| MTI Holding | MetaTech (S) Pte Ltd.(MetaTech(S)) | Wholesale and retail of electronic materials | 100 | 100 | 100 | " |
| " | MetaTech Ltd. | Wholesale and retail of electronic materials | 100 | 100 | 100 | " |
| MetaTech Ltd. | MetaTech (Shenzhen) Ltd.(MetaTech (SZ)) | Wholesale and retail of electronic materials | 100 | 100 | 100 | " |

Note 1 : The information included in these consolidated financial statements as at June 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.

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 \$ \$23,578 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 June 30, 2021, December 31, 2020 and June 30, 2020, the non-controlling interest amounted to \$1,698,405, \$0 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 | |
|---------------------|-----------------------------|--------------------------|---------------|
| | | June 30, 2021 | |
| | | Amount | Ownership (%) |
| LOCUS CELL CO., LTD | Taiwan | \$ 1,698,405 | 85% |

Summarised financial information of the subsidiaries:

Balance sheets

| | LOCUS CELL CO.,LTD. | |
|-------------------------|---------------------|------------------|
| | June 30, 2021 | |
| Current assets | \$ | 1,999,965 |
| Non-current assets | | 508 |
| Current liabilities | (| 2,349) |
| Non-current liabilities | | - |
| Total net assets | \$ | <u>1,998,124</u> |

Statements of comprehensive income

| | LOCUS CELL CO.,LTD. | |
|---|--------------------------|----------------|
| | Year ended June 30, 2021 | |
| Revenue | \$ | - |
| Loss before income tax | (| 1,813) |
| Income tax expense | | - |
| Loss for the period from continuing operations | (| 1,813) |
| Loss from discontinued operations | | - |
| Loss for the period | (| 1,813) |
| Other comprehensive income, net of tax | | - |
| Total comprehensive loss for the period | (\$ | <u>1,813</u>) |
| Comprehensive loss attributable to non-controlling interest | (\$ | <u>1,541</u>) |
| Dividends paid to non-controlling interest | \$ | <u>-</u> |

Cash flows

| | LOCUS CELL CO.,LTD. | |
|---|--------------------------|-----------|
| | Year ended June 30, 2021 | |
| Net cash used in operating activities | (\$ | 221) |
| Net cash used in investing activities | (| 519) |
| Net cash provided by financing activities | | 1,999,000 |
| Effect of exchange rates on cash and cash equivalents | | - |
| Increase in cash and cash equivalents | | 1,998,260 |
| Cash and cash equivalents, beginning of period | | 1,000 |
| Cash and cash equivalents, end of period | \$ | 1,999,260 |

(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.

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

C. Termination benefits

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

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

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

(25) 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.
- F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(27) Share capital

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

(28) Dividends

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

(29) Revenue recognition

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 June 30, 2021, the carrying amount of inventories was \$138,820.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|---------------------------------------|----------------------|--------------------------|----------------------|
| Cash on hand and revolving funds | \$ 310 | \$ 317 | \$ 284 |
| Checking accounts and demand deposits | 2,467,373 | 338,020 | 279,905 |
| Time deposits | <u>5,643</u> | <u>29,240</u> | <u>30,321</u> |
| | <u>\$ 2,473,326</u> | <u>\$ 367,577</u> | <u>\$ 310,510</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>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|--|----------------------|--------------------------|----------------------|
| Current items: | | | |
| Time deposits maturing in excess of three months | \$ 9,013 | \$ 9,013 | \$ 9,013 |
| Time deposits maturing within three months | - | - | 2,000 |
| Reserved accounts for demand deposits | <u>4,003</u> | <u>4,002</u> | <u>4,003</u> |
| | <u>\$ 13,016</u> | <u>\$ 13,015</u> | <u>\$ 15,016</u> |

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

| | <u>Three-month periods ended June 30,</u> | |
|-----------------|---|--------------|
| | <u>2021</u> | <u>2020</u> |
| Interest income | <u>\$ 18</u> | <u>\$ 22</u> |

| | <u>Six-month periods ended June 30,</u> | |
|-----------------|---|--------------|
| | <u>2021</u> | <u>2020</u> |
| Interest income | <u>\$ 36</u> | <u>\$ 46</u> |

B. As at June 30, 2021, December 31, 2020 and June 30, 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 \$13,016, \$13,015 and \$15,016, 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>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|-------------------------------|----------------------|--------------------------|----------------------|
| Notes receivable | \$ 156 | \$ 237 | \$ 1,641 |
| Accounts receivable | \$ 349,172 | \$ 274,382 | \$ 415,106 |
| Less: Allowance for bad debts | (425) | (436) | (454) |
| | <u>\$ 348,747</u> | <u>\$ 273,946</u> | <u>\$ 414,652</u> |

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

| | <u>June 30, 2021</u> | | <u>December 31, 2020</u> | | <u>June 30, 2020</u> | |
|---------------|------------------------|---------------------|--------------------------|---------------------|------------------------|---------------------|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Not past due | \$ 304,938 | \$ 156 | \$ 232,852 | \$ 237 | \$ 385,148 | \$ 1,641 |
| Up to 30 days | 38,536 | - | 37,925 | - | 29,047 | - |
| 31 to 90 days | 5,240 | - | 2,780 | - | 496 | - |
| Over 90 days | 458 | - | 825 | - | 415 | - |
| | <u>\$ 349,172</u> | <u>\$ 156</u> | <u>\$ 274,382</u> | <u>\$ 237</u> | <u>\$ 415,106</u> | <u>\$ 1,641</u> |

The above ageing analysis was based on past due date.

B. As at June 30, 2021, December 31, 2020 and June 30, 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 June 30, 2021, December 31, 2020 and June 30, 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 \$156, \$237 and \$1,641; \$348,747, \$273,946 and \$414,652, 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

| | <u>June 30, 2021</u> | | |
|---------------------|----------------------|---|-------------------|
| | <u>Cost</u> | <u>Allowance for valuation loss</u> | <u>Book value</u> |
| Raw materials | \$ 12,049 | (\$ 681) | \$ 11,368 |
| Work in progress | 16,504 | - | 16,504 |
| Semi-finished goods | 34,898 | - | 34,898 |
| Finished goods | 297 | - | 297 |
| Merchandises | 84,062 | (8,309) | 75,753 |
| | <u>\$ 147,810</u> | <u>(\$ 8,990)</u> | <u>\$ 138,820</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> |

| | June 30, 2020 | | |
|---------------------|-------------------|---------------------------------|------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 7,211 | \$ - | \$ 7,211 |
| Work in progress | 27 | - | 27 |
| Semi-finished goods | 423 | - | 423 |
| Finished goods | 525 | - | 525 |
| Merchandises | 92,749 | (7,825) | 84,924 |
| | <u>\$ 100,935</u> | <u>(\$ 7,825)</u> | <u>\$ 93,110</u> |

| | Three-month periods ended June 30, | |
|--|------------------------------------|-------------------|
| | 2021 | 2020 |
| Cost of goods sold | \$ 353,056 | \$ 414,286 |
| (Gain on reversal of) loss on decline in market value | 641 (| 758) |
| Loss of inventory scrap | 29 | - |
| Others | - | (118) |
| | <u>\$ 353,726</u> | <u>\$ 413,410</u> |

| | Six-month periods ended June 30, | |
|--|----------------------------------|-------------------|
| | 2021 | 2020 |
| Cost of goods sold | \$ 701,049 | \$ 780,083 |
| Gain on reversal of decline in market value | (3,029) (| 4,334) |
| Loss of inventory scrap | 50 | - |
| Others | - | (118) |
| | <u>\$ 698,070</u> | <u>\$ 775,631</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 three-month and six-month periods ended June 30, 2021 and 2020.

