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Annual Report

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三顧股份有限公司

METATECH (AP) INC.

Stock Code  
3224

## 2018 Annual Report

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The Company had no transactions for overseas listed securities transactions during the year.

**F. The Company website: <http://www.metatech.com.tw/>**

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## I. Business report to shareholders

Shareholders, ladies and gentlemen,

Thank very much to shareholders in the busy schedule to participate in the Company's 2019 Shareholders' Meeting.

Looking back at the operating conditions in 2018, with the opening up of laws and regulations and the encouragement of policies, Taiwanese biotech operators have actively followed up and rekindled market confidence. MetaTech is committed to the development of "regenerative medicine". It has not only successfully transferred the latest "cell layer" technology from Japan, but also established a cell processing center in Taiwan, and obtained the first domestic "Cellular Therapy Phase III Clinical Trial License", at the same time, we were approved by the Ministry of Science and Technology to approve the investment in Hsinchu Biomedical Science Park, and cooperated with the Japanese international giants to plan a new generation of automated cell therapy plants. In the future, it will continue to innovate and develop various types of regenerative medicine products. In aspect of marketing strategy, we cooperate with most of the top medical center-level teaching hospitals in Taiwan, from the charging treatment of existing products, to the completion of research and development into clinical trials, and even the development of new applications, which are closely linked with medical institutions. In addition to benefiting the domestic population, the Company's cell therapy technology has planned overseas medical services for overseas patients to come to Taiwan, and it is expected to combine Taiwan's excellent medical technology, expand the international market of MetaTech Biomedical and build MIT's high quality regenerative medical technology and services. Under this circumstance, the Board of Directors and management also assess the changes in the external environment and actively adopt appropriate and effective operational strategies to help the MetaTech business continue to grow and explore new business opportunities.

Here, we will report the results of the 2018 business operation results, financial income and expenditures, profitability analysis, and research and development status as follows, and explain the business plan, sales policy, and operational goals for the coming year.

## I. 2018 business results

### (A) 2018 Business Plan Implementation Results

The 2018 consolidated revenue of NT\$1,460,290,000 was increased by NT\$31,057,000, or 2.17%, compared with NT\$1,429,233,000 in 2017; the net loss after tax in 2018 is NT\$57,744,000, which is an increase of NT\$62,933,000 compared with the net profit after tax of NT\$5,189,000 in 2017. And the loss per share after tax is \$1.01.

### (B) Budget execution

It is not applicable because the Company does not need to disclose full financial forecasts.

### (C) Financial revenue and expenditure and profitability analysis

1. In 2018, the total revenue was NT\$1,460,290,000, compared with the increase in the same period last year, the main business was affected by the trade war between China and US, resulting in the transfer of the existing customers Yingying ○ and Yuan ○; The increase in operating expenses in 2018 compared with the same period of last year mainly affected the recognition of employee stock option expenses and the development of regenerative medicine to increase operating expenses in the current period, which increased the current loss.

2. The relevant financial ratios are as follows:

Entry	2018	2017
Current Ratio%	401.05	367.63
Quick Ratio%	347.37	298.39
Interest Coverage Ratio%	(1487.91)	11.89
Liabilities to Assets Ratio%	18.14	23.11
Fixed Assets to Permanent Capital %	612.15	721.20
ROE %	(6.91)	0.98
Paid-up Capital to Business Interests %	(14.07)	2.60
Paid-up Capital to Income Before Tax %	(11.29)	1.80
Net Profit (Loss) Ratio %	(3.95)	0.36
Earnings Per Share (NT\$) after retrospect	(1.01)	0.12

For the analysis and calculation formula of the financial ratio, please refer to the disclosure of the "Financial Analysis" section of the 2018 Annual Report.

### (D) Overview of Technology and R&D

#### 1. Electronic Department:

- (1) Strengthening the replacement of the product portfolio, and continuing to cooperate with international manufacturers and product agents to market the leading electronic components and technology products to meet the needs of customers.
- (2) Providing customers with a complete design portfolio to save customers' R&D expenses, thereby improving service standards, strengthening the Company's

cooperation with customers, and enabling the company's operations to continue to grow.

## 2. Biomedical Department:

- (1) Introduction to technology sources: Since 2017, Metatech has been working with CellSeed, a leading Japanese cell therapy company, to develop "regenerative medicine". Because of "regenerative medicine" escape traditional Western medicine "cure the symptoms, not the disease" in question, from the "treat the symptoms" breakthrough "tissue / organ of repair," become the mainstream of medical care in recent years, in particular, Japan's R&D experience in the field of regenerative medicine is leading the world. Among them, the part of cell therapy has benefited from the law for more than 20 years, and Japanese domestic industries have already contended, meanwhile the "cell layer" technology that CellSeed specializes can be seen as a leap from "single cell repair" to "organizational reconstruction"; in contrast, Taiwan's cell therapy market is still stagnant in the lower-order single-cell injections that develop the technology threshold, and there are no cell layer products on the market. Newton once said: "If I have seen further, it is by standing on the shoulders of giants". For this reason, Metatech selected the first "regeneration medicine" technology transfer in Taiwan, in cooperation with CellSeed, the pioneer of Japanese regenerative medicine, in the critical period of the growth and development of the biomedical industry and lead in "cell layer" culture technology to develop "ecological and cartilage regenerative medical technology". After signing the technology with the Japanese CellSeed company in April 2017, it was like planting the seeds of Taiwan's regenerative medical development; in the same year, Metatech Company won the "Industrial Innovation Transformation Fund" of the National Development Fund, and got the approval for the cash injection of 14,000,000 shares from the Securities and Futures Bureau, FSC, and timely inject Metatech Company cell layer in Taiwan clinical trials required for development, but also make Taiwan's development of regenerative medicine begin to plant the root down.
- (2) Elite team together: The Company was re-elected in 2018. The new directors Chen Rui Jie (President of the Taipei Medical University Hospital), He Hong Neng (former Dean of the National Taiwan University Hospital) and Yang Zhi Hui (Deputy Dean of the Medical College of I-Shou University) are the most authoritative professional and advanced in the medical and biotechnology field, it must lead the development of the Company's regenerative medicine, so that various research and development and clinical research will proceed smoothly. The future development of the biomedical department is just around the corner, which will provide Metatech with more powerful

growth momentum.

- (3) Construction of the process center: Metatech Company believes that strategic alliances, together with industry, government, academic, research, and medicine, are the two major axes that accelerate the advancement of Taiwan's biomedical industry into the international arena. First of all, based on Taiwan's Metatech Company, in addition to the introduction of foreign technology, it is necessary to establish a cell processing center that meets the requirements of the International Pharmaceutical Inspection and Consultation Organization (PIC/S GMP) standard, in order to facilitate the development, manufacture and production of subsequent products. At present, the largest cell layer operation room in domestic has been built in Oriental Science Park. In addition to more capacity, it also has enough support space to optimize the process to save development time and provide more capacity for regenerative medicine products. The center also has the only quality control laboratory in the industry, which is responsible for the cell layer quality control process, which can effectively master time and cost control. In addition to internal use, the Quality Control Center will also promote quality control related business in the future to enhance the company's revenue. At present, the cell processing center has completed the environmental and instrumental validation in October 2018. The product trial production began in November 2018. It can be used as a production site for clinical trial products of esophagus and knee cartilage, and has completed the esophagus and cartilage. Trial production of other products. In addition, in response to the foreseeable capacity expansion, the company was approved by the Audit Committee of the Ministry of Science and Technology Audit in 2018, and approved to invest in Hsinchu Biomedical Science Park, and The production capacity in the future is expected to exceed the existing scale by more than 20 times, and the target is introduced into the automated cell culture process, and are on the same page with European, American and Japanese manufacturers.
- (4) Description of R&D: The Company has signed a regenerative medicine cooperation contract with CellSeed Inc. of Japan on April 24, 2017, and plans to develop and produce autologous layers, which are autologous and special tissue engineering regenerative medicine products and the effect is to repair tissue damage and autologous tissue regeneration. The application of Esophageal cell sheet to the repair of patients with esophageal cancer after endoscopic submucosal dissection (ESD) can reduce the healing of tissue and maintain the space of esophageal lumen compared with traditional medicine and balloon dilatation treatment, it can effectively avoid the symptoms of esophageal stricture; The second is to use the Cartilaginous cell sheet to



induce autologous chondrocyte regeneration, which can restore the damaged articular cartilage tissue, which can significantly improve the quality of life of patients compared with traditional medical technology. At present, the Company has successfully transferred the technology of cell layer culture. In the development section of "Esophagus Layer", the CDE pre-examination was completed in 2018, and the third phase of the clinical trial submitted in early 2019 has been approved by the Ministry of Health and Welfare.

In the future, clinical trials will be conducted in cooperation with National Taiwan University Hospital and E-Da Hospital. The key to the success or failure of clinical trials is the progress of the case and the patient's efficacy. With the academic and clinical status of the two hospitals and the executive physicians have extensive experience in the treatment of esophageal cancer, which can be said to be the authority of Taiwan's esophageal cancer, which will facilitate the rapid completion of future clinical trials, and appear on the market as soon as possible. The development of the "articular cartilage layer" will be carried out jointly with 14 physicians from 10 medical centers at home. According to statistics, the number of knee replacements at home is more than 40,000 per year, which is relatively large. Therefore, the Company plans to simultaneously collect cases with several medical centers to make products and appear on the market as soon as possible; Another founder of the knee cartilage layer - Tōkai University Tokyo Hospital, Japan, PD. Masato Sato, has been approved by the Health Policy Bureau, Ministry of Health, Labour and Welfare (MLHW) Japan on October 18, 2018 for the advanced medical technology review of body and articular cartilage cell regeneration therapy, It has been possible to treat cartilage defects in patients in Japan and charge for treatment. It also confirms the safety and feasibility of knee cartilage layer technology. In addition, this technology is currently only owned by Japan and Metatech Company. It is believed that the future product launch of this knee cartilage layer will definitely benefit the people of Taiwan from replacing the artificial knee joint.

## II. 2019 Overview of Operation Plan

### (A) Operating strategy

#### 1. Electronic Department:

- (1) Electronic components and components that are based on high added value and niche products.
- (2) Rooted in Taiwan, deep-growing the mainland and Southeast Asia and India marketing network, combined with the resources of Greater China and Asean countries to create multiplied profits and values.
- (3) Continue to adjust to expand niche and provide customers with more complete solutions.
- (4) Looking at existing product lines, we seek customers in the Blue Ocean market and at the same time increase customer satisfaction, and become long-term partners. And actively introduce existing sales channels for Internet of Things- related parts products in order to pursue continuous growth of operations.
- (5) Actively introduce and cultivate talents, improve technical support and product application capabilities.
- (6) Provide differentiated services and technology integration to meet customer needs in order to maximize profit.
- (7) In 2019, it is expected to add two to three product lines to enhance the integrity of the line products and replace them with each other to further strengthen the product line strength.

2. Biomedical Department: At the beginning of the operation, Metatech Company has introduced the core layer culture technology of CellSeed Corporation of Japan to develop the main products, but Metatech Company is not satisfied with the current situation and does not set limits on itself. In order to imitate the innovation (Simulating Innovation) strategy, it insists on the development and marketization of cell layer culture technology, and based on the original technology, we will continue to introduce and learn the world's advanced scientific and technological achievements by breaking through key core technologies. Metatech Company sets a milestone for future growth:

- (1) Due to the loosening of Taiwan's regulations, Taiwan's Ministry of Health and Welfare followed the Ministry of Health, Labour and Welfare, Japan, and constructed and loosened regulations related to regenerative medicine. Compared with the above-mentioned "three methods of regenerative medicine" in Japan, there are three methods for regenerative medicine at home: "Accounts for The Development Of Biotech And New Pharmaceuticals Industry", "Regulations Governing the Application of Specific Medical Examination Technique and Medical Device", and "Regulatory Regulations for Regenerative Medical Preparations", the government hopes to ensure the safety and effectiveness of regenerative medical technology and products through the relaxation of regulations and supervision by the competent authorities, thereby driving

and accelerating the development of the regenerative medical industry. In particular, in September 2018, the Ministry of Health and Welfare passed the "Regulations Governing the Application of Specific Medical Examination Technique and Medical Device" (referred to as "Regulations for Specific Management") and the "Regulatory Regulations for Regenerative Medical Preparations" to give a strong shot for the Taiwanese regenerative medicine industry. The Regulations for Specific Management specifically opened six cell therapy projects: they are autologous CD34+ selection peripheral blood stem cell transplantation, autoimmune cell therapy, autologous adipose stem cell transplantation, autologous fibroblast transplantation, autologous bone marrow mesenchymal stem cell transplantation, and autologous chondrocyte transplantation; among them, autologous adipose stem cells, autologous fibroblasts, and autologous chondrocytes belong to the project to be applied for by the Company in 2019. The Company will work with major medical research institutions to apply for the application of autologous fibroblasts in skin regeneration, including wound healing, wrinkle removal, and scar repair, meanwhile, the application of autologous chondrocytes to articular cartilage regeneration, including repair and regeneration of cartilage defects. It is expected that if the application for the Regulations for Specific Management is passed, it will help the Company's biomedical division's revenue and technology development.

- (2) Clinically, the current common cell products are as single cells in injectable form, there are no tissue or cell cultures of 3D products available; it is obvious that cell layer tablets have their product innovation, market exclusivity, technical difference and clinical applicability. The cell layers have their own special standards and specifications in terms of product specifications, and have unique market and demand in clinical applications. In addition to the development of cell layers that replace animal experiments in the future, Metatech Company will be applicable to the open cell and stem cell therapy programs including the above Regulations for Specific Management, as well as cell therapy products and tissue engineering products of the Regulatory Regulations for Regenerative Medical Preparations, hope to break through the limitations of regenerative medical preparations and cell therapy regulations, develop diversified products and technologies, and promote the application of cell layer products to increase production value. And plans to set up a research and development center in the Hsinchu Biomedical Science Park - set up a research and development center in the National Biomedical Science Park, cooperating with CellSeed in Japan to develop new technologies for cell layer production, and even discussing with the Hitach Group of Japan, the introduction of automation systems is conducive to rapid mass production in the future, saving labor costs and time. The center will also collaborate with major medical research institutions to develop new tissue culture techniques and perform clinical trials in addition to esophagus, skin and articular cartilage. Metatech Company aims to establish Taiwan's human cell layer bank, regenerative medicine research and development center and regenerative

medicine startup incubator. With the establishment of these units, product education, high-level talent cultivation and product promotion can be carried out, at the same time, it is also possible to develop new enterprise channel, technology transfer or authorization technology to new enterprises, and to collect a royalty.

(B) Important sales policy

1. Electronic Department: Enhance the promotion of products in the cloud technology, wireless communications, industrial control, medical equipment, automotive electronics, wearable products and other high-end market applications.
2. Biomedical Department: In addition to continuing exchanges and exchanges with industry and academia at home and abroad, we have actually participated in clinical research of large medical centers, sought strategic cooperation in the health insurance industry, established research and development centers, and provided integrated cloud medical information services.

In the face of the changes and challenges of the environment both at home and abroad, I hope all shareholders continue giving advices and supports, and believe that under the multi-faceted management and efforts in the future, the Company's business will grow steadily and create a better future for the Company of revenue, let shareholders, customers and employees share operating results.

Finally, thank for your support, trust and encouragement from the shareholders again.

Wish you have a good health and a good luck

Chairman	Hu Li San	Sincerely
Manager	Tang Hong De	Sincerely
Account Manager	Zhan Zhi Cong	Sincerely

## II. The Company profile

### A. Date of establishment: September 17, 1998

### B. The Company's history:

1998	<ul style="list-style-type: none"> <li>◆ The company was officially established with a capital of 10 million</li> <li>◆ The main business is the sales of electronic components</li> </ul>
1999	<ul style="list-style-type: none"> <li>◆ Sales of Vitesse Semiconductor products</li> </ul>
2000	<ul style="list-style-type: none"> <li>◆ Sales agents of Summit semiconductor products</li> <li>◆ Sales agents of BTI semiconductor products</li> <li>◆ Sales agents of Dense-Pac semiconductor products</li> </ul>
2001	<ul style="list-style-type: none"> <li>◆ Sales agents of Apogee semiconductor products</li> <li>◆ Cash capital increase 110,000,000, capital amounted to 120,000,000</li> <li>◆ Invested in MetaTech Investment Holding Co Ltd (BVI) USD2,000,000</li> <li>◆ Purchase Office (2, 3rd, 14th Floor, No. 75, Section 1, Xintai 5th Road, XiZhi, Taipei County)</li> </ul>
2002	<ul style="list-style-type: none"> <li>◆ Sales agents of Fordahl semiconductor products</li> <li>◆ Sales agents of Cyan semiconductor products</li> <li>◆ Sales agents of TDK Semiconductor products</li> <li>◆ Sales agents of Master Technology semiconductor products</li> <li>◆ In September 1992, the company issued a public offering and received Yuanfu Securities' online guide</li> <li>◆ With a cash increase of 48 million, the Company's paid-in capital was 168 million</li> </ul>
2003	<ul style="list-style-type: none"> <li>◆ Sales agents of Qctasic semiconductor products</li> <li>◆ Sales agents of Fastrax semiconductor products</li> <li>◆ Sales agents of Samtec connector products</li> <li>◆ Sales agents of u-Nav semiconductor products</li> <li>◆ Sales agents of SIMTEC semiconductor products</li> <li>◆ Sales agents of Intrinsity semiconductor products</li> <li>◆ Sales agents of Volterra Semiconductor products</li> <li>◆ Sales agents of Anachip semiconductor products</li> <li>◆ Applying surplus-to-capital increase and capital reserves to increase capital by 26,700,000. The Company's paid-in capital amounted to 194,700,000</li> <li>◆ On June 27, 2003, it was registered as an emerging stock</li> <li>◆ Apply for shares in OTC on October 31, 2003</li> </ul>

2004	<ul style="list-style-type: none"> <li>◆ Sales agents of Conexant semiconductor products</li> <li>◆ Sales agents of Alta Analog semiconductor products</li> <li>◆ Sales agents of Alliance Semiconductor products</li> <li>◆ Sales agents of TCL semiconductor products</li> <li>◆ Sales agents of Quorum semiconductor products</li> <li>◆ Sales agents of Motia semiconductor products</li> <li>◆ Sales agents of iTerra semiconductor products</li> <li>◆ Sales agents of Gemstone semiconductor products</li> <li>◆ Sales agents of Tak'ASIC semiconductor products</li> <li>◆ On April 6, 2004 by the Securities and Futures Bureau, FSC approved stock application</li> <li>◆ On June 3, 2004, the shares were listed on the counter</li> <li>◆ Transaction surplus was increased to 44,300,000 and the Company's paid-up capital was 239,000,000</li> </ul>
2005	<ul style="list-style-type: none"> <li>◆ Sales agents of Intersil semiconductor products</li> <li>◆ Increased overseas investment to establish an affiliate company "MetaTech Trade (Shenzhen) Co., Ltd."</li> <li>◆ Increased overseas investment to establish MetaTech(S) Pte Ltd. India Branch</li> <li>◆ Transfer surplus to capital increase of 27,000,000, the Company's paid-up capital is 266,000,000</li> </ul>
2006	<ul style="list-style-type: none"> <li>◆ Sales agents of Chipidea semiconductor products</li> <li>◆ Sales agents of Lite-on Ambient Light Sensor products</li> <li>◆ Issued convertible corporate debt denomination of NT\$120 million.</li> <li>◆ Capital surplus transferred to capital 34,000,000 and the Company's paid-in capital was 300,000,000</li> <li>◆ Issuance of common stock for cash 60,000,000, the Company's paid-in capital was 360,000,000</li> <li>◆ Purchase Office (4th and 5th, 14th floor, No. 75 Section 1, Xintai 5th Road, XiZhi, Taipei County)</li> <li>◆ A total of 1,362,532 common shares were converted from corporate bonds, and the Company's paid-in capital amounted to 373,625,320</li> </ul>
2007	<ul style="list-style-type: none"> <li>◆ Sales agents of Lattice Semiconductor products</li> <li>◆ Sales agents of Mindspeed semiconductor products</li> <li>◆ Capital surplus transferred to capital 19,546,200, Capital reserve transferred to capital 24,253,800, the Company's paid-in capital was 417,425,320</li> <li>◆ Conversion of corporate bonds to common shares totalled 573,797 shares, the Company's paid-in capital amounted to 423,163,290</li> <li>◆ Increased overseas investment by MetaTech(S) Pte Ltd. at S\$3,800,000</li> <li>◆ Increased overseas investment by MetaTech Ltd. at HK\$15,000,000</li> </ul>
2008	<ul style="list-style-type: none"> <li>◆ Sales agents of Teridian Semiconductor products</li> <li>◆ Sales agents of Forward Semiconductor products</li> <li>◆ Capital reserve transferred to capital 10,000,000, the Company's paid-in capital was 433,163,290</li> </ul>
2009	<ul style="list-style-type: none"> <li>◆ Sales agents of Ideacom semiconductor products</li> <li>◆ Sales agents of Microvision semiconductor products</li> <li>◆ Sales agents of On-Ramp Wireless semiconductor products</li> <li>◆ Increased overseas investment by MetaTech Ltd. at HK\$ 11,000,000</li> </ul>

2010	<ul style="list-style-type: none"> <li>◆ Sales agents of 5V Technologies, Ltd. Semiconductor products</li> <li>◆ Sales agents of Beijing Yoton semiconductor products</li> <li>◆ Sales agents of Broadlogic semiconductor products</li> <li>◆ Sales agents of ClariPhy semiconductor products</li> <li>◆ Sales agents of E-Switch semiconductor products</li> <li>◆ Sales agents of Eturbo semiconductor products</li> <li>◆ Sales agents of Greenliant semiconductor products</li> <li>◆ Sales agents of Maxim semiconductor products</li> <li>◆ Sales agents of Chingis Technologies Inc. semiconductor products</li> <li>◆ Sales agents of Phoenix semiconductor products</li> <li>◆ Sales agents of United Lighting Opto-electronic Inc. semiconductor products</li> <li>◆ Sales agents of Zywyn + semiconductor products</li> <li>◆ Conversion of corporate bonds to common shares totalled 8,620 shares, the Company's paid-in capital was 433,249,490</li> </ul>
2011	<ul style="list-style-type: none"> <li>◆ Sales agents of AIC semiconductor products</li> <li>◆ Sales agents of eGalax_eMPIA semiconductor products</li> <li>◆ Sales agents of Eturbo semiconductor products</li> <li>◆ Sales agents of Helicomm semiconductor products</li> <li>◆ Sales agents of Jorjin semiconductor products</li> <li>◆ Sales agents of Semitech semiconductor products</li> <li>◆ Sales agents of Silego semiconductor products</li> <li>◆ The first domestic convertible bonds were due and fully redeemed, and on October 3, 2011 terminated counter trading</li> <li>◆ Treasury shares cancelled 1,321,000 shares, the Company's paid-in capital was 420,039,490</li> </ul>
2012	<ul style="list-style-type: none"> <li>◆ Sales agents of InterFET semiconductor products</li> <li>◆ Sales agents of Innovasic semiconductor products</li> <li>◆ Sales agents of KDTouch semiconductor products</li> <li>◆ Sales agents of Seeways semiconductor products</li> <li>◆ Sales agents of APEX semiconductor products</li> <li>◆ Sales agents of BCD Semiconductor products</li> <li>◆ Sales agents of Immeuse semiconductor products</li> </ul>
2013	<ul style="list-style-type: none"> <li>◆ In November, the reduction in capital was used to make up for losses. The number of losses per share decreased by 285.781439 shares, and the capital after the reduction was 300 million</li> <li>◆ In November, the Department of Health Medicine was established</li> </ul>
2014	<ul style="list-style-type: none"> <li>◆ The shareholding business was transferred from ChinaTrust to Concord Securities Co., Ltd. Shares Agency</li> <li>◆ The second domestic convertible bonds of the company were worth \$150 million TWD</li> </ul>
2015	<ul style="list-style-type: none"> <li>◆ For cash increase of 10,000,000 shares, the Company's paid-up capital is 400,000,000.</li> <li>◆ The committees were set up for the first time for the audit committee</li> <li>◆ The board of committees passed and intended to sign the contract of "An integrated technology platform for multifunctional image data and biomedical chips" with Taipei Medical University</li> </ul>

2016	<ul style="list-style-type: none"> <li>◆ Signing an oncology drug-related genetic testing agency agreement with BGI Health Technology (Hong Kong) Co., Ltd., and providing domestic cancer patients with genetic testing services.</li> <li>◆ Signed a memorandum of cooperation with BGI Health Technology (Hong Kong) Co., Ltd. to establish a joint venture company and laboratories in Taiwan, agreed to conduct personalized cancer drug gene testing in Taiwan, and implement localization of cancer gene drug screening.</li> <li>◆ Acquisition of Jianhua Travel Agency Co., Ltd. as a subsidiary company.</li> <li>◆ Signed a Memorandum of Understanding (MOU) with Japan's CellSeed Inc. to develop regenerative medicine in Taiwan, including the transfer of cell culture technology and the reconstruction and repair of human tissues and organs.</li> <li>◆ (For example, the inner wall of the esophagus), including the development plan, clinical trials, manufacturing and product sales.</li> <li>◆ In cooperation with the Japan Celleed Co., Ltd., which has signed a launch contract for the cooperation of cell layer regenerative medicine, Sangu will introduce the cell layer technology developed by Japan. The two sides jointly researched and developed a regenerative medical development plan for esophagus and knee cartilage in Taiwan to shorten the R&amp;D timeline and promote the commercialization of regenerative medical products as soon as possible.</li> </ul>
2017	<ul style="list-style-type: none"> <li>◆ The signing of a cooperation contract for cell layer regenerative medicine with CellSeed of Japan will introduce the cell layer technology developed by Japan. Development of esophageal and knee cartilage related products, and the establishment of a cell layer process center (CPC) to perform clinical trials of esophageal and knee cartilage regeneration.</li> <li>◆ Signed a memorandum for the development of new cell layer technology with Japan's CellSeed, and will jointly develop new technologies and products with Japan's CellSeed to expand Taiwan's regenerative medicine business.</li> <li>◆ The Company converted 4,016,045 shares into common shares, and the company's paid-in capital amounted to NT\$440,160,450.</li> </ul>
2018	<ul style="list-style-type: none"> <li>◆ Issued 4,000 employee stock option certificates, and the application was effective on January 8, 2018.</li> <li>◆ For the 2017 cash increase of 14,000,000 shares, the Company's paid-in capital is NT\$ 580,160,450.</li> <li>◆ Invested NT\$100 million through the China Development Fund Investment Project, the second company in Taiwan to receive capital injection from the Industrial Innovation Transformation Fund.</li> <li>◆ R&amp;D personnel training in cell layer technology, going to Japan for training in March 2018.</li> <li>◆ Through the Ministry of Economics Industry Bureau industrial upgrading and innovation platform counseling program (innovation optimization plan), in the autologous cell layer of regenerative medicine clinical and product development.</li> <li>◆ A memorandum of understanding on the development of "Skin Cell Layers for Wound Healing Research" was signed with Dr. Dai Nianzhen from the Third Military General Hospital of the National Defense Medical College to innovate and develop skin cell layer products.</li> <li>◆ The Hsinchu Biomedical Park Investment Case Review Committee (Zhubei Branch) was approved for investment in the park.</li> <li>◆ Issued the third domestic secured convertible corporate bond denomination of NT\$150,000,000.</li> <li>◆ The core technology transfer was completed. In November 2018, the seed technicians went to Japan to obtain the knee cartilage layer cell culture technology.</li> <li>◆ The Cell Process Center (CPC) was completed and is trial running now.</li> <li>◆ The IND application for the third phase of the clinical oral mucosal cell layer was submitted to the Ministry of Health and Welfare.</li> </ul>
2019	<ul style="list-style-type: none"> <li>◆ Signed the contraction of knee cartilage layer and the cooperation of nerve plexus technology with Dean Du, Yuan Kun of E-DA Hospital.</li> <li>◆ The third phase clinical trial of autologous oral mucosal cell layer submitted to the Ministry of Health and Welfare was approved in principle.</li> <li>◆ MetaTech signed a tripartite memorandum of cooperation with Hitachi Group in Tokyo, Japan to jointly develop the Taiwanese regenerative medicine market.</li> </ul>



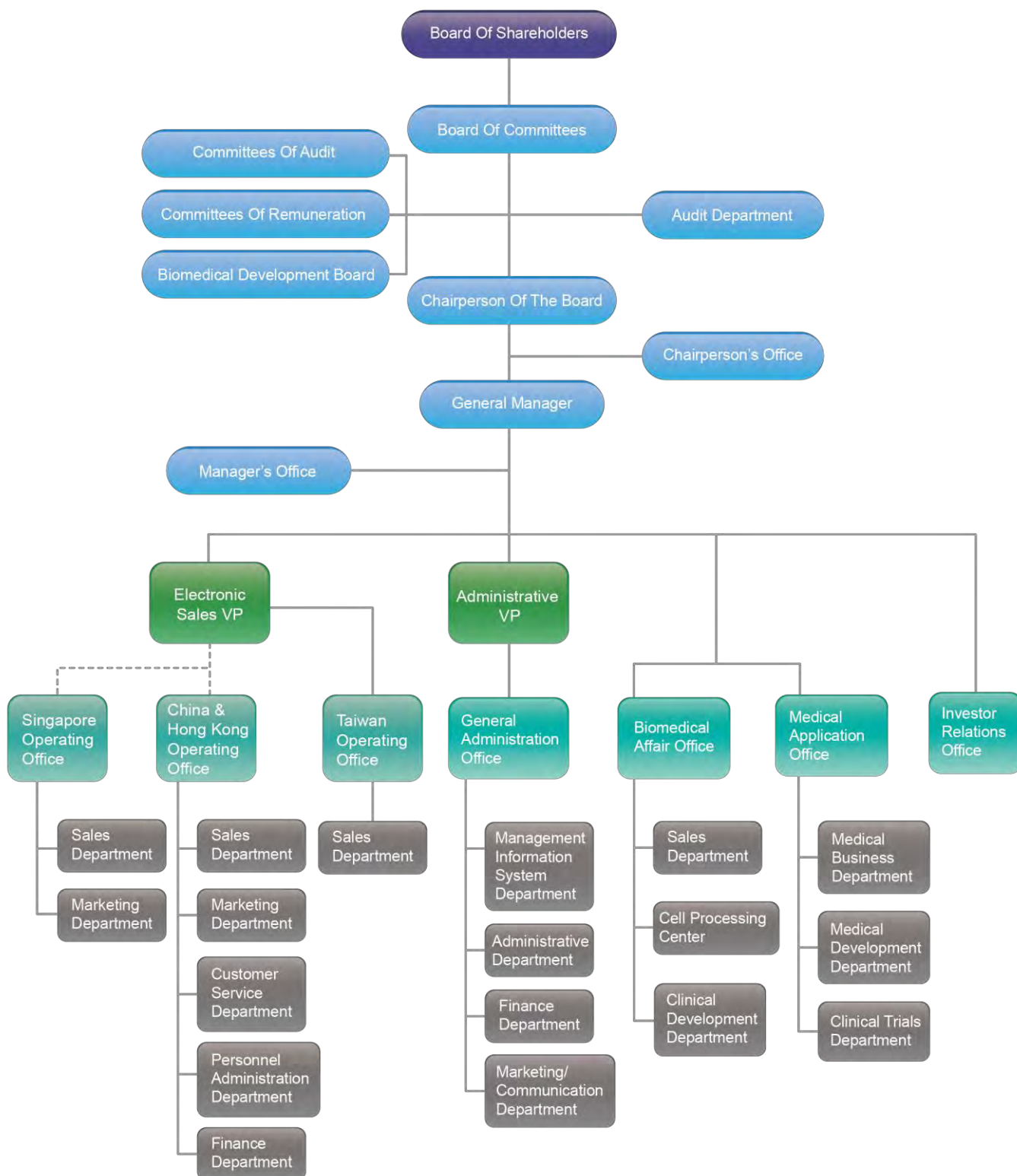
### III. Corporate governance report

#### A. Company organization

October 31, 2018

#### (A) Organization system

#### 1. The Company's organizational structure



## 2. Business operations of major departments

Departments	Main duties
Chairman's Office	<ul style="list-style-type: none"> <li>◆ Assist the chairman in planning the Group's important policies, guidelines and improvement measures. If necessary, set up an ad hoc group to take charge of this.</li> <li>◆ Assist the chairman or independent director to convene various meetings and contact, send, and write proposals (such as the board of directors, the salary compensation committee, the audit committee, the shareholders' (temporary) meeting...) and other issues related to the stock market.</li> <li>◆ Assist in the communication and coordination between the chairman and the directors or departments and carry out the assignment.</li> </ul>
General Manager's Office	<ul style="list-style-type: none"> <li>◆ Comprehensive management of the company's various plans for the preparation, evaluation and implementation.</li> <li>◆ Implement coordination among various departments and institutional planning.</li> </ul>
Taiwan Operations Center (Department)	<ul style="list-style-type: none"> <li>◆ Coordinating the operations across Taiwan.</li> </ul>
China and Hong Kong Operations Center (Department)	<ul style="list-style-type: none"> <li>◆ Coordinating the operations of offices in Hong Kong and mainland China.</li> </ul>
Singapore Operations Center (Department)	<ul style="list-style-type: none"> <li>◆ Coordinating the operations of offices in Singapore and Southeast Asia.</li> </ul>
Biomedicine Business Department	<ul style="list-style-type: none"> <li>◆ Coordinate the development and management of biomedical related products, technology development and the establishment and management of cell layer processing centers.</li> </ul>
Medical Application Department	<ul style="list-style-type: none"> <li>◆ Coordinate medical services, implementation and management of clinical trials, and development of domestic and international businesses.</li> </ul>
General Management Department	<ul style="list-style-type: none"> <li>◆ Coordinate and control the Group's financial, accounting, human resources, legal affairs, management and other issues.</li> </ul>
Investment Relations Department	<ul style="list-style-type: none"> <li>◆ Construct interactive relationships between companies and natural or corporate shareholders and authorities.</li> <li>◆ Assist the company's financial, business and other departments to expand their external relations.</li> <li>◆ Plan and organize shareholder meetings, legal meetings, and press conferences.</li> <li>◆ Writing business and industry analysis and financial analysis reports in both English and Chinese.</li> <li>◆ Manage, update, and maintain relevant information.</li> <li>◆ Responsible for the company's speaking tasks.</li> </ul>
Audit Office	<ul style="list-style-type: none"> <li>◆ Assist the board of directors and managers in checking and reviewing the lack of internal control system and measuring the effectiveness and efficiency of the operation, and provide timely suggestions for improvement.</li> <li>◆ Check and trace of various operating loops.</li> </ul>

Business Department	<ul style="list-style-type: none"> <li>◆ Responsible for all electronic product line operations.</li> <li>◆ Conduct regular market research and product customer satisfaction analysis and develop potential customers.</li> <li>◆ Formulate product sales plan and maintain customer satisfaction.</li> <li>◆ Responsible for market research and analysis.</li> <li>◆ New product pathways are set.</li> <li>◆ Continuation orders followed by reminders.</li> <li>◆ Review T/T or L/C related documents such as P/I, bill of lading, insurance, etc.</li> <li>◆ Order processing and filing reply.</li> <li>◆ Record customer needs.</li> <li>◆ Dunning Progress Tracking of Accounts Receivable.</li> <li>◆ The Group manages and manages electronic goods inventory management.</li> <li>◆ Responsible for application development related business.</li> <li>◆ Responsible for the application technology of new product promotion to help customers shorten the design time.</li> <li>◆ Assist the customer base in solving the design and generating problems, and promote the smoothness and competitiveness of the overall supply chain.</li> </ul>
Business Resources Department	<ul style="list-style-type: none"> <li>◆ Responsible for the services and product sales of personalized products related to biomedical services.</li> <li>◆ Responsible for the application technology of new product promotion to help customers solve product design and use problems.</li> <li>◆ Develop product sales plans and maintain customer satisfaction.</li> <li>◆ Responsible for the promotion of high-end customers of biomedical products and management of business centers.</li> <li>◆ Conduct regular market research and customer satisfaction analysis and develop potential customers.</li> <li>◆ Continuous orders and reminders.</li> <li>◆ Record customer needs, develop customer service plans, and maintain customer satisfaction.</li> <li>◆ Order processing filing, delivery reply and reminder of accounts receivable.</li> <li>◆ Responsible for customer health management consulting and services.</li> <li>◆ Manage and plan for related business in cooperative clinics.</li> </ul>
Cells Center	<ul style="list-style-type: none"> <li>◆ Responsible for the development of educational training for new biomedical technologies.</li> <li>◆ Responsible for formulating R&amp;D unit strategies.</li> <li>◆ Develop and promote programs and technologies related to regenerative medicine.</li> <li>◆ Cell Processing Center (CPC) cell factory construction and management.</li> </ul>

Clinical Research and Development Department	<ul style="list-style-type: none"> <li>◆ Apply for a clinical trial.</li> <li>◆ Coordination and consultation with CRO.</li> <li>◆ Management and coordination of clinical trial regulations.</li> <li>◆ Plan writing and application.</li> </ul>
Medical Development Department	<ul style="list-style-type: none"> <li>◆ Responsible for the introduction of medical technology at home and abroad.</li> <li>◆ Responsible for the evaluation of medical technology at home and abroad.</li> <li>◆ Responsible for the planning and management of medical technology and education training at home and abroad.</li> </ul>
Clinical Trial Department	<ul style="list-style-type: none"> <li>◆ Perform clinical trials.</li> <li>◆ Responsible for managing CRO and developing clinical trial reports.</li> <li>◆ Responsible for managing the implementation of the hospital's clinical trial program.</li> </ul>
Medical Business Department	<ul style="list-style-type: none"> <li>◆ Establish a medical advisory group.</li> <li>◆ Responsible for the listing of regenerative medicine products.</li> <li>◆ Responsible for the service and sales of medical equipment and regenerative medicine products.</li> <li>◆ Responsible for the development of medical services and services at home and abroad.</li> </ul>
Management Department	<ul style="list-style-type: none"> <li>◆ Responsible for administrative services such as group general personnel management, employee bonuses, labor laws, and education and training.</li> <li>◆ Responsible for the procurement and management of the Group's fixed assets and internal and external materials and equipment.</li> <li>◆ Responsible for all legal related businesses in the group.</li> </ul>
Finance Department	<ul style="list-style-type: none"> <li>◆ Accounting: Business within the group accounting and reporting, financial management information provision and analysis, tax planning and budget compilation and management.</li> <li>◆ Finance: Group's financial scheduling, fund management, cashier operations, and stock exchange services.</li> </ul>
Information Department	<ul style="list-style-type: none"> <li>◆ Responsible for the planning and maintenance of information systemization and integration of computerized information management in all units within the Group.</li> </ul>
Planning Department	<ul style="list-style-type: none"> <li>◆ Industrial intelligence information gathering, integration and market analysis.</li> <li>◆ The company's external website planning, design, marketing and maintenance.</li> <li>◆ Product function, market positioning, business policy, strategy setting and departmental communication coordination.</li> <li>◆ Product policies, marketing plans, advertising planning, integration of marketing channels, marketing strategy planning and promotion.</li> </ul>

**B. Directors, supervisors, general managers, deputy general managers, assistant managers, heads of departments and branches**

1. Directors:

(1) Information of Directors

Deadline for the transfer as of April 19, 2019; Unit: Shares

Job Title	Nationality or place of registration	Name	Gender	Election date Date of taking office	Term of office	Initial election date	Shares held when selected		Now holds the number of shares		Spouses and underage children now hold shares		Shares held in the name of others		The main experience and education	Currently serving concurrently as the Company and other companies	Other supervisors, directors or supervisors within a family with a spouse or two parents		
							Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Title	Name	Relation
Director	Republic of China	Bei De Bi Xiu Investment Co., Ltd.	—	2018.6.25	3 years	2016.6.29	1,077,000	1.86%	3,141,924	5.42%	—	—	—	—	—	—	—	—	—

Chairman	Republic of China	Bei De Bi Xiu Investment Co., Ltd. Representative: Hu, Li San	Male	2018.6.25	3 years	2013.09.30	2,065,495	3.56%	15,012	0.03%	—	—	—	—	Department of Business, National Taiwan University Supervisor, Far East Airlines Partner Accountant, Lan-Jai CPAs Firm Partner Accountant, Ye-Shun CPAs Firm Auditor, Jianxing CPAs Firm	1. Representative of Corporation Directors of Chuanfei Energy Co., Ltd. 2. Representative of Corporation Directors of Zhongfu International Co., Ltd. 3. Partner Accountant, Lianli CPAs Firm 4. Representative, Lishan Investment Co., Ltd. 5. Chairman, iFunFarm Company	—	—	—
Director	Republic of China	Bei De Bi Xiu Investment Co., Ltd. Representative: Tang, Hong De	Male	2018.6.25	3 years	2015.06.30	705,000	1.22%	505,000	0.87%	—	—	—	—	Bachelor of Business Administration, Fu Jen University Director, Cheer Digiart Co., Ltd. Director, Dajun Investment Co., Ltd.	1. General manager of the Company 2. Director, Dajun Investment Co., Ltd.	—	—	—

Director	Republic of China	Bei De Bi Xiu Investment Co., Ltd. Representative: Qiu, Jun Hua	Male	2018.6.25	3 years	2015.06.30	373,000	0.64%	373,000	0.64%	—	—	—	—	Master of Business Administration, National Maeda University, Australia Deputy General Manager, Risheng Bank Director, Risheng Financial Holdings Director, Risheng Bank Director, Risheng Insurance Company Agent	Executive Deputy General Manager, the Company	—	—	—
Director	Republic of China	Bei De Bi Xiu Investment Co., Ltd. Representative: Zheng, Shou Xia (Note 1)	Male	2018.6.25	3 years	2018.6.25	—	—	—	—	—	—	—	—	Vice Dean, Department of Public Health, National Taiwan University Professor, Institute of Health Policy and Management, National Taiwan University		—	—	—
Director	Republic of China	Bei De Bi Xiu Investment Co., Ltd. Representative: Wang, Ze Xun (Note 1)	Male	2018.6.26	3 years	2018.6.26	—	—	—	—	—	—	—	—	Bachelor of Dentistry, Taipei Medical University Master and Specialist, Indiana University, USA Ph.D., Kyushu Dental University, Japan Vice Chairman of the Taipei Dentist Association and Chairman of the Information Committee	Assistant manager, the Company's medical application office	—	—	—

Director	Republic of China	Bei De Bi Xiu Investment Co., Ltd. Representative: Chen, Rui Jie (Note 1)	Male	2018.09.14	3 years	2018.09.14	—	—	—	—	3,000	0.01%	—	—	Master of Medical Information Research Institute, Taipei Medical University Dean of the Hospital of Taipei Medical University	Dean, the Hospital of Taipei Medical University Representative, Directors of Qi Hang III Venture Capital Co., Ltd.	—	—	—
Director	Republic of China	Junmao International Co., Ltd.	—	2018.6.25	3 years	2018.6.25	1,592,000	2.74%	3,270,000	5.64%	—	—	—	—	—	Corporation Director, Ma Shen Kai Rui Biochemical Technology Co., Ltd.	—	—	—
Director	Republic of China	Junmao International Co., Ltd. Representative: Wu, Zhen Long	Male	2018.6.25	3 years	2018.6.25	2,890,000	4.98%	2,994,000	5.16%	—	—	119,000	0.21%	Chairman, NYA Cable TV Co., Ltd. Chairman, Dayang Cable TV Co., Ltd. Chairman, Dejun Investment Co., Ltd. Chairman, Yufeng Investment Co., Ltd.	1. Chairman, Junmao International Co., Ltd. 2. Chairman, Junmao Enterprise Co., Ltd. 3. Chairman, Qijiang Security Co., Ltd. 4. Chairman, Junbao Construction Co., Ltd. 5. Chairman, Ma Shen Kai Rui Biotechnology Co., Ltd. 6. Representative, He Cao Foundation 7. Director, Hanxing Department Store Co., Ltd.	—	—	—





Director	Republic of China	National Development Fund, Executive Yuan Representative: He, Hong Neng	Male	2018.6.25	3 years	2018. .25	-	-	-	-	-	-	-	-	Dean, National Taiwan University College of Medicine Director, Academic Affairs Division, National Taiwan University College of Medicine Vice President, the National Hospital of College of Medicine Director, Medical Research Department, Hospital Attached to National Taiwan University College of Medicine Professor, National Taiwan University College of Medicine Vice President, American Society for Reproductive Immunology Chairman, Taiwan Reproductive Medicine Association Chairman, Taiwan Stem Cell Association Chairman, Taiwan Women's Obstetrics and Gynecology Association Vice President, International Association of Cell Therapy	1. General Counsel, Taipei Medical University and Affiliated System 2. Chairman, Taiwan Medical Association 3. Honorary Director, Taiwan Reproductive Medicine Association 4. Supervisor, Taiwan Stem Cell Association 5. Supervisor, Taiwan Cell Medical Association 6. Chairman, Taiwan Biobank	-	-	-
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Direct or	Republic of China	Dajun Investment Co., Ltd.	—	2018.6.25	3 years	2018.6.25	197,000	0.34%	197,000	0.34%	—	—	—	—	—	—	—	—	
Direct or	Republic of China	Dajun Investment Co., Ltd. Representative: Yang, Zhi Hui	Female	2018.6.25	3 years	2018.6.25	50,000	0.09%	50,000	0.09%	—	—	—	—	Head of Department of Biotechnology, I-Shou University Associate Professor, Department of Biotechnology, I-Shou University Team Leader, Planning and Promotion Team, Public Affairs Office, I-Shou University Professor, Department of Biotechnology, I-Shou University	1. Director, Biotaiwan Foundation 2. Vice President of Medical College, I-Shou University 3. Chairman, Biotaiwan Foundation 4. Corporate Supervisor, Taiwan Invention Association 5. Director, International Society for Biocatalysis and Agricultural Biotechnology	—	—	—
Direct or	Republic of China	Dajun Investment Co., Ltd. Representative: Zhao, Hong Zhang	Male	2018.6.25	3 years	2018.6.25	—	—	—	—	25,000	0.04%	—	—	Consultant and CEO, Far East Animation Technology Co., Ltd. Independent Director, Jingwei Aerospace Technology Co., Ltd. Executive Consultant, Sanbeid Digital Creative Co., Ltd. Executive	1. Chairman, Singapore Huan Ju Zhi Ben Investment Management Co., Ltd. 2. Independent Director, Jingwei Aerospace Technology Co., Ltd.	—	—	—

															<p>Consultant, Fujian Zhiqu Network Information Technology Co., Ltd.</p> <p>Senior Partner, Huayuanhui Investment Fund Partner Executive Consultant, Huaqiang Asset Management Group Executive Consultant, Shanghai Oriental Huifu Fund GP Review Committee, Ministry of Economics Innovation and Optimization Project and Theme R&amp;D Program and 4G Broadband Application Software Innovation and Innovation Park</p>				
Independent Director	Republic of China	Chen, Rong Hua	Male	2018.6.25	3 years	92.06.10	—	—	—	—	—	—	—	—	<p>Master, Accounting National Chengchi University Institute Lecturer, Department of Accounting, National Chung Hsing University Executive Director, National Federation of CPA Associations of ROC</p>	<p>1. Supervisor, Health And Life Co., Ltd</p> <p>2. Independent Director, Single Well Industrial Corp.</p> <p>3. Accountant and Director, L.H.Chen &amp; Co., CPAs</p>	—	—	—

Independent Director	Republic of China	Wu, Rong Yi	Male	2018.6.25	3 years	2018.6.25	—	—	—	—	—	—	—	—	Chairman, Taiwan Brain Trust Professor and Head of Department of Economics, National Taipei University Director, Institute of Economics, National Taipei University Member, Fair Trade Commission of the Executive Yuan Dean, Taiwan Economic Research Institute Vice president, Executive Yuan Chairman, Taiwan Futures Exchange Chairman, Taiwan Stock Exchange Member, National Financial Stability Fund Management Committee of the Executive Yuan Member, Asia Pacific Economic Cooperation (APEC) Eminent Persons Group	1. Independent Director, Fubon Securities 2. Chairman, Taiwan Capital 3. Chairman, Education Foundation of the Taiwan Institute of Water Resources and Agriculture 4. Representative of the Corporation Director, Taishan Buffalo Investment Co., Ltd.	—	—	—
Independent Director	Republic of China	Wang, Wen Zhu	Male	2018.6.25	3 years	2015.06.30	—	—	—	—	—	—	—	—	General Manager Advanced Pharmaceutical Nanotech Inc. Chairman, Division of Business and Marketing, Purzer Pharmaceutical Co., Ltd General Manager, Fresenius Kabi	1. General Manager, Bo Jun Sheng Medical Co., Ltd. 2. Supervisor, Healthy Aging Health Care Co. Ltd. 3. Chairman, Trefoil Partners Limited	—	—	—



(2) Major shareholders of corporation shareholders:

April 19, 2019

Corporation shareholder name	Major shareholders of corporation shareholders
Bei De Bi Xiu Investment Co., Ltd.	He, Rou Xian (98.33%), Chen, Zong Ji (1.67%)
Junmao International Co., Ltd.	Wu, Zhen Long (67.69%), Wu, Jun Yi (16.00%), Lai, Guan Ling (0.31%), Wu, Yi Qi (16.00%)
National Development Fund, Executive Yuan	—
Dajun Investment Co., Ltd.	Chen, Qiao Fei (96.67%), Chen, Zong Ji (3.33%)

The main shareholder is the corporation and its main shareholder: None.

(3) Whether the working experience of the directors and supervisors is independent

Condition Name	Whether it has more than five years working experience and the following professional qualifications			Compliance with independence (Note 1)										The number of independent directors serving concurrently as other public offering companies
	Business, legal, financial, accounting or corporate business related to the required public and private college instructors	Judges, prosecutors, lawyers, accountants or other national examinations required by the company's business	Work experience required for business, legal, financial, accounting or corporate business	1	2	3	4	5	6	7	8	9	10	
Bei De Bi Xiu Investment Co., Ltd. Representative: Hu, Li San	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Junmao International Co., Ltd.			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	—

Representative: Wu, Zhen Long															
National Development Fund, Executive Yuan Representative: He, Hong Neng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Bei De Bi Xiu Investment Co., Ltd. Representative: Tang, Hong De			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Dajun Investment Co., Ltd. Representative: Yang, Zhi Hui	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Dajun Investment Co., Ltd. Representative: Zhao, Hong Zhang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Bei De Bi Xiu Investment Co., Ltd. Representative: Chen, Rui Jie (Note 3)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Bei De Bi Xiu Investment Co., Ltd. Representative: Qiu, Jun Hua			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Chen, Rong Hua	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wu, Rong Yi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wang, Wen Zhu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—

Note 1: For each director or supervisor who meets the following conditions two years prior to the appointment and during his term of office, please tick " " in the space below each condition code.

- (1) Non-employed persons of the company or its affiliates.
- (2) Directors and supervisors of companies other than the company or its affiliates (but if the company or its parent company and the company's direct and indirect voting rights hold more than 50% of the independent directors of the subsidiary).
- (3) Non-individuals, their spouses, minor children, or in the name of others, hold more than one percent of the company's total issued shares or shareholders of the top ten natural persons.
- (4) The relatives of the persons listed in the preceding three paragraphs are not only the spouses of the persons listed in the preceding three paragraphs, but also the relatives of the two parents or their relatives or relatives within the five-parent family.



- (5) Directors, supervisors or servants of legal person shareholders or directors, supervisors or servants of the top five legal person shareholders who do not directly hold more than 5% of the company's total issued shares.
- (6) Directors (directors), supervisors (supervisors), managers, or shareholders holding more than 5 percent of the shares of a particular company or institution that has financial or business contacts with the company.
- (7) Business owners, partners, directors (directors), and supervisors (supervisors) of professionals, sole proprietors, partnerships, companies, or organizations that provide services or consulting for businesses, legal affairs, finance, accounting, etc. to companies or related companies, managers and their spouses.
- (8) There is no relative relationship with other directors within the spouse or two parents.
- (9) There is no one of the circumstances in Article 30 of the Company Law.
- (10) There is no article 27 of the company law governing the election of a government, legal person or its representative.

Note 2: The directors and independent directors listed above in the term of the eighth are from 2018/06/25 to 2021/06/24.

Note 3: The corporation director, Bei De Bi Xiu Investment Co., Ltd. was elected on 2018/6/25, and the Representative of the corporation director, Chen, Rui Jie, was reassigned on 2018/9/14.

2. General Manager, Deputy General Manager, Assistant Manager, Department and Branch Manager Information

Deadline for the transfer as of April 19, 2019; Unit: Shares

Job Title	Nationality or place of registration	Name	Gender	Date of taking office	Holding shares		Spouses and underage children now hold shares		Shares held in the name of others		The main experience and education	Currently serving concurrently as the Company and other companies	Other supervisors, directors or supervisors within a family with a spouse or two parents		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
General manager	Republic of China	Tang, Hong De	Male	2016.12.21	505,000	0.87%	—	—	—	—	Bachelor of Business Administration, Fu Jen University Director, Cheer Digiart Co., Ltd. Representative of the Corporation Director, Aplus Shine Biotechnology Co., Ltd. Director, Dajun Investment Co., Ltd.	Director, Dajun Investment Co., Ltd.	—	—	—
Executive Deputy General Manager	Republic of China	Qiu, Jun Hua	Male	2014.05.26	373,000	0.64%	—	—	—	—	Master of Business Administration, National Maeda University, Australia Deputy General Manager, Risheng Bank Director, Risheng Financial Holdings Director, Risheng Bank Director, Risheng Insurance Company Agent	—	—	—	—

Deputy General Manager of Electronic Business	Republic of China	Zhou, Shuo Hui (Note 1)	Male	2017.08.11	—	—	—	—	—	—	Bachelor, Department of International Trade, Tunghai University General Manager, AVerMedia Information (Shanghai) General Manager, AVerMedia Information (Kunshan) Sales Director, Asia sales and Taiwan region, AVerMedia Information (Taiwan)	—	—	—	—
Assistant Manager, Audit Office	Republic of China	Zhu, Xiang Bin (Note 2)	Male	2014.02.26	15,000	0.03%	—	—	—	—	Master, Institute of Finance and Finance, Tamkang University Director, Financial Investment Division, Risheng Bank Deputy General Manager and Chief Financial Officer and Spokesperson, General Management Division, Honyi International Company Limited	—	—	—	—
Assistant Manager of Biomedicine Business Department	Republic of China	Liu, Heng Yu	Male	2016.04.01	—	—	—	—	—	—	Ph.D., Institute of Medical Sciences, Taipei Medical University Technical Director of An Xing Biotechnology Co., Ltd. Assistant Professor, Department of Dentistry, Department of Oral Medicine, Taipei Medical University and Researcher, Stem Cell Research Center	—	—	—	—

Assistant Manager of Medical Application Department	Republic of China	Wang, Ze Xun	Male	2017.06.20	—	—	1,254	—	—	—	Bachelor of Medicine, Taipei Medical University Master and Specialist, Indiana University, USA Ph.D., Kyushu Dental University, Japan Vice Chairman of the Taipei Dental Association and Chairman of the Information Committee Lecturer, Department of Oral Medicine, Taipei Medical University	—	—	—	—
Assistant Manager of Investment Relations Department	Republic of China	Lin, Wen Jie	Male	2017.11.10	—	—	—	—	—	—	Master of Laws, Chinese Culture University Reporter, Taiwan Shin Sheng Daily News Convener, TVBS Weekly Financial Group Chairman's Executive Assistant of United Epitaxy Company, Ltd. Assistant Manager, Ta Chong Securities Co., Ltd.	—	—	—	—
Manager of Finance / Management Department	Republic of China	Zhan, Zhi Cong	Male	2017.11.10	—	—	—	—	—	—	Master, Accounting Department, Assistant Manager, Deloitte & Touche	—	—	—	—

Assistant Manager of Taiwan Operations Center	Republic of China	Wang, Shi Jun	Male	2018.10.31	—	—	3,000	0.01%	—	—	International Trade Department, Taipei City University of Science and Technology Opto Sensor Ltd.	—	—	—	—
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Note 1: Zhou, Shuo Hui, Deputy General Manager of Electronic Business, resigned on February 28, 2019. The original position was temporarily replaced by the general manager Tang, Hong De.

Note 2: Zhu, Xiang Bin, Assistant Manager of Audit Office, resigned on April 1, 2019. The position was temporarily replaced by the audit agent Dong, Yi Jie. The new internal audit supervisor will make an announcement after the Board of Directors approving the assignment.

1. Remuneration of directors, supervisors, general managers and deputy general managers

(1) Remuneration of Directors

December 31, 2018; Unit: NT\$ thousand

Title	Name	Directors' remuneration								Four items A, B, C and D Total share of after-tax equity (Note 10)	Part-time employees receive related emoluments								Seven items A, B, C, D, E, F, and G Total share of after-tax equity	Whether or not to receive transfer costs from subsidiaries (Note 11)		
		remuneration (A) (Note 2)		Retirement pension (B)		Remuneration for surplus distribution (C) (Note 3)		Business execution costs (D) (Note 4)			Salary, bonuses and special costs (E) (Note 5)		Retirement pension (F)		Surplus employee bonuses (G) (Note 6)							
		The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)		The company	All companies in the consolidated financial statements (Note 7)	Whether or not to receive transfer costs from subsidiaries	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	Cash bonus amount	Stock bonus amount			Cash bonus amount	Stock bonus amount
Chairman	Hu, Li San	-	-	-	-	-	-	70	70	(0.12)	(0.12)	3,556	3,556	-	-	-	-	-	-	(6.28)	(6.28)	None
Director	Tang, Hong De	-	-	-	-	-	-	70	70	(0.12)	(0.12)	3,217	3,217	108	108	-	-	-	-	(5.88)	(5.88)	None
Director	Qiu, Jun Hua	-	-	-	-	-	-	70	70	(0.12)	(0.12)	2,359	2,359	108	108	-	-	-	-	(4.39)	(4.39)	None

Director (Note 1)	Ou, Geng Liang	-	-	-	-	-	-	20	20	(0.03)	(0.03)	-	-	-	-	-	-	-	-	(0.03)	(0.03)	None
Director (Note 1)	Li, Zheng	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
Director (Note 2)	Bei De Bi Xiu Investment Co., Ltd. Representative of Corporation Director: Chen, Rui Jie	-	-	-	-	-	-	10	10	(0.02)	(0.02)	-	-	-	-	-	-	-	-	(0.02)	(0.02)	None
Director	National Development Fund, Executive Yuan Representative of Corporation Director: He, Hong Neng	-	-	-	-	-	-	30	30	(0.05)	(0.05)	-	-	-	-	-	-	-	-	(0.05)	(0.05)	None
Director	Junmao International Co., Ltd. Representative of Corporation Director: Wu, Zhen Long	-	-	-	-	-	-	30	30	(0.05)	(0.05)	-	-	-	-	-	-	-	-	(0.05)	(0.05)	None
Director	Dajun Investment Co., Ltd. Representative of Corporation Director: Yang, Zhi Hui	-	-	-	-	-	-	30	30	(0.05)	(0.05)	-	-	-	-	-	-	-	-	(0.05)	(0.05)	None
Director	Dajun Investment Co., Ltd. Representative of Corporation	-	-	-	-	-	-	30	30	(0.05)	(0.05)	-	-	-	-	-	-	-	-	(0.05)	(0.05)	None

	Director: Zhao, Hong Zhang																					
Director (Note 1)	Bei De Bi Xiu Investment Co., Ltd. Representative of Corporation Director: Wang, Jun Xiong	-	-	-	-	-	-	10	10	(0.02)	(0.02)	-	-	-	-	-	-	-	-	(0.02)	(0.02)	None
Director (Note 3)	Bei De Bi Xiu Investment Co., Ltd. Representative of Corporation Director: Zheng, Shou Xia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
Director (Note 4)	Bei De Bi Xiu Investment Co., Ltd. Representative of Corporation Director: Wang, Zhe Xun	-	-	-	-	-	-	10	10	(0.02)	(0.02)	-	-	-	-	-	-	-	-	(0.02)		None
Independe nt Director	Chen, Rong Hua	455	455	-	-	-	-	70	70	(0.91)	(0.91)	-	-	-	-	-	-	-	-	(0.91)	(0.91)	None
Independe nt Director (Note 1)	Yang, Liang You	145	145	-	-	-	-	40	40	(0.32)	(0.32)	-	-	-	-	-	-	-	-	(0.32)	(0.32)	None
Independe nt Director	Wang, Wen Zhu	455	455	-	-	-	-	70	70	(0.91)	(0.91)	-	-	-	-	-	-	-	-	(0.91)	(0.91)	None
Independe nt Director	Wu, Rong Yi	310	310	-	-	-	-	30	30	(0.59)	(0.59)	-	-	-	-	-	-	-	-	(0.59)	(0.59)	None



\* In addition to the above table, the remuneration of directors of the Company in the latest year for all companies in the financial report (Such as serving as a non-employee consultant, etc.):

Note 1: Re-elected on 2018.06.25.

Note 2: Director Chen, Rui Jie was reassigned on 2018.09.14.

Note 3: Director Zheng, Shou Xia was re-elected on 2011.06.25, and after reassigning to Wang, Zhe Xun on 2011.06.26, he was removed.

Note 4: Director Wang, Zhe Xun was reassigned on 2018.06.26 and removed on 2018.09.14.

**Remuneration of directors (including independent directors) (To disclose aggregate remuneration information, with the name(s) indicated for each remuneration range)**

Title	Name	Directors' remuneration								Four items A, B, C and D Total share of after-tax equity (Note 10)	Part-time employees receive related emoluments						Seven items A, B, C, D, E, F, and G Total share of after-tax equity	Whether or not to receive transfer costs from subsidiaries (Note 11)				
		remuneration (A) (Note 2)		Retirement pension (B)		Remuneration for surplus distribution (C) (Note 3)		Business execution costs (D) (Note 4)			Salary, bonuses and special costs (E) (Note 5)	Retirement pension (F)		Surplus employee bonuses (G) (Note 6)								
		The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)			Whether or not to receive transfer costs from subsidiaries	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	Cash bonus amount			Stock bonus amount			
Chairman	Hu, Li San	1,365	1,365	-	-	-	-	590	590	(3.39)	(3.39)	9,132	9,132	216	216	-	-	-	-	(19.57)	(19.57)	None
Director	Tang, Hong De																					





\$2,000,000 (inclusive) to \$5,000,000 (excluding)	None	None	Hu, Li San, Tang, Hong De, Qiu, Jun Hua	Hu, Li San, Tang, Hong De, Qiu, Jun Hua
\$5,000,000 (inclusive) to \$10,000,000 (excluding)	None	None	None	None
\$10,000,000 (inclusive) to \$15,000,000 (excluding)	None	None	None	None
\$15,000,000 (inclusive) to \$30,000,000 (excluding)	None	None	None	None
\$30,000,000 (inclusive) to \$50,000,000 (excluding)	None	None	None	None
\$50,000,000 (inclusive) to \$100,000,000 (not included)	None	None	None	None
\$100,000,000 or more	None	None	None	None
Total	16 persons	16 persons	16 persons	16 persons

Note 1: The names of directors should be listed separately (the names of corporate shareholders and their representatives should be listed separately) and the amounts of payments should be disclosed in a summary manner. If the directors are concurrent general managers or deputy general managers, they should fill in this form and the following tables (3-1) or (3-2).

Note 2: Refers to the remuneration of directors for the most recent year (including directors' salaries, job addition, severance payments, various bonuses, awards, etc.).

Note 3: It is filling in the remuneration paid by directors through the board of directors in the most recent year.

Note 4: refers to relevant directors in recent years the business execution cost (including traveling expenses, expenses and allowances, dormitory, car and other physical and so on). As for spending housing, automotive and other transportation or exclusive personal, shall disclose the nature and provide cost, assets or according to the actual the fair value of imputed rent, oil and other resources such as payment of the other driver. Please note that the company pays the driver's related remuneration, but not included in the remuneration.

Note 5: Refers to the most recent annual director of the staff (including also the General manager, deputy general manager, other managers and employees) received including salary, job bonus, severance payment, various bonuses, awards, supervisors, special fees, various allowances, dormitories, distribution vehicles and other in-kind provision and so on. In the case of the provision of housing, motor vehicles and other means of transport or exclusive personal expenses, the nature and cost of the assets provided, the actual or calculated rent, oil and other payments at fair market value shall be disclosed. In the case of a driver, please note that the company pays the relevant remuneration of the driver, but does not count towards the remuneration. Also in accordance with the IFRS 2 "Share Basis Payment" recognized salary costs, including the acquisition of employee recognition certificates, restrictions on the rights of employees of new shares and participation in cash capital to subscribe for shares, and so on, should be included in the remuneration.

Note 6: Refers to the most recent annual director of the staff (including also the General manager, deputy general manager, other managers and employees) to obtain staff remuneration (inclusive of stocks and cash), should disclose the most recent year by the Board of directors through the allocation of staff remuneration, if it is not possible to estimate the proportion of the actual allocation of this year's proposed allocation, and should also fill in the Table I to III.

Note 7: The total amount of emoluments paid by all companies (including the Company) to the directors of the Company should be disclosed.

Note 8: The Company pays the total amount of remuneration of each director, shall expose the name of the director at the level of ownership.

Note 9: All the companies (including the company) in the consolidated report should be exposed to the total remuneration of each director of the company, and the names of the directors should be disclosed at the level of ownership.

Note 10: Net after-tax benefits refer to net after-tax benefits of the latest year; those who have adopted IFRS, net after-tax benefits refer to net after-tax benefits of single or individual financial reports of the latest year.

Note 11: a. This column should make it clear that the directors of the Company receive the amount of honorariums related to the transfer of investment from outside the subsidiary.

b. If a director of a company receives a remuneration related to an investment from a subsidiary, the remuneration received by the director of the company from the subsidiary to the investment enterprise shall be included in the I column of the Remuneration Level Table and the name of the field shall be changed to " All transfer business."

c. Remuneration means the directors of the Company receive remuneration as the cause of the reinvestment of subsidiaries outside directors, supervisors or managers and other factors, bonus (including employees, directors and supervisors remuneration) and operational costs of implementation and other related remuneration.

\* The content of the fee disclosed in this table differs from that of the income tax law. Therefore, the purpose of this table is for information disclosure and not for tax purposes.

(2) Remuneration of General Manager and Deputy General Manager

December 31, 2018; Unit: NT\$ thousand

Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and special costs (C) (Note 3)		Employee bonus amount of surplus distribution (D) (Note 4)				Four items A, B, C and D Total share of after-tax equity (%) (Note 8)		Whether or not to receive transfer costs from subsidiaries (Note 9)
		The Comp any	All companies in the consolidate d financial statements (Note 5)	The Comp any	All companies in the consolidat ed financial Statements (Note 5)	The Comp any	All companies in the consolidate d financial statements (Note 5)	The Company		All companies in the consolidated financial Statements (Note 5)		The Company	All companies in the consolidated financial statements (Note 5)	
								Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount			
Director	Tang, Hong De	3,001	3,001	108	108	216	216	-	-	-	-	(5.76)	(5.76)	
Director	Qiu, Jun Hua	2,200	2,200	108	108	159	159	-	-	-	-	(4.27)	(4.27)	
Deputy General Manager of Electronic Business	Zhou, Shuo Hui	1,537	1,537	108	108	165	165	-	-	-	-	(3.13)	(3.13)	

\* Regardless of the title, all positions equal to the general manager and deputy general managers (such as: President, executive director, director, etc.) should be disclosed.

**Remuneration of General Manager and Deputy General Manager (To disclose aggregate remuneration information, with the name(s) indicated for each remuneration range)**

Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and special costs (C) (Note 3)		Employee bonus amount of surplus distribution (D) (Note 4)				Four items A, B, C and D Total share of after-tax equity (%) (Note 8)		Whether or not to receive transfer costs from subsidiaries (Note 9)
		The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial Statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company		All companies in the consolidated financial Statements (Note 5)		The Company	All companies in the consolidated financial statements (Note 5)	
								Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount			
General manager	Tang, Hong De	6,738	6,738	324	324	540	540	-	-	-	-	(13.17)	(13.17)	
Administrative Deputy General Manager	Qiu, Jun Hua													
Deputy General Manager of Electronic Business	Zhou, Shuo Hui													



## General Manager and Deputy General Manager Remuneration Level Table

Remuneration levels of paying the various general managers and deputy general managers of the Company	The number of general managers and deputy general managers	
	The Company (Note 6)	All companies in the consolidated financial statements (Note 7) E
Less than NT\$ 2,000,000	Zhou, Shuo Hui	Zhou, Shuo Hui
NT\$ 2,000,000 (inclusive) to NT\$ 5,000,000	Tang, Hong De, Qiu, Jun Hua	Tang, Hong De, Qiu, Jun Hua
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000	None	None
NT\$ 10,000,000 (inclusive) to NT\$ 50,000,000	None	None
More than NT\$ 50,000,000	None	None
Total	3 persons	3 persons

Note 1: The names of the general manager and the deputy general manager should be separately listed, and the amount of each payment should be disclosed in a summary manner. If the director is also the general manager or deputy general manager, this form and the above table (1-1) or (1-2) should be filled out.

Note 2: They are the salary, job addition and severance payment of the general manager and deputy general manager of the most recent year.

Note 3: They are various bonuses, incentives, horse and horse fees, special expenses, various allowances, dormitory, car and other physical supplies and other remuneration of the general manager and deputy general manager of the most recent year. In the case of the provision of housing, motor vehicles and other means of transport or exclusive individuals, the nature and cost of the assets provided the actual or at a fair market price, rent, oil and other payments should be disclosed. If there is a driver, please note the Company's payment for the driver, but not including the remuneration. The salary expenses recognized in accordance with IFRS 2 "Share Basis Payment", including obtaining employee stock option certificates, restricting employee right new shares and participating in cash increase subscription shares, shall also be included in the remuneration.

Note 4: The amount of compensation (including stocks and cash) of the employees of the general manager and deputy general manager who have been distributed by the board of directors in the most recent year is included, if it is not possible to estimate, the proposed distribution amount for this year will be calculated based on the proportion of the actual distribution amount last year, and the Table I to III should be added. After-tax net profit refers to the net profit after tax in the most recent year; if the international financial reporting standard has been adopted, the net profit after tax is the after-tax net profit of the individual or individual financial report of the most recent year.

Note 5: The total amount of remuneration paid to the general manager and deputy general manager by all companies (including the Company) in the consolidated report shall be disclosed.

Note 6: The Company pays each general manager and deputy general manager the total amount of remuneration, and discloses the names of the general manager and deputy general manager at the ownership level.

Note 7: The total amount of remuneration paid by all companies (including the company) to each general manager and deputy general manager of the company in the consolidated report shall be disclosed, and the names of the general manager and deputy general manager shall be disclosed in the ownership level.

Note 8: Net after-tax benefits refer to net after-tax benefits of the latest year; those who have adopted IFRS, net after-tax benefits refer to net after-tax benefits of single or individual financial reports of the latest year.

Note 9: a. This column should make it clear that the general manager and deputy general manager of the Company receive the amount of honorariums related to the transfer of investment from outside the subsidiary.

b. If the general manager and deputy general manager of the Company receive a remuneration related to an investment from a subsidiary, the remuneration received by the general manager and deputy general manager of the Company from the subsidiary to the investment enterprise shall be included in the E column of the Remuneration Level Table and the name of the fee shall be changed to " All transfer business."

c. Remuneration means the general manager and deputy general manager of the Company receive remuneration as the cause of the reinvestment of subsidiaries outside directors, supervisors or managers and other factors, bonus (including employees, directors and supervisors remuneration) and operational costs of implementation and other related remuneration.

\* The content of the fee disclosed in this table differs from that of the income tax law. Therefore, the purpose of this table is for information disclosure and not for tax purposes.

- (1) The name of the manager who distributed the employee bonus and the dispensing situation: None.
- (2) The top ten employees who obtained the names of the employee's dividends, job titles, and the employee's dividend amount: None.
- (3) Comparing the analysis of the total remuneration of the directors, supervisors, general managers and deputy general managers of the company and the consolidated statements in the latest two years in the latest two years. It also clarifies the policies, standards and composition of rewards, the procedures for setting remuneration, and the related business performance.