(5) Investments accounted for using the equity method

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|-------------------------|----------------------|--------------------------|----------------------|
| Up Cell Biomedical Inc. | \$ 24,059 | \$ 27,417 | \$ 31,145 |

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 |
|-------------------------|-----------------------------|--------------------|-------------------|---------------|------------------------|------------------------|
| | | June 30, 2021 | December 31, 2020 | June 30, 2020 | | |
| Up Cell Biomedical Inc. | Taiwan | 25.38% | 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

| | <u>Up Cell Biomedical Inc.</u> | | |
|---------------------------------|--------------------------------|--------------------------|----------------------|
| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
| Current assets | \$ 62,618 | \$ 79,105 | \$ 95,872 |
| Non-current assets | 43,052 | 39,096 | 27,770 |
| Current liabilities | (7,402) | (6,703) | (950) |
| Non-current liabilities | (3,495) | (3,495) | - |
| Total net assets | <u>\$ 94,773</u> | <u>\$ 108,003</u> | <u>\$ 122,692</u> |
| Share in associate's net assets | <u>\$ 24,059</u> | <u>\$ 27,417</u> | <u>\$ 31,145</u> |

(b) Statement of comprehensive income

| | <u>Up Cell Biomedical Inc.</u> | |
|--|---|-------------------|
| | <u>Three-month periods ended June 30,</u> | |
| | <u>2021</u> | <u>2020</u> |
| Revenue | \$ - | \$ - |
| Loss for the period from continuing operations | (\$ 7,146) | (\$ 4,826) |
| Loss for the period from discontinued operations | - | - |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive loss | <u>(\$ 7,146)</u> | <u>(\$ 4,826)</u> |
| Dividends received from associates | <u>\$ -</u> | <u>\$ -</u> |

| Up Cell Biomedical Inc. | | |
|--|-------------|------------|
| Six-month periods ended June 30, | | |
| | 2021 | 2020 |
| Revenue | \$ - | \$ - |
| Loss for the period from continuing operations | (\$ 13,230) | (\$ 7,308) |
| Loss for the period from discontinued operations | - | - |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive loss | (\$ 13,230) | (\$ 7,308) |
| Dividends received from associates | \$ - | \$ - |

(6) Property, plant and equipment

| | 2021 | | | | | | | |
|---|------------------|--------------------------|------------------|--------------------------|------------------|------------------------|-----------------|-------------------|
| | Land | Buildings and structures | Machinery | Transportation equipment | Office equipment | Leasehold improvements | Other equipment | Total |
| 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 | - | - | 855 | - | 1,022 | - | - | 1,877 |
| Transfers | - | - | 788 | - | - | - | - | 788 |
| Depreciation charge | - | (2,943) | (3,414) | (454) | (1,353) | (652) | (29) | (8,845) |
| Net exchange differences | - | - | - | (1) | (6) | (2) | - | (9) |
| Closing net book amount as at June 30 | <u>\$ 17,209</u> | <u>\$ 121,775</u> | <u>\$ 47,191</u> | <u>\$ 2,069</u> | <u>\$ 7,748</u> | <u>\$ 10,067</u> | <u>\$ 432</u> | <u>\$ 206,491</u> |
| as at June 30 | | | | | | | | |
| Cost | \$ 17,209 | \$ 147,199 | \$ 63,916 | \$ 6,218 | \$ 36,117 | \$ 21,419 | \$ 2,121 | \$ 294,199 |
| Accumulated depreciation | - | (25,424) | (16,725) | (4,149) | (28,369) | (11,352) | (1,689) | (87,708) |
| | <u>\$ 17,209</u> | <u>\$ 121,775</u> | <u>\$ 47,191</u> | <u>\$ 2,069</u> | <u>\$ 7,748</u> | <u>\$ 10,067</u> | <u>\$ 432</u> | <u>\$ 206,491</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 | - | - | - | - | 1,189 | - | - | 1,189 |
| Disposal | - | - | (700) | - | - | - | - | (700) |
| Depreciation charge | - | (2,942) | (2,876) | (454) | (1,232) | (653) | (173) | (8,330) |
| Net exchange differences | - | - | - | (2) | (4) | (2) | - | (8) |
| Closing net book amount as at June 30 | <u>\$ 17,209</u> | <u>\$ 127,660</u> | <u>\$ 46,047</u> | <u>\$ 2,976</u> | <u>\$ 8,805</u> | <u>\$ 11,373</u> | <u>\$ 480</u> | <u>\$ 214,550</u> |
| as at June 30 | | | | | | | | |
| Cost | \$ 17,209 | \$ 147,199 | \$ 56,228 | \$ 6,196 | \$ 35,110 | \$ 21,537 | \$ 2,061 | \$ 285,540 |
| Accumulated depreciation | - | (19,539) | (10,181) | (3,220) | (26,305) | (10,164) | (1,581) | (70,990) |
| | <u>\$ 17,209</u> | <u>\$ 127,660</u> | <u>\$ 46,047</u> | <u>\$ 2,976</u> | <u>\$ 8,805</u> | <u>\$ 11,373</u> | <u>\$ 480</u> | <u>\$ 214,550</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 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|--------------------------|------------------------|--------------------------|------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Land | \$ 65,400 | \$ 67,268 | \$ 69,137 |
| Buildings | 52,482 | 58,051 | 55,245 |
| Transportation equipment | 113 | 282 | 450 |
| | <u>\$ 117,995</u> | <u>\$ 125,601</u> | <u>\$ 124,832</u> |

| | <u>Three-month periods ended June 30,</u> | |
|--------------------------|---|----------------------------|
| | <u>2021</u> | <u>2020</u> |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Land | \$ 934 | \$ 935 |
| Buildings | 4,106 | 3,898 |
| Transportation equipment | 85 | 83 |
| | <u>\$ 5,125</u> | <u>\$ 4,916</u> |

| | Six-month periods ended June 30, | |
|--------------------------|----------------------------------|---------------------|
| | 2021 | 2020 |
| | Depreciation charge | Depreciation charge |
| Land | \$ 1,868 | \$ 1,869 |
| Buildings | 8,080 | 7,798 |
| Transportation equipment | 169 | 238 |
| | <u>\$ 10,117</u> | <u>\$ 9,905</u> |

C. For the six-month periods ended June 30, 2021 and 2020, the additions to right-of-use assets amounted to \$2,588 and \$7,544, respectively.