1. The Company paid the total remuneration of directors, supervisors, general managers and deputy general managers in after- tax profit analysis for the most recent two years

Statistics ended on December 31, 2018, Unit: NT\$ thousand

Title	2017				2018			
	Total remuneration (NT\$ thousand)		Total share of after-tax equity		Total remuneration (NT\$ thousand)		Total share of after-tax equity	
	The Company	All investment projects	The Company	All investment projects	The Company	All investment projects	The Company	All investment projects
Director	1,410	1,410	27.17%	27.17%	1,955	1,955	(3.39)%	(3.39)%
Supervisor (Note 1)	-	-	-	-	-	-	-	-
General Manager and Deputy General Manager	6,317	6,317	121.74%	121.74%	7,602	7,602	(13.17)%	(13.17)%

Note 1: The first resolution of the seventh session of the Board of Directors of the Company was established on June 30, 2015, to establish an audit committee to replace the supervisory function.

2. Policies, standards and combinations of emoluments payable, procedures for setting emoluments and the relatedness to business performance

(1) The remuneration paid by the Company to the directors and the supervisor can be divided into the director's entertainment and business execution costs.

According to the provisions of Article 22 of the Articles of the Company Policy, the supervisor's remuneration is determined at the company's annual level. If there is any surplus in the annual final account of the Company, the tax should be paid first to make up for past losses. The 10% increase is the statutory surplus reserve, and the remaining balance together with the previous year's undistributed surplus shall be submitted by the board of directors to the shareholders' meeting for resolution or distribution; The distribution ratio of employee bonuses is one ten-thousandth. In the shareholder dividends distributed to the shareholders, the proportion of cash dividends distributed shall not be less than 30%. The rest shall be distributed in the form of stock dividends and shall be decided by the shareholders' meeting. Since the establishment of a fixed level of entertainment does not depend on the level of surplus of the current year, it has no relative effect on the Company's operating performance.

(2) The remuneration paid to the general manager and the deputy general manager of the Company can be divided into three employee bonuses for salary, bonuses, and bonuses.

### C. Operational situation of corporate governance

#### (A) The board of directors operations:

From 2018 to May 3, 2019 Board of Directors (Included temporary) had 10 meetings (A), the conditions for the listing of directors and supervisors are as follows:

Title	Name	Actual attendance (B)	Delegated attendance	Actual attendance ratio (%) 【 B/A 】	Note
Chairman	Bei De Bi Xiu Investment Co., Ltd. Representative: Hu, Li San	10	—	100.00%	
Director	Li, Zheng	0	—	0.00%	2018/6/25 re-election and leaving office, should attend 4 times
Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Tang, Hong De	10	—	100.00%	
Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Qiu, Jun Hua	10	—	100.00%	
Director	Ou, Geng Liang	2	—	50.00%	2018/6/25 re-election and leaving office, should attend 4 times
Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Wang, Jun Xiong	1	3	25.00%	2018/6/25 re-election and leaving office, should attend 4 times
Independent Director	Chen, Rong Hua	10	—	100.00%	
Independent Director	Wang, Wen Zhu	10	—	100.00%	
Independent Director	Yang, Liang You	4	—	100.00%	2018/6/25 re-election and leaving office, should attend 4 times
Director	Junmao International Co., Ltd. Representative of Corporation Director: Wu, Zhen Long	6	—	100.00%	2018/6/25 re-election and assuming office, should attend 6 times
Director	National Development Fund, Executive Yuan Representative of	3	3	50.00%	2018/6/25 re-election and assuming office, should attend 6 times

	Corporation Director: He, Hong Neng				
Director	Dajun Investment Co., Ltd. Representative of Corporation Director: Yang, Zhi Hui	6	—	100.00%	2018/6/25 re-election and assuming office, should attend 6 times
Director	Dajun Investment Co., Ltd. Representative of Corporation Director: Zhao, Hong Zhang	5	1	83.33%	2018/6/25 re-election and assuming office, should attend 6 times
Director	Bei De Bi Xiu Investment Co., Ltd. Representative of Corporation Director: Wang, Jun Xiong (Note 2)	1	—	100.00%	2018/6/26 reassignment and assuming office, should attend 1 time, and 2018/09/14 reassignment and dismissal
Director	Bei De Bi Xiu Investment Co., Ltd. Representative of Corporation Director: Zheng, Shou Xia (Note 2)	0	—	0.00%	2018/6/25 re-election and assuming office 2018/6/26 reassignment and dismissal
Independent Director	Wu, Rong Yi	6	—	100.00%	2018/6/25 re-election and assuming office, should attend 6 times
Director	Bei De Bi Xiu Investment Co., Ltd. Representative of Corporation Director: Chen, Rui Jie (Note 2)	4	—	100.00%	2018/09/14 reassignment and assuming office, should attend 4 times

Other items to be recorded:

1. If the operation of the board of directors is one of the following circumstances, the date, period of the board of directors, the content of the proposal, the opinions of all independent directors and the handling of the opinions of the independent directors by the company should be clarified:

(1) Items listed in Article 14(3) of the Securities Exchange Act.

1. On August 7, 1.2018, the second quarter of 2018 to the first quarter of 2019 of PricewaterhouseCoopers Taiwan, the case was approved by the chairman of the board of directors without any objection.

2. On August 7, 2018, the Company intends to apply for a loan case from MTI Holding Co., Ltd., and the chairman of the committee consulted all the attending directors without any objection.

3. On August 7, 2018, the third domestic secured convertible corporate bond was changed. In this case, the Chairman of the case consulted all the attending directors without any objection to the resolution of the audit committee: "Reducing the issuance cap to NT\$151,500,000" was passed.

4. On October 31, 2018, Professor Yang, Zhi Hui served as a consultant to the Company and paid the salary of Yang, in addition to the

fact that the director of Yang, Zhi Hui evaded the non-participation by the interested parties, the case was approved by the chairman and the remaining attending directors were passed without any objection.

5. On October 31, 2018, the Company's 2017 private equity cash increase in the issuance of ordinary shares was not scheduled to continue the issue, after the chairman's consultation, all the attending directors were approved without any objection.
6. On October 31, 2018, the case concerning the loan of funds related to the human world was approved by the chairman of the board of directors without any objection, the loan and the amount of funds were reduced from USD 1,000,000 to USD \$500,000.
7. On January 22, 2019, the Company applied for the renewal of the comprehensive loan financing amount from the Chinatrust Commercial Bank and the mutual endorsement of the Company and the Hong Kong great-grandson company Metatech Limited., the Chairman of the committee consulted all the directors to pass the case.
8. On January 22, 2019, the case concerning the loan of funds between related parties, the Chairman of the committee consulted all the directors to pass the case.
9. On March 26, 2019, the amendments to the provisions of the "Funding and Others Operating Procedures" of the Group, the Chairman of the committee consulted all the attending directors to pass the case.
10. On March 26, 2019, the amendments to the provisions of the "Endorsement Guarantee Procedures" of the Group, the Chairman of the committee consulted all the attending directors to pass the case.
11. On March 26, 2019, the amendments to the provisions of the Group, the Chairman of the committee consulted all the attending directors to pass the case.
12. On May 3, 2019, MetaTech Trading (Shenzhen) Co., Ltd. purchased the products for Xiangjian Zhun Co., Ltd., for requesting the company to apply to the bank to open a STANDBY L/C or performance bond letter, the Chairman of the committee consulted all the attending directors to pass the case.

(2) Meetings of the board of directors other than those mentioned in the preceding paragraph, which are opposed or reserved by independent directors and have record or written statements: None.

II. The Directors' implementation of the avoidance of the resolution on interest-related issues shall sue the names of the directors, the contents of the proposals, the reason for the avoidance of interests, and the participation in voting:

1. On February 5, 2018, the board of directors resolved the company's 2017 annual employee and manager's year-end bonus issue. Directors Hu Lisan, Tang Hongde and Qiu Junhua did not vote on the case. The remaining attending directors passed the case without objection.
2. On March 27, 2018, the board of directors resolved the distribution of employee stock option certificates of the company. Director Tang Hongde avoided the vote in this case, and the remaining attending directors passed the case without objection.
3. The board of directors decided on May 11, 2018 that the company intends to lease the Yuanxiong U-Town21F-7 office to An Xing Biotechnology Co., Ltd., and the director of Tang Hongde evaded the vote, and the remaining attending directors passed the case without objection.
4. On May 11, 2018, the board of directors decided to issue the Dragon Boat Festival bonus. The directors of Hu Lisan, Tang Hongde and Qiu Junhua all avoided the vote. The remaining directors passed the case without objection.
5. On May 11, 2018, the board of directors resolved the distribution of employee stock option certificates of the company. Director Qiu Junhua avoided the vote in this case, and the remaining attending directors passed the case without objection.
6. Decision of the Board of Directors on May 11, 2018 The Company accepted the shareholders' proposal and elected the candidates for the nomination review of the directors (including independent directors). Director Hu Lisan, Director Tang Hongde, Director Qiu Junhua, Chen Ronghua Independent Director, Wang Wenzhu, Independent Director, due to the avoidance of the respective review proposals and the non-participation of voting, Director Wang Junxiong issued a power of attorney and entrusted the representative of Tang Hongde to exercise the recognition of the case. The remaining directors were consulted by the chairman and no objection was passed.
7. On August 7, 2018, the Company appointed the fourth member of the remuneration committee of the Company, except Mr. Chen, Rong Hua, an independent director, Mr. Wang, Wen Zhu, an independent director, and Mr. Zhao, Hong Zhang, the directors, were absent from voting because they were absent from voting, the case was approved by the Chairman through the consultation of the remaining attending directors without any objection.
8. On August 7, 2018, the Company appointed the first member of the Company's Biomedical Development Committee, except for the Director, Mr. He, Hong Neng, and the independent director, Mr. Wu, Rong Yi, were absent from voting because they were absent from voting, the case was approved by the Chairman through the consultation of the remaining attending directors any objection.

III. The year and the most recent year to strengthen the objectives (For example, setting up an audit committee to improve information transparency, etc.) of the board of directors and performance assessment:

The objectives of strengthening the functions of the board include the following:

- (A) Establishment of the Audit Committee: On June 30, 2015, the Company established an audit committee to replace the supervisors and strengthen corporate governance and management functions.
- (B) Enhance the transparency of information: The Company has assigned designated personnel to collect and disclose Company information, implement the spokesperson system, and update company website information.
- (C) Independent directors and internal audit supervisors strengthen communication:

Each year at the beginning of the year, the Company reports to the independent directors on the company's overall annual operating plan and budget. The independent directors review the company's proposed operation plan, and the Company's board of directors

regularly conducts financial, business, and market reports to enable independent directors. It can effectively monitor the actual implementation results of the Company's operating plan.

In terms of financial statements, the Company not only provides annual and semi-annual financial reports to independent directors, but also provides monthly self-financed financial information so that independent directors have sufficient information to understand and monitor the Company's operating results.

(D) Improve the efficiency and decision-making ability of the board of directors: The Company has established the "Rules of Procedure for Board of Directors" and strengthened the functions of the Board of Directors in accordance with the rules. Strengthen the professional knowledge of the directors so as to strengthen the functions of the board of directors. Provide information on strengthening the professional knowledge of the directors to the directors of the company and promote the professional courses organized by the foundation, and follow the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". During the training period as prescribed, each director is arranged for further study.

Note 1: The seventh term is 2015/06/30~2018/06/24, and the eighth term is 2018/06/25~2021/06/24.

Note 2: Zheng, Shou Xia, the Representative of Corporation Director of Bei De Bi Xiu Investment Co., Ltd. was appointed as the new director after the reelection of the director on June 25, 2018, on June 26, 2018, Wang, Zhe Xun was reassigned as the new representative; on September 14, 2018, the Representative was re-presented as Chen, Rui Jie.

(B) Information about the operation of the audit committee or the supervisor's participation in the operation of the board of directors:

1. Information on the operation of the Audit Committee:

The Company established a replacement auditor of the audit committee after the directors were fully re-elected on June 30, 2015

(1) There are 3 audit committee members of the company.

(2) The term of office of the current members: June 25, 2018 to June 24, 2021. Recently (2018) annual audit committee meeting was held 6 times (A), the attendance of independent directors is as follows:

Title	Name	Actual attendance (B)	Entrusted Attendance	Actual attendance ratio (%) 【 B/A 】	Note
Independent Director	Chen, Rong Hua	6	0	100.00%	
Independent Director	Wang, Wen Zhu	6	0	100.00%	
Independent Director	Yang, Liang You	4	0	100%	2018/06/25 re-election

Independent Director	Wu, Rong Yi	2	0	100.00%	2018/06/25 Re-election of new appointments, should be attended 2 times, actually attended 2 times
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Other items to be recorded:

I. If the audit committee has any of the following circumstances, it shall state the date, period, resolutions, and resolutions of the audit committee and the company's handling of the audit committee's opinions.

(1) Items listed in Article 14(5) of the Securities Exchange Act.

1. On March 27, 2018, the proposal for 2017 Internal Control System Statement, and the chairman of the committee consulted all the members to pass the resolution without any objection.
2. On March 27, 2018, the Company's 2017 individual and consolidated financial statements recognition case was approved by the chairman of the whole committee without any objection.
3. On August 7, 2018, the company's second quarter of 2018 consolidated financial statements recognition case, the chairman of the committee consulted all the members of the committee without any objection.
4. On August 7, 2018, the company applied for a loan loan case to MTI Holding Co., Ltd., and the chairman of the committee consulted all the attending members to pass the case without any objection.
5. On August 7, 2018, the third issue of the domestic rescued convertible corporate bond was changed. The chairman of the committee consulted all the members present at the meeting: "Reducing the issuance limit to NT\$151,500,000" was passed.
6. On August 7, 2018, the company's public accountant of the second quarter of 2018 to 2019 of the company was approved by the chairman of the committee and passed the resolution without any objection.
7. On October 31, 2018, the case concerning the loan of funds between the relevant parties was approved by the chairman of the whole committee without any objection.
8. On January 22, 2019, Chinatrust Commercial Bank applied for renewal of the comprehensive loan financing amount and the company and Hong Kong's great-grandson company Metatech Limited both endorsed the case, and the chairman of the committee consulted all the members to approve the case without any objection.
9. On January 22, 2019, the case of the fund loan between the relevant parties was approved by the chairman of the whole committee without any objection.
10. On March 26, 2019, the proposal for 2018 "Internal Control System Statement" was approved by the chairman of the whole committee without any objection.
11. On March 26, 2019, the company's 2018 annual individual financial statements and consolidated financial statements were consulted by the chairman, except for the contents of the business report, the statement should be strengthened according to the opinions of the members, and other cases were passed.
12. On May 3, 2019, MetaTech Trading (Shenzhen) Co., Ltd. purchased the products for Xiangjian Zhun Co., Ltd., for requesting the company to apply to the bank to open a STANDBY L/C or performance bond letter, the Chairman of the committee consulted all the attending directors to pass the case.

(2) Matters that are not passed by the audit committee but are approved by more than two-thirds of all directors, except for the matters previously mentioned: None.

II. The implementation of the independent director's evasion of the interest-related motion bill shall state the name of the independent director, the content of the motion, the reason for the avoidance of the interest, and participation in voting: No such situation.

III. Communication between independent directors, internal audit supervisors and accountants (for example, matters regarding the company's financial and business conditions, methods, and results, etc.):



1. The internal audit supervisor of the company regularly communicates with the members in the audit committee on the audit report method:

(1) Periodicity - Monthly audit reports are signed by the Chairman and sent to the Independent Directors for review and independent replies by email and post. In accordance with its instructions, the audit work content will be strengthened to ensure the authenticity of the internal control system.

(2) Non-scheduled - usually use telephone, email or face-to-face methods to communicate the findings and how to continuously improve the audit value. If any major violations are found, immediately notify the independent directors.

2. The company's visa accountant reports quarterly financial statements check or review communication in the quarterly audit committee meeting:

(1) Periodicity - The accountant communicates with the Audit Committee on the check plan, implementation situation and results during the check-up period, semi-annual report and annual report.

(2) Non-scheduled - If there are other operational aspects or internal control and other related cases that need to be discussed and discussed immediately, the meeting will be arranged as appropriate. The communication results are good.

## 2. Supervisors' participation in the operation of the board of directors:

The Company established an audit committee to replace the monitor after the directors were fully re-elected on June 30, 2015.

(C) Differences and Causes of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies:

Items	Operational situation			Differences and Causes of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
I. Is the Company based on the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" to determine and disclose the corporate governance practices?	V		The Company has adopted a "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" , Please refer to the Company's official website for the Corporate Governance Code of Practice. <a href="http://www.metatech.com.tw/">http://www.metatech.com.tw/</a>	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"
II. Company's shareholding structure and shareholders' equity (A) The way of the Company processed the problem of shareholders' dispute or proposals	V		(A) The Company has established a spokesperson system in accordance with the regulations to handle related issues and coordinate the Company's relevant units to perform follow-up operations.	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"
(B) The Company owns the major shareholders of the actual control Company and the list of ultimate controllers of major shareholders	V		(B) The Company has acquired the relevant list, and regularly tracked the monthly turnover of the Company's stocks.	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"
(C) The way of the Company established risk control and firewall with business relationship	V		(C) The Company's operations are based on internal control and the company's specific company's financial business transactions. The Company's personnel, assets, and financial management rights have been clearly demarcated, and each of them has established its own firewall. Through the exclusive certification method, the Company's internet access to the relevant information of the investment Company.	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"

(D) Whether the Company has established internal regulations and prohibits insiders from using undisclosed information in the market to buy and sell securities?	V		(D) The company has established the "Prevention of Insider Trading Management Measures", and announces insiders every year.	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"
III. Composition and responsibilities of the board of directors (A) Does the board of directors formulate a diversification policy and implement it for the membership?	V		(A) Article 11 of the Articles of Association of the Company stipulates that 9-11 persons with directors (including independent directors) shall organize the board of directors and adopt the nomination system for candidates. The board of directors shall be diversified and have the necessary business, legal, financial, accounting or biomedical services. In the case of professional knowledge and independence, and having three independent directors, it is more able to supervise the operation of the company; each member considers whether it is in line with the company's development plan. Please consult the company's official website for the company's diversification policy and implementation. <a href="http://www.metatech.com.tw/invest/pdf/more.pdf">http://www.metatech.com.tw/invest/pdf/more.pdf</a>	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"
(B) Whether the company voluntarily sets up other functional committees other than the salary compensation committee and audit committee established according to law?	V		(B) The company sets up the salary compensation committee according to law, and legally orders the audit committee to be set up after the election of the next director. At present, no other functional committee has been set up. On August 7, 2018, the members of the Biomedical Development Committee were announced and actually operated.	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"
(C) Whether the company has established a method for assessing the performance of the board of directors and its assessment methods, and performs performance assessment periodically and annually?	V		(C) The company achieves the annual target as the performance indicator of the board of directors. It reviews the operating results quarterly and presents the operating reports of each department on the board of directors.	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"
(D) Whether the company regularly assesses the independence of signing accountants?	V		(D) The company regularly changes accountants in accordance with the law to obtain independent audit.	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"

<p>IV. Does the listed OTC company has set up corporate governance special (part-time) units or personnel to take charge of corporate governance related affairs ?</p> <p>(including, but not limited to, providing directors, supervisors with information required for the execution of their business, legally handling matters relating to the board of directors and shareholders' meetings, conducting company registration and change registration, producing boards of directors and shareholders' meetings, etc.)</p>	V	<p>The company's corporate governance related affairs, the Finance Department as a corporate governance unit, is responsible for providing instant messages to shareholders at public information observatories or company websites.</p> <p>Provide relevant matters of the board of directors and shareholder meetings according to law, and assist the company in complying with the relevant laws and regulations of the board of directors and the shareholders' meeting; providing the information required by the directors to execute their business, and the latest regulatory developments related to operating the Company to assist the directors in complying with the ordinance.</p>	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"
<p>V. Does the company establish a communication channel with interested parties (including but not limited to shareholders, employees, customers, suppliers, etc.) and set up a stakeholder area on the company's website, and appropriately respond to the important corporate social responsibility issues that are of interest to stakeholders?</p>	V	<p>The company has a "Stakeholder Area" on the company's website, providing contact information and processing by E-mail.</p> <p>For the communication channel of the company's stakeholders, please visit our official website.</p> <p><a href="http://www.metatech.com.tw/invest/pdf/report.pdf">Http://www.metatech.com.tw/invest/pdf/report.pdf</a></p>	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"
<p>VI. Does the company appoint a professional agency to handle the shareholders' affairs?</p>	V	<p>The company has appointed Concord Securities Co., Ltd. to handle the related affairs of the shareholders' meeting</p>	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"
<p>VII. Information disclosure</p> <p>(A) The Company set up a website to expose financial business and corporate governance information</p>	V	<p>(A) The Company's financial business and corporate governance information, in addition to entering the Market Observation Post System as required by the Act, also disclosed relevant information on the company's website.</p> <p>Please refer to our official website for information on the company's financial business and corporate governance.</p> <p><a href="http://www.metatech.com.tw">Http://www.metatech.com.tw</a></p>	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"

<p>(B) The Company adopts other ways of exposing information (such as setting up an English website, assigning someone to take charge of the collection and disclosure of company information, implementing a spokesperson system, and placing a corporate website during the legal person's explanation process).</p>	<p>V</p>	<p>(B) The Company adopts other information disclosure methods: The company adopts other information disclosure methods:</p> <ol style="list-style-type: none"> <li>1. The company has a public website and special personnel responsible for maintenance.</li> <li>2. Significant information is announced at public information observatories.</li> <li>3. The company has a spokesman and agent spokesman system.</li> </ol>	<p>It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>VIII. Does the company have any other important information (including but not limited to employee rights, employee care, investor relations, supplier relationships, rights of interested parties, education for directors and supervisors, and other risks?) The implementation of policies and risk measurement standards, the implementation of customer policies, the company's purchase of liability insurance for directors and supervisors, etc.)</p>	<p>V</p>	<ol style="list-style-type: none"> <li>1. Employees' Rights and Employees' Care: The Company has established the Employee Welfare Committee to implement the retirement system in accordance with the Labor Standards Law, and to appropriately plan employees for further education and training, pay attention to labor relations, and ensure the rights and interests of employees.</li> <li>2. Investor Relations: The Company's laws and regulations mandated disclosure of relevant information of the company in order to protect the investor's basic rights and accomplish the responsibility of the company to the shareholders.</li> <li>3. Supplier relations: The company's customer service department and business unit will jointly manage supplier-related matters.</li> <li>4. The rights of interested parties: The company's rights and interests to the interested parties are exhausted.</li> <li>5. Status of studies for directors and supervisors: The directors and supervisors of the company have regular education as required.</li> <li>6. Implementation of Risk Management and Risk Measurement Criteria: The company has relevant operational guidelines and control methods, which are supervised and urged by various responsible supervisors. The auditors regularly or occasionally check, report and track progress in implementation.</li> </ol>	<p>It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"</p>

			<p>7. The situation in which the company purchased liability insurance for directors and independent directors: The company has insurance coverage for directors and employees. The insurance period from October 2018 to October 2019 is USD\$10,000,000.</p>	
<p>IX. Please state the improvement of the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the most recent year, and propose priority enhancements and measures for those who have not yet improved. (No need to fill in the companies not included in the evaluation company)</p>		<p>V</p>	<p>The Company has been improving recently and successively.</p>	<p>Not applicable</p>

(D) If a company has a remuneration committee, it should disclose its composition, duties, and operations:

1. Salary Committee Member Information:

Identity (Note 1)	Condition Names	Whether it has more than five years working experience and the following professional qualifications			Compliance with independence (Note 1)								The number of independent directors serving concurrently as other public offering companies	Note	
		Business, legal, financial, accounting or corporate business related to the required public and private college instructors	Judges, prosecutors, lawyers, accountants or other national examinations required by the company's business	Work experience required for business, legal, financial, accounting or corporate business	1	2	3	4	5	6	7	8			
Independent Director	Chen, Rong Hua	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	The fourth term of 2018/8/7~2021/6/24
Independent Director	Wang, Wen Zhu	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	The fourth term of 2018/8/7~2021/6/24
Director	Zhao, Hong Zhang	✓	—	✓	✓	—	✓	✓	✓	✓	✓	✓	✓	—	The fourth term of 2018/8/7~2021/6/24 2 Resignation of 018/9/13
Independent Director	Yang Liang You	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	Appointed on 2016/03/18 2018/6/24 re-election

Other	Huang, Can Lie	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	The fourth term of 2018/8/7~2021/6/24 Reelected on 2018/10/31 2018/11/1 took office
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Note 1: Please specify if you are a director, independent director or other

Note 2: Each member who meets the following conditions during the two years prior to the election and during his term of office, please use the " " in the space below the condition code.

- (1) Not employed by the company or its employers.
- (2) The non-company nitrile-based company's affairs and supervisors (but only if the company's company, company or company directly and indirectly holds more than 50% of the shares of the company's shares and is otherwise independent of the company, Not limited to this).
- (3) Non-individuals, their spouses, minor children, or other persons holding natural-property shares in which the company has issued more than one-hundredth of the total number of shares or holds the top ten shares in the name of others.
- (4) The spouse, the two parents, etc., who are not listed in the first three paragraphs, establish a lineage of blood-dialysed genus within or around five rounds.
- (5) Directors, supervisors, or servants of corporate shareholders who are not directly holding more than 5% of the company's total issued shares, or directors, supervisors, or employees of the top five corporate shareholders holding shares.
- (6) Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5 percent of the shares of a particular company or institution that has financial or business contacts with the company.
- (7) Professionals, partners, directors (directors), supervisors (supervisors) of professionals, sole proprietors, partners or companies that provide services, consulting, financial, and accounting services, etc. to companies or related companies. Managers and their spouses.
- (8) There is no one of the circumstances in the various sections of Article 30.



2. Information on the operation of the remuneration committee:

The Company has established a remuneration committee on December 15, 2011, which aims to assist the board of directors in the implementation and evaluation of the Company's salary and welfare policies, as well as the rewards of the managers.

(1) The Company's remuneration committee has a total of 3 members.

(2) This term of office of the current members is from August 7, 2018 to June 24, 2021.

Recently (2018) annual salary remuneration committee met 4 times (A), membership qualifications and attendances are as follows:

Title	Name	Actual attendance (B)	Entrusted Attendance	Actual attendance ratio (%) 【 B/A 】	Note
Convener	Wang, Wen Zhu	4	—	100%	The fourth term of 2018/8/7~110/6/24 Should attend 4 times
Commissioner	Chen, Rong Hua	4	—	100%	The fourth term of 2018/8/7~110/6/24 Should attend 4 times
Commissioner	Huang, Can Lie	0	—	0%	The fourth term of 2018/8/7~110/6/24; 2018/11/1 elected Should attend 0 times
Commissioner	Yang Liang You	3	—	100	Appointed on 2016/03/18 2018/6/24 dismissal Should attend 3 times
Commissioner	Zhao, Hong Zhang	0	—	0%	The fourth term of 2018/8/7~110/6/24; Resignation of 2018/9/13 Should attend 0 times

Other items to be recorded:

I. If the Board of Directors does not adopt or amend the recommendations of the Compensation Committee, it shall state the date, terms, resolutions, resolutions of the Board of Directors and the company's opinions on the opinions of the Compensation Committee.

(If the Board of Directors approves salary compensation that is better than that of the Compensation Committee, the differences and reasons should be stated.): None.

II. The remuneration of the Compensation Committee, if members have objections or reservations, and there are records or written statements, it should be stated that the salary and compensation committee date, period, the contents of the motion, all members of the views and opinions on the handling of the members: None.

(E) The Company's performance of social responsibility:

Items	Operational situation			Differences and Causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
I. Implementing corporate governance (1) Whether the company has established a corporate social responsibility policy or system and reviewed its effectiveness?	V		(1) The company has formulated the "Corporate Social Responsibility Best Practice Principles" on 2016.12.21, and actively implements corporate social responsibility at the same time as the company operates to meet the trend of balanced environmental, social and corporate governance.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(2) Does the company regularly organize social responsibility education training?	V		(2) The Company follows the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" to enhance the transparency of the company's operations, safeguard the interests of shareholders, and regularly organize employee education and training to promote corporate culture policies. The company has not yet set up a dedicated unit. At present, it is mainly handled by the Management Department and the Staff Welfare Committee.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(3) Whether the company has set up a corporate (concurrent) corporate social responsibility promotion agency and is authorized by the board of directors to handle higher-level management and report the situation to the board of directors?	V		(3) The company is promoted by the management department concurrently. After using the board of directors, it reports with the directors and supervisors on the company's environmental protection and employee safety.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(4) Whether the company has established a reasonable salary compensation policy, and combines the employee performance appraisal system with corporate social responsibility policies, and establish a clear and effective reward and punishment system?	V		(4) The company has well-developed rules and regulations, including employee assessment, education training, year-end awards, and work rules, etc., as well as clear and effective incentives and disciplinary systems.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

<p>II. Develop a sustainable environment</p> <p>(1) Whether the company is committed to improving the utilization efficiency of various resources and using recycled materials that have a low impact on the environment?</p>	V		<p>(1) The Company is purely a non-production activity in the trading industry and does not affect the environmental, air, water, waste, toxic, noise and other harmful environmental factors. However, the environmental impact of life and office is still continuously reduced.</p>	<p>It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>(2) Does the company establish an appropriate environmental management system based on its industrial characteristics?</p>	V		<p>(2) The company is located in an office building and cooperates with government policies and the building management committee to continue the garbage transfer, recycling and reduction activities.</p>	<p>It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>(3) Whether the company pays attention to the impact of climate change on operational activities, and carries out greenhouse gas investigations, formulating company's energy-saving and carbon reduction strategies and greenhouse gas reductions?</p>	V		<p>(3) The company announced that the air-conditioning is not lower than 26 degrees Celsius, and the use of energy-saving lamps and air-conditioning equipment in order to practice the concept of energy-saving carbon reduction.</p>	<p>It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>III. Safeguard social welfare</p> <p>(1) Whether the company has formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	V		<p>(1) The company complies with the Labor Standards Law and respects the internationally recognized basic human rights laborers, and establishes management methods to ensure that employees' legal rights and employment policies are not treated differently.</p>	<p>It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>(2) Whether the company has established an employee complaints mechanism and a pipeline, and properly handled it?</p>	V		<p>(2) The employee can submit a complaint in writing or by e-mail to the head of the unit or human resources unit.</p>	<p>It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>(3) Does the company provide employees with a safe and healthy work environment and regularly implement safety and health education for employees?</p>	V		<p>(3) The company regularly holds annual employee health checkups and conducts health education advocacy.</p> <p>Please refer to our official website for the protection measures of our employees' working environment and employees' personal safety.</p> <p><a href="http://www.metatech.com.tw/invest/pdf/custm.pdf">http://www.metatech.com.tw/invest/pdf/custm.pdf</a></p>	<p>It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"</p>

(4) whether the company establishes a mechanism for regular communication among its employees and informs them reasonably of changes in operations that may have a significant impact on employees?	V		(4) The company holds regular labor conferences and respects and safeguards the legitimate rights and interests of employees. When the legitimate rights and interests are infringed, the company will uphold the principle of justice and properly handle it.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(5) Does the company establish an effective training program for employees to develop training programs?	V		(5) The company has established a training plan for its personnel. Each year, the unit provides education courses and external courses are provided to meet the needs of employees.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(6) Whether the company has formulated relevant consumer protection policies and complaint procedures on R&D, procurement, production, operations, and service processes?	V		(6) The company implements close relationships with its customers, including after-sales customer service and maintenance.  Please refer to the company's official website for the complaint channel of the company.  <a href="http://www.metatech.com.tw/invest/pdf/report.pdf">http://www.metatech.com.tw/invest/pdf/report.pdf</a>	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(7) Whether the company complies with relevant laws and regulations and international standards for the marketing and labeling of products and services?	V		(7) The marketing and labeling of the company's products and services are subject to relevant regulations and international guidelines.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(8) Before the company and suppliers came forward, did they assess whether the suppliers had any record of environmental and social impact in the past?	V		(8) Most of the company's domestic and foreign suppliers are long-term cooperators. Therefore, the products are in compliance with laws and regulations to ensure the safety of use.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(9) Whether the company's contract with its major suppliers includes suppliers that may terminate or rescind the terms of the contract at any time if they involve violations of their corporate social responsibility policies and have significant environmental and social impacts?	V		(9) The contract between the company and the supplier expressly states that the provision of the object must comply with the government's environmental policy and require no violation of the law.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

<p>IV. Strengthen information disclosure</p> <p>(1) Does the company expose relevant and reliable corporate social responsibility information on its website and public information observatories?</p>	<p>V</p>	<p>(1) The company exposes relevant financial and business information on the company's website, and can link to public information observatories to inquire about relevant information. In addition, the company has ordered the preparation of the annual report of the shareholders' meeting.</p>	<p>It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>V. If the company has its own corporate social responsibility code in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.", please state the difference between its operation and the code:</p> <p>In accordance with the spirit of corporate social responsibility and the implementation of its norms, the company actively practices corporate social responsibility in order to meet the trend of balanced environmental, social and corporate governance. The company will develop a corporate social responsibility policy in the future.</p> <p>Although the company has not yet established a "Corporate Governance Best Practice Principles", since 2012, it has actually complied with the spirit of corporate social responsibility and implemented its specifications. The company will develop a corporate social responsibility policy in the future.</p>			
<p>VI. Other important information helpful in understanding the operational status of corporate social responsibility:</p> <p>(1) Environmental protection work: The Company is purely a non-production activity in the buying and selling industry, and will not affect the environmental, air, water, waste, poison, noise and other harmful environmental factors. However, the environmental impacts of life and office are still continuously reduced. The photocopying paper currently used in the office mainly uses recycled paper with environmental certification marks, and announces that colleagues use photocopying of recycled photocopying paper to implement the repeated use of the company's internal envelopes. In order to save paper resources, the company promotes the thorough implementation of waste distribution and sets up a resource recycling office in order to be able to devote itself to environmental protection.</p> <p>(2) Social contribution: The Company adheres to the philosophy of "taking it from the society and using it in society". In addition to pursuing the goal of sustainable business, Sangu Co., Ltd. supports education and technology research and development projects with practical actions, and also provides disadvantaged groups in learning. Donate and support, and hope to use the participation of various public welfare activities to connect internal colleagues and even expand the whole society, so that more people pay attention to social welfare and invest in it. The company's sponsored projects are detailed in the following website: <a href="http://www.metatech.com.tw/invest/social_responsibility.aspx">http://www.metatech.com.tw/invest/social_responsibility.aspx</a></p> <p>(3) Social services: The Company cooperated with government agencies to publicize the "Control of Tobacco Harm" and called on all employees to pay attention to their health.</p> <p>(4) Human rights: The Company attaches great importance to human rights and enjoys the same rights of work regardless of race, gender, or age. It also provides individuals with the freedom to express and develop opportunities to respect personal dignity.</p> <p>(5) Employees' Health Care: In order to take care of the physical and mental health of employees, the company arranges for employees to carry out health checks so that employees can understand their own health status and thus love and strengthen their own health.</p>			
<p>VII. If the corporate social responsibility report of the company passes the verification standards of the relevant verification agency, it should be stated clearly:</p> <p>The Company has not applied for verification by the verification agency. In the future, the Company will evaluate the necessity and submit an application.</p>			

(F) The company's performance of integrity management and adoption measures:

Items	Operational situation			Differences and Causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
I. Formulate business policies and plans for integrity (1) Whether the company clearly expresses the policies and practices of integrity management in regulations and external documents, and the commitment of the board of directors and management to actively implement the operating policies?	V		The company has now established a Code of Integrity. Both the board of directors and the management team exercise their authority with caution in the execution of their business. The company's audit office will carry out checking from time to time.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"
(2) Whether the company has formulated a plan to prevent dishonesty, and has defined operating procedures, guidelines for behaviors, penalties for disciplinary actions, and grievance systems in each program, and implemented them?	V		The Company has now established employee rules and instructions for implementing the integrity management policy and actively guarding against dishonest conduct. It also regularly promotes the spirit of integrity through employee education and training.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"
(3) Whether the company adopts preventive measures against the operating activities of Article 7(2) of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business risks that have a higher risk of dishonesty?	V		The Company has now established a code of integrity and exercised its authority in a cautious manner. The company's audit office will carry out checking from time to time.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"
II. The implementation of credit management (1) Whether the company evaluates the record of creditworthiness of its counterparties, and specifies the terms of its honesty and behavior in its contract with its counterparty?	V		Before the establishment of a commercial relationship, assess the legitimacy of the target, and whether there are records of dishonest conduct and bank notes to ensure that its business practices are fair, transparent and will not require, provide or accept bribery.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"

<p>(2) Whether the company has set up a special (part-) job promotion unit that promotes corporate integrity under the board of directors, and regularly reports to the board of directors on its implementation?</p>	<p>V</p>		<p>Although the company did not set up a professional (part-time) work unit to promote the corporate society, the related duties are distributed among the various departments, and the company has spared no effort to fulfill the corporate responsibility.</p>	<p>It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"</p>
<p>(3) Whether the company has formulated a policy to prevent conflict of interest, provide a proper statement pipeline, and implement it?</p>	<p>V</p>		<p>The directors of the company are highly disciplined and have a stake in the bills listed on the board of directors, which are of interest to the legal persons themselves or their representatives. They are detrimental to the best interests of the company and do not participate in the discussion and voting and avoid them.</p>	<p>It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"</p>
<p>(4) Whether the company has established an effective accounting system and internal control system for the implementation of creditworthiness management, and the internal auditing unit regularly checks or entrusts the accountant to perform the check?</p>	<p>V</p>		<p>The Company has established effective internal control, relevant management methods and accounting system to implement it. At the same time, it has an auditing unit to regularly audit the relevant matters concerning the various units of the company.</p>	<p>It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"</p>
<p>(5) Whether the company regularly organizes internal and external education and training for integrity management?</p>	<p>V</p>		<p>The company has now set employee rules and instructions and strengthened employee advocacy.</p>	<p>It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"</p>
<p>III. The company's reporting system operation (1) Whether the company has established specific reporting and reward systems, and established a conviction reporting pipeline, and assigned appropriate admissaries for the targets to be reported?</p>	<p>V</p>		<p>The company has not yet set a specific reporting and reward system, but has established a conviction reporting pipeline. Relevant personnel will be punished according to the rules and regulations of the company for violating the rules of good faith.  Please refer to the Company's official website for the complaint channel of the company.  <a href="http://www.metatech.com.tw/invest/pdf/report.pdf">Http://www.metatech.com.tw/invest/pdf/report.pdf</a></p>	<p>Not applicable</p>
<p>(2) whether the company has established the standard operating procedures and relevant confidentiality mechanisms for the handling of accusations?</p>	<p>V</p>		<p>The Company currently has not yet established the standard operating procedures and related confidentiality mechanisms for the handling of accusations. We will continue to establish in the future.</p>	<p>Not applicable</p>

(3) Whether the company has taken measures to protect the prosecutor from improper handling due to the prosecution?		V	The company has not yet set the standard operating procedures and related confidentiality mechanisms for the handling of accusations. We will continue to establish in the future.	Not applicable
IV. Strengthen information disclosure (1) Whether the company has disclosed the content of the integrity management code it has made and promoted its effectiveness on its website and public information observatory?		V	The company has now established a code of integrity and disclosed its relevant announcements at the public information observatory as required.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"
V. If a company has its own integrity management code based on the " Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies ", please state the difference between its operation and the code: Companies are required to disclose in the public information observatory corporate governance area.				
VI. Other important information helpful in understanding the operating conditions of the company's business integrity: (such as the company's review of the revised rules of incorporation, etc.): None.				



(G) If a company has a corporate governance code and related regulations, it should disclose its search method:

1. The Company has established the following relevant regulations and methods in accordance with the " Corporate Governance Best Practice Principles for TWSE / GTSM Listed Companies " :

- (1) The rules of procedure in shareholders' meeting
- (2) The rules of procedure in Board of Directors
- (3) The method for the board of directors and supervisors election
- (4) Regulations governing the acquisition and disposal of assets
- (5) Regulations governing endorsement guarantee
- (6) Regulations governing loans
- (7) Measures for supervision and management of subsidiaries
- (8) Procedures for handling material inside information
- (9) Ethical corporate management best practice principles
- (10) Measures to prevent insider trading operation
- (11) The ethical behavior principle of directors and managers
- (12) Corporate social responsibility best practice principles
- (13) Audit Committee Charter
- (14) Corporate governance practice principles
- (15) Remuneration Committee Charter

2. Inquiry mode:

The Company website: <http://www.metatech.com.tw>, is in the investor area, expose the Company's financial business and corporate governance information.

(H) The company has established "Procedures for handling material inside information" and announcements:

The Company's "Measures to prevent insider trading operation" included internal major information processing operations procedures, which were approved by the Board of Directors in December 2009 and revised in May 2017. The Board of Directors announced this procedure to all directors and supervisors on the same day.

After the meeting, relevant information on the procedures will be sent to the directors

and supervisors of the company for reference. In the Company's internal aspects, after the board of directors recognizes, this procedure and precautions are placed in the Company's public data area for the managers of the Company, the heads of management, and all my colleagues to follow.

(I) Other important information that can enhance the understanding of the operation of corporate governance has been revealed:

The query method is as follows:

1. The company's newly appointed internal supervisors, managers, and other insiders distributed the latest version of the "Relevant laws and regulations and precautions for insider equity at over-the-counter market and emerging stock market" to the securities counter trading center for insiders to follow.
2. Market Observation Post System: <http://newmops.tse.com.tw>
3. The Company's website: <http://www.metatech.com.tw> Investor Area

(J) Internal control system and implementation status

1. Internal Control System Statement

**MetaTech (AP) Inc.**  
**Internal Control System Statement**

March 26, 2019

In accordance with the results of self-inspection, the Company's internal control system for the year of 2018 states the following:

- I. The Company is aware that establishing, implementing and maintaining the internal control system is the responsibility of the board of directors and managers of the Company. The Company has established this system. Its purpose is to provide reasonable assurance as to the achievement of the objectives and objectives of the operation's effectiveness and efficiency (including profitability, performance, and protection of asset safety, etc.), reliability of financial reporting, and compliance with relevant laws and regulations.
- II. The internal control system has its inherent limitations. Regardless of how well the design is completed, an effective internal control system can only provide reasonable assurance for the achievement of the above three goals. Moreover, the effectiveness of the internal control system is due to changes in the environment and circumstances. May change with it. However, the Company's internal control system has a mechanism for self-monitoring. Once the lack is identified, the Company will take corrective action.
- III. The Company determines the effectiveness of the design and implementation of the internal control system based on the judgment items of the effectiveness of the internal control system as stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations Governing"). The internal control system used in the "Regulations Governing" determines the project in accordance with the process of management control. The internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervision. Each component includes several items. For the aforementioned items, please refer to the provisions of the "Regulations Governing".
- IV. The Company has adopted the above-mentioned internal control system to judge the project and check the effectiveness of the design and implementation of the internal control system.

V. Based on the inspection results of the preceding paragraph, considering the Company's internal control system as of December 31, 2018 (including supervision and management of subsidiaries) includes the degree to which the effectiveness and efficiency objectives of the operation are reached, and the financial reports. The design and implementation of the relevant internal control systems, such as reliability and related laws, are effective, and they can reasonably ensure the achievement of the above objectives.

VI. This statement will become the main content of the Company's annual report and the public statement, and will be open to the public. If any of the above disclosed content is false or hidden, it will involve the legal obligations of Article 20, Article 32, Article 171, and Article 174 of the Securities Exchange Act.

VII. This statement was approved by the board of directors of the Company on March 26, 2019. Of the 11 directors present (Including 1 persons entrusted to attend), 0 had dissenting opinions. All of them agreed with the contents of this statement and made the statement.

MetaTech (AP) Inc.

Chairman: Hu, Li San Signature

General Manager: Tang, Hong De Signature

2. When commissioning an accountant project to review the internal control system, the accountant review report should be disclosed: Not applicable.

(K) In the most recent year and as of the publication of the annual report, the Company and its internal personnel were punished according to law, and the Company's internal personnel violated the provisions of the internal control system for penalties, major defects, and improvements: No such situation.

(L) In 2018 and as of the printing date of the annual report, important resolutions of the shareholders' meeting and the board of directors:

Shareholders' Meeting / Board of Directors	Date	Important resolutions																		
2018 Shareholders' Meeting	2018.06.25	1. Acknowledging the 2017 Business Report and the Consolidated Financial Statements, the voting results are as follows. The voting weights represent 98.47% of the voting rights of the shareholders at the time of voting:																		
		<table border="1"> <thead> <tr> <th>Items</th> <th>Attendance at shareholders' voting rights</th> <th>Agree</th> <th>Opposition</th> <th>Invalid</th> <th>Abstaining/Not voting</th> </tr> </thead> <tbody> <tr> <td>Weights</td> <td>36,168,788</td> <td>35,614,366</td> <td>56,451</td> <td>0</td> <td>497,971</td> </tr> <tr> <td>Proportion</td> <td>100.00%</td> <td>98.47%</td> <td>0.16%</td> <td>0</td> <td>1.38%</td> </tr> </tbody> </table>	Items	Attendance at shareholders' voting rights	Agree	Opposition	Invalid	Abstaining/Not voting	Weights	36,168,788	35,614,366	56,451	0	497,971	Proportion	100.00%	98.47%	0.16%	0	1.38%
		Items	Attendance at shareholders' voting rights	Agree	Opposition	Invalid	Abstaining/Not voting													
		Weights	36,168,788	35,614,366	56,451	0	497,971													
		Proportion	100.00%	98.47%	0.16%	0	1.38%													
		2. Acknowledging the 2017 loss allocation, the voting results are as follows, in favour of weights accounting for 98.47% of the voting rights of shareholders at the time of voting.																		
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		Weights	36,168,788	35,614,355	56,461	0	497,972													
		Proportion	100.00%	98.47%	0.16%	0	1.38%													
		3. The voting result of the amendment of the Company's Articles of Association is as follows. The voting rights in favour of the company accounted for 98.46% of the voting rights of the shareholders present at the time of voting.																		
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		Proportion	100.00%	98.46%	0.16%	0	1.38%													
		4. In the revised section of the group's "Procedures for the loan of funds and the operation of others", the voting results are as follows, in favour of weighting 98.46% of the voting rights of shareholders at the time of voting.																		
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		Weights	36,168,788	35,611,355	58,461	0	498,972
		Proportion	100.00%	98.46%	0.16%	0	1.38%
		5. In the revised section of the group's "endorsement guarantee Operating Procedures", the voting results are as follows, in favour of weights accounting for 98.46% of the voting rights of shareholders at the time of voting.					
		Items	Attendance at shareholders' voting rights	Agree	Opposition	Invalid	Abstaining/Not voting
		Weights	36,168,788	35,611,357	58,460	0	498,971
		Proportion	100.00%	98.46%	0.16%	0	1.38%
		6. In the revised section of the group "acquisition or disposition of asset disposal procedures", the voting results are as follows, in favor of weight 98.46% of the voting rights of shareholders at the time of voting.					
		Items	Attendance at shareholders' voting rights	Agree	Opposition	Invalid	Abstaining/Not voting
		Weights	36,168,788	35,611,359	58,457	0	498,972
		Proportion	100.00%	98.46%	0.16%	0	1.38%
		7. The election of the eighth term of directors (including independent directors) by the company is as follows:					
		Name	Elected weights	Name	Elected weights		
		Account number : 29345 National Development Fund, Executive Yuan Representative of Corporation Director: He, Hong Neng	35,830,255weights	Account number : 22433 Bei De Bi Xiu Investment Co., Ltd. Representative : Zheng, Shou Xia	34,712,559 weights		
		Account number : 28132 Junmao International Co., Ltd. Representative of Corporation Director: Wu, Zhen Long	36,050,710 weights	Account number : 22433 Bei De Bi Xiu Investment Co., Ltd. Representative: Hu, Li San	39,563,940 weights		
		Account number : 31246 Dajun Investment Co., Ltd. Representative of Corporation Director: Yang, Zhi Hui	35,228,849 weights	Account number : 22433 Bei De Bi Xiu Investment Co., Ltd. Representative: Tang, Hong De	35,691,894 weights		

		Account number : 31246 Dajun Investment Co., Ltd. Representative: Zhao, Hong Zhang	35,079,634 weights	Account number : 22433 Bei De Bi Xiu Investment Co., Ltd. Representative: Qiu, Jun Hua	34,354,176 weights																		
		The list of the eighth independent directors of the three seats is as follows:																					
		<table border="1"> <thead> <tr> <th>Name</th> <th>Elected weights</th> <th>Name</th> <th>Elected weights</th> </tr> </thead> <tbody> <tr> <td>VAT number : E100441XXX Wu, Rong Yi</td> <td>36,950,917weights</td> <td>Account number : 19119 Wang, Wen Zhu</td> <td>33,989,266weights</td> </tr> <tr> <td>Account number : 13537 Chen, Rong Hua</td> <td>33,860,171weights</td> <td></td> <td></td> </tr> </tbody> </table>				Name	Elected weights	Name	Elected weights	VAT number : E100441XXX Wu, Rong Yi	36,950,917weights	Account number : 19119 Wang, Wen Zhu	33,989,266weights	Account number : 13537 Chen, Rong Hua	33,860,171weights								
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		8. The restrictions on the dismissal of new directors' competitions were as follows. The voting weights accounted for 98.46% of the voting rights of shareholders attending the voting.																					
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		Note: The above weights include electronic voting to exercise voting rights.																					
The twenty-first time of the seventh session of board of directors	2018.02.05	<ol style="list-style-type: none"> <li>1. Reported that the 2017 cash increase will be issued at a premium of NT\$36 per share.</li> <li>2. Amend the case of applying for equipment and equipment.</li> <li>3. Amend the case of renting the Yuanxiong U-TOW N building, and at the same time migrating the cell process center plant and evaluating the construction fund.</li> <li>4. By applying to the Bamboo Science and Technology Administration for the case of the Zhubei Biomedical Park.</li> <li>5. By amending the "Employees' Marriage Certificate Issuance and Share Ownership Measures" case.</li> <li>6. The amount of money loaned by MTI Holding Co., Ltd. and the great - time company MetaTech Ltd.</li> <li>7. By applying to the China Trust Commercial Bank for a renewal of the comprehensive loan financing amount.</li> <li>8. Through the company's 2017 annual employee and manager year -end bonus issue.</li> </ol>																					

The twenty-second time of the seventh session of board of directors	2018.03.27	<ol style="list-style-type: none"><li>1. The case was approved by the 2017 Internal Control System Statement.</li><li>2. Passed the company's 2017 annual individual and consolidated financial statements.</li><li>3. Through the company's 2017 loss compensation case.</li><li>4. Through the purchase of goods by Sangu Trading (Shenzhen) Co., Ltd. to Jianzhun Co., Ltd., the company is requested to apply to the bank to open a STANDBY L/C or performance guarantee letter.</li><li>5. Passed the fund loan case of Jianhua Travel Agency Co., Ltd.</li><li>6. By applying to China CITIC Bank for the amount of loan financing.</li><li>7. Requested the endorsement of the Sanga Co., Ltd. through MetaTech Ltd.</li></ol>
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Shareholders' Meeting / Board of Directors	Date	Important resolutions
		<p>8. Distribution of employee stock option certificates.</p> <p>9. Through the proposed issuance of the third domestic guaranteed convertible corporate debt case.</p> <p>10. By issuing the third domestic guaranteed convertible corporate bond, it is proposed to apply for a guarantee from a financial institution.</p> <p>11. The director of the subsidiary Jianhua Travel Agency was appointed.</p> <p>12. By accepting the nomination period for candidates for directors (including independent directors), the number of places to be selected and the case for accepting premises.</p> <p>13. By amending some of the provisions of the Articles of Association.</p> <p>14. The selection of directors (including independent directors).</p> <p>15. To lift the restriction on the prohibition of competition for new directors of the company's shareholders' meeting this year.</p> <p>16. By holding the 2018 shareholders' meeting</p> <p>17. The renewal of the credit line of Changhua Bank was approved.</p> <p>18. By adjusting the compensation of independent directors of the Company.</p>
The twenty-third time of the seventh session of board of directors	2018.04.20	<p>1. A list of candidates nominated by the board of directors (including independent directors).</p> <p>2. By amending some of the provisions of the Group's "Finance loan and other people's operating procedures".</p> <p>3. By amending some of the articles in the "Endorsement Guarantee Operation Procedures" of the Group.</p> <p>4. Through the subsidiary Jianhua Travel Agency Co., Ltd., the cash increase of NT\$10 million.</p> <p>5. The proposed addition of the "Biomedical Development Committee" case is proposed.</p> <p>6. Adopted amendments to some of the articles of the "Articles of Association".</p>
The twenty-fourth time of the seventh session of board of directors	2018.05.11	<p>1. The case of the Yuanxiong U-Town21F-7 office was proposed to be leased to Anxiang Biotechnology Co., Ltd.</p> <p>2. Apply for the renewal of the quota and the amount of financial transactions through Taiwanese corporate banking.</p> <p>3. The renewal of the credit line of Changhua Bank was passed.</p> <p>4. By amending some of the provisions of the Company's "Implementation of Corporate Bonds".</p> <p>5. By amending some of the provisions of the Company's "Accounting Professional Judgment Procedures and Accounting Policies and Estimating Change Process Management Measures".</p> <p>6. To amend some of the provisions of the Company's "Long-term and Short-term Investment Management Measures".</p> <p>7. By amending some of the provisions of the Group's "Acquisition or Disposal</p>

Shareholders' Meeting / Board of Directors	Date	Important resolutions
		<p>of Assets Processing Procedures”.</p> <p>8. Through the newly added case of the 2018 shareholders' meeting.</p> <p>9. By issuing the Dragon Boat Festival bonus case.</p> <p>10. Through the company's employee stock option certificate allocation case.</p> <p>11. By accepting the shareholders' proposal and electing the candidates for the nomination review of the directors (including independent directors).</p>
The first time of the eighth session of board of directors	2018.6.25	<p>1. By selecting the current chairman of the board in accordance with the provisions of the company law, the company elected Hu Lisan as the chairman of the board of directors.</p> <p>2. Donation of skin cell laminates for use by Taiwanese police officers in the event of an accident in a disaster relief accident through a review of the norms and competent authorities that comply with the relevant laws and regulations.</p>
The second time of the eighth session of board of directors	2018.8.07	<p>1. Recognition through the cellular process Center set up a factory design, regenerative medical plant and its ancillary pipe room to apply for change projects, the total need to increase NT\$ 584,420.</p> <p>2. The amendment proposes to upgrade the electronic operations centres in each district to the operations office through the group's organizational structure, and to revise the "Check Authority Table" of the electronic sector.</p> <p>3. Appointments to the case by the fourth session of the Remuneration Committee.</p> <p>4. By appointing members to the first Health and Medical Development Committee of the Company.</p> <p>5. Accountants case at public fee by PricewaterhouseCoopers second quarter of 2018 to the first quarter of 2019.</p> <p>6. Line of credit to the case by the Land Bank.</p> <p>7. By the Company to the MTI Holding Co., Ltd for funding and loans.</p> <p>8. Amended the third domestic secured convertible corporate bond issue through the change.</p>
The third time of the eighth session of board of directors	2018.10.31	<p>1. Amendment The Zhubei Branch was established by the Company in Zhubei Biomedical Park, and the professional management consulting company was requested to assist in proposing a complete investment feasibility assessment plan.</p> <p>2. Through Professor Yang Zhihui as the compensation case of the company's consultants.</p> <p>3. Through the organizational adjustment, the Department of Industry and the Second Division of the Taiwan Operations Division were reorganized into the business department, and the Greater China Operations Office was officially renamed as the China and Hong Kong Operations Division.</p> <p>4. Promoted by Wang Shijun as the assistant and served as the director of the Taiwan Operations Division.</p> <p>5. Amended through the company's 2019 annual audit plan.</p> <p>6. Passed the company's 2019 annual budget and annual operating plan.</p> <p>7. The issuance of ordinary shares through the company's 2017 private cash increase will not be continued.</p>

		<p>8. By ratifying the 2018 supervisor and manager liability insurance renewal case.</p> <p>9. Through the company's employee stock option certificate allocation case.</p> <p>10. Amend the fund loan case of the related person MTI Holding Co., Ltd. and Metatech(S) Pte Ltd.</p> <p>11. To pass the by-election of Mr. Huang Canlie as the compensation committee of the Company.</p>
The forth time of the eighth session of board of directors	2019.1.22	<p>1. By renewing the application for the renewal of the comprehensive loan financing amount from the China Trust Commercial Bank and the mutual endorsement of the company and the Hong Kong great-grandson company Metatech Limited.</p> <p>2. Through the relationship between the human capital loan case.</p> <p>3. Through the company's 2018 employees and managers year-end bonus issue.</p> <p>4. Through the issuance of the Wang Shijun season bonus case of the Electronic Business Division.</p>
The fifth time of the eighth session of board of directors	2019.3.26	<p>1. Pass the 2018 annual "Internal Control System Statement" to agree to the case.</p> <p>2. Pass the company's 2018 annual individual financial statements and consolidated financial statements.</p> <p>3. Through the company's 2018 annual loss compensation case.</p> <p>4. To amend some of the articles in the "Articles of Association" of the Company.</p> <p>5. Amend the case through part of the provisions of the Group's "Funding and Others Operating Procedures".</p> <p>6. Amendments to the provisions of the "Endorsement Guarantee Operating Procedures" of the Group.</p> <p>7. To amend some of the provisions of the Group's "Acquisition or Disposition of Assets Processing Procedures".</p> <p>8. Amend the section "Procedures for Disposal or Disposal of Assets" through the Group.</p> <p>9. Amend the 2019 annual electronic institution performance bonus distribution system and basic case.</p> <p>10. By dissolving the restrictions on the prohibition of competition of directors of the company's shareholders' meeting this year.</p> <p>11. By holding the date, time, address and the contents of the 2019 shareholders' meeting, and exercising the voting rights by electronic means.</p> <p>12. Apply for a joint venture financing case from China Trust Commercial Bank through the Company and Hong Kong's great-grandson company Metatech Limited. (from the report to the 12th case of the discussion)</p>
The sixth time of the eighth session of board of directors	2019.5.3	<p>1. By applying to the Taiwanese corporate bank for a renewal of the credit line.</p> <p>2. By applying for renewal of the credit line to Changhua Bank.</p> <p>3. By applying to the Land Bank for a credit line.</p> <p>4. Through Sangu Trading (Shenzhen) Co., Ltd. to purchase goods from Xiangzhun Co., Ltd., the company is requested to apply to the bank to open a STANDBY L/C or performance guarantee letter.</p>

(M) In the most recent year and as of the publication of the annual report, the directors or supervisors had different opinions on the important resolutions passed by the board of directors and there were records or written statements. The main content: No such situation.

(N) In the most recent year and up to the date of printing annual reports, the resignation and dismissal of persons related to financial reporting: (including the chairman, general manager, chief accountant and chief internal auditor)

May 31, 2019

Title	Name	Appointment date	Dismissal date	Reasons for resigning or dismissal
Audit Manager	Zhu, Xiangbin	2014.02.26	2019.04.01	Resignation due to health factors

#### D. Professional fees of the CPAs:

(B) Public accountant's fees

Accounting firm name	Accountant's name		During the audit	Note
PricewaterhouseCoopers Taiwan	Xu, Ming Chuan	Zhi, Bing Jun	2018/01/01~2018/12/31	

Unit: NT\$ thousand

Public fee items		Audit public fee	Non-audit public fee	Total
Amount of distance				
1	Less than \$2,000 thousand		V (Note)	V
2	\$2,000 thousand (inclusive) to \$4,000 thousand	V		V
3	\$4,000 thousand (inclusive) to \$6,000 thousand			
4	\$6,000 thousand (inclusive) to \$8,000 thousand			
5	\$8,000 thousand (inclusive) to \$10,000 thousand			
6	More than \$10,000 thousand (inclusive)			

Note: The Company's non-audit public fees are on behalf of advances and employee equity public fees.

Unit: NT\$ thousand

Accounting firm name	Accountant's name	Audit public fee	Non-audit public fee					During the audit	Note
			System Design	Business registration	Human Resources	Other (Note 2)	Subtotal		
PricewaterhouseCoopers Taiwan	Xu, Ming Chuan	2,750				395	395	2018/01/01-2018/12/31	Advance payment and employee stock options and current increase, corporate bonds and other public expenses
	Zhi, Bing Jun							2018/01/01-2018/12/31	

Note 1: If the company changes its accountant or accounting firm this year, it should list the check period separately, explain the reason for the change in the remark column, and disclose the audited and non-audited public fees and other information.

Note 2: Non-audit public fees are listed separately according to the service items. If the "others" of the non-audit public fees reach 25% of the total non-audit public funds, the service contents should be listed in the remarks column.

- (C) The non-audit public funds of the firms and their affiliates that pay accountants and accountants are more than 4% of the audited public funds: None
- (D) Replacement of accounting firms and replacement of audit public funds paid in the year compared to the reduction of audit public funds in the previous year: Not applicable
- (E) Audited public funds are reduced by more than 15 percent from the previous year: None

## E. Information for Change of the CPAs

### (F) About the former accountant:

Change Date	2017.01.01		
Replace reason and explanation	In order to cooperate with the internal adjustment of the PricewaterhouseCoopers Taiwan		
The description was terminated or not accepted by the appointor or accountant	party	accountant	appointed person
	situation		
	Proactively terminate the appointment	Not applicable	Not applicable
	No longer accept (continue) appointment	Not applicable	Not applicable
Opinions and Reasons for Examining Check Reports Other than Unqualified Opinions within the Latest Two Years	None		
Is there any disagreement with the issuer or not	Yes		Accounting principles or practices
			Financial report disclosure
			Check the scope or steps
			Others
	No	V	
	Instructions		
Other disclosures (the fourth point of Article 10(5) of this Code should be disclosed)	Not applicable		

### (G) About Succession Accountant:

Office name	PricewaterhouseCoopers Taiwan
Accountant's name	Xu, Ming Chuan
Date of appointment	Not applicable
Pre-commissioning accounting methods or accounting principles for specific transactions and opinions on the possible issuance of financial reports Consultations and results	Not applicable
Written Opinions of Successional Accountants on Disagreement of Previous Accountants	Not applicable

**F. The Company's chairman, general managers, and managers responsible for finance or accounting who have held a position in the CPA office or its affiliates within the latest year: None.**

**G.Changes in shareholdings of directors, supervisors, managers and major shareholders**

(A) Changes in the shareholdings of directors, supervisors, managers and major shareholders

Unit: share

Title	Name	2018		Ended the transfer date as of April 19, 2019	
		Number of shares held Increase (decrease) number	Pledged shares Increase (decrease) number	Number of shares held Increase (decrease) number	Pledged shares Increase (decrease) number
Director	Bei De Bi Xiu Investment Co., Ltd.	2,814,924	—	—	—
Representative and chairman of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative : Hu, Li San (Note 1)	(2,050,483)	—	—	—
Representative and General manager of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative : Tang, Hong De (Note 2)	—	—	(200,000)	—
Representative of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative : Zheng, Shou Xia (Note 3)	—	—	—	—
Representative of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative : Wang, Zhe Xun (Note 3)	—	—	—	—
Representative of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative : Chen, Rui Jie (Note 3)	—	—	—	—
Representative and Executive deputy general manager of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative : Qiu, Jun Hua (Note 4)	—	—	—	—
Director	Junmao International Co., Ltd. (Note 3)	3,270,000	—	—	—
Representative of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative : Wu, Zhen Long (Note 5)	2,890,000	—	104,000	—
Director	National Development Fund, Executive Yuan (Note 5)	2,777,000	—	—	—
Representative of Corporation Director	National Development Fund, Executive Yuan Representative: He, Hong	—	—	—	—

	Neng				
Director	Dajun Investment Co., Ltd. (Note 5)	197,000		—	—
Representative of Corporation Director	Dajun Investment Co., Ltd. Representative of Corporation Director: Yang, Zhi Hui (Note 5)	50,000		—	—
Representative of Corporation Director	Dajun Investment Co., Ltd. Representative of Corporation Director: Zhao, Hong Zhang (Note 5)	—	—	—	—
Independent Director	Wu, Rong Yi (Note 5)	—	—	—	—
Independent Director	Chen, Rong Hua	—	—	—	—
Independent Director	Wang, Wen Zhu	—	—	—	—
Director and General Manager	Li, Zheng (Note 6)	—	—	—	—
Director	Ou, Geng Liang (Note 7)	—	—	—	—
Representative of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative : Chen, Zong Ji (Note 8)	—	—	—	—
Representative of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative : Wang, Junxiong (Note 7)	—	—	—	—
Independent Director	Yang, Liang You (Note 9)	—	—	—	—
Auditing Assistant Manager	Zhu, Xiang Bin	3,000		—	—
Deputy General Manager of Electronic Business	Zhou, Shuo Hui	—	—	—	—
General Manager of Biomedicine Business Department	Liu, Heng Yu	—	—	—	—
General Manager of Finance / Management Department	Zhan, Zhi Cong	—	—	—	—
Assistant Manager of Investment Relations Department	Lin, Wen Jie	—	—	—	—
Assistant Manager of Medical Application Department	Wang, Zhe Xun	—	—	—	—



Assistant Manager of Taiwan Operations Center	Wang, Shi Jun (Note 10)				
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Note 1: Originally a director of natural persons, after the re-election of the director on June 25, 2018, he was the legal representative of Bei De Bi Xiu Investment Co., Ltd.

Note 2: Tang, Hong De was originally a director of natural persons. He was the legal representative of Bei De Bi Xiu Investment Co., Ltd. after the re-election of the director on June 25, 2018. He also served as the general manager on December 21, 2016.

Note 3: Zheng, Shou Xia was appointed as the new representative after the re-election of the board of directors on June 25, 2018. Bei De Bi Xiu Investment Co., Ltd was reassigned as the new representative on June 26, 2018; on September 14, 2018 represented the representative as Chen, Rui Jie.

Note 4: Qiu, Jun Hua was originally a director of natural persons. After the re-election of the board of directors on June 25, 2018, he was the legal representative of Bei De Bi Xiu Investment Co., Ltd.

Note 5: On June 25, 2018, the directors will be re-elected after the term is re-elected.

Note 6: Li, Zheng served as a director of the Company from June 30, 2015 to June 24, 2018, and was re-elected after the re-election of the Board of Directors on June 25, 2018; and served as the general on March 17, 2015. Manager, stepped down as general manager on March 18, 2016.

Note 7: On June 25, 2018, the Board of Directors retired after the re-election.

Note 8: Chen, Zong Ji was appointed as the legal representative of the director Bei De Bi Xiu Investment Co., Ltd. on June 29, 2016. Bei De Bi Xiu Investment Co., Ltd reassigned Wang, Jun Xiong as a legal person on July 1, 2016 representative of the director.

Note 9: Yang, Liang You was elected as an independent director on June 29, 2016, and retired after the re-election of the board of directors on June 25, 2018.

Note 10: Wang, Shi Jun was the associate of the Taiwan Operations Office on October 31, 2018.

(B) Directors, Supervisors, Managers and Major Shareholders Transfer of Ownership: None.

(C) Directors, Supervisors, Managers and Major Shareholders Equity Pledge Information: None.

## H.Shareholding ratio accounts for the relationship between the top ten shareholders

Deadline for the transfer as of April 19, 2019; Unit: Shares; %

Name	Holding shares by person		Spouses, underage children holding shares		Total holding shares in the name of others		The relationship between the top ten shareholders and those who are related to Financial Accounting Standards Bulletin No. 6 and its name and relationship		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relations	
Junmao International Co., Ltd.	3,270,000	5.64%					Wu, Zhen Long	Chairman	
Junmao International Co., Ltd. Representative: Wu, Zhen Long	2,994,000	5.16%					Wu, Zhen Long	In person	
Bei De Bi Xiu Investment Co., Ltd.	3,141,924	5.42%							
Bei De Bi Xiu Investment Co., Ltd. Representative: Chen, Zong Ji	0	0%							
Wu, Zhen Long	2,994,000	5.16%			119,000	0.21%	Junmao International Co., Ltd.	Chairman	
National Development Fund, Executive Yuan	2,777,000	4.79%							
National Development Fund, Executive Yuan Representative: Chen, Mei Ling	0	0%							
Ou Si Mi	2,628,000	4.53%							
Huan Cheng Shi Yu Investment Co., Ltd.	2,499,000	4.31%							
Huan Cheng Shi Yu Investment Co., Ltd. Representative: Yu, Qi Lin	0	0%							
He, Rou Xian	837,567	1.44%							
Wang, Yu Qing	755,020	1.30%							

Lin, Fang Bang	705,000	1.22%							
Wang, Wen Hua	701,000	1.21%							

**I. The number of shares held by the Company, the Company's directors, supervisors, managers, and directly or indirectly controlled by the same investment business and combined to calculate the comprehensive shareholding ratio**

Deadline for the transfer as of April 19, 2019; Unit: Shares; %

Transfer to investment	The Company's investment		Directors, supervisors, managers, and direct or indirect control of investment in the business		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
MetaTech Investment Holding Co.,Ltd.	10,000,000	100.00	-	-	10,000,000	100.00
MTI Holding Co.,Ltd	-	-	10,000,000	100.00	10,000,000	100.00
MetaTech(S) Pte Ltd.	-	-	3,800,000	100.00	3,800,000	100.00
MetaTech Ltd.	-	-	46,000,000	100.00	46,000,000	100.00
MetaTech(SZ)	-	-	Not applicable	100.00	Not applicable	100.00
Jianhua Travel Agency Co., Ltd.	800	100.00	-	-	800	100.00

## IV. Capital Overview

### A. Capital and shares

#### (A) Source of equity

April 19, 2019 Unit: NT\$ thousand; thousand shares

Year Month	Issue price	Certified capital		Actual capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of equity	In addition to the property o ther than cash	Others
1998.09	10	1,000	10,000	1,000	10,000	Cash establishment	-	Note 1
2001.12	10	12,000	120,000	12,000	120,000	Cash increase	-	Note 2
2002.12	15	30,000	300,000	16,800	168,000	Cash increase	-	Note 3
2003.09	10	30,000	300,000	19,470	194,700	Surplus and dividends increased by \$9,900 thousand	-	Note 4
						Transfer of capital reserves to increase of \$16,800 thousand		
2004.06	10	30,000	300,000	23,900	239,000	Surplus and dividends increased by \$4,430 thousand	-	Note 5
2005.09	10	30,000	300,000	26,600	266,000	Surplus and dividends increased by \$20,054 thousand	-	Note 6
						Capital reserve increased by \$6,946 thousand		
2006.06	10	100,000	1,000,000	30,000	300,000	Surplus and dividends increased by \$34,000	-	Note 7
2006.10	14	100,000	1,000,000	36,000	360,000	Increased cash by \$60,000 thousand	-	Note 8
2006.12	17.10	100,000	1,000,000	37,363	373,625	Conversion of corporate bonds to common stock of \$13,625 thousand	-	Note 9
2007.03	17.10	100,000	1,000,000	37,579	375,789	Corporate bonds converted to common stock \$2,164 thousand	-	Note 10
2007.06	10	100,000	1,000,000	41,959	419,589	Surplus and dividends increased by \$19,546 thousand	-	Note 11
						Conversion of capital reserves to capital increase by \$24,254 thousand		
2007.06	17.10	100,000	1,000,000	42,152	421,519	Corporate bonds converted to common stock \$1,930 thousand	-	Note 12
2007.09	17.10	100,000	1,000,000	42,316	423,163	Corporate bonds converted to common stock \$1,645 thousand	-	Note 13
2008.09	11.60	100,000	1,000,000	43,316	433,163	Capital reserve increased by \$10,000 thousand	-	Note 14

2010.12	11.60	100,000	1,000,000	43,325	433,249	Corporate Bonds Converted to Common Shares \$86 thousand	-	Note 15
2011.04	10	100,000	1,000,000	42,004	420,039	Cancellation of treasury shares by \$13,210 thousand	-	Note 16
2013.11	10	100,000	1,000,000	30,000	300,000	Cancellation of common stock 120,039 thousand	-	Note 17
2015.01	20.05	100,000	1,000,000	40,000	400,000	Cash increase \$ 100,000 thousand	-	Note 18
2017.05	37.35	100,000	1,000,000	43,949	439,491	Corporate bonds converted to common stocks NT\$ 39,491 thousand	-	Note 19
2017.09	37.35	100,000	1,000,000	44,016	440,160	Corporate bonds converted into common stocks NT\$ 669 thousand		Note 20
2018.01	36	100,000	1,000,000	58,016	580,160	Cash increase of \$140,000 thousand		Note 21

Note1: 1998.09.17 Approval No.00592284  
 Note2: 2002.01.09 Approval No.09101001740  
 Note3: 2002.09.26 Approval No.0910151865  
 Note4: 2003.09.15 Approval No.09232661990  
 Note5: 2004.06.11 Approval No.09332220350  
 Note6: 2005.09.02 Approval No.09432742670  
 Note7: 2006.08.04 Approval No.09532624610  
 Note8: 2006.08.21 Approval No.0950135986  
 Note9: 2007.04.23 Approval No.09632010150  
 Note10: 2007.05.15 Approval No.09632112690  
 Note11: 2007.07.09 Approval No.0960034965  
 Note12: 2007.09.05 Approval No.09632722790  
 Note13: 2007.12.11 Approval No.09633185050  
 Note14: 2008.07.07 Approval No.0970033733  
 Note15: 2010.12.22 Approval No.0993177428  
 Note16: 2011.04.18 Approval No.1005022056  
 Note17: 2013.11.08 Approval No.1020042213  
 Note18: 2015.01.16 Approval No.1030053618  
 Note19: 2017.05.23 Approval No.1068031847  
 Note20: 2017.09.08 Approval No.1068058488  
 Note21: 2018.01.29 Approval No.09633185050

1. The types of shares that have been issued during the most recent year and up to the publication date of the annual report

April 19, 2019

Share Category	Authorized capital stock				Note
	Outstanding Shares	Any repurchases of the Company	Unissued shares	Total	
Common shares	58,016,045 shares	0 shares	41,983,955 shares	100,000,000 shares	Note 1

Note1: The Company listed at over-the-counter market on June 3, 2004.