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

| | Three-month periods ended June 30, | |
|---------------------------------------|------------------------------------|--------|
| | 2021 | 2020 |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 507 | \$ 517 |
| Expense on short-term lease contracts | 16 | 30 |
| Expense on leases of low-value assets | 23 | 8 |

| | Six-month periods ended June 30, | |
|---------------------------------------|----------------------------------|----------|
| | 2021 | 2020 |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 1,033 | \$ 1,059 |
| Expense on short-term lease contracts | 51 | 65 |
| Expense on leases of low-value assets | 47 | 20 |

E. For the six-month periods ended June 30, 2021 and 2020, the Group's total cash outflow for leases were \$10,540 and \$10,153, respectively.

(8) Other non-current assets

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|------------------|-------------------|------------------|
| Prepayments for shares | \$ - | \$ - | \$ 2,431 |
| Guarantee deposits paid | 8,290 | 8,331 | 6,658 |
| Net defined benefit assets | 1,698 | 1,697 | - |
| Prepayments for machinery and equipment | 1,145 | 1,490 | - |
| Others | 4,213 | 4,003 | 6,438 |
| | <u>\$ 15,346</u> | <u>\$ 15,521</u> | <u>\$ 15,527</u> |

(9) 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 | - | 5,486 |
| Amortisation charge | (3,901) | - |
| Closing net book amount as at June 30 | <u>\$ 274,032</u> | <u>\$ 264,113</u> |
| At June 30 | | |
| Cost | \$ 277,933 | \$ 264,113 |
| Accumulated amortisation | (3,901) | - |
| | <u>\$ 274,032</u> | <u>\$ 264,113</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.

(10) Short-term borrowings

| <u>Type of borrowings</u> | <u>June 30, 2021</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|----------------------|----------------------------|-------------------|
| Bank borrowings | | | |
| Bank unsecured borrowings | \$ 403,581 | 1.30% ~ 2.50% | None |
| Bank secured borrowings | <u>74,256</u> | 1.25% ~ 1.62% | Note 8 |
| | <u>\$ 477,837</u> | | |

| <u>Type of borrowings</u> | <u>December 31, 2020</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| 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> | | |

| <u>Type of borrowings</u> | <u>June 30, 2020</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|----------------------|----------------------------|-------------------|
| Bank borrowings | | | |
| Bank unsecured borrowings | 40,000 | 1.35% ~ 1.50% | None |
| Bank secured borrowings | 26,000 | 1.35% | Note 8 |
| | <u>\$ 66,000</u> | | |

(11) Bonds payable

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|--|----------------------|--------------------------|----------------------|
| Bonds payable | \$ 150,000 | \$ 150,000 | \$ 150,000 |
| Less: Discount on bonds payable | (1,302) | (2,592) | (3,871) |
| | 148,698 | 147,408 | 146,129 |
| Less: Current portion or exercise of put options | (148,698) | - | - |
| | <u>\$ -</u> | <u>\$ 147,408</u> | <u>\$ 146,129</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, 2020 ~ 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, 2020.
- (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, 2020) 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, 2020) 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%.

(12) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, 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 Law. 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 and its domestic subsidiaries contribute 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. Also, the Company and its domestic subsidiaries 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 and its domestic subsidiaries will make contributions for the deficit by next March.

(b) For the aforementioned pension plan, the Group reversed pension costs of \$0 , (\$6) , (\$1) and (\$11) for the three-month and six-month periods ended June 30, 2021 and 2020, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$0.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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 six-month periods ended June 30, 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 \$1,559, \$1,167, \$3,031 and \$2,473 for the three-month and six-month periods ended June 30, 2021 and 2020, respectively.

(13) Share-based payment

A. For the six-month periods ended June 30, 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 |

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 granted | - | - | - | - |
| Options exercised | - | - | - | - |
| Options expired | (10,000) | 58.50 | - | - |
| Options outstanding at June 30 | <u>2,899,000</u> | 58.40 | <u>4,000,000</u> | 58.36 |
| Options exercisable at June 30 | <u>1,541,450</u> | 58.51 | <u>-</u> | - |

C. The Group did not have any options exercised for the six-month periods ended June 30, 2021 and 2020.

D. For the six-month periods ended June 30, 2021 and 2020, the range of exercise prices of stock options outstanding was \$55.00 ~ \$59.20 (in dollars), respectively; the weighted-average remaining contractual period was 2.85 years and 3.86 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:

| | Three-month periods ended June 30, | |
|----------------|------------------------------------|-----------------|
| | 2021 | 2020 |
| Equity-settled | <u>\$ 1,497</u> | <u>\$ 4,371</u> |
| | Six-month periods ended June 30, | |
| | 2021 | 2020 |
| Equity-settled | <u>\$ 2,995</u> | <u>\$ 8,742</u> |

(14) Share capital

As of June 30, 2021, the Company's authorised capital was \$1,000,000, consisting of 100 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$580,160, consisting of 58,016 thousand shares outstanding, with a par value of

\$10 (in dollars) per share. All proceeds from shares issued have been collected.

(15) Capital surplus

- A. Pursuant to Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. The information regarding capital surplus - share options and employee share options is provided in Notes 6(11) and (13).

(16) Accumulated deficits

- 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.

(17) 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:

| Three-month period ended June 30, 2021 | | | | | | | |
|--|---------------------------------|-------------------|-------------------|-----------------|---------------|-------------|-------------------|
| | Hong Kong and Mainland China | Southeast Asia | Taiwan | | Others | Write-offs | Total |
| | | | Electronics | Biomedicine | | | |
| Total segment revenue | \$ 174,809 | \$ 103,683 | \$ 124,172 | \$ 3,561 | \$ 17 | (\$ 1,251) | \$ 404,991 |
| Inter-segment revenue | (1,133) | - | (113) | - | (5) | 1,251 | - |
| Revenue from external customer contracts | <u>\$ 173,676</u> | <u>\$ 103,683</u> | <u>\$ 124,059</u> | <u>\$ 3,561</u> | <u>\$ 12</u> | <u>\$ -</u> | <u>\$ 404,991</u> |
| Timing of revenue recognition | | | | | | | |
| At a point in time | \$ 173,676 | \$ 103,683 | \$ 124,059 | \$ 3,440 | \$ 12 | \$ - | \$ 404,870 |
| Over time | - | - | - | 121 | - | - | 121 |
| | <u>\$ 173,676</u> | <u>\$ 103,683</u> | <u>\$ 124,059</u> | <u>\$ 3,561</u> | <u>\$ 12</u> | <u>\$ -</u> | <u>\$ 404,991</u> |
| Three-month period ended June 30, 2020 | | | | | | | |
| | Hong Kong and Mainland China | Southeast Asia | Taiwan | | Others | Write-offs | Total |
| | | | Electronics | Biomedicine | | | |
| Total segment revenue | \$ 168,436 | \$ 101,928 | \$ 206,402 | \$ 3,378 | \$ 1 | (\$ 15,315) | \$ 464,830 |
| Inter-segment revenue | (14,982) | (276) | (171) | - | 114 | 15,315 | - |
| Revenue from external customer contracts | <u>\$ 153,454</u> | <u>\$ 101,652</u> | <u>\$ 206,231</u> | <u>\$ 3,378</u> | <u>\$ 115</u> | <u>\$ -</u> | <u>\$ 464,830</u> |
| Timing of revenue recognition | | | | | | | |
| At a point in time | \$ 153,454 | \$ 101,652 | \$ 206,231 | \$ 2,989 | \$ 115 | \$ - | \$ 464,441 |
| Over time | - | - | - | 389 | - | - | 389 |
| | <u>\$ 153,454</u> | <u>\$ 101,652</u> | <u>\$ 206,231</u> | <u>\$ 3,378</u> | <u>\$ 115</u> | <u>\$ -</u> | <u>\$ 464,830</u> |
| Six-month period ended June 30, 2021 | | | | | | | |
| | Hong Kong and Mainland China | Southeast Asia | Taiwan | | Others | Write-offs | Total |
| | | | Electronics | Biomedicine | | | |
| Total segment revenue | \$ 360,249 | \$ 207,721 | \$ 248,832 | \$ 9,002 | \$ 32 | (\$ 17,080) | \$ 808,756 |
| Inter-segment revenue | (15,279) | (231) | (1,550) | - | (20) | 17,080 | - |
| Revenue from external customer contracts | <u>\$ 344,970</u> | <u>\$ 207,490</u> | <u>\$ 247,282</u> | <u>\$ 9,002</u> | <u>\$ 12</u> | <u>\$ -</u> | <u>\$ 808,756</u> |
| Timing of revenue recognition | | | | | | | |
| At a point in time | \$ 344,970 | \$ 207,490 | \$ 247,282 | \$ 8,761 | \$ 12 | \$ - | \$ 808,515 |
| Over time | - | - | - | 241 | - | - | 241 |
| | <u>\$ 344,970</u> | <u>\$ 207,490</u> | <u>\$ 247,282</u> | <u>\$ 9,002</u> | <u>\$ 12</u> | <u>\$ -</u> | <u>\$ 808,756</u> |
| Six-month period ended June 30, 2020 | | | | | | | |
| | Hong Kong and Mainland China | Southeast Asia | Taiwan | | Others | Write-offs | Total |
| | | | Electronics | Biomedicine | | | |
| Total segment revenue | \$ 346,783 | \$ 211,591 | \$ 351,636 | \$ 3,606 | \$ 168 | (\$ 47,518) | \$ 866,266 |
| Inter-segment revenue | (46,400) | (395) | (723) | - | - | 47,518 | - |
| Revenue from external customer contracts | <u>\$ 300,383</u> | <u>\$ 211,196</u> | <u>\$ 350,913</u> | <u>\$ 3,606</u> | <u>\$ 168</u> | <u>\$ -</u> | <u>\$ 866,266</u> |
| Timing of revenue recognition | | | | | | | |
| At a point in time | \$ 300,383 | \$ 211,196 | \$ 350,913 | \$ 3,214 | \$ 168 | \$ - | \$ 865,874 |
| Over time | - | - | - | 392 | - | - | 392 |
| | <u>\$ 300,383</u> | <u>\$ 211,196</u> | <u>\$ 350,913</u> | <u>\$ 3,606</u> | <u>\$ 168</u> | <u>\$ -</u> | <u>\$ 866,266</u> |

B. Contract liabilities

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

| | June 30, 2021 | December 31, 2020 | June 30, 2020 | January 1, 2020 |
|------------------------|-------------------|-------------------|------------------|-----------------|
| Contract liabilities: | | | | |
| Advance sales receipts | <u>\$ 191,261</u> | <u>\$ 9,484</u> | <u>\$ 11,982</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.

| | Three-month periods ended June 30, | |
|---|------------------------------------|-----------------|
| | 2021 | 2020 |
| Revenue recognised that was included in the contract liability balance at the beginning of the period | | |
| Advance sales receipts | \$ <u>218</u> | \$ <u>1,960</u> |

| | Six-month periods ended June 30, | |
|---|----------------------------------|-----------------|
| | 2021 | 2020 |
| Revenue recognised that was included in the contract liability balance at the beginning of the period | | |
| Advance sales receipts | \$ <u>7,234</u> | \$ <u>2,909</u> |

(18) Other gains and losses

| | Three-month periods ended June 30, | |
|--|------------------------------------|-------------------|
| | 2021 | 2020 |
| Losses on disposals of property, plant and equipment | \$ - | (\$ 319) |
| Gains arising from lease modifications | - | 4 |
| Net currency exchange losses | (544) | (252) |
| Gains on financial assets at fair value through profit or loss | - | 30 |
| Other losses | - | (1,939) |
| | <u>(\$ 544)</u> | <u>(\$ 2,476)</u> |

| | Six-month periods ended June 30, | |
|--|----------------------------------|-------------------|
| | 2021 | 2020 |
| Losses on disposals of property, plant and equipment | \$ - | (\$ 319) |
| Gains arising from lease modifications | - | 4 |
| Net currency exchange (losses) gains | 21 | (66) |
| Gains on financial assets at fair value through profit or loss | - | 30 |
| Other losses | - | (1,939) |
| | <u>\$ 21</u> | <u>(\$ 2,290)</u> |

(19) Expenses by nature

| Function Nature | Three-month periods ended June 30, | | | | | |
|--------------------------|-------------------------------------|--|-----------|-------------------------------------|--|-----------|
| | 2021 | | | 2020 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Employee Benefit Expense | \$ 685 | \$ 32,084 | \$ 32,769 | \$ - | \$ 33,251 | \$ 33,251 |
| Depreciation Expense | 1,024 | 8,549 | 9,573 | 1,696 | 7,397 | 9,093 |
| Amortisation Expense | 1,950 | 188 | 2,138 | - | 159 | 159 |

| Function Nature | Six-month periods ended June 30, | | | | | |
|--------------------------|-------------------------------------|--|-----------|-------------------------------------|--|-----------|
| | 2021 | | | 2020 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Employee Benefit Expense | \$ 1,514 | \$ 67,515 | \$ 69,029 | \$ - | \$ 70,983 | \$ 70,983 |
| Depreciation Expense | 2,176 | 16,786 | 18,962 | 2,848 | 15,387 | 18,235 |
| Amortisation Expense | 3,901 | 354 | 4,255 | - | 309 | 309 |

(20) Employee benefit expense

| | Three-month periods ended June 30, | |
|----------------------------------|------------------------------------|------------------|
| | 2021 | 2020 |
| Wages and salaries | \$ 25,184 | \$ 24,324 |
| Employee stock options | 1,497 | 4,371 |
| Labour and health insurance fees | 2,082 | 1,695 |
| Pension costs | 1,559 | 1,161 |
| Directors' remuneration | 840 | 610 |
| Other personnel expenses | 1,607 | 1,090 |
| | <u>\$ 32,769</u> | <u>\$ 33,251</u> |

| | Six-month periods ended June 30, | |
|----------------------------------|----------------------------------|------------------|
| | 2021 | 2020 |
| Wages and salaries | \$ 54,559 | \$ 51,685 |
| Employee stock options | 2,995 | 8,742 |
| Labour and health insurance fees | 4,195 | 3,551 |
| Pension costs | 3,030 | 2,462 |
| Directors' remuneration | 1,520 | 1,240 |
| Other personnel expenses | 2,730 | 3,303 |
| | <u>\$ 69,029</u> | <u>\$ 70,983</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 June 30, 2021, December 31, 2020 and June 30, 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.