2. General declaration system related information: None.

(B) Shareholders' structure

Deadline for the transfer as of April 19, 2019; Unit: Shares

Shareholders structure Quantity	Government Institutions	Financial Institutions	Other corporations	Foreign Institutions and outsiders	Personal	Total
Number of people	1	0	106	10,103	16	10,226
Holding shares	2,777,000	0	9,627,507	44,641,340	970,198	58,016,045
Shareholding ratio	4.79%	0.00%	16.60%	76.95%	1.68%	100.00%

(C) Equity dispersion

1. Common shares

Deadline for the transfer as of April 19, 2019; \$ 10 per share

Shareholding classification	Shareholders	Holding shares	Shareholding ratio
1 to 999	8,222	200,404	0.35
1,000 to 5,000	1,225	2,599,617	4.48
5,001 to 10,000	256	2,007,542	3.46
10,001 to 15,000	120	1,527,487	2.63
15,000 to 20,000	80	1,446,126	2.49
20,001 to 30,000	86	2,141,256	3.69
30,001 to 40,000	59	2,151,540	3.71
40,001 to 50,000	32	1,441,677	2.48
50,001 to 100,000	57	4,002,778	6.90
100,001 to 200,000	43	6,085,196	10.49
200,001 to 400,000	23	6,969,944	12.01
400,001 to 600,000	8	3,785,960	6.53
600,001 to 800,000	8	5,509,027	9.50
800,001 to 1,000,000	1	837,567	1.44
1,000,001 more	6	17,309,924	29.84
Total	10,226	58,016,045	100.00

2. Preferred shares: The Company did not issue preferred shares.

(D) List of major shareholders

Deadline for the transfer as of April 19, 2019; Unit: Shares

Name of major shareholders	Shares	Holding shares	Shareholding ratio
Junmao International Co., Ltd.		3,270,000	5.64%
Bei De Bi Xiu Investment Co., Ltd.		3,141,924	5.42%

Wu, Zhen Long	2,994,000	5.16%
National Development Fund, Executive Yuan	2,777,000	4.79%
Ou Si Mi	2,628,000	4.53%
Huan Cheng Shi Yu Investment Co., Ltd.	2,499,000	4.31%
He, Rou Xian	837,567	1.44%
Wang, Yu Qing	755,020	1.30%
Lin, Fang Bang	705,000	1.22%
Wang, Wen Hua	701,000	1.21%

(E) The price, net value, surplus, dividends and related information per share in the most recent two years

Unit: NT\$ thousand

Items		Years	2017	2018	Year as of March 31, 2019 (Note 8)
Per stock price (Note 1)	Highest		56.80	70.50	68.0
	Lowest		34.00	43.30	60.2
	Average		43.89	57.38	64.22
Net value per share (Note 2)	Before distribution		13.62	18.49	18.26
	After distribution		13.62	18.49	18.26
Earnings per share	Weighted average number of shares		43,392,187 shares	57,440,703 shares	58,016,045 shares
	Earnings per share (before retroactive) (Note 3)		0.12	(1.01)	(0.46)
	Earnings per share (after retroactive) (Note 3)		0.12	(1.01)	(0.46)
Dividend per share	Cash dividends		0	0	0
	Share grants	Surplus allotment	0	0	0
		Capital reserve	0	0	0
	Accumulated unpaid dividends (Note 4)		0	0	0
Investment compensation analysis	P/E (Note 5)		365.75	(56.81)	-
	Ratio of dividend/price to dividend ratio (Note 6)		(Note 10)	(Note 10)	Not assigned
	Dividend yield (Note 7)		(Note 10)	(Note 10)	Not assigned

# If there is surplus or capital reserve transferred to the capital increase and share allotment, the market price and cash dividend information retroactively adjusted according to the issued shares shall be disclosed.

Note 1: List the highest and lowest market prices for common stock for each year, and calculate the average market price for each year based on the transaction value and trading volume for each year.

Note 2: Please specify the number of shares that have already been issued at the end of the year and the allocation based on the resolutions of the shareholders meeting of the next year.

Note 3: If there are retrospective adjustments due to circumstances such as unpaid share placement, the pre-adjustment and adjusted earnings per share should be presented.

Note 4: If it is stipulated that the undistributed dividends of the equity securities accumulated in the current year will be accumulated to the issuers of the surplus year, the accumulated unpaid dividends for the current year shall be disclosed separately.

Note 5:  $P/E = \text{current average closing price per share} / \text{earnings per share}$ .

Note 6: Ratio of dividend/price to dividend ratio = the average closing price per share / cash dividend per share.

Note 7:  $\text{Cash dividend yield} = \text{cash dividend per share} / \text{current average closing price per share}$ .

Note 8: The net value per share and earnings per share shall include the information checked and verified by the accountants in the most recent quarter as of the printing date of the annual report; the remaining columns shall include the data for the year ending on the date of publication of the annual report.

Note 9: The Board of Directors passed the resolution on March 27, 2018, which did not distribute dividends for the year 2017. It is intended to be recognized by the regular shareholders meeting on June 25, 2018.

Note 10: The Board of Directors passed a resolution on March 26, 2019, which did not distribute dividends for the year 2018. It is intended to be recognized by the regular shareholders meeting on June 17, 2019;

## (F) The Company dividend policy and implementation

### 1. Articles of Association of the Company Article 18 of the dividend policy is as follows:

Art. 18 : If the Company's annual accounts are profitable, staff remuneration should be set at 1% to 5%, but when the Company still has accumulated losses, it should reserve the amount of compensation in advance.

Employees transferred by the Company to subsidiaries (or employees of subordinate subsidiaries meeting certain conditions), shall subject to the above distribution of remuneration to employees, the conditions and methods are fixed by the board of directors.

Art. 18-1 : The Company's total final accounts if for any surplus, taxes should be first made up for the past losses, next making up 10 percent for the statutory surplus public reserve. The remaining balances, together with the undistributed earnings of prior years, will be reserved or distributed by the board of directors for resolution of the shareholders' meeting; to distribute among shareholders dividends in another way, the proportion of cash dividend paid is not less than 30%, and the rest is distributed in the form of stock dividend. When the company distributes surplus, except for statutory surplus reserve according to law, should be in accordance with the first paragraph of Article 41 of the Securities and Exchange Act, in the current year, the amount of debts deducted from the shareholders' equity occurred (If the long-term equity investment has not realized the loss of the impairment loss, the cumulative conversion adjustment and so on) no special surplus reserve from the same amount as the previous year's after-tax surplus for the purpose of distribution of earnings shall not be distributed. When the amount of the shareholder's equity deduction is reversed, should be another surplus on the revolving part.



2. The situation of the proposed dividend distribution for the current year:

The company's 2018 annual loss replenishment case, on March 26, 2019 by the Board of Directors through the current year does not assign dividends; the case shall be reported to the June 17, 2019 general meeting of shareholders for adoption.

3. Expected significant change in dividend policy :

The Company expects no major changes to the dividend policy.

(G) The effect of the proposed unpaid share allotment on the Company's business performance and earnings per share:

Not Applicable (The Company was loss in 2018, no distribution of surplus)

(H) Employees' bonuses and rewards of directors and supervisors:

1. The dividends of employees and the amount or scope of rewards of directors and supervisors contained in the Company's articles of association:

According to Article 15 of the Articles of Association, the remuneration of directors is determined by the board of directors according to the normal level of the same industry.

According to Article 18 of the Articles of Association of the Company, if the company's annual final accounts are profitable, the employee's compensation shall be 1% to 5%. However, if the company still has accumulated losses, the amount of compensation should be retained in advance. The employees transferred to the subsidiaries of the Company (or employees of subordinate subsidiaries that meet certain conditions) may be subject to the distribution of the above-mentioned employees' compensation, and the conditions and methods shall be determined by the Board of Directors.

2. In the current period, the estimated basis of the remuneration of the employees, directors and supervisors, the basis for the calculation of the number of shares remunerated by the stocks and the actual distribution amount are treated according to the changes in the accounting estimates. The company has been approved by the board of directors on March 26, 2019, and no remuneration will be distributed for the current year.

3. The board of directors has passed the distribution of remuneration: there is no distribution of employees and directors' compensation in the current year, so it is not applicable.

(1) Remuneration of employees and directors' remuneration distributed in cash or stock. If there is a discrepancy between the estimated annual amount and the recognized cost, the difference, cause and treatment should be disclosed: not applicable.

(2) The amount of compensation paid by the employees in the stock accounted for the total net profit after tax and the total amount of employee compensation: not applicable.

4. Actual distribution of employees, directors and supervisors in the previous year:

In the previous year, there were no employee cash dividends, stock bonuses, and remunerations of directors and supervisors.

(l) The situation of the Company repurchased shares: None.

1. According to Article 28-2 of the Securities Exchange Act and the provisions of the Measures for the listed companies to repurchase shares of the company.
2. The transfer of shares to the employees intends to repurchase shares of the Company from the centralized market of securities, and the relevant matters for the purchase of shares are as follows:

Deadline for the transfer as of April 19, 2019; Unit: NT\$, Shares

Items	Times		
	The first time	The second time	The third time
The board of directors resolution date	2004/08/10	2005/05/10	2007/11/07
Repurchase shares purpose	Transfer of shares to employees	Transfer of shares to employees	Transfer of shares to employees
Repurchase Share types and quantity	Common shares / 746,000 shares	Common shares / 750,000 shares	Common shares / 1,321,000 shares
Repurchase period	2004/08/13 ~ 2004/10/12	2005/05/12 ~ 2005/07/11	2007/11/09 ~ 2008/01/08
Repurchase interval price	\$23.40 ~ \$28.00	\$14.80 ~ \$16.85	\$12.00 ~ \$20.00
The total amount of repurchase	\$19,591,398	\$11,751,666	\$18,819,324
Number of shares sold and transferred	746,000 shares(Note 2)	750,000 shares(Note 1)	1,321,000 shares(Note 3)
Cumulative holdings of shares of the Company	0 share	0 share	0 share
Cumulative holdings of the Company's shares as a percentage of the total issued shares	0.00%	0.00%	0.00%

Note 1: It was paid on March 29, 2006 and transferred to employees.

Note 2: It was taxed on February 6, 2007 and transferred to employees.

Note 3: The cancellation of capital reduction registration was completed on April 18, 2011.

The base date for the reduction was on March 31, 2011.

## B. Corporate bonds management:

### The situation of corporate bonds handled

Types of corporate bonds (Note 2)	The first secured convertible corporate bonds (Note 5)	The second secured convertible corporate bonds (Note 5)	The third secured convertible corporate bonds (Note 5)
Issue (process) date	October 2, 2006	July 24, 2014	January 9, 2019
Denomination	NT\$ 120,000,000	NT\$ 150,000,000	NT\$ 150,000,000
Issuing and Trading Locations (Note 3)	-	-	-
Issue price	According to the full denomination of the bond issue	According to the full denomination of the bond issue	NT\$ 101 (Issued at a premium)
Total amount	NT\$ 120,000,000	NT\$ 150,000,000	NT\$ 151,500,000
Interest rate	0%	0%	0%
Period	5-year/expiry date: October 1, 2011	3-year/expiry date: July 24, 2017	3-year/expiry date: January 9, 2022
Guarantee agency	Taiwan Cooperative Bank	Yuanda Commercial Bank (stock) Company	Taiwan Business Bank
Trustee	Taiwan Cooperative Bank	Trust Department , Risheng International Commercial Bank	Trust Department, Land Bank of Taiwan
Underwriting Agency	MasterLink Securities Corporation	Concord Securities Co., Ltd.	Waterland Securities Co., Ltd.
Signing lawyer	Huang, Tai Yuan Lawyer	Zhuang, Zhen Nong Lawyer	Qiu, Ya Wen Lawyer
Signing accountant	PricewaterhouseCoopers Taiwan	PricewaterhouseCoopers Taiwan	PricewaterhouseCoopers Taiwan
Reimbursement method	Repay cash at the time of expiration	When the time of maturity expires, the principal will be paid once in cash according to the denomination of the bond.	When the time of maturity expires, the principal will be paid once in cash according to the denomination of the bond.
Unpaid Repayment	NT\$ 0(Repaid in full in October 2011)	NT\$ 1,300,000 (As of the closing date of the transfer, April 22)	NT\$ 151,500,000 (As of the closing date the transfer, April 19)
	(A) The closing price of the convertible corporate bonds from the day following the issuance of one month to the end of the issuance period of 40 days,	(A) The date of the issuance of the conversion corporate bond is one month after the expiration of the issue period, and the tenth day before the expiration of the issue period	(A) The conversion of corporate bonds shall begin on the day following the expiration of three months from the

Types of corporate bonds (Note 2)	The first secured convertible corporate bonds (Note 5)	The second secured convertible corporate bonds (Note 5)	The third secured convertible corporate bonds (Note 5)
<p>Redemption or early settlement terms</p>	<p>if the closing price of the common stock of the company at the counter buying center lasts for 30 consecutive business days, when the conversion price exceeds 50 percent (inclusive) or more, the Company may send a "Bond Redemption Notice" to the bondholders by registered mail within the next 30 business days. (The aforementioned period starts from the date of dispatch of the company, and the expiry date of the period is used as the base date for bond redemption, and the aforementioned period shall not be the bondholder and the counter is requested to announce the purchase price of the counter at the time of the expiry of the period, and calculate the redemption price according to the period mentioned in (c) and the bond redemption yield (from the date of the bond issuance date to the base day for bond redemption), and withdraw all the bonds in cash.</p> <p>(B) From the day following the issuance of the convertible corporate bonds to the end of the issue period up to 40 days before the expiry of the issuance period, if the outstanding balance of the convertible corporate bonds is less than 10% of the total amount of the original issuance, the Company may obtain any subsequent time, declaring a "Bond Redemption Notice" by registered creditors (the period mentioned above is calculated from the date of dispatch of the Company, and the expiry date of</p>	<p>(expiration date), if the closing price of the company's common stock at the counter trading center exceeds 30% (inclusive) of the closing price for 30 consecutive business days, the Company may, within 30 business days thereafter, send a "Bond Redemption Notice" to the bondholders by registered mail, and please call the cabinet to buy the center announcement. (According to the register on the list of creditors on the five business days prior to the dispatch, the investors who subsequently obtained the conversion of corporate bonds due to trading or other reasons shall be notified by way of announcement).</p> <p>(B) When the total amount of bonds not converted in the conversion of corporate bonds is less than 10% of the total amount of the issue, the total amount of the bonds that have not been converted by the conversion of the corporate bonds will be less than 10% of the total amount of the issue, at any time thereafter, the Company may send a "Bond Redemption Notice" to the bondholders by registered mail, and the letter will be announced by the Counter Buying Center. (According to the register on the list of creditors on the five business days prior to the dispatch, the investors who subsequently obtained the conversion of corporate bonds due to trading or other reasons shall be notified by way of announcement).</p> <p>(C) The Company will use the 30th day from the date of the issuance of the "Bond Redemption Notice" (inclusive) as the base date for bond redemption (the foregoing period shall not be the ninth period of suspension of the</p>	<p>date of issue (April 10, 2019) to 40 days before the expiration of the issue period (November 30, 2021), if the closing price of the ordinary shares of the Company in the securities firm's business premises exceeds 30% of the current trading day, the conversion price is more than 30% (inclusive), the Company will send a 30-day "Bond Redemption Notice" to the bondholders by registered mail within 30 business days thereafter. (The aforesaid period starts from the date of the Company's letter of issuance, and the expiration date of the period is the base date for the bond redemption, and the foregoing period shall not be the period of the suspension of the conversion of Article 9 of the present Measures).</p> <p>And (According to the register on the fifth business day bond holder's register before the date of the "Bond Redemption Notice", the investor who subsequently obtained the conversion of the corporate bond due to trading or other reasons shall be notified by way of announcement).</p> <p>And the letter to the counter trading center to announce the exercise of the redemption right of the Company, and within five business days after the benchmark date of the bond redemption, all the converted corporate bonds that are in circulation are redeemed in cash in denominations of the bonds.</p>

Types of corporate bonds (Note 2)	The first secured convertible corporate bonds (Note 5)	The second secured convertible corporate bonds (Note 5)	The third secured convertible corporate bonds (Note 5)
	<p>the period is used as the bond redemption base date, and the aforementioned period must not be the period for the conversion of Article 9) for bondholders, in addition, the counter is requested to inform the center of the purchase center and upon expiration of the period, calculate the redemption price according to the period mentioned in (3) and the bond redemption yield (from the date of the bond issuance to the base day for bond redemption), withdraw all the bonds in cash.</p> <p>(C) Redemption yields are as follows:</p> <ol style="list-style-type: none"> <li>1. From the day following the issuance of one month to the date of the issuance of the full four-year period, the bond will be redeemed at a yield of 1.5% per year.</li> <li>2. From the day following the issuance of four years to the end of the 40th day prior to the expiration of the convertible corporate bonds, the convertible corporate bonds are redeemed at the bond's denomination.</li> </ol> <p>(D) If bondholders do not receive a written reply to the stock agent of the company (which will be effective at the time of delivery, using the postal date of mailing), it will be received by the holder of the bond on the "Redemption of Bonds". The company may convert its convertible corporate bonds into new shares issued by the company at the conversion price at that time, using the expiry date of the notice period as the conversion base date.</p>	<p>conversion period). Whether or not the bondholders replied in writing to the Company's stock agency for cash redemption before the bond redemption base date (effective at the time of delivery, the postmarker is based on postmark date), and the Company redeems the bond holder's convertible corporate bonds in cash on the five business days after the benchmark date of bond redemption.</p>	<p>(B) The conversion of corporate bonds shall begin on the day following the expiration of three months from the date of issue (April 10, 2019) to 40 days before the expiration of the issue period (November 30, 2021), at the time when the balance of the Company's debt is less than 10% of the total amount of the original issue, the Company may, at any time thereafter, send a 30-day "Bond Redemption Notice" to the bondholders by registered post. (The aforesaid period starts from the date of the Company's letter of issuance, and the expiration date of the period is the base date for the bond redemption, and the foregoing period shall not be the period of the suspension of the conversion of Article 9 of the present Measures).</p> <p>And (According to the register on the fifth business day bond holder's register before the date of the "Bond Redemption Notice", the investor who subsequently obtained the conversion of the corporate bond due to trading or other reasons shall be notified by way of announcement).</p> <p>And the letter to the counter trading center to announce the exercise of the redemption right of the Company, and within five business days after the benchmark date of the bond redemption, all the converted corporate bonds that are in circulation are redeemed in cash in denominations</p>

Types of corporate bonds (Note 2)		The first secured convertible corporate bonds (Note 5)	The second secured convertible corporate bonds (Note 5)	The third secured convertible corporate bonds (Note 5)
				of the bonds. (C) If the creditor does not reply in writing to the Company's stock agency before the benchmark date of the bond redemption as stated in the "Bond Redemption Notice" (effective at the time of delivery, the postmarker shall post the postmark date), the Company shall redeem the Converted Corporate Bonds held by it in cash on the maturity date.
Restrictions (Note 4)		None	None	None
Name of the credit rating, the rating date, corporate bonds rating results		None	None	None
With other rights	The amount of ordinary shares, overseas depositary receipts or other securities that have been converted (exchanged or subscribed) as of the date of publication of the annual report.	NT\$0 (Repaid in full in October 2011)	None	None
	Issuance and conversion (exchange or subscription) approach	Details of the Company's First Secured Convertible Corporate Bonds Issuance Procedures	Details of the Company's Second Secured Convertible Corporate Bonds Issuance Procedures	Details of the Company's Third Secured Convertible Corporate Bonds Issuance Procedures

Types of corporate bonds (Note 2)	The first secured convertible corporate bonds (Note 5)	The second secured convertible corporate bonds (Note 5)	The third secured convertible corporate bonds (Note 5)
Issuance and conversion, exchange or subscription methods, issuance conditions may affect dilution of equity and influence on existing shareholders' equity	There is no significant dilution of equity, and if the number of shares after full conversion only accounts for 7.29% of the total number of shares, the dilution effect on equity is limited.	The total issue amount is NT\$150 million, which is calculated based on the current conversion price of \$37.35. If all shares are converted, approximately 2,677 thousand shares will be added, accounting for approximately 6.69% of the current number of shares.	For the total amount of NT\$151.5 million, based on the current conversion price of \$ 63.3, if the total conversion, the number of ordinary shares will increase by 2,369,000 shares, accounting for 4.08% of the current shares.
Exchange name of the depository name	None	None	None

Note 1: The case of corporate debt processing includes public and private corporate bonds in process. The public company debts in process are the ones that have already come into effect (approved); the private company debts in the process are those that have been passed by the board of directors.

Note 2: The number of columns depends on the actual number of adjustments. Note 3: Financial information in overseas corporate debtors.

Note 4: Such as restrictions on the distribution of cash dividends, foreign investment or the requirement to maintain a certain proportion of assets. Note 5: Private owners should be marked in a prominent manner.

Note 6: In the case of conversion of corporate bonds, exchange of corporate bonds, issuance of corporate bonds, or corporate bonds with warrants, the disclosure of corporate bond information, the exchange of corporate bond data, and the issuance of corporate bonds in accordance with the nature shall be disclosed in accordance with the nature of the statement and attachment of equity company debt information.

### Convertible corporate bonds information

corporate bonds type		The first secured convertible corporate bonds in 2006			The second secured convertible corporate bonds in 2014			The third secured convertible corporate bonds in 2018	
Year		2010	2011	As of April 30, 2012	2016	2017	As of April 30, 2018	2018	As of April 30, 2019
Item									
Convertible corporate bonds market price	Highest	120.0	113.1	Not applicable (Note 1)	118.00	151.00	Not applicable (Note 2)	Not applicable (Note 3)	133
	Lowest	104.6	113.1	Not applicable (Note 1)	103.00	111.65	Not applicable (Note 2)	Not applicable (Note 3)	111.1
	Average	112.3	113.1	Not applicable (Note 1)	110.75	126.41	Not applicable (Note 2)	Not applicable (Note 3)	122.36
Conversion price		11.6		Not applicable (Note 1)	37.35		Not applicable (Note 2)	Not applicable (Note 3)	63.3
Issue (Processing) Date and Conversion Date		17.1		Not applicable (Note 1)	2014/7/24 39.76		Not applicable (Note 2)	2019/1/9 63.3	
Perform the conversion obligation		Please refer to the "issuance and conversion measures" of the company's debt management in the above table.		Not applicable (Note 1)	Please refer to the "issuance and conversion measures" of the company's debt management in the above table.		Not applicable (Note 2)	Not applicable (Note 3)	Please refer to the "issuance and conversion measures" of the company's debt management in the above table.

Note 1: The first domestic secured convertible corporate bonds of the company in 2006 expired on October 1, 2011, and the sale of the shares at over-the-counter market was terminated on October 3, 2011.

Note 2: The Company's second domestic guaranteed convertible corporate bonds in 2014 expired on July 24, 2017, and the sale of the counters was terminated on July 25, 2017



**C. Preferred stocks management: None.**

**D. Overseas depository receipts management: None.**

**E. Employee stock option certificates management:**

May 31, 2019

Type of employee stock option certificate	The first time (period) Employee stock option certificate	The second time (period) Employee stock option certificate	The third time (period) Employee stock option certificate
Effective date of declaration	2018.1.8	2018.1.8	2018.1.8
Issue (handle) Date	2018.4.2	2018.5.14	2018.11.15
Number of issuing units	2,280	1,297	423
Number of subscribed shares issued as a percentage of total issued shares	3.93%	2.24%	0.73%
Subscription duration	2018.4.2~2024.4.1	2018.5.14~2024.5.13	2018.11.15~2024.11.14
Ways of performance	Issuance of new shares	Issuance of new shares	Issuance of new shares
Limited subscription period and ratio (%)	2 years ago : 100% The 3rd year : 65% The 4th year : 45% The 5th year : 25% The 6th year : Unlimited	2 years ago : 100% The 3rd year : 65% The 4th year : 45% The 5th year : 25% The 6th year : Unlimited	2 years ago : 100% The 3rd year : 65% The 4th year : 45% The 5th year : 25% The 6th year : Unlimited
Executed Acquisition Stock Number	-	-	-
Subscription amount has been executed.	-	-	-
Number of shares not executed	2,280	1,297	423
Unexecuted subscribers' subscription price per share	58.5	59.2	55.0
The ratio of unexecuted shares to total issued shares (%)	3.93%	2.24%	0.73%
Impact on shareholders' equity	-	-	-

**The name of the top ten employees who obtained the employee stock option certificate and the number of the top ten employees who can obtain the stock option certificate, the acquisition and subscription status**  
 May 31, 2019

	Title (Note 1)	Name	Number of shares acquired	The number of shares acquired to the total number of issued shares (Note 4)	Executed (Note 2)				Not executed (Note 2)			
					Number of shares subscribed	Subscription price (Note 5)	Subscription amount	The number of shares subscribed to the total number of issued shares (Note 4)	Number of shares subscribed	Subscription price (Note 6)	Subscription amount	The number of shares subscribed to the total number of issued shares (Note 4)
M a n a g e r  E m p l o y e e s  ( N o t e 3)	General manager	Tang, Hong De	644	1.11%	—	—	—	644	\$ 58.5 ; \$ 59.2	—	1.11%	
	Deputy general manager	Qiu, Jun Hua										
	Assistant Manager	Liu, Heng Yu										
	Assistant Manager	Wang, Ze Xun										
	Assistant Manager	Lin, Wen Jie										
	Assistant Manager	Wang, Shi Jun										
	Manager	Zhan, Zhi Cong										
E m p l o y e e s  ( N o t e 3)	General Manager, China and Hong Kong Operations	Jin, Qiang	1,047	1.80%	—	—	—	1,047	\$ 58.5 ; \$ 59.2 ; \$ 55	—	1.80%	
	Deputy General Manager, Sales and Marketing Department, China and Hong Kong Operations	Meng, Qing Biao										
	Deputy General Manager, South China Operations, China and Hong Kong Operations	Yin, Xian Zhen										
	Manager	Chen, Wen Jin										
	Manager	Wen, Hao										

Assistant manager	He, Ren Hui										
Assistant manager	Chen, Xue										
Executive Assistant of Chairman	Yang Jiang, Shu Mei										
Executive Assistant of General Manager	Zhou, Li Sha										
Executive Assistant of General Manager	Liang, Zhi Jing										

Note 1: Including managers and employees (who have been resigned or deceased, should be noted), individual names and titles should be disclosed, but their acquisition and subscription can be disclosed in a summary manner.

Note 2: The number of fields is adjusted according to the actual number of times of issuance.

Note 3: The top ten employees who have acquired warrants refer to employees other than managers.

Note 4: The total number of issued shares refers to the number of shares listed in the registration data of the Ministry of Economy.

Note 5: The executed employee's subscription price shall be disclosed at the time of execution.

Note 6: Unexecuted employee's warrant price shall disclose the adjusted warrant price calculated according to the issuance method.

#### **F. New Shares of Restricting Employee Rights: None.**

#### **G. Mergers and acquisitions or transfer of shares of other companies to issue new shares: None.**

#### **H. Fund utilization plans and status**

##### (A) 2015 cash increase:

##### 1. Plan content:

(1) Approval date and number of capital increase: Financial Management Certificate of the Executive Yuan Financial Supervision and Administration Commission on March 17, 2016 Letter No. 1050004642 was approved.

##### 2. Implementation situation:

(1) On May 19, 2016, the Financial Management Committee approved the revocation, and the Financial Management Committee issued the letter No. 1050020158 for approval.

##### (B) 2017 cash increase:

##### 1. Plan content:

(1) Approval date and number of capital increase: Financial Supervision Certificate of the Executive Yuan Financial Supervision and Administration Commission on October 13, 2017 Letter No. 1060036940 was approved.

##### 2. Implementation situation:

Unit: NT\$ thousand

Project	Implementation situation		As of the first quarter of 2019	Reasons for advance or backward progress and improvement plans
CellSeed Premium	Amount expended	Expected	310,850	The main system was moved to the new site due to the cell processing center factory (laboratory) and the company has taken the relevant documents of the stage of CellSeed, but it must be accurately translated into Chinese and English documents to provide the company to apply to the competent authority, although the progress is lagging behind, the plan has been started in the first quarter of 2018, so it has not affected the overall progress. There are no major abnormalities after the assessment.
		Actual	284,364	
	Execution progress (%)	Expected	86.93%	
		Actual	79.52%	
Laboratory construction	Amount expended	Expected	35,000	The main original painting laboratory has been built to the present site. Although it can meet the PIC/S GMP conditions, the overall assessment of future operational growth and office relocation is also costly in terms of the construction and utilization area of the building. Therefore, the board of directors rented the building of the U-TOWN factory in Yuanxiong and moved the construction of the laboratory to the new site. The progress of the plant in the cell processing center was slightly delayed, and there were no major abnormalities after evaluation.
		Actual	39,950	
	Execution progress (%)	Expected	100.00%	
		Actual	114.14 %	
Equipment	Amount expended	Expected	55,000	As of the first quarter of 2019, the actual progress of implementation was 79.40%, mainly due to a slight delay in the progress of laboratory establishment, so the purchase of laboratory equipment was delayed slightly, but there was no change in plans.
		Actual	43,672	
	Execution progress (%)	Expected	100.00%	
		Actual	79.40%	
Clinical trial cost	Amount expended	Expected	41,238	As of the first quarter of 2019, the cumulative actual implementation progress of this project was 7.67%. The main reason is that the review progress of the competent authorities is longer than expected; resulting in the original expected progress lagging behind, but there is no change in the plan.
		Actual	5,082	
	Execution progress (%)	Expected	62.21%	
		Actual	7.67 %	
Laboratory maintenance cost	Amount expended	Expected	19,660	The main laboratory is still under construction, so there are no relevant expenses, and there are no major abnormalities after evaluation.
		Actual	3,183	
	Execution progress (%)	Expected	60.19%	
		Actual	9.74%	

Total	Amount expended	Expected	461,748	The implementation of the 2018 cash replenishment as at the first quarter of 2019, the reasons for the backwardness have not yet affected the overall progress, and no major anomalies have been assessed.
		Actual	376,251	
	Execution progress (%)	Expected	84.48%	
		Actual	68.84%	

(C) The third domestic convertible corporate bond issue in 2018:

1. Plan content:

(1) Approved the issuance date and the text: the Financial Supervisory Commission, Executive Yuan Letter No. 1070345294 issued on December 14, 2018.

2. Implementation situation:

Unit: NT\$ thousand

Total	Amount expended	Expected	151,500	The proposed scheme is expected to spend NT\$ 151,500,000 on total working capital, and is expected to be fully implemented in the first quarter of 2019. By the first quarter of 2019, NT\$ 102,754,000 had been spent, and the utilization rate of funds was 67.82%. Since the funds are only used for the purchase and delivery of materials and freight costs in the electronics sector, the actual implementation is delayed, and the reason for the evaluation is reasonable. As of the first quarter of the company's use of funds CB3 slightly behind schedule, as of the date of printing annual reports, fund-raising convertible corporate bonds have been used up, and the progress of backwardness is mainly due to: 1. Because the company is currently adopting a more conservative policy for inventory stocking, using stricter inventory control for stocking that has not acquired formal orders, and as of 2019/04/30, the inventory amount of MetaTech's Electronic Business decreased from NT\$33.9 million at the end of 2018 to NT\$21,496,000; 2. As of April 2019, the situation of new agent line orders, due to the time required for some new products to be sent to the test and communication has not been reached so far, consistent with the original estimated revenue, in response to the trade war between China and US, the electronics manufacturers originally built in the mainland China have also transferred production to Taiwan. As of April 2019, the amount of customer orders transferred was approximately NT\$ 32,713,000. In the second half of the year, it is expected that there will be an existing customer order of NT\$ 50,000,000. In the future, it is not excluded that the amount of the overall transfer order of other large manufacturers should be able to make up the amount of the new agent orders lower than expected.
		Actual	102,754	
	Execution progress (%)	Expected	100.00%	
		Actual	67.82%	

## V. Operational Highlights

### A. Business contents:

#### (A) Business Scope

##### 1. Main contents of the business:

- (1) CC01080 Electronic Components Manufacturing.
- (2) F119010 Electronic Materials Wholesale.
- (3) F219010 Electronic Materials Retail.
- (4) I301010 Information Software Services.
- (5) I301020 data processing service industry.
- (6) IG01010 Biotechnology Services.
- (7) IG02010 Research and Development.
- (8) F108040 cosmetics wholesale industry.
- (9) F208040 Cosmetics Retail.
- (10) F102040 Beverage Wholesale.
- (11) F102170 Wholesale Foodstuffs.
- (12) F203010 Food retail and beverage retailing.
- (13) F401010 International trade.
- (14) I199990 Other consultancy services.
- (15) IZ99990 Other business services.
- (16) I103060 Management Consultancy.
- (17) CF01011 Medical Device Manufacturing.
- (18) F108031 wholesale of medical equipment.
- (19) F208031 Medical equipment retail industry.
- (20) C802100 cosmetics manufacturing industry.
- (21) C802110 Cosmetic pigment manufacturing.
- (22) JE01010 Leasing industry.
- (23) F113030 Precision instrument wholesale industry.
- (24) F208050 Class B pharmaceutical retail business.
- (25) F213040 Precision instrument retailing.
- (26) F399040 No storefront retail business.
- (27) F601010 Intellectual property rights industry.
- (28) I301030 Electronic information supply service industry.
- (29) IC01010 drug testing industry.

- (30) F108021 Western medicine wholesale industry.
- (31) F208021 Western medicine retail industry.
- (32) C802041 Medicine manufacturing industry
- (33) ZZ99999 Except for permitting business, operating business which is not prohibited or restricted by Law.

2. The proportion of business in 2018:

Unit: NT\$ thousand ; %

Main products	Sales Amount	Business ratio
Consumer products	2,691	0.18%
Communication products	248,182	17.00%
Connector	65,842	4.51%
Medical beauty products	230,112	15.76%
Others	913,463	62.55%
Total	1,460,290	100.00%

3. The Company's current goods (services) project:

(1) Main business contents:

The main business items of the company are wholesale sales of electronic materials. The product categories represented by the Company are consumer products, communication products and connectors.

(2) Product brand for agent distribution: (in alphabetical order)

Electronic Department:

1	AIC	10	Infibi	19	Singatron
2	Alliance	11	InterFET	20	SpeedTech
3	Asix/Zywyn	12	LEDEngin	21	Sunon
4	Cirrus	13	Metrodyne	22	Sunway
5	E-Switch	14	MXIC	23	SusCon
6	ETA	15	Netsol	24	Vixs
7	Everspin	16	Orton	25	Walsin
8	Holtek	17	Phoenixcontact		
9	IAT	18	Samtec		

Biomedical Department:

1	BGI	2	CellSeed		
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#### 4. Development of new products (services):

The company and Japan's CellSeed Inc. signed a contract regenerative medicine cooperation contract on April 24, 2017, plans to develop and produce autologous cell layer tablets, which are self-organized cells and special tissue engineering regenerative medicine related products. Its main role is to repair tissue damage and autologous tissue regeneration. Esophageal cell sheet can repair the esophagus after endoscopic submucosal dissection (ESD), reduce healing tissue proliferation and maintain esophageal lumen space. Compared with traditional drugs or endoscopic balloon dilatation therapy, it can effectively prevent symptoms of esophageal stricture; Chondrocyte cell sheet can induce autologous chondrocyte regeneration and restore damaged articular cartilage tissue, which can significantly improve the quality of life compared with traditional medical technology. In addition, the company also represents a smart cell culture dish with a temperature-sensitive polymer coating (PIPAAm), which only needs to change temperature (37C → 20C). The cell layer can be completely separated from the culture dish, and the cell layer of different sizes can be produced and stacked to form a three-dimensional structure for tissue repair. Indications such as esophageal repair, articular cartilage repair, cardiac repair, and limb deficiencies are future developmental.

#### (B) Industry Overview:

##### 1. The status and development of the industry

###### ● Electronic business

Regardless of domestic and foreign, there have been many changes in the electronics industry in the past decade, and companies with similar nature have been merging and consolidating each other, and moving closer to specific products and markets.

In 2018, the overall situation is faced with the big ones, and the survival of small and medium-sized enterprises is not easy, and concerns about the trade war between China and US. The demand of end consumers also shows band-like changes. It is the subject of various electronics companies to seize the market pulse and change rapidly.

In recent years, developing countries such as the mainland and Southeast Asia, with their low labor costs and vast land resources, have gradually lost the advantages of Taiwan's past low-cost and high-efficiency manufacturing. In response to this trend and the operation mode of the world-class global



logistics company (Global Logistics), Taiwanese manufacturers must establish production bases in the mainland, Southeast Asia and other places, so that the component channel business is bound to respond to the needs of downstream customers. MetaTech Company provides a complete marketing channel to overseas customers to serve customers.

Taiwan's electronics industry can't rely on fast supply and low price to maintain growth. MetaTech Company has established a business headquarters in Taiwan to coordinate research and development, business, and dispatch financial resources to establish a global production base. The company is an electronic parts distributor. In this model, we will improve our research and development capabilities, support the product design of our participating customers, establish a global fast supply capability, and provide our customers with global production bases and problem-solving solutions. This is the key to the success of MetaTech Company as a channel provider. In response to the formation of The Belt and Road Initiative and the red supply chain in the mainland, the company also seeks to cooperate with more excellent land-based products through mainland subsidiaries. We hope to be able to dig deeper into local customers and sell more advantageous products to countries such as East Asia and South Asia.

● Health care business

The biotechnology industry is a knowledge-intensive and innovative industry. Through the cooperation of cross-disciplinary technologies, it opens up new fields of application, develops products and services that enhance people's livelihood and a friendly environment, and takes into account the sustainable development of the economy and the environment. Therefore, all countries are actively promoting and the biotechnology industry is a priority. In 2016, the Executive Yuan promoted the “Biomedical Industry Innovation Promotion Program” and proposed four major action plans to “improve the ecosystem, integrate the innovation settlement, link the resources of the international market, and promote the key industries with special features” in order to build Taiwan into a vision of Asia-Pacific biomedical research and development industry, and to promote the development of the biotechnology industry and promote the health and well-being of domestic people, precision medicine is also the key to promoting. In order to cope with the trend of aging population in Taiwan, the development

of new medical technology that can reduce the cost of medical care and improve the quality of medical care is an important research and development trend of countries, such as the effective combination of Internet of Things and health care, including remote medical care, health management, home care applications. At present, many countries have also proposed related plans. The Ministry of Economic Affairs of Taiwan implements the “Regulations on the Development of Biotechnology New Drug Industry”, which provides preferential taxation measures for technology, capital and talents of biotech new drug companies, and encourages manufacturers to invest in the development of new biotech drugs. As of the end of June 2016, 102 manufacturers have been approved as biotech new drug companies, and 240 new biotech drugs have been approved, of which 30 biotech drugs have been approved for marketing. In the future, with the biotech new drug products approved for sale at home and abroad, it will help the investment in the domestic biotechnology industry to increase. Cell therapy is the current trend in the world of medical treatment. It has reached a high level of development in medical care from traditional chemical drugs, small molecule drugs, and current protein drugs. However, there are still limited advances in the treatment of tissue cell degeneration, defects or defects in congenital genes, and cancer treatment. Nowadays, all countries are committed to the development of "cytopharmaceuticals". The Ministry of Health and Welfare has successively announced the "Clinical Test Application Procedures and Examination Standards for Human Cell Therapeutic Products" and the "Review of Human Cellular Therapeutic Products Inspection and Registration" from 2014 to 2016. "The criteria for determining the suitability of donors for human cell therapy products", are including the treatment of cell-based therapeutic products in the management of the Food and Drug Administration. The Health and Welfare Department's Regenerative Medicine and Cell Therapy Development Advisory Council and the Regenerative Medicine Advisory Group were established in the Department of Health and Welfare and the Food and Drug Administration to examine the clinical trials related to the Cell Therapy and Regenerative Medicine. On April 24, 2017, the company has signed a cooperation contract with Japan's CellSeed to develop the technology of “cell layer” in regenerative medicine. MetaTech since 2017 in cooperation with Japan's leading cell therapy company CellSeed technology transfer technology since, efforts to develop "regenerative medicine."

Because of "regenerative medicine" escape traditional Western medicine palliative embarrassment, breaking from the "treat the symptoms" to "tissue / organ of repair,"

become in recent years, the medical school of learning, especially in Japan in regenerative medicine research and development experience is leading the world in which part of cell therapy, benefit from regulations on the road more than 20 years, Japan has long been the industry "contending", and CellSeed the specialization of "cell sheet layer" technology, but also can be regarded as "a single cell repair" from the advanced to the "tissue remodeling" of Yuejin; in Taiwan cell therapy market is still stuck in the single cell injections development of low technical threshold of order, there is no plies cell market. It is hoped that through this cooperation, the two sides will play a unique role in different fields and open up a new path for Taiwan's regenerative medicine.

## 2. The connection between the industry and the downstream

Taiwan's electronics industry can become a global center for the research, development, and production of electronic products. The main reason for this is that in addition to rapid R&D and production, low manufacturing costs, stable supply, flexibility, and competitive prices, the biggest feature is its professional up-and-down. , Downstream division of labor model and good use of the mainland's production base. Under the trend of the electronics industry going into a professional division of labor, domestic electronic components and access vendors have long since escaped their roles as agents and sales, and have become an important part of the semiconductor industry's production and sales structure, in addition to establishing sales channels for upstream domestic and foreign original suppliers. In addition, downstream manufacturers need to provide warehousing services, rapid delivery, technical support, after-sales services and financial support to help downstream customers reduce their time-to-market and effectively reduce operational risks. Therefore, through this effective division of labor model in the upper, middle and lower reaches, the operational efficiency of the overall electronics industry in Taiwan will be enhanced.

## 3. Regenerative medicine market demand and the development trend of the company

Regenerative medicine is still a more forward-looking technology and application development. According to the IEK of the ITRI, the overall market for regenerative medicine is about \$30.1 billion in 2016 and is expected to reach \$67.5 billion by 2020. There are more than 700 manufacturers in the field of regenerative medicine, and more than 300 of them are private regenerative medicine manufacturers. All of the above shows that the development of regenerative medicine continues to flourish. Under the gradual construction of market demand drive and environment, complete industrial system architecture has gradually emerged, and the loosening of regulations has accelerated the development process. With the current industrial development situation, compared with

Japan and the United States, the rapid development of the regenerative medicine market, Taiwan still has great potential for development.

Taiwan's regenerative medicine industry includes two areas of "cell therapy" and "tissue-related biomedical materials". Most of the regenerative medical products are still in the research and development stage, and no products have been listed. Although Taiwan's medical standards rank third in the world, the field of regenerative medicine research and development has not yet been in line with the world. Therefore, the company will introduce world-class regenerative medicine technology and combine Taiwan's first-class medical standards to develop new regenerative medicine products and technologies. At present, the country with the highest growth rate of the global regenerative medicine market is Japan. There are four approved products for the treatment of ischemic heart disease, heart failure, acute graft-versus-host disease, severe burns and cartilage damage. Compared with Taiwan, the current regenerative medicine technology is not yet mature, and there is not even any regenerative medicine product listed. In view of this, we hope to introduce mature regenerative medicine technology to Taiwan through cooperation between Taiwan and Japan, so as to shorten the time course of R&D, and assist the country to promote the development of regenerative medicine-related medical care, benefiting and benefiting more related patients. Through the cooperation with CellSeed Japan, the company will develop the technology of "cell layer" in regenerative medicine, and introduce the technology of esophageal cell layer. In addition to preventing esophageal stricture, it has a good effect on esophageal reconstruction; The technique of knee cartilage layer not only promotes new cartilage, but also does not need to bear the side effects that may be caused by traditional joint replacement. It is more important to maintain the integrity of the original knee and bone and to treat joint damage. It is hoped that the two sides will cooperate to give full play to the unique strengths of different fields and open up a new path for Taiwan's regenerative medicine. MetaTech in the critical period biomedical career grow and prosper, and selected Japan regenerative medicine pioneer CellSeed Company first Taiwan-Japan "regenerative medicine" technology transfer case, the introduction of culture techniques "cell layer sheet", the development of "esophagus and cartilage regenerative medicine technology".

But MetaTech not satisfied with the current situation is not self-handicapping, to mimic the innovation (Simulating Innovation) strategy, adhere to cultured cell layer film technology development and extension of the market, will use technology based on the original, breakthrough core technologies, continuing the introduction of and learn advanced scientific and technological achievements, MetaTech set milestones for future development:

(1) Due to the loosening of Taiwan's regulations, the Ministry of Health and Welfare of

Taiwan follows the Japanese Ministry of Health and Welfare to construct and loosen regulations related to regenerative medicine. Compared with the above-mentioned "three methods of regenerative medicine" in Japan, there are three laws on regenerative medicine in China: "Regulations on the Development of Biotechnology New Drug Industry", "Administrative Measures on the Implementation or Use of Medical Instruments for Specific Medical Technology Inspection and Inspection", and "Regulation of Regenerative Medical Preparations" Regulations, the government hopes to ensure the safety and effectiveness of regenerative medical technology and products through the relaxation of regulations and supervision by the competent authorities, thereby driving and accelerating the development of the regenerative medical industry. In particular, in September 2018, the Ministry of Health and Welfare passed the "Administrative Measures for the Implementation or Use of Medical Instruments for Specific Medical Technology Inspections" (referred to as the Special Administrative Measures) and the Regulations on the Management of Reproductive Medical Preparations, which have given a strong boost to the Taiwanese regenerative medicine industry. The Special Management Measures opened 6 cell treatment programs, including autologous CD34+ selection peripheral blood stem cell transplantation, autoimmune cell therapy, autologous adipose stem cell transplantation, autologous fibroblast transplantation, and autologous bone marrow mesenchymal stem cell transplantation. And autologous chondrocyte transplantation; autologous adipose stem cells, autologous fibroblasts and autologous chondrocytes belong to the project to be applied for by the company in 2019, and the company will apply for autologous chondrocytes together with major medical research institutions. The application of articular cartilage regeneration includes repair and regeneration of cartilage defects. It is expected that if the application for special control law is passed, it will help the company's biomedical office's revenue and technology development.

(2) Clinically common cell products are single-cell injections, and no cell tissue or cell 3D culture products are available; it is obvious that cell layer tablets have their product innovation, market exclusivity, technical differences and clinical Application. Cell layer tablets have their own special standards and specifications in terms of product specifications, and have unique market and demand in clinical applications. In addition to developing cell layer films for animal experiments, MetaTech will be able to apply to the somatic and stem cell therapy programs, including the above-mentioned Special Regulations, as well as cell therapy products and tissue engineering products under the Regulatory Regulations for Regenerative Medical Preparations. We hope to break through the limitations of regenerative medical preparations and cell therapy regulations, develop

diversified products and technologies, and promote the application of cell layer products to increase production value. It plans to set up a research and development center in Hsinchu Biomedical Park - set up a research and development center in the National Biomedical Park, cooperate with CellSeed in Japan to develop new technologies for cell layer production, and even discuss with the Hitachi Group of Japan to introduce automation systems, which will facilitate rapid mass production in the future, saving labor costs and time. The center will also collaborate with major medical research institutions to develop new tissue culture techniques and perform clinical trials in addition to esophagus, skin and articular cartilage. MetaTech will aim to establish Taiwan's human cell layer reservoir, regenerative medicine research and development center and regenerative medicine startup incubator. With the establishment of these units, product education, high-level talent cultivation and product promotion can also be carried out. MetaTech can collect royalties by developing new ventures, technology transfer or licensing technology to startups.

#### 4. Various product development trends and competition

Looking ahead, the market is optimistic about the development opportunities in the following seven areas, including Internet of Things, cloud computing, wearable devices, medical electronics, vehicle energy battery and wireless charging technology.

##### ● Electronic business

###### (1) Internet of things and cloud computing

The Internet of Things digitizes the real world. Applications include: transportation and logistics, health care, smart environment (home, office, factory), personal and social areas, and have a very broad market and application prospects. The concept of cloud computing represents the use of networks to enable computers to collaborate with each other or make services available. As a result, it will drive the development of computer hardware and software equipment such as servers and storage.

###### (2) Wearable device

A wearable device is a mobile smart device that can be worn directly on a person or can be integrated into clothes, accessories and record human data. In addition to Google Glass, Bluetooth headsets, and watch calculators, we are also familiar with some of the novelties, such as bright skirts, hanging camera that automatically photographs, keyboard pants, smart clothing for sensors, and solar charging backpacks. As wearable technology becomes more and more important, the use of wireless connectivity technology to interconnect devices with smart phones will be the key to the development of these devices. For example, with Bluetooth and WiFi technology, consumers can get data (such as calories burned, heart rate, etc.) from wearable devices. Transfer data to smartphones or the cloud without using too much power; With WiFi Direct, consumers can connect two WiFi devices directly without an access point or

computer; combining wearable devices with location technology can enable some interesting new application features, such as doctors can In tracking the patient's condition in the clinical environment, retailers can send targeted advertising messages to consumers.

(3) Medical Electronics

It is believed that electronic technology will become more and more popular in the field of medical applications. In the future, there will be more opportunities to benefit people. For example, blood glucose sensor monitoring systems, insulin pumping, and diagnostics of viruses through DNA analysis can be used in medical applications.

(4) Wireless charging technology

Wireless charging, also known as inductive charging, non-contact inductive charging, utilizes near-field sensing, that is, inductive coupling, to transfer energy from a power supply device (charger) to a device that uses electricity.

The device uses the received energy to charge the battery and at the same time for its own operation.

Since the charger and the power supply device use inductive coupling to transfer energy, there is no wire connection between the two. Therefore, both the charger and the power-consuming device can be exposed without any conductive contacts.

(5) Vehicle energy battery (electronic)

In recent years, energy-saving, carbon-reducing electric vehicles have swept the global trend. The demand for lithium-ion batteries in the electric vehicle market will increase significantly. In the face of the strong growth in demand for power batteries, battery companies represented by Matsushita, LG Chemicals, and BYD in China are highly competitive, and automakers such as Tesla, BMW, and Benz are also represented. They have also crossed the border and actively deployed in the battery field. Therefore, the key products in the market in the next 10 to 20 years.

● Health care business

(1) Cell layer

The autologous cell layering technology introduced by CellSeed Inc. of Japan is a breakthrough in Taiwan's regenerative medical technology. It is based on the original "temperature-sensitive cell culture dish", which is based on the culture of cell sheets. In the absence of scaffolds, tissue reconstruction forms a 3D-like structure that overcomes many of the limitations of tissue engineering and has been used in a number of clinical trials. The regenerative medicine products manufactured have been marketed in Japan. Therefore, the "Esophageal Cell Layer" and "Knee Chondrocyte Layer" technologies obtained by the company will be applied to the treatment of esophagus and knee. It is expected to apply for the third phase of clinical trials to promote the listing of Taiwan's first regenerative medical products. However, most of the cell treatment products in China are still in the research and development stage, and there is still no technology for autologous cell layer treatment. Therefore, the regenerative medicine products of the cell layer developed by the company will be regarded as creating a new field without competitors. In addition, the company's biomedical team has taken root in Taiwan to implement cell layer culture technology, and will combine the technology of China's excellent medical team to innovate and develop multi-recycled medical products. Promote the development of Taiwan's regenerative medicine technology by creating new hopes for the health of patients with damaged or aging organs.

(2) DNA Testing

Genetic testing can be said to be the greatest invention of preventive medicine in the 21st century. There are more than 30 Taiwanese manufacturers investing in precision medicine in Taiwan.

The Company cooperates with Huada Gene, one of the global gene leaders, to conduct personalized genetic tumor screening and cancer drug gene detection in Taiwan, which will detect more than 5% of gene mutations and interpret related genes with 99% accuracy. And let patients get information about their own genes to complete more accurate and accurate medical treatment; At present, the development of family cancer gene detection will effectively establish a medical management plan for the cancer family to prevent or reduce the onset of family genetic hereditary cancer, or to conduct early detection and treatment. For patients who have already suffered, patients are also provided with appropriate target drugs to complete more accurate and accurate medical treatment, to assist clinicians in diagnostic reference, and to develop a more complete cancer treatment plan.



### 3. Technology and R&D Overview:

#### ● Electronic business

(1) The R&D expenses invested for the current year up to the date of publication of the annual report: No R&D expenses occurred during the year. The public Based on the added value of serving customers, accelerating product launches, and increasing technology, the company established product technical support and product application development departments to help customers shorten their time to market in response to customers' technical needs.

(2) Successfully developed technologies or products:

The company is a professional distributor of semiconductor components, non- general manufacturing, it does not apply.

(3) The future research and development direction:

In response to the continuous innovation of cloud products and communication network products, and actively in the wireless communication, broadband network, automotive electronics market and smart home, the smart grid high value-added application market continues to invest resources, and find the right original supplier to jointly develop the next generation of new technology.

#### ● Health care business

(1) R&D expenses for the year ended the publication of the prospectus: The R&D expenses for the first quarter of 2019 for the year were NT\$12,364,000, mainly in line with the Company's development in regenerative medicine.

(2) After signing the technology with the Japanese CellSeed company in April 2017, it was like planting the seeds of Taiwan's regenerative medical development. In the same year, MetaTech won the “Industrial Innovation Transformation Fund” of the National Development Fund. As well as the Securities and Futures Bureau, FSC approved a cash increase of 14,000,000 funds, timely investing in the development of MetaTech Company cell layer in Taiwan's clinical trials, and the development of Taiwan's regenerative medicine began to take root.

(3) The elite team joins: The Company was re-elected this year. The most authoritative professionals in the medical and biotechnological circles, such as Chen, Rui Jie (President of the Affiliated Hospital of Taipei Medical University), He Hongneng (Former President of Taipei University Hospital) and Yang, Zhi Hui (Vice President of I-Shou University Medical College), are newly added directors. It is bound to lead the development of regenerative medicine in our company, make the research and development and clinical research go smoothly, the future development of biomedical

department is imminent, and provide more powerful growth momentum for MetaTech Company.

- (4) Construction of the process center: Metatech Company believes that strategic alliances, together with industry, government, academic, research, and medicine, are the two major axes that accelerate the advancement of Taiwan's biomedical industry into the international arena. First of all, based on Taiwan's Metatech Company, in addition to the introduction of foreign technology, it is necessary to establish a cell processing center that meets the requirements of the International Pharmaceutical Inspection and Consultation Organization (PIC/S GMP) standard, in order to facilitate the development, manufacture and production of subsequent products. At present, the largest cell layer operation room in domestic has been built in Oriental Science Park. In addition to more capacity, it also has enough support space to optimize the process to save development time and provide more capacity for regenerative medicine products. The center also has the only quality control laboratory in the industry, which is responsible for the cell layer quality control process, which can effectively master time and cost control. In addition to internal use, the Quality Control Center will also promote quality control related business in the future to enhance the company's revenue. At present, the cell processing center has completed the environmental and instrumental validation in October 2018. The product trial production began in November 2018. It can be used as a production site for clinical trial products of esophagus and knee cartilage, and has completed the esophagus and cartilage. Trial production of other products. In addition, in response to the foreseeable capacity expansion, the company was approved by the Audit Committee of the Ministry of Science and Technology Audit in 2018, and approved to invest in Hsinchu Biomedical Science Park, and The production capacity in the future is expected to exceed the existing scale by more than 20 times, and the target is introduced into the automated cell culture process, and are on the same page with European, American and Japanese manufacturers.
- (5) At present, the company has successfully technical transfer cell layer culture technology, in the " Esophageal Laminates "Development section, completed in 2018 CDE pre-trial, the third phase of clinical trials submitted in early 2019 has been the principle of the Guardian department agreed to the trial, and completed the GTP Wind Management group to visit the operation, in the future will cooperate with the Taiwan major hospital and the Grand Hospital to carry out clinical trials. The key to the success or failure of clinical trials is the progress of the evaluators and the efficacy of the patients, with the academic and clinical status of the two hospitals, coupled with the extensive experience of the executive physician in the treatment of esophageal cancer, is Taiwan's Esophageal

cancer authority, will be conducive to the rapid completion of future clinical trials early listing.

- (6) In November 2018, MetaTech seed technician of Japan has obtained knee cartilage slice cell culture technology to complete the transfer of core technology. The development of "articular cartilage lamina" will be carried out jointly with 14 doctors from 10 medical centers in China and has been consulted by the CDE. According to statistics, the domestic annual number of knee replacement more than 40000 pieces, the relative cases in large scale, so the company plan at the same time with the number of medical center received the product and synchronization, the morning of the city; the other knee cartilage layer was researchers Affiliated Hospital of Tokai University Department of Medicine Dr. Sato Masato of Japan, in October 2018 18 Japan's Nikkei Ministry of health, labor, Medical Affairs Bureau (MLHW) license Through the review of advanced medical technology of "Autologous Articular Chondrocyte Regeneration Therapy", it has been possible to treat cartilage defects for patients in Japan and to collect treatment fees. It also confirms the safety and feasibility of knee cartilage slice technology. Moreover, this technology is currently only owned by Japan and Sangu in the world. It is believed that the future product of knee cartilage slice will benefit the people of Taiwan. In addition, we also signed a contract with Du, Yuan Kun, President of I-Shou University Hospital, for repairing the cartilage layer of knee joint and technical cooperation of nerve plexus. We hope that the combination of cell layer and neurosurgery can improve the success rate and make the original lack of cartilage longer. The combination of this technology may greatly increase the recovery rate of paralysed patients.
- (7) Future annual research and development direction: to promote esophageal and knee cartilage regeneration medical products in the stage city and research and development of new products related to the field of regenerative medicine.

experience : Unit:persons ; %

Project/year		2015	2016	2017	2018	End of 5/31 of 2019
Number of people at the beginning		10	9	13	18	24
New in this year		7	14	12	16	4
Transferees					6	-
Resignation of this period		4	9	7	4	4
Employees and retirees		4	1	-	-	-
Final number		9	13	18	24	24
Average years (years)		0.94	0.83	1.02	1.22	1.38
Turnover rate (%)		30.77%	40.91%	25.00%	14.29%	-
Education al distributio n	Doctor	2	1	5	5	5
	Master	4	9	15	15	15
	University (professional school)	7	8	4	4	4
	High school	-	-	-	-	-

Note: turnover rate = number of resignees / (end of the period + number of resignees).

#### 4. Long-term and short-term business development plans:

##### ● Electronic business 1.

##### short-term plan

##### A. Marketing strategy

##### a. Enhancing product line complementarity and diversification

Actively enhance the complementarity and performance of product lines, and expand the diversification of product lines.

##### b. Expand customer base and strengthen customer relationships

Actively expand the customer base, and establish a long-term cooperative relationship with dedicated team services for large EMS factory customers and excellent customers to maintain stable growth.

c. Enhancing technical support capabilities

To train excellent technical talents to help customers shorten their time-to-market and enhance their technical support capabilities, thereby enhancing customer service quality.

d. Improve core competitiveness

Absorb international professional and technical capabilities to further enhance the core competitiveness so as to strive for more business development space.

B. Development of business scale

a. actively strive for the existing product line for the distribution of the entire Asia-Pacific region

With current operating results and experience in Taiwan, Hong Kong, or Singapore, we actively seek suppliers' formal authorization for distribution rights in the Asia-Pacific region and strengthen sales networks.

b. Establishing the China Mainland Application Design Center in Shenzhen Based on Taiwan's application design and technical support personnel, we will make good use of high-level, low-cost technical talents from the mainland to provide customers with complete application solutions, and then use the Asia Pacific sales network to enhance our core competitiveness.

c. Increase new product line and enhance product integrity in the whole area.

Mainly looking for new application market products (mainly Chinese and Taiwan manufacturers), and can currently sell products in Taiwan, China / Hongkong or Singapore, mainly to enhance and enhance product diversification to customers.

2. Long-term plan

A. Marketing strategy

a. Continually introduce products from international manufacturers to enhance product line complementarity and competitive advantage

Existing product lines and marketing positions based on extensive customer base, and actively introduce new product lines, and with key suppliers to obtain long-term strategic alliance, in order to grasp the essence quasi-market information and new product trends.

b. According to the advantage of regionalization, set regional differentiation business strategy

The Taiwan region will gradually be backed by high-end, advanced application product design and technical support, and will provide Taiwanese businessmen with faster and more reliable technical support and logistic services.

In addition to the existing communications mainland market, the central office equipment market, and actively cultivate Taiwan experience of small and medium potential customer base, in applications, the low-end consumer and PC peripheral development direction. In addition to the stable international contractual labor market in Southeast Asia, the Southeast Asia region is striving to develop high-end home digital application products and actively explore emerging markets such as Vietnam and India.

- c. Pay attention to the cooperation of new products with the original factory, and actively lay out relevant application areas and enhance the application scalability of new areas.

#### B. Development of business scale

In the future, the company will uphold its adherence to the professional semiconductor component access and adapt to the changes and trends of the industry, and will actively develop towards the goal of internationalization.

#### ● Health care business 1. short-term plan

##### A. Marketing strategy

- a. Customized specifications for contract adoption

Through the strategy of customization and long-term tracking, it is in line with the concept of contract long-term care.

- b. Enter the medical market with the medical insurance system

In the future, we will enhance the well-being of Chinese people through the combination of the physical payment insurance system and the potential market.

- c. Organize domestic forums and seminars to promote and promote the progress of regenerative medicine

Actively hold seminars on regenerative medicine to enhance the closeness of the medical and biotechnology industries, and to enable interoperability between research and development and application.

- d. Continue to develop new regenerative medicine

Set up R&D center to strengthen R&D strength, combine medical and market demand, and strive for the visibility of China's regenerative medicine in the international arena.

- e. Establish a supply chain system for regenerative medicine products (interim plan)

We will acquire the technology of cooperation to establish a product line and develop productization.

##### B. Development of business scale

- a. Actively cooperate with the National Teaching Hospital, through the medical cooperation and technology promotion of the cooperative hospitals (Taiwan University Hospital, Yida Hospital, and Taipei Medical University attached hospitals) that have been signed, and continue to discuss cooperation with teaching hospitals in various countries.
  - b. In response to the special management method released by the Ministry of health and welfare in 2018, it is expected that the Affiliated Hospital of Taipei Medical University and other hospitals of I-Shou University Hospital will jointly apply for the treatment of autologous chondrocytes in the 6 major items, and plans to develop more kinds of cell therapy products in the market of regenerative medical treatment.
2. long-term plan
- A. Marketing strategy
- a. Expanding international medical care in mainland China. The vast population of China is densely populated. At present, the hospital service area in the country cannot cover all areas. The company has signed a cooperative hospital, Changhua Xiuchuan Hospital, based on the company's tourism business channel in Taiwan, combined with the international medical strength of the hospital to accelerate the use and exchange of regenerative medical technology in the two countries.
  - b. To set up R&D centers in national biomedical parks to develop new technologies for cell slice production, and to discuss with Hitach Group of Japan that the introduction of automated systems will facilitate rapid mass production in the future, save labor costs and time. R&D centers will also cooperate with major medical research institutions to develop new tissue culture technologies in addition to esophagus and articular cartilage and carry out clinical trials.
- B. Development of business scale
- a. Actively hold seminars on regenerative medicine, promote and promote the progress of regenerative medicine, enhance the closeness of the medical and biotechnology industries, and enable the interoperability between research and development and application.
  - b. Established the International Regenerative Medicine Association, which promotes the development of national regenerative medicine and shares new medical knowledge.
  - c. Promote the concept of cooperation between business alliances at home and abroad.
  - d. Towards the establishment of Taiwan's human cell layer film library,

regenerative medicine research and development center and regenerative medicine startup business incubators as the goal, with the establishment of these units may be the product of education, high order of talent cultivation and product promotion, but also to the development of new record corporate access, technology transfer or technology licensed to startups.

## B. Marketing and production and sales overview:

### (A) Market Analysis:

#### 1. Sales (provide) area of major commodities (services):

Unit: NT\$ thousand

Sales area	Year	2018	
		Amount	%
Foreign sales		1,258,262	86.17%
Domestic sales		202,028	13.83%
Total		1,460,290	100%

#### 2. Market share:

##### ● Electronic business

The Company's 2018 annual turnover of NT\$ 1,460,290,000, the amount of 2017 consolidated revenues increased 2.17%. Mainly in new markets (high order commercial vehicle switches, switches) application part to find new demand and began shipping. The company will focus on the future for higher margin products (E-Switch, Feinikesi) development and increase other niche the proportion of the product line, and the Company has been actively developing the agent brands of products in various application areas, which will help to enhance the market share in the future.

Unit: NT\$ thousand; %

Company name	Main products	Company type	Realized amount of capital	Revenue in 2018	Revenue growth rate (%)	2018 EPS
MetaTech	Electronic materials wholesale sales	at over-the-counter market	580,160	1,460,290	2.17	-1.01
Yu Jie	Electronic materials retail, electronic materials wholesale, electronic information supply services	at over-the-counter market	365,679	1,623,972	50.92	0.55
Bei Wei	Burning, processing, testing and trading of computer electronic products and components	at over-the-counter market	721,458	3,075,781	13.77	0.98



Quanda	Distribution Agents and Maintenance of Electronic Components, Components, Integrated Circuits, Design and Test Instruments	at over-the-counter market	686,600	3,584,575	4.92	0.12
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Compared with the peers in the company and its subsidiaries, although they are all electronic component distributors, the capital scale is similar, but the nature of the products represented by the companies is still different. The Company and its subsidiaries have lower operating income, which is lower than the minimum, but higher than that of the company. The main adjustment of customer structure and the elimination of poorly profitable product lines have led to a decline in revenue. Since the completion of the electronic department's manpower optimization and improvement of gross profit margin in 2017, profitability has been shown. However, considering the industrial innovation, the transformation to the biotechnology and medical industry will increase the impact of operating expenses and reduce the profit in the current period. The company and its subsidiaries are based on the principle of steady operation and sustainable development. Therefore, in terms of product sales strategy, the company focuses on the layout of the overall 3C industry and strengthens the coverage of the product line to avoid the impact of the downturn of a single electronics industry. Gradually develop high-margin and promising products, strengthen long-term and stable relationship with customers, and make the company's revenue grow steadily.

The Company and its subsidiaries are electronic component distributors, mainly distributing European and American brands. The products range from communication products, connectors and consumer products. With the main brands of distributors, Samtec and Everspin, their market share is stable. The Company and its subsidiaries have been actively developing agent brands for various application fields, which will help to increase the market share of the industry in the future.

● Health care business

According to the data of the Ministry of Economy's white paper on biotechnology in 2016, the total turnover of biotechnology industry in 2016 is NT\$298.6 billion. However, Taiwan's regenerative medicine industry includes two major areas: cell therapy and tissue engineering. Most of the regenerative medical products are still in the stage of research and development, and no products have been listed yet. Therefore, in order to actively expand the field of biology and medicine, our company cooperates with CellSeed Company of Japan and applies for license. The third phase clinical trial of esophageal regeneration in Taiwan and the clinical trial of knee cartilage

regeneration are expected to be listed on the market if passed smoothly, thus bringing revenue to our company and increasing market share.

3. The market supply and demand and future growth:

● Electronic business

When the semiconductor industry is in a better stage, the supply of components will fall short of supply, and the revenue and gross profit of the channel vendors will also increase.

However, when the revenue of the channel vendor decreases, it does not necessarily mean that the profit of the channel vendor decreases. In particular,

the agent products are in the lead-in period, and the channel dealers usually enjoy higher gross profit.

Therefore, if the agent parts are out of stock, their revenue may be reduced. However, with the increase in gross profit margin, the distributors will also maintain profitability. In addition, the main business of the company is to sell semiconductor components to downstream electronic product manufacturers at home and abroad.

The downstream manufacturers' major sales regions are Europe and the United States. Therefore, due to the traditional third quarter of the global electronics industry and the seasonal demand season, electronic manufacturers still have seasonal differences in demand for semiconductor components. In order to reduce the impact of changes in customers' seasonal demand on the company, the company and its subsidiaries adjust the procurement and purchase schedules at any time after assessing the market characteristics and the supply and demand conditions of each product, so as to avoid the situation of excess inventory. At the end of 2018, the trade war between China and US brought about a great change in the ecology of electronic products and the manufacturing chain. The most influential area was the electronics manufacturer in China, which began to transfer production bases to Southeast Asian countries and Taiwan. To prevent the drop of transfer business, every company strengthened its business and Human Resources Bureau outside China. The company has made every effort to circulate this part of its business with each other and to meet the needs of the market and customers.

In terms of medical electronics, the overall medical service healthcare market showed a steady growth trend under the influence of the promotion and growth of medical services such as medical cosmetology and health checkups and the significant increase in the number of passengers from Taiwan to Taiwan. With the increase of the elderly population and the rise of health care, the demand for medical services has increased

significantly. The survival of the human body is headed by health, and it is always relevant. Therefore, in the short term, there is no significant difference between peak and peak seasons.

● Health care business

Regenerative medicine replaces traditional treatment by repairing or rebuilding damaged tissues or organs. The global market for regenerative medicine is about \$31 billion in 2016, and is expected to reach \$67.5 billion by 2020. The annual growth of two digits shows that the regenerative medicine industry has an explosive development. Based on the current industrial development, it is estimated that Japan's market for regenerative medicine will be in 2020. Compared with the rapid development of regenerative medicine market in Japan and the United States, Taiwan still has great potential for development.

According to the National Health Service of the Ministry of Health and Welfare, there are about 2,300 person-times of esophageal cancer in Taiwan every year. About 470,000 people in mainland China undergo esophageal surgery every year, which is the target market for esophageal tablets.

In addition, about 48,000 people undergo knee replacement surgery every year in Taiwan. About 400,000 people undergo knee surgery every year in mainland China, which is the target market for knee cartilage tablets.

And as the global population trend enters the "ageing society", the elderly population will increase, and the related demand will become more apparent. There is a clear medical need for esophageal cancer and knee replacement in Taiwan and China. However, CellSeed's cell layer technology is almost mature, so the company will be the first to introduce cooperative research and development in Taiwan.