(21) Income tax

A. Income tax expense (benefit)

(a) Components of income tax expense (benefit):

| | <u>Three-month periods ended June 30,</u> | |
|---|---|-------------------|
| | <u>2021</u> | <u>2020</u> |
| Current tax: | | |
| Current tax on profits for the period | \$ 203 | \$ 307 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | <u>387</u> | <u>(2,922)</u> |
| Income tax expense (benefit) | <u>\$ 590</u> | <u>(\$ 2,615)</u> |

| | <u>Six-month periods ended June 30,</u> | |
|---|---|-------------------|
| | <u>2021</u> | <u>2020</u> |
| Current tax: | | |
| Current tax on profits for the period | \$ 1,721 | \$ 835 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | <u>3,444</u> | <u>(4,264)</u> |
| Income tax expense (benefit) | <u>\$ 5,165</u> | <u>(\$ 3,429)</u> |

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

| | <u>Three-month periods ended June 30,</u> | |
|----------------------------------|---|-------------------|
| | <u>2021</u> | <u>2020</u> |
| Currency translation differences | <u>\$ -</u> | <u>(\$ 1,545)</u> |

| | <u>Six-month periods ended June 30,</u> | |
|----------------------------------|---|-----------------|
| | <u>2021</u> | <u>2020</u> |
| Currency translation differences | <u>\$ -</u> | <u>(\$ 835)</u> |

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

(22) Losses per share

| | <u>Three-month period ended June 30,2021</u> | | |
|---|--|--|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (share in thousands)</u> | <u>Losses per share (in dollars)</u> |
| <u>Basic losses per share</u> | | | |
| Loss attributable to ordinary shareholders of the parent | <u>(\$ 21,426)</u> | <u>58,016</u> | <u>(\$ 0.37)</u> |

| | <u>Three-month period ended June 30,2020</u> | | |
|---|--|--|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (share in thousands)</u> | <u>Losses per share (in dollars)</u> |
| <u>Basic losses per share</u> | | | |
| Loss attributable to ordinary shareholders of the parent | <u>(\$ 12,891)</u> | <u>58,016</u> | <u>(\$ 0.23)</u> |

| | <u>Six-month period ended June 30, 2021</u> | | |
|---|---|--|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (share in thousands)</u> | <u>Losses per share (in dollars)</u> |
| <u>Basic losses per share</u> | | | |
| Loss attributable to ordinary shareholders of the parent | <u>(\$ 31,172)</u> | <u>58,016</u> | <u>(\$ 0.54)</u> |

| | <u>Six-month period ended June 30, 2020</u> | | |
|---|---|--|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (share in thousands)</u> | <u>Losses per share (in dollars)</u> |
| <u>Basic losses per share</u> | | | |
| Loss attributable to ordinary shareholders of the parent | <u>(\$ 38,123)</u> | <u>58,016</u> | <u>(\$ 0.66)</u> |

For the three-month and six-month periods ended June 30, 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.

(23) 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.

(24) Supplemental cash flow information

A. Investing activities with partial cash payments

| | Six-month periods ended June 30, | |
|--|----------------------------------|-----------------|
| | 2021 | 2020 |
| Purchase of property, plant and equipment | \$ 1,877 | \$ 1,189 |
| Add: Opening balance of payable on equipment | 79 | 56 |
| Less: Ending balance of payable on equipment | (94) | - |
| Cash paid during the period | <u>\$ 1,862</u> | <u>\$ 1,245</u> |

B. Financing activities with no cash flow effects

| | 2021 | 2020 |
|--|---------------|-------------|
| Prepayments for equipment being converted to property, plant and equipment | <u>\$ 788</u> | <u>\$ -</u> |

(25) 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 | 366,837 | - | (9,409) | - | 357,428 |
| Impact of changes in foreign exchange rate | - | - | (78) | - | (78) |
| Changes in other non-cash items | - | 1,290 | 2,586 | - | 3,876 |
| At June 30 | <u>\$ 477,837</u> | <u>\$ 148,698</u> | <u>\$ 122,259</u> | <u>\$ 300</u> | <u>\$ 749,094</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 | 46,000 | - | (9,009) | 300 | 37,291 |
| Impact of changes in foreign exchange rate | - | - | (132) | - | (132) |
| Changes in other non-cash items | - | 1,268 | 7,167 | - | 8,435 |
| At June 30 | <u>\$ 66,000</u> | <u>\$ 146,129</u> | <u>\$ 127,565</u> | <u>\$ 300</u> | <u>\$ 339,994</u> |

7. Related Party Transactions

(1) Names of related parties and relationship

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|---------------------------------|--|
| Up Cell Biomedical Inc. | Investee company accounted for using the equity method |

(2) Significant related party transactions

A. Non-operating revenue:

| | <u>Six-month periods ended June 30,</u> | |
|---------------|---|-------------|
| | <u>2021</u> | <u>2020</u> |
| 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.

B. Lease transactions — lessee:

(a) The Group leases buildings from Up Cell Biomedical Inc.. Rental contracts are typically made for two years. Rents are paid at the end of the month.

(b) Acquisition of right-of-use assets:

| | <u>Six-month periods ended June 30,</u> | |
|------------|---|-------------|
| | <u>2021</u> | <u>2020</u> |
| Associates | \$ 2,251 | \$ - |

(c) Lease liabilities

(i) Outstanding balance:

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|--|----------------------|----------------------|
| | Associates | \$ 1,881 |

(ii) Interest expense

| | <u>Three-month periods ended June 30,</u> | |
|------------|---|-------------|
| | <u>2021</u> | <u>2020</u> |
| Associates | \$ 8 | \$ - |

| | <u>Six-month periods ended June 30,</u> | |
|------------|---|-------------|
| | <u>2021</u> | <u>2020</u> |
| Associates | \$ 11 | \$ - |

(3) Key management compensation

| | Three-month periods ended June 30, | |
|---|------------------------------------|-----------------|
| | 2021 | 2020 |
| Salaries and other short-term employee benefits | \$ 4,646 | \$ 3,352 |
| Post-employment benefits | 104 | 103 |
| Share-based payments | 383 | 407 |
| | <u>\$ 5,133</u> | <u>\$ 3,862</u> |

| | Six-month periods ended June 30, | |
|---|----------------------------------|-----------------|
| | 2021 | 2020 |
| Salaries and other short-term employee benefits | \$ 8,391 | \$ 6,580 |
| Post-employment benefits | 207 | 202 |
| Share-based payment | 767 | 621 |
| | <u>\$ 9,365</u> | <u>\$ 7,403</u> |

8. Pledged Assets

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

| Pledged asset | Book value | | | Purpose |
|---|------------------|-------------------|------------------|---|
| | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| Financial assets at amortised cost | | | | |
| -Time deposits maturing in excess of three months | \$ 9,013 | \$ 9,013 | \$ 9,013 | Guarantee for customs, credit card and performance bond of lease agreements |
| -Time deposits maturing within three months | - | - | 2,000 | Guarantee for limit on short-term borrowings |
| -Reserve account for demand deposits | 4,003 | 4,002 | 4,003 | Guarantee for limit on short-term borrowings |
| Property, plant and equipment | | | | |
| -Land | 17,209 | 17,209 | 17,209 | Guarantee for short-term credit line |
| -Buildings and structures | 26,681 | 27,076 | 27,471 | " |
| | <u>\$ 56,906</u> | <u>\$ 57,300</u> | <u>\$ 59,696</u> | |

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. On June 30, 2021, December 31, 2020 and June 30, 2020, guaranteed notes as well as endorsements and guarantees amounting to \$13,930 (USD 500 thousand), \$14,240 (USD 500 thousand) and \$14,815 (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, NTD 50 million and NTD 50 million on June 30, 2021, December 31, 2020 and June 30, 2020, respectively. As of June 30, 2021, December 31, 2020 and June 30, 2020, the promissory

note amounting to NTD 100 million, NTD 65 million and NTD 60 million was issued to bank as guarantee and the abovementioned joint credit line amounting to NTD 84.641 million, NTD 50 million and NTD 15 million was used, respectively.