4. Competitive niche:

● Electronic business

The agency distribution channel industry must be able to occupy an important place in the market, and it is necessary to grasp the timeliness, not only in the supply of products and technical support, but also to enable downstream manufacturers to compete in the shortest possible time. Force's products are launched. In the professional division of labor system electronics industry, global management of the production mode, making professional electronic components agents dealers can offer value to downstream firms, no longer limited product and price, but extends to logistical support grant product mix and integrity; and the value of technical services. In the industry, the product portfolio complete or not, provide technical service capabilities of

strength, speed of delivery and obtain professional information of career success or failure is often the key, and the impact on customer service quality of the merits of the Company professional and technical services capabilities and image of the industry in times affirmed, because of its ability to oncoming products with holes foresight can provide customers with the best immediate product portfolio, and regain the initiative to provide customers the latest and most feature excellent product information resources, the role of professional products and services play an extremely cause, to ensure the continued expansion of the company's future performance. The company can ensure the niche of market competition based on the following points:

(1) Complete complementary agent line for information, communication and consumer electronics

(2) Complete and strong management team (3)

Superior Supply Management System

(4) Strong technical support capabilities and diversified product portfolio (5)

Good marketing channels and far-reaching layout

(6) Layout related applications in new areas

● Health care business

At present, most of the cell therapy fields in Taiwan's regenerative medicine industry are at the stage of clinical trial safety and effectiveness, which has prompted the domestic regenerative medical industry to focus on cell storage or cord blood preservation. However, a variety of products have been listed abroad, indicating that the development of Taiwan's regenerative medicine is lagging behind. In the future world regenerative medicine market, the US market is estimated to account for 77% of the total, and regenerative medicine products and processed products are increasing in emerging countries such as China and India, as population and national income increase, and the surrounding industry market is expected to expand.

Regenerative medicine will drive the surrounding biomedical market. The company will implement the technology and clinicalization of CellSeed in Japan in the development of biotechnology in Taiwan. The primary development project is the esophagus and cartilage repair.

The rest of the organs and tissue development have entered pre-clinical trials and can be used as a new development in the future. It will establish a cooperative development strategy with academic institutions such as universities and colleges and their affiliated hospitals, such as the Hospital of the Taiwan University School of Medicine, the Yida Medical Foundation, and the Hospital of Taipei Medical University.

The preliminary research and development test, later introduced into the market, product sales and cooperation, strengthen the company's competitive niche.

5. The development prospects of favorable and unfavorable factors and the countermeasures:

● Electronic business

( 1 ) The favorable factors:

- A. Communication network, GPS , LED , Security and mobile applications continue to grow
- B. The vertical division of labor benefits gradually
- C. Professional technical service capabilities
- D. Perfect after-sale service and total solution
- E. Agency stability

( 2 ) Disadvantages and Countermeasures:

- A. The company is small and it is difficult to compete with large distributors  
Remedy: The company is currently focused on cutting into the niche

market, maintaining customer service relationships and maintaining high gross margins by providing better service quality for larger access providers and assisting customers in solving R&D challenges.

- B. Rapid product change and short life cycle

Responsive measures: The company regularly convenes a review meeting to analyze and analyze computer information management systems to accurately grasp the development status of customers' product lifecycles, formulate preventive measures that should be taken, and adjust the number of weeks of inventory stocking, as well as market product trends and technologies. Dynamically, set the company's future development direction and opportunities, actively represent star products, timely introduce new product agency rights and develop new customers to grasp new market developers.

● Health care business

( 1 ) Favorable factors:

- A. In cooperation with the famous Japanese manufacturer Cellseed to introduce cell layer technology, Cellseed has been deeply cultivated in the field of regenerative medicine for a long time and is in line with international standards.
- B. The company cooperates with Cellseed in the form of technology authorization, which saves a lot of manpower and expenses in the early stage of research and

development.

C. At present, Taiwan's regenerative medicine field is less invested by listed companies. The company is currently an early-invested company in the market and cooperates with many hospitals to maintain competitiveness.

D. With Hitachi Japan on comprehensive cooperation in the field of regenerative medicine, the establishment of a new generation of automated production of cell therapy products factory, can be produced quickly, saving labor costs and time consumption.

(2) Unfavorable factors and the way to respond:

A. Advanced national products and technology patents are well protected and must also face competition from low-priced products in developing countries.

Response measures: The company currently communicates with Japan through technology licensing, making the company's products more competitive, and the currently introduced regenerative medicine products have not been widely promoted in developing countries, and are less susceptible to other low-priced products.

B. Regenerative medicine is a relatively new technology in Taiwan and costs a lot of money to promote it.

Response measures: The Company will train the company's business personnel to be regularly trained, and plans to cooperate with the major hospitals to promote, so that patients choose regenerative medicine products instead of traditional treatment methods.

(B) Important uses and production processes of major products: 1.

The main product use

Electronic business :

main products	use way
Consumerproducts	Broadband network , related multimedia and video applications
Communicationproducts	Semiconductors such as mobile phones and satellite positioning systems
Connector	The original semiconductor of network and communication
Others	Touch screen, transmission application module

Health care business :

main products	use way
Precision Medicine - Genetic Testing	Inheritance screening and individualized treatment guidelines for cancer genes: individualized detection of non-invasive tumors, individualized detection of comprehensive tumors, individualized detection of lung cancer, individualized detection of colorectal cancer
Regenerative Medicine - Cell Layer	1. For the prevention of esophageal cancer after endoscopic submucosal dissection (ESD) to prevent esophageal stenosis. 2. Regeneration and repair of knee cartilage for articular cartilage defects.

2. The main product production process: not applicable (the company's non-manufacturing)

(C) Supply status of major raw materials: The Company is an original supplier of access industry that is not a manufacturing industry and does not have major raw materials, and only provides supply of major commodities.

Electronic business :

The main product name	Supplier
Consumer products	AIC,Alliance
Communication products	Asix,Silabs,Everspin,Jorjin
Connector	Samtec,E-Switch,PhoenixContact,Speedtech
Others	LedEngin, Sunon

Health care business :

The main product name	Supplier
Precision Medicine	BGI
Regenerative medicine	CellSeed

(D) In the most recent fiscal year, the company accounted for more than 10% of the total (import) value of the customer's name and the amount and proportion of its purchase (or sales), and the reason for the change.

The last two years a major supplier of information

Unit:NT\$ thousand

Item	2017				2018				As of the end of the first quarter of 2019			
	Name	Amount	Annual net purchase ratio [%]	Relationship with the issuer	Name	Amount	Annual net purchase ratio [%]	Relationship with the issuer	Name	Amount	Annual net purchase ratio [%]	Relationship with the issuer
1	A	569,115	45%	None	A	676,098	52%	None	A	170,377	63%	None
2	C	173,411	14%	None	C	105,583	8%	None	C	18,828	7%	None
3	D	177,397	14%	None	D	199,832	15%	None	D	25,443	9%	None
4	Others	331,912	27%	None	Others	311,859	25%	None	Others	54,832	21%	None
5	Net purchase	1,251,835	100		Net purchase	1,293,372	100		Net purchase	269,480	100	

Note 1: The name of the supplier and the amount and proportion of the total purchases in the last two years are specified. However, if the contract stipulates that the name of the supplier or the object of the transaction is an individual and non-related person, the supplier can be coded.

Note 2: Up to the date of publication of the annual newspapers and periodicals, companies listed or whose stocks have been bought and sold in the securities firm's business premises shall disclose the latest financial data which have been checked, endorsed or checked by the accountant.



Customer information on major sales in the most recent two years

Unit: NT\$ thousand

Item	2017				2018				As of the end of the first quarter of 2019			
	Name	Amount	Annual net purchase ratio [%]	Relationship with the issuer	Name	Amount	Annual net purchase ratio [%]	Relationship with the issuer	Name	Amount	Annual net purchase ratio [%]	Relationship with the issuer
1	A	124,552	8.71%	None	A	115,950	7.94%	None	A	28,096	8.78%	None
2	B	67,205	4.70%	None	B	26,710	1.83%	None	B	3,863	1.21%	None
3	C	93,045	6.51%	None	C	96,684	6.62%	None	C	23,755	7.42%	None
4	D	42,670	2.99%	None	D	49,848	3.41%	None	D	11,239	3.51%	None
5	E	5,683	0.40%	None	E	8,087	0.55%	None	E	0	0.00%	None
6	Others	1,096,078	76.69%	None	Others	1,163,011	79.65%	None	Others	253,181	79.08%	None
7	Net Purchase	1,429,233	100		Net Purchase	1,460,290	100		Net Purchase	320,134	100.00%	

Note 1: The name of the supplier and the amount and proportion of the total purchases in the last two years are specified. However, if the contract stipulates that the name of the customer or the object of the transaction is an individual and non-related person, the supplier can be coded.

Note 2: Up to the date of publication of the annual newspapers and periodicals, companies listed or whose stocks have been bought and sold in the securities firm's business premises shall disclose the latest financial data which have been checked, endorsed or checked by the accountant.

(E) Annual production value in the most recent two years

The company is a professional distributor of semiconductor components, non-general manufacturing, it does not apply.

(F) Sales volume in the most recent two years

The company's non-manufacturing manufacturing industry and the original specifications can not be statistical analysis of the number, so the sales value table analysis is as follows:

Unit: thousand each; NT\$ thousand

Annual sales Volume Value Major Products	2017				2018			
	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	volume	value	volume	value	volume	value	volume	value
Biomedical products	10	5,988	0	0	1	2,693	0	0
Others	105	2,603	21,281	278,483	215	1,690	267,731	246,490
Consumer products	2,387	10,709	10,335	147,400	1,799	6,504	4,165	59,338
Communications products	97	18,224	1,932	174,171	140	10,583	6,258	219,529
Connectors	4,095	139,690	31,262	651,965	4,413	180,558	35,682	732,905
Total	6,694	177,214	64,810	1,252,019	6,568	202,028	313,836	1,258,262

(G) The Company's key performance indicators (Key Performance Indicator, KPI)

1. Personnel costs to bear the average turnover in the most recent two years:

Unit: NT\$ thousand

	2017	2018
Turnover	1,429,233	1,460,290
Personnel costs	83,549	123,900
Personnel costs / turnover	0.06	0.08

2. The turnover per employee created in the most recent two years:

Unit: NT\$ thousand

	2017	2018
Turnover	1,429,233	1,460,290
Number of employees	95	128
Turnover/employees	15,045	11,409

3. Financial structure, repayment ability and operating capability in the most recent two years:

Unit: % ; times

	2017	2018
Debt ratio (%)	23.11	18.14
Current ratio (%)	367.63	401.05
Quick ratio (%)	298.39	347.37

Accounts receivable turnover (times)	5.12	4.99
Inventory turnover rate (times)	10.59	11.8

**C. Information on employees in the most recent two years and up to the annual report date:**

May 31, 2018

Number of 107m employee (person)	Year	The year ended May 31, 2019	2018	2017
		Business staff	81	81
	Application Engineer	-	-	2
	administration staff	47	47	29
	Total	128	128	95
Average age		39.09	40.50	40.97
Average service year (years)		6.93	7.09	7.01
Degree of academic distribution	Ph.D	9.38%	9.38%	2.10%
	Master	18.75%	19.53%	14.74%
	University	66.40%	65.63%	73.69%
	High school	4.69%	4.69%	9.47%
	Below high school	0.78%	0.78%	0.00%
	Total	100.00%	100.00%	100.00%

**D. Environmental expenses information**

(A) According to the law of the law, a person who is required to apply for a pollution facility installation permit or pollution discharge permit, or should pay pollution control costs, or should establish a special personnel for environmental protection units, the explanation of his application, payment or establishment status: the company Department of semiconductor components distribution agents, there is no production activities, nor produce pollution situation, according to the No. 0910057747, the Company in writing of the review determined that the utilities' temporary possession is not listed, "it is also non-polluting The situation does not apply.

Listed counters should explain the implementation of the EU's Restriction of Hazardous Substances Directive (RoHS) . (According to the Taiwan Stock Exchange on April 13, 2006, the No. 0950007006 and the GreTai Securities Market April 12, 2006, the No. 0950200962): the Company under this industry characteristics, not the European Union Restriction of Hazardous Substances Affected by directive (RoHS) .

(B) Investment in major equipment for pollution prevention and its use and possible benefits:  
Not applicable.

(C) In the most recent two years and as of the date of publication of the annual report, the

company has experienced pollution incidents, and it has been notified of its handling: None.

(D) The total amount of losses and penalties incurred by the company due to

environmental pollution in the most recent two years and up to and including the date of publication of the annual report. It also discloses its future countermeasures and possible expenditures: None.

(E) The current pollution situation and its impact on the company's earnings, competitive position, and capital expenditures and the expected major environmental capital expenditures for the next two years: None

## **E. Labour relations**

(A) Lists the employees' welfare measures, education, training, retirement system and their implementation, as well as the agreement between labor and capital and the maintenance of employees' rights and interests.

### 1. Employee benefits measures (1)

Year-end dinner.

(2) Year-end bonuses.

(3) Labor and health insurance and travel overseas travel insurance policy

(4) Professional education and training.

(5) Free health check service

(6) Provide parking space.

(7) Matters handled by the Employee Welfare Committee:

The Employee Welfare Committee provides marriage and maternity gratuities, sick inpatient gratuities, funerals and funerals, and organizes employee travel activities as well as the establishment of corporate club activities. The club activities each provide activity grants to enhance employees' friendship and physical and mental health.

### 2. Staff training and training system

(1) In order to enhance the competitiveness of employees, the company has planned "Educational Training Management Procedure" and "On-the-job Training Management Method" to enable each employee to maximize their potential through talent training.

(2) The company's annual training business department combines internal self-run training, external institutional training courses and internal training of various departments.

(A) Internal training: from colleagues in their professional field as lecturers, teaching their own experience and expertise; or

Employ experts from relevant fields of professional institutions to provide employees with common sense of life safety service.

- (B) External training: self enrolling by colleagues, participating in professional courses offered by business consulting companies, educational training institutions and government agencies. The company provides annual training allowance for colleagues.
  - (C) Training for new recruits: description of organization and system, working rules and duties, and regular assessment and supervision.
  - (D) Further subsidy: subsidize outstanding colleagues to go to famous academic institutions in China for advanced studies, and continue to learn relevant knowledge and skills in their work.
- (3) The company's statistics and expenditure on staff's further education and training in 2018 are as follows:

Education Training	Internal training	External training
Trainee times	100 people/time	52 people/time
Expenditure	NT\$ 25,000	NT\$ 6,599,884
Course Title	1. Republic of China Fire Safety Association - Public Safety Courses 2. Chinese Ambulance Skills Training Center - basic first aid education and training 3. Investigation Department of the Ministry of Justice, Taipei City Investigation Division - Corporate Secrets and Information Security 4. Japanese life conversation 5. New personnel basic education training	A. Biomedicine Business Department Trained people: 32 people Training hours: 1,620 hours 1. Foundation of Taiwan medical community Alliance Foundation — international regulatory trends and regenerative medicine, and clinical trial manufacturing site management focus of the review 2. The sterile preparation Corp. China Association — sterile GMP manufacturing plant counseling and education and training 3. New Taipei City Government Health Bureau — enter the food industry education and training workshops 4. Taiwan's bio-industry development Association — PIC / S GMP pharmaceutical plant engineering design and ensure efficiency - construction project management / technology innovation and indeed efficiency practice course 5. Corp. China sterile preparation Association — emerging biomedical products GMP training activities (6) 6. CellSeed — professional training and technology transfer

		<p>B. Directors, independent directors, auditors, and finance Trained people: 20 people  Training hours: 207 hours</p> <p>1. Corp. China Corporate Governance Association</p> <ul style="list-style-type: none"> <li>– Disclosure of Information and false earnings directors, supervisors and responsibilities</li> <li>– how to fulfill the directors' duty of loyalty "</li> </ul> <p>(including decision analysis and best practices)</p> <ul style="list-style-type: none"> <li>– internal control and risk management</li> </ul> <p>2018 top ten global risk analytic</p> <ul style="list-style-type: none"> <li>– tax issues before and after the merger</li> <li>– rapidly changing technology environment - Road Director to lead the company in response to the</li> <li>– trade secrets and noncompete</li> <li>– Prevention of money laundering and combating financing of terrorism and to resolve practical</li> <li>– insider trading liability and case study analysis</li> <li>– from the board On the height of the full range of enterprise intellectual property protection strategy set</li> <li>– Director and executives Prevention of money laundering and combating terrorist financing</li> <li>– directors fiduciary duty and business judgment rule - case Studies</li> <li>– from directors and supervisors look at the height of intellectual property management</li> <li>– all listed equity planning and directors, supervisors and election</li> <li>– liability risk of directors and supervisors seminar</li> <li>– Board functioning and responsibilities</li> <li>– from directors and supervisors height protracted internal control within a lesson on the — directors and supervisors must - large analytic enterprise operational risk</li> <li>– Prevention of money laundering and combating terrorist financing</li> <li>– latest Law correction trend and resolve operational practice — audit Committee</li> <li>– business and news of crisis management strategies</li> </ul> <p>2. Foundation in Republic of China Securities and Futures Institute</p> <ul style="list-style-type: none"> <li>– Corporate Governance - Electronic Voting hundred percent company-cum enhance the value of the forum</li> <li>– Company intellectual property management and related internal audit workshops</li> </ul> <p>3. Gre Tai Securities Market</p> <ul style="list-style-type: none"> <li>– 2018 Annual promoting China's international adoption financial reporting Standards advocacy will</li> <li>– 2018 annual evaluation of corporate governance advocacy will</li> <li>– 2018 Annual Investor Conference Practice Seminar</li> <li>– insider trading cum insider ownership</li> <li>– Emerging Company MOPS declaration screen operation explain</li> <li>– 2018 annual OTC Emerging companies should do advocacy will explain matters</li> </ul> <p>4. Taiwan Stock Exchange</p> <ul style="list-style-type: none"> <li>– encourage enterprises to adopt the declaration Inline XBRL financial reporting advocacy will</li> </ul> <p>5. Securities and Futures Bureau</p> <ul style="list-style-type: none"> <li>– key checks and skills</li> </ul> <p>6. Foundation of accounting Research and development Foundation</p> <ul style="list-style-type: none"> <li>– liability securities market "insider trading" from the point of view of the administration of justice case Analysis practice</li> <li>– a new version of "corporate governance blueprint (2018-2020)," the relevant norms and practices in</li> </ul>
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		<p>response to resolve</p> <ul style="list-style-type: none"> <li>– earnings scandal "flow of funds" to trace the relevant legal responsibilities and investigate cases</li> <li>– enterprise "leaks" to resolve the scandal and "trade secrets law "law compliance audit practice to explore a variety of measures</li> <li>– issuers of Securities Dealers stock exchange accounting officer continuing education classes</li> </ul> <p>7. Republic of China Commerce Association for the Advancement</p> <ul style="list-style-type: none"> <li>– on the protection of business secrets from the perspective of corporate governance</li> </ul> <p>8. Republic of China computer Association audit</p> <ul style="list-style-type: none"> <li>– site security Introduction and audit ( i )</li> </ul>
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### 3. Employee retirement system

The Company is to take care of the staff retirement and promote harmonious labor relations, employee pensions and benefits have been set management measures, this approach covers all official appointments employees. Select the employee pension system of the old system, the Company reserves set aside retirement provision and management handled it according to the Interior Ministry of Labor, 4% real gross monthly salary of workers to set aside pension, dial deposit accounts in the Central Trust of China; select the employee pension system of the new system, the company every month at 6% of the actual gross salary workers put appropriated labor pension personal accounts. About retirement matters, refer to the basis of "Labor Standards Law" and "Labor Pension Act," the relevant provisions.

### 4. Employee behavior or ethics code:

The company's employees' instructions and instructions for the relevant employees' behavior or ethical methods and regulations are followed by all employees of the company and placed in the company's public data area for reference by all colleagues. The relevant methods and codes are briefly described as follows:

(1) Employee Code of Ethics , which is summarized as follows:



- (A) In addition to abide by government decree and shall comply with all regulations promulgated by the Company and the interim announcement or notification, to work together for the company's services.
  - (B) Confidentiality of important documents must be performed with due diligence.
  - (C) should live in harmony and mutual cooperation, cautious, non-abusive, fighting, trouble, disturb the order, public safety or hinder other rows enough to damage the company's reputation is.
  - (D) Care should be taken to protect public property. There must be no wastage or damage to the situation. Any damage or loss due to negligence must be compensated according to the price.
  - (E) Do not use your authority to obtain property, rebates, or gifts from the manufacturer.
  - (F) should abide by the company's regulations and perform the company's powers and responsibilities.
- (2) Formulating incentives and penalties
  - (3) Staff performance appraisal methods
  - (4) Employee Work Regulations and Code of Conduct
5. Protection measures for the working environment and employees' personal safety: In order to protect the health and safety of employees, the company has a proper plan for each of the workplaces as follows:
- (1) Work environment
    - (A) The company attaches great importance to the safety of its employees' work environment and participates in the announcement of the fire drills from the Park Management Committee from time to time to ensure the safety of its employees and to respond to emergencies to achieve the ultimate goal of zero disaster.
    - (B) Employees' rules are also provided for the work environment and employees' personal safety protection measures, and their employees are required to implement them thoroughly.
    - (C) In terms of design and decoration of the office, in addition to taking into account factors such as earthquake protection and flame protection to provide employees with the most comfortable and safe working environment, the import and export office has installed access control cards, security systems and monitors.
    - (D) The workplace should be organized and rectified in a timely manner, and it should always be kept clean and tidy.
  - (2) Personal safety of employees

(A) The Company established the Staff Welfare Committee to hold various welfare measures and various subsidy operations.

(B) Apply for labor insurance, universal health insurance and labor pension insurance in accordance with the law to protect the personal safety and rights of employees.

(C) The employees of the Company are on a business trip, and they also apply

for Ping an Insurance to protect their personal safety and rights.

(D) Conduct professional health checkups with professional medical clinic teams and implement health management to maintain employee health.

(E) Arrange the activities of employees' leisure and health activities from time to time, and enhance the interaction between colleagues to enhance the opportunities of emotion and encouragement.

(F) The company has built a face identification system to maintain the safety of staff access.

(B) set out the losses suffered as a result of labour disputes in the most recent year and as of the publication date of the annual report, and disclose the estimated and possible future amounts and response measures :

1. Losses suffered by the company due to labor disputes in the most recent two years: The company has not had any major labor disputes except the following non- significant events in the last two years and up to the date of publication of the annual report:

(1) The company has always paid attention to labor relations, so in the last two years there have been no labor disputes and no losses due to labor disputes.

(2) The company has established a good communication channel between the employer and the employee, and the relationship is rational and harmonious. In the future, if there is no other factors outside the change of the employer-employee relationship, no loss of money will occur.

2. The estimated amount and countermeasures of the losses incurred due to labor disputes at present and in the future may be:

The company plans the principles of human resources management and reviews the related personnel system at any time in response to changes in the social and economic environment. It also pays attention to employee benefits, provides a good working environment, takes care of the employees' lives, smooths communication channels, and harmonizes the employer-employee relationship. The company regularly convenes a labor-management conference and submits it to the Labor Bureau for the record. It also

has a staff welfare committee and allocates employee benefits according to the proportion of operating income, which is used to promote employees' welfare measures, so as to increase employee cohesion and promote labor-capital relations. Due to the current harmonious relationship between labor and capital of the company, it is estimated that the possibility of losses due to labor disputes in the future is extremely low. In the future, we will continue to uphold humane management and establish a multi-channel communication system. In addition to the harmonious relationship we have in the future, we expect the relationship between labor and capital to be further enhanced in the future.

## F. Important contracts: (in alphabetical order)

### 1. Electronic part:

Nature of contract	product line	Contract date	main content	Restrictions
Purchase contract	Inventec Corporation	Automatic renewal for 1 year every year from 2008/12/08~3 years	Semiconductor component sales	1. Five-year product warranty responsibility after discontinuation of production Three years warranty after receipt
Purchase contract	Accton Technology Co., Ltd.	Automatic renewal for 1 year every year after 2013/8/12~2 years	Semiconductor component sales	1.24 months product guarantee liability 2. Prohibition of horizontal competition
Purchase contract	Hon Hai Precision Industry Co., Ltd.	Automatic renewal for 1 year every year from 2008/12/08~5 years	Semiconductor component sales	Product assurance 2. Confidentiality clause
Purchase contract	Sandisk SanDisk (shares) Company	2017/10/1~ Automatic renewal for 1 year	Semiconductor component sales	Product assurance 2. Confidentiality clause
Agency and sales contract TW/HK/C	Samtec	2003/01/01~ Automatic renewal for 1 year	Semiconductor component sales agent	Sales area restrictions Intellectual property rights restrictions Privacy Policy
Agency and sales contract TW/CN/SG/HK	Everspin	2009/01/05~ Automatic renewal for 1 year	Semiconductor component sales agent	Sales area restrictions Intellectual property rights restrictions Privacy Policy
Agency and sales contract TW/CN/SG	E-Switch	2009/01/05~ Automatic renewal for 1 year	Semiconductor component sales agent	Sales area restrictions Intellectual property rights restrictions Privacy Policy
Agency and sales Contract CN	ViXS	2005/09/27~ Automatic renewal for 1 year	Semiconductor component sales	Sales area restrictions Intellectual property rights
Agency and sales contract TW	Phoenix	2019/03/01-2019/12/31	Semiconductor component sales	Sales area restrictions Intellectual property rights
Agency and sales contract TW	Analog	2019/01/01-2019/12/31	Semiconductor component sales agent	Sales area restrictions Intellectual property rights restrictions Privacy Policy

## 2. Biomedical part:

Nature of contract	product line	Contract date	main content	Restrictions
Cooperative contract	セルシード CellSeed Inc.	2017/04/24-2027	Introduced cell layer technology into Taiwan, and established a cell layer processing center (CPC) to continue the clinical trial of esophageal and knee cartilage regeneration	<p>a. The price of technology transfer will not be refunded due to termination or cancellation of this agreement.</p> <p>b. In the future commercialization, the company shall pay a certain percentage of the royalties to Japan's CellSeed Company.</p> <p>c. The term of this contract is 10 years. Before the expiration of the contract, the two parties will extend the exhibition for one year without dissent, and the extension will be the same.</p> <p>d. The ownership of the patents and any other intellectual property of the derivative products in the future, either party must agree in writing to confirm the application.</p> <p>e. During the term of this contract, if the company develops similar esophageal and knee cartilage products and technologies with people or companies other than CellSeed, Japan CellSeed has the right to suspend the contract and the company needs to return all the confidential information previously provided by the Japanese.</p>

Nature of contract	product line	Contract date	main content	Restrictions
Agency contract	Hong Kong Huada Gene Health Technology	2016/06/15~2019/06/14	Tumor drug related gene detection	Five hospitals exemptions
Real estate lease contract	Zhikai Technology Co., Ltd.	2018.02.23~2028.05.14	Site leasing of cell layer factory	MetaTech may not sublease the lease subject to a third party other than the affiliated company without consent.
Engineering contract	Fu Te Mao Co., Ltd.	2018.03.01~ Project warranty expiration	Cell layer factory construction	None
Amendment No.2 to Collaboration Agreement	セルシード CellSeed Inc.	2018/12/6 ~ 2027	Adjustment of payment schedule	None

## VI. Financial information

### A. The five-year concise balance sheet and income statement- International Financial Reporting Standards

#### (A) The concise balance sheet – International Financial Reporting Standards – Consolidated Information

Unit: NT\$ thousand

Item	Year	The most recent five years financial information					Year-end financial data as of March 31, 2019 (Note 1)
		2014	2015	2016	2017	2018	
Current assets		803,360	921,817	703,827	638,435	910,355	883,764
Real estate, plant and equipment		53,524	58,400	60,868	84,031	177,016	197,215
Intangible Assets		0	23,333	0	13,860	136,975	222,100
Other assets		37,949	30,033	44,172	43,370	86,242	138,608
Total assets		894,833	1,033,583	808,867	779,696	1,310,588	1,441,687
Current liabilities	Before distribution	408,854	501,809	344,433	173,663	226,993	180,821
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)	Not yet distributed
Not-Current liabilities		171,511	6,905	2,142	6,518	10,736	201,599
Total liabilities	Before distribution	580,365	508,714	346,575	180,181	237,729	382,420
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)	Not yet distributed
Equity Attributable to the Owners of the Parent Company		314,468	524,869	462,292	599,515	1,072,859	1,059,267
Capital		300,000	400,000	400,000	440,160	580,160	580,160
Additional Paid-In Capital		19,155	126,005	126,005	234,624	618,263	630,399
Retained Earnings	Before distribution	(6,358)	(5,683)	(60,867)	(55,630)	(114,567)	(141,319)
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)	Not yet distributed
Other interests		1,671	4,547	(2,846)	(19,639)	(10,997)	(9,973)
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total shareholders' equity	Before distribution	314,468	524,869	462,292	599,515	1,072,859	1,059,267
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)	Not yet distributed

Note 1: The above financial information has been checked or checked by an accountant. In addition, the financial figures for the year 2014 are the digital representations of the 2015 financial statements adjusted by IFRSs.

Note 2: There is no proposed surplus in 2014~2017.

Note 3: The 2018 surplus distribution case has not been passed by the shareholders meeting.

(B) The concise Income statement – International Financial Reporting Standards – Consolidated Information

Unit: NT\$ thousand

Year Item	The most recent five years financial information					Year-end financial data as of March 31, 2019 (Note 1)
	2014	2015	2016	2017	2018	
Operating Revenue	2,042,614	2,153,401	1,662,820	1,429,233	1,460,290	320,134
Gross Profit	211,197	197,128	145,206	162,128	150,033	31,642
Operating profit (Loss)	15,629	(5,791)	(56,192)	11,432	(231,690)	(31,086)
Non-Operating Income and Expenses	1,494	12,737	(9,537)	(3,496)	16,145	1,183
Income Before Tax	17,123	6,946	(65,729)	7,936	(65,512)	(29,903)
Income (loss) from continuing operations, net of income tax	18,046	1,753	(56,195)	5,189	(57,744)	(26,752)
Loss from discontinued operations	0	0	0	0	0	0
Net profit (loss) for the current period	18,046	1,753	(56,195)	5,189	(57,744)	(26,752)
Other comprehensive income (net of tax) in this period	9,684	1,798	(6,382)	(16,745)	7,449	1,024
Total consolidated profit and loss for the current period	27,730	3,551	(62,577)	(11,556)	(50,295)	(25,728)
Net loss attributable to Owners of Parent	18,046	1,753	(56,195)	5,189	(57,744)	(26,752)
Net loss attributable to non-controlling interests	0	0	0	0	0	0
Consolidated profit or loss attributable to Owners of Parent	27,730	3,551	(62,577)	(11,556)	(50,295)	(25,728)
Total comprehensive profit and loss attributable to non- controlling interests	0	0	0	0	0	0
Earnings per share	0.6	0.05	(1.40)	0.12	(1.01)	(0.46)

Note 1: The above financial information has been checked by an accountant.



(C) The concise balance sheet – International Financial Reporting Standards – Individual Information

Unit: NT\$ thousand

Year Item	The most recent five years financial information (Note 1)					
	2014	2015	2016	2017	2018	
Current assets	344,781	435,381	253,938	179,906	434,375	
Real estate, plant and equipment	50,194	56,225	59,180	82,886	175,887	
Intangible Assets	0	23,333	0	13,860	136,975	
Other assets	352,497	384,535	381,248	392,072	458,956	
Total assets	747,472	899,474	694,366	668,724	1,206,193	
Current liabilities	Before distribution	261,494	367,700	229,932	62,661	122,568
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)
Not-Current liabilities	171,510	6,905	2,142	6,548	10,766	
Total liabilities	Before distribution	433,004	374,605	232,074	69,209	133,334
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)
Equity Attributable to the Owners of the Parent Company	314,468	524,869	462,292	599,515	1,072,859	
Capital	300,000	400,000	400,000	440,160	580,160	
Additional Paid-In Capital	19,155	126,005	126,005	234,624	618,263	
Retained Earnings	Before distribution	(6,358)	(5,683)	(60,867)	(55,630)	(114,567)
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)
Other interests	1,671	4,547	(2,846)	(19,639)	(10,997)	
Treasury stock	0	0	0	0	0	
Non-controlling interests	0	0	0	0	0	
Total shareholders' equity	Before distribution	314,468	524,869	462,292	599,515	1,072,859
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)

Note 1: The above financial information has been checked by an accountant.

Note 2: There is no proposed surplus in 2014~2017.

Note 3: The 2018 surplus distribution case has not been passed by the shareholders meeting.

(D) The concise Income Statement– International Financial Reporting Standards – Individual Information

Unit: NT\$ thousand

Year Item	The most recent five years financial information (Note 1)				
	2014	2015	2016	2017	2018
Operating Revenue	832,481	962,658	755,010	407,625	428,024
Gross Profit	74,786	66,746	39,125	47,062	45,994
Operating profit (Loss)	(6,410)	(30,776)	(51,972)	(23,732)	(142,527)
Non-Operating Income and Expenses	23,967	35,799	(15,334)	27,409	29,354
Income Before Tax	17,557	5,023	(67,306)	3,677	(67,179)
Income (loss) from continuing operations, net of income tax	18,046	1,753	(56,195)	5,189	(57,744)
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) for the current period	18,046	1,753	(56,195)	5,189	(57,744)
Other comprehensive income (net of tax) in this period	9,684	1,798	(6,382)	(16,745)	7,449
Total consolidated profit and loss for the current period	27,730	3,551	(62,577)	(11,556)	(50,295)
Net loss attributable to Owners of Parent	18,046	1,753	(56,195)	5,189	(57,744)
Net loss attributable to non-controlling interests	0	0	0	0	0
Consolidated profit or loss attributable to Owners of Parent	27,730	3,551	(62,577)	(11,556)	(50,295)
Total comprehensive profit and loss attributable to non-controlling interests	0	0	0	0	0
Earnings per share	0.60	0.05	(1.40)	0.12	(1.01)

Note 1: The above financial information has been checked by an accountant.

**B. The five-year concise balance sheet and income statement-Generally Accepted Accounting Principles**

- (A) The concise balance sheet –Generally Accepted Accounting Principles –Consolidated Statement  
Not applicable
- (B) The concise balance sheet –Generally Accepted Accounting Principles –Individual Statement  
Not applicable
- (C) The concise Income Statement–Generally Accepted Accounting Principles – Consolidated Statement  
Not applicable
- (D) The concise Income Statement–Generally Accepted Accounting Principles –Individual Statement  
Not applicable

(E) Last five years signed the names of the accountants and their opinions

1. Accountant's Name and Checking Opinion

Year	Office name	Accountant's name	Check opinions
2011	PricewaterhouseCoopers Taiwan	Zhou Xiao Zi, Xiao Jin Mu	Unqualified opinion
2012	PricewaterhouseCoopers Taiwan	Zhou Xiao Zi, Xiao Jin Mu	Modified Unqualified Comments
2013	PricewaterhouseCoopers Taiwan	Zhou Xiao Zi, Li Xiu Ling	Unqualified opinion
2014	PricewaterhouseCoopers Taiwan	Zhou Xiao Zi, Li Xiu Ling	Unqualified opinion
2015	PricewaterhouseCoopers Taiwan	Zhou Xiao Zi, Li Xiu Ling	Unqualified opinion
2016	PricewaterhouseCoopers Taiwan	Li Xiu Ling, Zhi Bing Jun	Unqualified opinion
2017	PricewaterhouseCoopers Taiwan	Xu Ming Chuan, Zhi Bing Jun	Unqualified opinion
2018	PricewaterhouseCoopers Taiwan	Xu Ming Chuan, Zhi Bing Jun	Unqualified opinion

2. If there is any change of accountants in the last five years, it should be coordinated with the internal organizational adjustment of the PricewaterhouseCoopers Taiwan

**C. Nearly five years financial analysis**

(A) Latest Annual Financial Analysis - Consolidated - International Financial Reporting Standards

Analysis Project		Year	Recent Year Financial Information (Note 1)					Financial Information for the year ended March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018		
Financial Structure (%)	Debt to assets ratio	64.86	49.22	42.85	23.11	18.14	26.53	
	Long-term capital ratio to fixed assets	907.96	910.57	763.02	721.20	612.15	639.34	
Solvency (%)	Current ratio	196.49	183.70	204.34	367.63	401.05	488.75	
	Quick ratio	152.81	153.34	172.40	305.47	347.37	439.19	
	Interest coverage ratio	4.41	2.82	(19.19)	11.89	(1,487.91)	(29.83)	
Management capacity	Receivables turnover (times)	5.27	4.91	4.63	5.17	4.99	4.64	
	Average number of days received	69.26	74.34	78.83	70.60	73.14	78.66	
	Inventory turnover rate (times)	13.03	12.27	12.04	11.94	11.80	11.56	
	Payable turnover (times)	6.70	6.49	6.71	8.54	8.46	7.84	
	Average sales days	28.01	29.75	30.32	30.57	30.93	31.57	
	Real estate, plant and equipment turnover (times)	37.36	38.48	27.88	19.73	11.19	6.84	
	Total asset turnover (times)	2.50	2.23	1.81	1.80	1.40	0.93	
Profitability	Return on assets (%)	2.72	0.51	(5.81)	0.73	(5.52)	(7.55)	
	Return on equity (%)	6.06	0.42	(11.39)	0.98	(6.91)	(10.04)	
	Pre-tax net profit as a	5.71	1.74	(16.43)	1.80	(11.29)	(5.15)	

	percentage of paid-in capital (%)						
	Pure (loss) profit rate (%)	0.88	0.08	(3.38)	0.36	(3.95)	(8.36)
	Earnings per share (\$)	0.60	0.05	(1.40)	0.12	(1.01)	(0.46)
Cash flow	Cash flow ratio (%)	(8.54)	(5.71)	22.70	(39.61)	2.63	(21.81)
	Cash flow rate (%)	33.71	34.89	180.45	62.99	(13.38)	(13.52)
	Cash reinvestment ratio (%)	(6.64)	(5.00)	16.51	(11.34)	0.52	(3.05)
Leverage	Operational leverage	1.96	(2.40)	0.56	2.24	0.75	0.66
	Financial leverage	1.47	0.60	0.95	1.07	1.00	0.97

Reasons for changes in financial ratios in the recent two years: (If the increase or decrease is less than 20%, it can be exempted from analysis.)