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

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|-------------------|----------------------|--------------------------|----------------------|
| Intangible assets | \$ <u>14,132</u> | \$ <u>15,489</u> | \$ <u>29,256</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 June 30, 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>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|---|----------------------|--------------------------|----------------------|
| <u>Financial assets</u> | | | |
| Financial assets at amortised cost | | | |
| Cash and cash equivalents | \$ 2,473,326 | \$ 367,577 | \$ 310,510 |
| Financial assets at amortised cost | 13,016 | 13,015 | 15,016 |
| Notes receivable | 156 | 237 | 1,641 |
| Accounts receivable | 348,747 | 273,946 | 414,652 |
| Other receivables | - | 2,197 | 28 |
| Guarantee deposits paid (shown as 'other non-current assets') | 8,290 | 8,331 | 6,658 |
| | <u>\$ 2,843,535</u> | <u>\$ 665,303</u> | <u>\$ 748,505</u> |

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|-------------------|-------------------|-------------------|
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortised cost | | | |
| Short-term borrowings | \$ 477,837 | \$ 111,000 | \$ 66,000 |
| Notes payable | - | 324 | - |
| Accounts payable | 141,168 | 133,547 | 204,761 |
| Other payables | 34,030 | 28,805 | 29,503 |
| Bonds payable(including current portion) | 148,698 | 147,408 | 146,129 |
| Guarantee deposits received (shown as 'other non-current liabilities') | 300 | 300 | 300 |
| | <u>\$ 802,033</u> | <u>\$ 421,384</u> | <u>\$ 446,693</u> |
| Lease liability | <u>\$ 122,259</u> | <u>\$ 129,160</u> | <u>\$ 127,565</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:

| June 30, 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 | \$ 4,680 | 27.860 | \$130,385 |
| USD:HKD | 8,256 | 7.7669 | 230,012 |
| JPY:NTD | 5,153 | 0.2521 | 1,299 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 3,422 | 27.860 | 95,337 |
| USD:HKD | 1,976 | 7.7669 | 55,051 |

| 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 |

| June 30, 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 | \$ 7,459 | 29.630 | \$221,010 |
| USD:HKD | 6,163 | 7.7505 | 212,240 |
| JPY:NTD | 45,647 | 0.2751 | 12,557 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 5,021 | 29.630 | 148,772 |
| USD:HKD | 2,259 | 7.7505 | 66,934 |

- v. The total exchange (losses) gain arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2021 and 2020, amounted to (\$544), (\$252), \$21 and (\$66), respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| | | <u>Six-month period ended June 30,2021</u> | | |
|---|----|--|-------------------------|-------------------------|
| | | <u>Sensitivity analysis</u> | | |
| | | <u>Degree of</u> | <u>Effect on profit</u> | <u>Effect on other</u> |
| | | <u>variation</u> | <u>or loss</u> | <u>comprehensive</u> |
| | | | <u>before tax</u> | <u>income after tax</u> |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | \$ | 1,304 | \$ - |
| USD:HKD | 1% | | 2,300 | - |
| JPY:NTD | 1% | | 13 | - |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | | 953 | - |
| USD:HKD | 1% | | 551 | - |
| | | <u>Six-month period ended June 30,2020</u> | | |
| | | <u>Sensitivity analysis</u> | | |
| | | <u>Degree of</u> | <u>Effect on profit</u> | <u>Effect on other</u> |
| | | <u>variation</u> | <u>or loss</u> | <u>comprehensive</u> |
| | | | <u>before tax</u> | <u>income after tax</u> |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | \$ | 2,210 | \$ - |
| USD:HKD | 1% | | 2,122 | - |
| JPY:NTD | 1% | | 126 | - |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | | 1,488 | - |
| USD:HKD | 1% | | 669 | - |

(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. On June 30, 2021, December 31, 2020 and June 30, 2020, the Group has no written-off financial assets that are still under recourse procedures.
- viii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the loss allowance for accounts receivable. The Group's expected credit loss rate of not past due accounts receivable on June 30, 2021, December 31, 2020 and June 30, 2020 is not material.
- ix. The Group did not recognise loss allowance for accounts receivable applied using the simplified approach since it was not material for the six-month periods ended June 30, 2021 and 2020.

| | 2021 | 2020 |
|---------------------------------|---------------|---------------|
| At January 1 | \$ 436 | \$ 476 |
| Reversal of impairment loss | (1) | (16) |
| Effect of exchange rate changes | (10) | (6) |
| At June 30 | <u>\$ 425</u> | <u>\$ 454</u> |

(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

| June 30, 2021 | Less than 1 year | Between 1 and 5 years | Over 5 years |
|-----------------------|---------------------|--------------------------|-----------------|
| Short-term borrowings | \$ 482,645 | \$ - | \$ - |
| Accounts payable | 141,168 | - | - |
| Other payables | 34,030 | - | - |
| Lease liability | 18,023 | 48,625 | 68,039 |
| Bonds payable | 150,000 | - | - |

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 | - |

Non-derivative financial liabilities:

| June 30, 2020 | Less than 1 year | Between 1 and 5 years | Over 5 years |
|-----------------------|---------------------|--------------------------|-----------------|
| Short-term borrowings | \$ 66,911 | \$ - | \$ - |
| Accounts payable | 204,761 | - | - |
| Other payables | 29,503 | - | - |
| Lease liability | 17,363 | 45,020 | 79,438 |
| Bonds payable | - | 150,000 | - |

(3) Fair value information

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

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

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

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

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

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|---|----------------------------------|----------------------------------|-----------------------------------|
| Assets | | | |
| <u>Recurring fair value measurements</u> | | | |
| Financial assets at fair value through profit or loss | | | |
| -Options embedded in convertible bonds | \$ <u> </u> - | \$ <u> </u> - | \$ <u> </u> 30 |

C. The following chart is the movement of Level 3 for the six-month periods ended June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|----------------------|----------------------------------|-----------------------------------|
| At January 1 | \$ <u> </u> - | \$ <u> </u> - |
| Issued in the period | - | - |
| Valuation profit | - | <u> </u> 30 |
| At June 30 | \$ <u> </u> - | \$ <u> </u> 30 |

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

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

| | Fair value at June 30, 2021 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|-------------------------------------|---------------------------------------|------------------------|-----------------------------------|-----------------------------|--|
| Derivative instrument Options | \$ - | Binomial model | Volatility | 30.72% | The higher the volatility, the higher the fair value |
| | 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 |
| | Fair value at June 30, 2020 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
| Derivative instrument Options | \$ - | Binomial model | Volatility | 34.25% | 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 5.

(3) Information on investments in Mainland China

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

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

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Operating Segment Information

(1) General information

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

(2) Segment information

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

| | Three-month periods ended June 30, 2021 | | | | | | |
|---------------------------------|---|-------------------|------------------|--------------------|------------------|-------------------|--------------------|
| | Hong Kong and Mainland China | Southeast Asia | Taiwan | | Others | Write-offs | Total |
| | | | Electronics | Biomedicine | | | |
| Revenue from external customers | \$ 173,676 | \$103,683 | \$124,059 | \$ 3,561 | \$ 12 | \$ - | \$ 404,991 |
| Inter-segment revenue | 1,133 | - | 113 | - | 5 | (1,251) | - |
| Total segment revenue | <u>\$ 174,809</u> | <u>\$103,683</u> | <u>\$124,172</u> | <u>\$ 3,561</u> | <u>\$ 17</u> | <u>(\$ 1,251)</u> | <u>\$ 404,991</u> |
| Segment income (loss) | <u>\$ 3,923</u> | <u>\$ 2,053</u> | <u>\$ 4,244</u> | <u>(\$ 29,601)</u> | <u>(\$2,207)</u> | <u>\$ 609</u> | <u>(\$ 20,979)</u> |
| Depreciation and amortisation | <u>\$ 1,064</u> | <u>\$ 222</u> | <u>\$ 732</u> | <u>\$ 9,681</u> | <u>\$ 12</u> | <u>\$ -</u> | <u>\$ 11,711</u> |

| | Three-month periods ended June 30, 2020 | | | | | | |
|---------------------------------|---|-------------------|------------------|--------------------|-----------------|--------------------|--------------------|
| | Hong Kong and Mainland China | Southeast Asia | Taiwan | | Others | Write-offs | Total |
| | | | Electronics | Biomedicine | | | |
| Revenue from external customers | \$ 153,454 | \$101,652 | \$206,231 | \$ 3,378 | \$ 115 | \$ - | \$ 464,830 |
| Inter-segment revenue | 14,982 | 276 | 171 | - | (114) | (15,315) | - |
| Total segment revenue | <u>\$ 168,436</u> | <u>\$101,928</u> | <u>\$206,402</u> | <u>\$ 3,378</u> | <u>\$ 1</u> | <u>(\$ 15,315)</u> | <u>\$ 464,830</u> |
| Segment income (loss) | <u>\$ 4,101</u> | <u>\$ 2,371</u> | <u>\$ 1,520</u> | <u>(\$ 20,247)</u> | <u>(\$ 296)</u> | <u>\$ 480</u> | <u>(\$ 12,071)</u> |
| Depreciation and amortisation | <u>\$ 1,159</u> | <u>\$ 243</u> | <u>\$ 654</u> | <u>\$ 7,196</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,252</u> |

| Six-month period ended June 30, 2021 | | | | | | | |
|--------------------------------------|---------------------------------|-------------------|------------------|--------------------|------------------|--------------------|--------------------|
| | Hong Kong and Mainland China | Southeast Asia | Taiwan | | Others | Write-offs | Total |
| | | | Electronics | Biomedicine | | | |
| Revenue from external customers | \$ 344,970 | \$207,490 | \$247,282 | \$ 9,002 | \$ 12 | \$ - | \$ 808,756 |
| Inter-segment revenue | 15,279 | 231 | 1,550 | - | 20 | (17,080) | - |
| Total segment revenue | <u>\$ 360,249</u> | <u>\$207,721</u> | <u>\$248,832</u> | <u>\$ 9,002</u> | <u>\$ 32</u> | <u>(\$ 17,080)</u> | <u>\$ 808,756</u> |
| Segment income (loss) | <u>\$ 19,122</u> | <u>\$ 4,795</u> | <u>\$ 5,571</u> | <u>(\$ 56,174)</u> | <u>(\$2,498)</u> | <u>\$ 623</u> | <u>(\$ 28,561)</u> |
| Depreciation and amortisation | <u>\$ 2,183</u> | <u>\$ 447</u> | <u>\$ 1,411</u> | <u>\$ 19,164</u> | <u>\$ 12</u> | <u>\$ -</u> | <u>\$ 23,217</u> |

| Six-month period ended June 30, 2020 | | | | | | | |
|--------------------------------------|---------------------------------|-------------------|-------------------|--------------------|-----------------|--------------------|--------------------|
| | Hong Kong and Mainland China | Southeast Asia | Taiwan | | Others | Write-offs | Total |
| | | | Electronics | Biomedicine | | | |
| Revenue from external customers | \$ 300,383 | \$211,196 | \$350,913 | \$ 3,606 | \$ 168 | \$ - | \$ 866,266 |
| Inter-segment revenue | 46,400 | 395 | 723 | - | - | (47,518) | - |
| Total segment revenue | <u>\$ 346,783</u> | <u>\$211,591</u> | <u>\$351,636</u> | <u>\$ 3,606</u> | <u>\$ 168</u> | <u>(\$ 47,518)</u> | <u>\$ 866,266</u> |
| Segment income (loss) | <u>\$ 13,013</u> | <u>\$ 5,449</u> | <u>(\$ 9,583)</u> | <u>(\$ 45,497)</u> | <u>(\$ 555)</u> | <u>\$ 494</u> | <u>(\$ 36,679)</u> |
| Depreciation and amortisation | <u>\$ 2,334</u> | <u>\$ 491</u> | <u>\$ 1,339</u> | <u>\$ 14,380</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,544</u> |

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

(3) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the six-month periods ended June 30, 2021 and 2020 is provided as follows:

| | Three-month periods ended June 30, | |
|--|------------------------------------|--------------------|
| | 2021 | 2020 |
| Reportable segments loss | (\$ 20,979) | (\$ 12,071) |
| Interest income | 195 | 248 |
| Other income | 3,649 | 1,375 |
| Other gains and losses | (544) | (2,476) |
| Finance costs | (2,884) | (1,357) |
| Share of loss of associates and joint ventures accounted for using the equity method | (1,814) | (1,225) |
| Loss before tax from continuing operations | <u>(\$ 22,377)</u> | <u>(\$ 15,506)</u> |

| | Six-month periods ended June 30, | |
|--|----------------------------------|--------------------|
| | 2021 | 2020 |
| Reportable segments loss | (\$ 28,561) | (\$ 36,679) |
| Interest income | 257 | 299 |
| Other income | 8,458 | 1,652 |
| Other gains and losses | 21 (| 2,290) |
| Finance costs | (4,365) | (2,679) |
| Share of loss of associates and joint ventures accounted for using the equity method | (3,358) | (1,855) |
| Loss before tax from continuing operations | <u>(\$ 27,548)</u> | <u>(\$ 41,552)</u> |

Metatech (AP) Inc. and Subsidiaries
Loans to others
For the six-month period ended June 30, 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 six- month period ended June 30, 2021 | Balance at June 30, 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 | | | |
| 1 | MTI Holding Co., Ltd. | Metatech (AP) Inc. | Other receivables | Y | 57,070 | 55,720 | 19,502 | 1.30% | Short-term financing | - | Operations | - | - | - | 326,098 | 407,623 | Notes 4 and 5 |
| 1 | MTI Holding Co., Ltd. | MetaTech Ltd. | Other receivables | Y | 28,535 | 27,860 | - | 1.48% | Short-term financing | - | Operations | - | - | - | 326,098 | 407,623 | Notes 4 and 5 |
| 1 | MTI Holding Co., Ltd. | MetaTech (S) Pte Ltd. | Other receivables | Y | 14,268 | 13,930 | - | 1.48% | Short-term financing | - | Operations | - | - | - | 326,098 | 407,623 | 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:27.860TWD).

Metatech (AP) Inc. and Subsidiaries
Provision of endorsements and guarantees to others
For the six-month period ended June 30, 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 June 30, 2021 | Outstanding endorsement/ guarantee amount at June 30, 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 | \$ 439,046 | \$ 14,268 | \$ 13,930 | \$ 13,930 | \$ - | 1.59 | \$ 878,091 | Y | N | N | Notes 2,3 and 6 |
| 1 | MetaTech Ltd. | Metatech (AP) Inc. | Parent company | 112,366 | - | - | - | - | - | 224,731 | N | Y | N | Notes 4 and 5 |

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:27.860TWD).

Metatech (AP) Inc. and Subsidiaries
 Significant inter-company transactions during the reporting periods
 For the six-month period ended June 30, 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 | \$ 1,230 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | - |
| 0 | " | " | 1 | Service revenue | 594 | Administrative service fees and payment on behalf of others, 90 days after monthly billing | - |
| 0 | " | " | 1 | Accounts receivable | 1,211 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | - |
| 0 | " | " | 1 | Other receivables | 7,941 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | - |
| 0 | " | MetaTech (S) Pte Ltd. | 1 | Sales revenue | 320 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | - |
| 0 | " | " | 1 | Other receivables | 31 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | - |
| 0 | " | Chienhwa Travel Service Co., Ltd. | 1 | Rental revenue | 29 | Prices are determined according to the amount in mutual agreement | - |
| 0 | " | MTI Holding Co., Ltd. | 1 | Other receivables | 20 | Advance payment, 90 days after monthly billing | - |
| 0 | " | LOCUS CELL CO., LTD. | 1 | Other receivables | 103 | Advance payment, 90 days after monthly billing | - |
| 1 | MTI Holding Co., Ltd. | Metatech (AP) Inc. | 2 | Other receivables | 19,574 | Short-term financing and interest receivable | 1% |
| 2 | MetaTech (S) Pte Ltd. | Metatech (AP) Inc. | 2 | Sales revenue | 174 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | - |
| 2 | " | MetaTech Ltd. | 3 | Sales revenue | 57 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | - |
| 3 | MetaTech Ltd. | Metatech (AP) Inc. | 2 | Sales revenue | 3,236 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | - |
| 3 | " | " | 2 | Other receivables | 114 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | - |
| 3 | " | " | 2 | Accounts receivable | 3,186 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | - |
| 3 | " | MetaTech (S) Pte Ltd. | 3 | Sales revenue | 12,043 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | 1% |
| 3 | " | MetaTech (Shenzhen) Ltd. | 3 | Sales revenue | 16,054 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | 2% |
| 3 | " | " | 3 | Service revenue | 13,036 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | 2% |
| 3 | " | " | 3 | Other payables | 6,779 | Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing | - |
| 4 | Chienhwa Travel Service Co., Ltd. | Metatech (AP) Inc. | 2 | Service revenue | 20 | Services rendered terms and the credit term are the same with third parties | - |
| 4 | " | " | 2 | Other receivables | 31 | Advance payment, 30 days after monthly billing | - |
| 4 | " | " | 2 | Guarantee deposits | 30 | Securities deposits are determined according to the amount in mutual agreement | - |

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

- (1)Parent company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

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

- (1)Parent company to subsidiary.
- (2)Subsidiary to parent company.
- (3)Subsidiary to subsidiary.

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

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

Metatech (AP) Inc. and Subsidiaries
Information on investees
For the six-month period ended June 30, 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 June 30, 2021 | | | Net profit (loss) of the investee for the six-month period ended June 30, 2021 | Investment income (loss) recognised by the Company for the six-month period ended June 30, 2021 | Footnote |
|---------------------------------------|---------------------------------------|------------------------|---|-----------------------------|---------------------------------|---------------------------------|---------------|------------|--|---|--|
| | | | | Balance as at June 30, 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 | \$ 407,623 | \$ 25,735 | \$ 25,735 | Subsidiary |
| Metatech (AP) Inc. | Chienhwa Travel Service Co., Ltd. | Taiwan | Travel business | 3,400 | 3,400 | 800 | 100 | 1,970 | (380) | (380) | Subsidiary |
| Metatech (AP) Inc. | Up Cell Biomedical Inc. | Taiwan | Cell sheet development and medical production | 33,000 | 33,000 | 3,300,000 | 25.38 | 24,059 | (13,230) | (3,358) | Investee accounted for using the equity method |
| Metatech (AP) Inc. | LOCUS CELL CO., LTD. | Taiwan | Cell sheet development and medical production | 300,000 | 1,000 | 30,000,000 | 15 | 299,611 | (1,813) | (272) | Subsidiary |
| MetaTech Investment Holding Co., Ltd. | MTI Holding Co., Ltd. | Samoa | Investment holding and reinvestment business | 333,065 | 333,065 | 10,000,000 | 100 | 407,623 | 25,735 | 25,735 | 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 | 122,874 | 4,662 | 4,662 | 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 | 224,731 | 20,984 | 20,984 | Third-tier subsidiary |

Metatech (AP) Inc. and Subsidiaries
Information on investments in Mainland China
For the six-month period ended June 30, 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 six-month period ended June 30, 2021 | | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2021 | Net income of investee as of June 30, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the six-month period ended June 30, 2021 (Note 2) | Book value of investments in Mainland China as of June 30, 2021 | Accumulated amount of investment income remitted back to Taiwan as of June 30, 2021 | Footnote |
|----------------------------|--|-----------------|--|--|---|-------------------------|--|--|--|--|---|---|-----------------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| MetaTech (Shenzhen) Ltd. | Wholesale and retail of electronic materials | \$ 73,199 | Through investing in an existing company in the third areas, which then invested in the investee in Mainland China | \$ 73,199 | \$ - | \$ - | \$ 73,199 | \$ 6,760 | 100 | \$ 6,760 | \$ 39,267 | \$ - | Notes 1,2 and 3 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 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. | \$ 73,199 | \$ 74,035 | \$ 1,545,898 |

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:27.860 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
June 30, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

| Name of major shareholders | Shares | |
|--|---------------------|---------------|
| | Name of shares held | Ownership (%) |
| JUN INVESTMENT INTERNATIONAL CO., LTD. | 5,450,000 | 9.39% |
| Zhen Long, Wu | 4,801,000 | 8.27% |
| Bei De Bi Xiu Investment Co., Ltd. | 3,141,924 | 5.41% |