1. Liabilities to assets ratio: 2018 was due to go through, and intangible assets increased cash capital increase set plant purchase equipment, caused by decreased liabilities accounted assets ratio.
2. Interest coverage ratio: 2018 period was due to the increase in loss that interest coverage ratio is negative.
3. Fixed asset turnover: 2018 was due to the development of regenerative medicine setting plant and purchase equipment to increase fixed asset turnover caused decline.
4. Profitability Ratio Analysis: 2018 was due to the development of regenerative medicine increase in operating expenses caused the current deficit, so in 2018 the profitability ratios decline over the previous period.

Note 1: The opening of financial information in 2014-2018 were checked by accountants; in the first quarter of 2019, they were verified by accountants.

### (B) Latest Annual Financial Analysis - Individual - International Financial Reporting Standards

Analysis Project		Year	Recent Year Financial Analysis				
		2014	2015	2016	2017	2018	
Financial	Debt to assets ratio	57.93	41.65	33.42	10.35	11.05	
Structure (%)	Long-term capital ratio to fixed assets	968.20	945.80	784.78	731.20	616.09	
Solvency (%)	Current ratio	131.85	118.41	110.44	287.11	354.40	
	Quick ratio	100.24	97.60	94.57	234.70	324.17	
	Interest coverage ratio	4.18	1.70	(19.67)	6.04	(1,525.80)	
Management capacity	Receivables turnover (times)	4.47	4.02	4.16	4.31	4.61	
	Average number of days received	81.58	90.73	87.77	84.63	79.14	
	Inventory turnover rate (times)	11.48	11.69	13.32	10.97	12.13	
	Payable turnover (times)	5.23	4.92	5.62	6.22	6.27	
	Average sales days	31.79	31.22	27.40	33.28	30.09	
	Real estate, plant and equipment turnover (times)	16.48	18.09	13.08	5.74	3.31	
	Total asset turnover (times)	1.23	1.17	0.95	0.60	0.46	
Profitability	Return on assets (%)	3.34	0.94	(6.71)	0.85	(6.16)	

	Return on equity (%)	6.06	0.42	(11.39)	0.98	(6.91)
	Pre-tax net profit as a percentage of paid-in capital (%)	5.85	1.26	(16.83)	0.84	(11.58)
	Pure (loss) profit rate (%)	2.17	0.18	(7.44)	1.27	(13.49)
	Earnings per share (\$)	0.60	0.05	(1.40)	0.12	(1.01)
Cash flow	Cash flow ratio (%)	(14.13)	(11.67)	17.14	(46.57)	(24.14)
	Cash flow rate (%)	(195.40)	(173.56)	(61.30)	(86.10)	(31.84)
	Cash reinvestment ratio (%)	(6.76)	(7.58)	7.86	(4.51)	(2.62)
Leverage	Operational leverage	0.42	1.46	0.73	0.59	0.86
	Financial leverage	0.54	0.81	0.94	0.97	1.00

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

1. Flow and quick ratio: 2018 was due cash injection in an increase liquidity, so that the rising flow and quick ratio.
2. Interest coverage ratio: 2018 period was due to the increase in loss that interest coverage ratio is negative.
3. Fixed asset turnover: 2018 was due to the development of regenerative medicine setting plant and purchase equipment to increase fixed asset turnover caused decline.
4. Profitability Ratio Analysis: 2018 was due to the development of regenerative medicine increase in operating expenses caused the current deficit, so in 2018 the profitability ratios decline over the previous period.

Note 1: Opening of financial information in 2013-2017 were checked by accountants. Note 2: The calculation formula for the analysis item is as follows:

(1) ) Financial structure

◆  $ebt\ to\ assets\ ratio = total\ liabilities / total\ assets.$

◆ The ratio of long-term capital to fixed assets = (net of shareholders' equity + long-term liabilities) / net fixed assets.

(2) ) Solvency

◆  $Current\ ratio = current\ assets / current\ liabilities.$

◆  $Quick\ ratio = (current\ assets - inventory - prepaid\ expenses) / current\ liabilities.$

◆ Interest coverage ratio = before income taxes and interest expense net profit / current period interest expense.

(3) ) Management capacity

◆ Receivables (including accounts receivable and bills due from operations) Turnover = Net Sales / Avg. Accounts Receivable (Including Receivables and Receivables due to Operation) Balance.

◆  $Average\ cash\ days = 365 / receivable\ turnover.$

◆  $Inventory\ turnover = cost\ of\ goods\ sold / average\ inventory\ amount.$

◆  $Average\ number\ of\ days\ sold = 365 / inventory\ turnover.$

◆  $Fixed\ asset\ turnover = net\ sales / average\ net\ fixed\ assets.$

◆ Total asset turnover = net sales / average total assets.

(4) Profitability

◆  $Return\ on\ assets = [after\ tax\ loss + interest\ expense \times (1 - tax\ rate)] / average\ total\ assets.$

◆  $Return\ on\ shareholders'\ equity = post - tax\ profit / loss / average\ shareholder'\ equity.$

◆  $The\ net\ profit\ margin = after - tax\ profit / loss / net\ sales.$

◆ Earnings per share = (net profit after tax - special share dividend) / weighted average number of shares outstanding.

(5) Cash flow

◆  $Cash\ flow\ ratio = net\ cash\ flow\ from\ operating\ activities / current\ liabilities.$

◆  $Cash\ flow\ adequacy\ ratio = net\ cash\ flow\ from\ operating\ activities\ in\ the\ last\ five\ years /$

recent five years (capital expenditure + inventory increase + cash dividend).

◆ Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (Gross fixed assets + long-term investments + other assets + working capital).

(6) ) Leverage

◆ Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.

◆ Financial leverage = operating interest / (business interest - interest expense).

(C) Latest Annual Financial Analysis - Consolidated- Generally Accepted Accounting Principles

Not applicable

(D) Latest Annual Financial Analysis - Individual- Generally Accepted Accounting Principles

Not applicable

**D. The Audit Committee's review report of the most recent annual financial report**

**MetaTech (AP) Inc.  
Audit Committee Review Report**

The Board of Directors has sent the company's 2018 individual financial report and consolidated financial report to the company, and has been audited by Xu, Ming Chuan and Zhi, Bing Jun, both of them, together with the business report and the profit and loss. After reviewing the audit by the Audit Committee, it is considered that there is no discrepancy. According to Article 14-4 of the Securities Exchange Act and Article 219 of the Company Act, the report is submitted and reported for approval.

Sincerely

The Company's 2019 shareholders' meeting

MetaTech (AP) Inc.  
Convener of Audit Committee: Wu, Rong Yi

March 26, 2019



**E. Individual financial statements and Accountants' Review Report: See pages 158 to 232 for details.**

**F. The parent company's consolidated financial statements approved by the accountants in the most recent year: See pages 233 to 298 for details.**

**G. The Company and its affiliates have experienced financial difficulties in the most recent year and as of the publication date of the annual report:** As of the date of publication of the annual report, the Company has not encountered the above situation.

Accountants' Review Report

Dear MetaTech Company Limited:

(108) Financial Audit Report  
No. 18004202

**Opinion**

Individual Balance Sheet of Metatech Company Limited, for the year of 2018 and December 31, 2017, Individual Comprehensive Income Statement, Individual Statement of Shareholders Equity and Individual Statement of Cash Flows for the year of 2018 and for a period from January 1 to December 31, 2017 have been already audited by the Accountant.

In the opinion of the accountant, the Individual financial statements in the first paragraph are prepared in all material respects in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", which are sufficient to express the financial situation of Metatech Company Limited for the year of 2018 and December 31, 2017 and cash flows and the financial performance for the year of 2018 and for the period from January 1, 2017 to December 31, 2017.

**Basis for opinion**

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of Metatech Company Limited in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

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

The key audit matters for the 2018 annual individual financial statements of Metatech Company Limited are as follows:

## **Distribution warehouse sale revenue due to the appropriateness**

### Description

The accounting policies for the recognition of revenue are detailed in Note IV (28) of the financial statements.

The significant judgments adopted in the accounting policies for revenue recognition are detailed in Note V (1) to the financial statements. For the description of the operating income accounting subjects, please refer to Note VI (15) of the individual financial statements.

Metatech Company Limited sales model is divided into factory direct shipments and shipping warehouse two types. According to the IFRS 15 "Revenue from Contracts with Customers" approved by the Financial Supervisory Commission, assets are transferred when the client obtains control over the asset, and the company recognizes the sales revenue when the promised goods are transferred to the customer to meet the performance obligation. Since the delivery warehouse is located in Shanghai, the picker has obtained control over the asset when picking up the goods, but the asset transfer point is not fixed, and the management hierarchy relies on the statement prepared by the custodian of the shipment warehouse in accordance with the inventory movement as the basis for recognition income. Since the processing, recording and maintenance of report information involve manual work, it is easy to cause the income recognition time to be inappropriate or the inventory custody entity does not match the quantity on account book and the transaction amount before and after the end of the financial statements has a significant impact on the individual financial statements. Therefore, the accountant listed the appropriateness of the closing of the sales revenue of the warehouse as one of the important audit matters for the year.

### In response to the checking procedure

The accountant's procedures for the appropriateness of the closing of the sales revenue of the warehouse are summarized as follows:

1. According to the understanding of the company's operations and the nature of the industry, assess the shipping warehouse sales revenue recognized rationality of the policies and procedures and found to comply with the applicable financial reporting framework.
2. To understand the process of receipt, management and delivery of the warehouse, and to evaluate and test the related internal controls, including checking the name, quantity and amount of items in the statements prepared by the custodian of the warehouse, checking the delivery schedule and the sales vouchers are consistent with the information and confirm that the revenue from inventory movements has been recorded in the appropriate period.
3. For the period before and after the balance sheet sales of goods warehouse for a period of time the implementation of the closing of the transaction test, including check the delivery warehouse custodian detailed statement of the goods and inventory changes in the name, quantity and sales revenue amount, and confirm that it has been recorded in the appropriate period.
4. Delivery warehouse for the implementation of the number of sentinel inquiry, and check to the system and the amount of inventory.

## **Realization of deferred income tax assets**

### Description

For the accounting policies of income tax, please refer to Note IV (25) of the financial statements for details. For the accounting estimates and assumptions of income tax, please refer to Note V (2) of the consolidated financial statements: For an explanation of income tax accounting items, please refer to Note VI (18) to the consolidated financial statements.

Deferred income tax assets of Metatech Company Limited as of December 31, 2018 amounted to \$ 42,943 thousand. In assessing the achievability of deferred income tax assets, whether the management proposes to generate sufficient taxable income for future operating plans, including assumptions such as expected future market demand, economic conditions, income growth rate and cost estimates, the decision of the above assumptions often involves the subjective judgment of the management and is highly uncertain, therefore, the accountant has listed the achievable nature of the deferred income tax assets as one of the important audit matters for the current year.

### In response to the checking procedure

The accountants' response procedures for the realization of the deferred tax assets are as follows:

- 1 . To understand the operation and nature of the company so as to evaluate the reasonableness of management's future operation plan, including assessing the operation planning process and reviewing the operation plan in line with the management's approval.
- 2 . Ask the management plan of operation plan and evaluate its intention and ability to execute.
- 3 . Review the revenue, cost and expense growth assumptions used by management in future operations and compare with historic results, economic and industry forecasts to assess the reasonableness of estimating the future taxable income.
- 4 . Evaluating the management's sensitivity analysis using alternative assumptions such as net profit-to-fulfillment ratios and confirming that management has properly dealt with the effect of uncertainty about the estimation uncertainty of future realizable taxable income.

## **Valuation of the allowance for impairment losses on inventories**

### Description

Please refer to Note IV (11) of the Individual Financial Statements for the accounting policy of the stock valuation. For details of the accounting estimates and assumptions of the stock valuation, please refer to Note V (2) of the Individual Financial Statements. Please refer to Note VI (3) of the individual financial statements for the explanation of the accounting subjects for the loss of provision for inventories.

The inventory and allowance for impairment losses of Metatech Company Limited as of December 31, 2018 were \$ 33,971 thousand and \$ 1,479 thousand, respectively. MetaTech Corporation Limited Company is semiconductor components distribution agents to sales of niche products mainly by the type of consumer products, communications products and connectors for the bulk. Because of a small number of diversified products, but also face fierce market price competition and a shorter life cycle, so the risk of falling inventories loss or obsolescence is higher.

The evaluation of the inventory of MetaTech Corporation Limited Company is based on the lower of the cost and the net realizable value. Due to the management's assessment of the allowance for impairment losses on inventories, including the identification of obsolete stocks and the net realizable value of decisions, often involving subjective judgments and therefore highly uncertain of the estimates, considering that the stock of MetaTech Corporation Limited Company and the loss on its contribution to the impairment have a significant impact on the individual financial statements, the accountant listed the assessment of the loss on provision for inventory decline as one of the

#### In response to the checking procedure

The accountants' response to the procedures for the assessment of the loss on impairment of inventories depreciated is as follows:

1. Based on an understanding of the nature of operations and industry, evaluate the reasonableness of the policies and procedures used in assessing the impairment loss on inventories.
2. Understand the warehouse management process, review its annual inventory plan and participate in the annual inventory count to assess management separation and control the effectiveness of obsolete stocks.
3. Verify that the management level is used to individually evaluate the inventory used for obsolescence. The correctness of the information in the report includes confirmation that the inventory movements fall within the appropriate age range.
4. Review the appropriateness of the basis for estimating the net realizable value of inventories, substantiate supporting documents such as product sales or purchase vouchers, and re-calculate and evaluate the reasonableness of management's decision to allow for the impairment loss.

#### **Management and governance unit of the individual financial statements of the responsibility**

The responsibility of the management is based on the individual financial statements expressed in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the IFRSs, IASs, Interpretations and Explanations issued by the Financial Supervisory Commission, and maintain the necessary internal control in connection with the preparation of the individual financial statements to ensure that the individual financial statements do not contain any material misstatement due to fraud or error.

In the preparation of the individual financial statements, the responsibilities of the management also include assessing the ability of Metatech Company Limited to continue operations, exposing the relevant issues and adopting the basis of continuing operations, unless the management intends to liquidate or discontinue the operation of the three subsidiaries and subsidiaries or have no other options than those practicable except for the liquidation or suspension of business.

The governance unit (including the audit committee) of Metatech Company Limited has the

### **Accountants check the financial statements of the responsibility**

The purpose of the auditor's review of the individual financial statements is to obtain reasonable assurance as to whether the individual financial statements are entirely subject to material misstatement of fraud or error and to issue a verification report.

Reasonable conviction is highly conclusive, but verification conducted in accordance with the generally accepted auditing standards of the Republic of China does not guarantee that it will be able to detect major misrepresentation of the individual financial statements. Inaccurate expressions may result from mistakes or fraud. It is considered material if the individual amounts or aggregated amounts that are not properly expressed can reasonably be expected to affect the economic decisions made by the users of the individual financial statements.

The certified public accountants in accordance with the generally accepted auditing standards for checking, the use of professional judgment and maintain professional suspicion. The accountant also performs the following tasks:

- 1 . To identify and assess the significant unrealistic presentation of the individual financial statements as a result of fraud or error; to design and implement appropriate responses to the assessed risks; and to obtain sufficient and appropriate evidence of verification as a basis for verifying the opinion. Because fraud may involve collusion, falsification, intentional omissions, misrepresentation, or excessive internal controls, the risk of not detecting a major misrepresentation due to fraud is higher than that resulting from the wrongdoer.
- 2 . Obtain necessary understanding of the internal controls related to auditing and checking to design appropriate review procedures at the time, but the purpose is not to express an opinion on the effectiveness of the internal control of Metatech Company Limited.
- 3 . Assess the appropriateness of the accounting policies used by management and the reasonableness of the accounting estimates and related disclosures made.
- 4 . Based on the evidence obtained from the examination, it is concluded that there is material uncertainty regarding the appropriateness of the management to adopt the basis for continuing operations and the events or circumstances that may give rise to significant doubts as to the ability of Metatech Company Limited to continue as a going concern. In the opinion of the Accountants, there is a serious uncertainty about the events or circumstances, the audit report should remind the users of the individual financial statements to pay attention to the relevant disclosures in the individual financial statements or to correct the audit opinions if the disclosures are not appropriate. The Accountants' conclusion is based on the evidence of the fragrance obtained at the date of the audit report. However, future events or circumstances may

5. Assess the overall presentation, structure and content of the individual financial statements (including the related notes), and whether the individual financial statements are appropriate to represent the relevant transactions and events.
6. Obtain sufficient and appropriate verification evidence for the financial information of the individuals in the group to express an opinion on the individual financial statements. The accountant is responsible for the guidance, supervision and execution of the Company's check of the case, and is responsible for forming the Company's check opinion.

The communication between the accountant and the governing unit includes the planned scope and timing of the audit, as well as major audit findings including the significant absence of internal controls identified in the audit.

The accountants also provided the governing units with the statements concerning the independence of the ROC Certified Public Accountants, who are affiliated with the accounting firm and who are subject to independence. They also communicated with the governing unit all the relationships that may be considered to affect the independence of the accountants, and other matters (including related protective measures).

The accountants decided to check the key issues of 2018 Individual Financial Statements of Metatech Company Limited from the matters communicated with the governing unit. This accountant clarifies these matters in the audit report, unless the law does not allow public disclosure of certain matters, or in rare cases, the accountant decides not to communicate certain issues in the audit report because it can reasonably be expected to negatively affect this communication. The impact is greater than the enhanced public interest.

PricewaterhouseCoopers Taiwan

Xu Ming Chuan

Accountants

Zhi Bing Jun

Former Executive Yuan Financial

Supervisory Commission Securities and Futures Bureau

Approval of number :

Finance Securities (6) NO.1050029449

Former Ministry of Finance Securities Commission

Approval of number :

(88) Taiwan Finance Securities (6) NO. 16120

March 26, 2019

PricewaterhouseCoopers, Taiwan PricewaterhouseCoopers, Taiwan

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MetaTech Company Limited  
Individual Balance Sheet  
2018 and December 31, 2017

Unit: NT \$ thousand

Assets	Reference	December 31, 2018		December 31, 2017		
		Amount	%	Amount	%	
<b>Current Assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 278,446	23	\$ 34,445	5
1150	Notes Receivable	6(2)	1,427	-	2,861	-
1170	Net Accounts Receivable	6(2)	96,265	8	85,056	13
1180	Accounts Receivable - Net related parties	7	182	-	349	-
1200	Other Receivables		2,430	-	12,867	2
1210	Accounts Receivable - related parties	7	8,095	1	3,531	1
1220	Current Income Tax Assets		22	-	-	-
130X	Inventories	6(3)	32,492	3	30,488	5
1410	Prepayment		4,556	-	2,355	-
1470	Other Current Assets	6(1)&8	10,460	1	7,954	1
11XX	<b>Total Current Assets</b>		<u>434,375</u>	<u>36</u>	<u>179,906</u>	<u>27</u>
<b>Non-Current Assets</b>						
1550	Investment in equity method	6(4)	375,399	31	351,442	53
1600	Property, Plant And Equipment	6(5),7&8	175,887	15	82,886	12
1780	Intangible assets	6(7)	136,975	11	13,860	2
1840	Deferred Income Tax Assets	6(18)	42,943	4	30,209	4
1900	Other Non-Current Assets	6(6)(9)	40,614	3	10,421	2
15XX	<b>Total Non-Current Assets</b>		<u>771,818</u>	<u>64</u>	<u>488,818</u>	<u>73</u>
1XXX	<b>Total Assets</b>		<u>\$ 1,206,193</u>	<u>100</u>	<u>668,724</u>	<u>100</u>

(Continued)





MetaTech Company Limited  
Individual Balance Sheet  
2018 and December 31, 2017

Unit: NT \$ thousand

Liabilities and equity	Reference	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
<b>Current Liabilities</b>					
2100 Short-Term Debt	6(15)	\$ 20,000	2	\$ -	-
2130 Contract liability-Current		\$ 156	-	\$ -	-
2150 Notes Payable		1,377	-	-	-
2170 Accounts Payable		70,475	6	48,925	7
2180 Accounts Payable-related parties	7	415	-	648	-
2200 Other Payables		25,158	2	7,745	1
2220 Other Payables-related parties	7	124	-	622	-
2250 Debt reserves - Current	6(10)	\$ 4,433	-	\$ 4,433	1
2300 Debt reserves - Current		430	-	288	-
21XX <b>Total Current Liabilities</b>		<u>122,568</u>	<u>10</u>	<u>62,661</u>	<u>9</u>
<b>Non-Current Liabilities</b>					
2570 Deferred Income Tax Liabilities	6(18)	10,736	1	6,515	1
2600 Other Non-Current Assets		30	-	33	-
25XX <b>Total Non-Current Liabilities</b>		<u>10,766</u>	<u>1</u>	<u>6,548</u>	<u>1</u>
2XXX <b>Total Liabilities</b>		<u>133,334</u>	<u>11</u>	<u>69,209</u>	<u>10</u>
<b>Capital</b>	6(12)				
3110 Capital - Common Share		580,160	48	440,160	66
<b>Additional Paid-In Capital</b>	6(13)				
3200 Additional Paid-In Capital		618,263	51	234,624	35
<b>Retained Earnings</b>	6(14)				
3350 Deficit to be offset					
<b>Other Equity</b>		( 114,567 )	( 9 )	( 55,630 )	( 8 )
3400 Other Equity		( 10,997 )	( 1 )	( 19,639 )	( 3 )
3XXX <b>Total Equity</b>		<u>1,072,859</u>	<u>89</u>	<u>599,515</u>	<u>90</u>
<b>Significant Commitments and Contingent Liabilities</b>	9				
<b>Material Subsequent Events</b>	11				
3X2X <b>Total Liabilities and Equity</b>		<u>\$ 1,206,193</u>	<u>100</u>	<u>\$ 668,724</u>	<u>100</u>

The accompanying notes to the consolidated financial statements are one part of the consolidated financial reports, please refer it too.

Chairman: Hu Li San

Manager: Tang Hong De

Account Manager: Zhan Zhi Cong



**MetaTech Company Limited**  
**Individual Comprehensive Income Statement**  
2018, and from January 1, 2017 to December 31, 2017

Unit: NT \$ thousand  
(Except for (earnings) loss NT \$ per share)

Entry	Reference	2018		2017	
		Amount	%	Amount	%
4000					
4000					
5000					
5950					
6100					
6200					
6300					
6450					
6000					
6900					
7010					
7020					
7050					
7070					
7000					
7900					
7950					
8200					
8311					
8349					
8310					
8361					
8399					
8360					
8300					
8500					
9750					
9850					

The accompanying notes to the consolidated financial statements are one part of the consolidated financial reports, please refer it too.

Chairman: Hu Li San

Manager: Tang Hung Te

Account Manager: Chan Chih Tsung



MetaTech Company Limited  
Individual Statement of Shareholders Equity  
2018 and from January 1, 2017 to December 31, 2017

Equity attributable to owners of parent

		Capital reserve						Unit: NT \$ thousand	
	Reference	Common Stock	Issue Premium	Employee Stock Option	Stock Option	Expired Stock Option	Deficit to be Offset	Exchange Differences on Translation of Foreign Financial Statements	Total equity
<u>2017</u>									
Balance on January 1, 2017		\$ 400,000	\$ 120,716	\$ -	\$ 5,205	\$ 84	(\$ 400,000 )	(\$ 400,000 )	\$ 462,292
Net profit		-	-	-	-	-	5,189	-	5,189
Other comprehensive net income		-	-	-	-	-	48	( 16,793 )	( 16,745 )
Total Comprehensive Income		-	-	-	-	-	5,237	( 16,793 )	( 11,556 )
Convertible Corporate Bonds	6(8)(12)								
Convert to Common Stocks		40,160	113,824	-	( 5,205 )	-	-	-	148,779
Balance on December 31, 2017		<u>\$ 440,160</u>	<u>\$ 234,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84</u>	<u>(\$ 55,630 )</u>	<u>(\$ 19,639 )</u>	<u>\$ 599,515</u>
<u>2018</u>									
Balance on January 1, 2018		\$ 440,160	\$ 234,540	\$ -	\$ -	\$ 84	(\$ 55,630 )	(\$ 19,639 )	\$ 599,515
Net loss		-	-	-	-	-	( 57,744 )	-	( 57,744 )
Other Comprehensive Net Income		-	-	-	-	-	( 1,193 )	8,642	7,449
Total Comprehensive Income		-	-	-	-	-	( 58,937 )	8,642	( 50,295 )
Capital Increased by Cash	6(12)	140,000	364,000	-	-	-	-	-	504,000
Compensation Payable of Share-Based Payment	6(11)	-	2,665	16,974	-	-	-	-	19,639
Balance on December 31, 2018		<u>\$ 580,160</u>	<u>\$ 601,205</u>	<u>\$ 16,974</u>	<u>\$ -</u>	<u>\$ 84</u>	<u>\$ 114,567</u>	<u>(\$ 10,997 )</u>	<u>\$ 1,072,859</u>

The accompanying notes to the consolidated financial statements are one part of the consolidated financial reports, please refer it too.

Chairman: Hu Li San

Manager: Tang Hong De

Account Manager: Zhan Zhi Cong



**MetaTech Company Limited**  
**Individual Statement of Cash Flows**  
2018 and from January 1, 2017 to December 31, 2017

Unit: NT \$ thousand

	Reference	from January 1, to December 31, 2018	from January 1, to December 31, 2017
<b>Cash Flows From Operating Activities</b>			
Individual net (loss) profit before tax		(\$ 67,179 )	\$ 3,677
Adjustments			
Income Charges (Credits)			
Depreciation Expense	6(5)(17)	5,842	4,798
Amortization Expense	6(17)	552	589
Allowance for Bad Debts Accounts (Turn to Income)	6(2)&12(4)	( 1,645 )	( 2,503 )
Net profit on financial assets and liabilities measured at fair value through profit or loss	6(16)&12(4)	-	308
Interest Expense		44	67
Amortization of corporate bonds payable		-	662
Interest Income		( 489 )	( 280 )
Share of Profit or Loss of Associates Accounted for Using Equity Method		( 11,915 )	( 31,629 )
Compensation Payable of stock-based payment	6(11)	19,639	-
Loss on disposal of Real Estate, Plant and Equipment	6(5)	24	-
Unrealized exchange gains and losses		( 2,811 )	4,438
Net Changes in Operating Assets			
Changes in Operating Assets			
Financial asset or liability held for trading		-	4,780
Notes Receivable		1,434	1,329
Accounts Receivable		( 9,564 )	14,377
Accounts Receivable-Related parties		167	298
Other Receivables		10,437	( 12,104 )
Other Receivables-Related parties		( 4,564 )	( 3,496 )
Inventory		( 2,004 )	4,768
Prepayments	6(10)	( 2,201 )	( 1,113 )
Other Current Assets		( 398 )	1
Net defined benefit assets		( 47 )	( 61 )
Net change in liability related to operating activities			
Contract liability		72	-
Notes Payable		1,377	-
Accounts Payable		21,550	( 15,355 )
Accounts Payable - related parties		( 233 )	( 620 )
Other Payables		12,176	( 1,385 )
Other Payables- related parties		( 498 )	( 683 )
Other Current Liabilities		226	( 304 )
Other Non-Current Liabilities		3	30
Cash Inflows (Outflows) From Operations		( 30,011 )	( 29,411 )
Interest Charged Incomes		489	280
Interest Paid Expenses		( 44 )	( 67 )
Income Tax Refund		-	14
Income Tax Paid		( 22 )	-
Net Cash Inflows (Outflows) from Operating Activities		( 29,588 )	( 29,184 )



**MetaTech Company Limited**  
**Individual Statement of Cash Flows**  
 2018 and from January 1, 2017 to December 31, 2017

Unit: NT \$ thousand

	Reference	from January 1, to December 31, 2018	from January 1, to December 31, 2017
<u>Cash Flows from Investing Activities</u>			
Increase (Decrease) in restricted assets		( 2,108 )	260
Purchase of Real Estate, Plant and Equipment	6(5)	( 93,630 )	( 29,311 )
Decrease (Increase) In Refundable Deposits	6(5)	( 232 )	11,129
Other non-current assets increase (decrease)		( 32,137 )	( 1,709 )
Purchase of intangible assets		( 123,115 )	( 13,860 )
Investments accounted for using equity method		( 2,000 )	-
Cash flows from investing activities		<u>( 253,222 )</u>	<u>( 33,491 )</u>
<u>Net Cash Flow from Finance Activities</u>			
Current Borrowing of Short-Term Loans		40,000	65,000
Current Repayments of Short-Term Loans		( 20,000 )	( 65,000 )
Cash increase		504,000	-
Net Cash Inflows (Outflows) From Finance activities		<u>524,000</u>	<u>-</u>
Effect of Exchange Rate Changes for cash and cash equivalents		2,811	( 4,438 )
Net Increase In Cash and Cash Equivalents		244,001	( 67,113 )
Cash and Cash Equivalents at Beginning of Year	6(1)	34,445	101,558
Cash and Cash Equivalents at End of Year	6(1)	<u>\$ 278,446</u>	<u>\$ 34,445</u>

The accompanying notes to the consolidated financial statements are one part of the consolidated financial reports, please refer it too.

Chairman: Hu Li San

Manager: Tang Hong De

Account Manager: Zhan Zhi Cong

MetaTech Company Limited  
Notes to the consolidated financial statements  
2018 annual and 2017 annual

Unit: NT \$ thousand  
(Except special note)

I. The Company history

Metatech Company Limited (Hereinafter referred to as "the Company") is according to the Company Law of the Republic of China in September 1998 set up, the main business are electronic materials, materials wholesale and retail business, and development and operation of the biomedical business such as business. The stock of the Company pursued the approval of the Financial Supervision and Administration Commission to trade over the counter on Taipei Exchange, and was officially listed on June 3, 2004.

II. The date and procedure for the adoption of the financial report

The individual financial report was published on March 26, 2019 after it was submitted to the board of directors.

III. New release and revision of standards and interpretation of the application

(A) The impact of the newly issued revised IFRS approved by the Financial Supervisory Commission ("FSC") has been adopted.

The following table summarizes the new issued amendments and amendments to the IFRS guidance and interpretations applicable to the 2018 IFRS:

<u>New release / amendment / amendment guidelines and explanations</u>	<u>The effective date of the release of the International Accounting Standards Board</u>
Amendments to IFRS 2, "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Method of applying IFRS 9" Financial Instruments "to IFRS 4 insurance contracts	January 1, 2018
IFRS 9 Financial Instruments	January 1, 2018
IFRS No.15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Explanations of IFRS 15 Revenues from Customer Contracts"	January 1, 2018
Amendments to IAS No.7 "Uncovering Plans"	January 1, 2017
Amendments to IAS No.12 "Recognition of unrealized losses on deferred tax assets"	January 1, 2017
Amendments to IAS 40 "Conversion of investment real estate"	January 1, 2018
International Financial Reporting Interpretation No. 22 "Foreign currency transactions and prepayment consideration"	January 1, 2018
Annual Improvements to the 2014-2016 Cycle - IFRS 1, "First-time Adoption of International Financial Reporting Standards"	January 1, 2018

New release / amendment / amendment guidelines and explanations	The effective date of the release of the International Accounting Standards Board
Annual Improvements to the 2014-2016 Cycle - IFRS 12 Exposure to the Interests of Other Individuals	January 1, 2017
Annual Improvements to the 2014-2016 Cycle - IAS 28, Investments in Affiliates and Joint Ventures	January 1, 2018

Except as described below, the Company has not materially affected the financial position and financial performance of the Group after assessing the above criteria and interpretations:

#### 1 . IFRS 9 Financial Instruments

- (1) Financial assets Debt instruments are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and measured at amortized cost, based on the entity's business model and contractual cash flow characteristics financial assets. Financial assets Equity instruments are classified as financial assets at fair value through profit or loss unless the entity makes the irrevocable choice to recognize the fair value of the equity instruments for non-transactional purposes as other comprehensive income.
  
- (2) Impairment assessment of financial assets Debt instruments should adopt expected credit loss model and assess whether the credit risk of the instrument increases significantly on each balance sheet date, so as to apply 12-month expected credit loss or expected credit during its existence loss (Interest income before impairment loss is estimated based on the total carrying amount of the asset); or whether impairment has occurred or not, and the interest income after impairment is estimated based on the net book amount after provision of doubtful debt. Accounts receivable (excluding material financial components) should be set aside for loss on the basis of the expected credit losses for the period.
  
- (3) The amendment of general hedge accounting makes the accounting treatment more consistent with the risk management policy of the enterprise.  
The components of the open non-financial project and the project group can be used as safe-haven projects, remove the 80%~125% high effective threshold for hedging, and the new hedge ratio of hedged items and hedging instruments can be rebalanced while the risk management objectives of the company remain unchanged.
  
- (4) The Company's International Financial Reporting Standard No. 9 (hereinafter referred to as "IFRS 9") adopts the non-reprogramming of the previous financial statements (hereinafter referred to as "corrected traceability"), which affects the impact of January 1, 2018, please refer to Note 12 (4) for details.

2. International Financial Reporting Standard 15 "Revenue of Customer Contracts" and related amendments

When the Company first applied the International Financial Reporting Standard No. 15 (hereinafter referred to as "IFRS 15"), it chose not to rewrite the previous financial statements and adopt the revised retrospective transitional approach, and the income-related advance receipts for other current liabilities listed on January 1, 2018 are selected and reclassified to contractual liabilities-flowing items according to their nature, the impacts are summarized as follows:

(1) Expression of related liabilities of customer contracts

Due to the application of the relevant provisions of IFRS 15, the Group revised some of the accounting subjects expressed in the balance sheet as follows:

According to IFRS 15, the contractual liabilities relating to the sales revenue contract were expressed as other current liabilities on the balance sheet during the reporting period, with a balance of \$84 on January 1, 2018.

(2) Please refer to Note VII (5) for the impact of the initial application of IFRS 15.

(B) The impact of the newly released and revised international financial reporting standards recognized by the FSC has not been adopted

The following table summarizes the new issued amendments and amendments to the IFRS guidance and interpretations applicable to the 2019 IFRS:

New release / amendment / amendment guidelines and explanations	The effective date of the release of the International Accounting Standards Board
Amendment to International Financial Reporting Standard No. 9 "Advance Repayment Characteristics with Negative Compensation"	January 1, 2019
IFRS No.16 Leases	January 1, 2019
Amendments to IAS 19 "Amendment, Reduction or Settlement of Plans"	January 1, 2019
Amendments to IAS 28 "Long-term interests in affiliated companies and joint ventures"	January 1, 2019
International Financial Report Interpretation No. 23 "Understanding Income Tax Treatment"	January 1, 2019
Annual improvement of the 2015-2017 cycle	January 1, 2019

Except as described below, the Company has assessed that the above criteria and explanations have no material impact on the Company's financial position and results of operations and the amount of such impact is to be disclosed upon completion of the assessment:

IFRS 16 Leases

IFRS 16 "Leases" replaces IAS 17 "Leases" and their related interpretations and interpretations. This standard stipulates that the lessee should recognize the right-of-use assets and the lease liabilities (Except for the lease term of less than 12 months or the lease of assets with low value); lessor accounting treatment is still the same, according to business leasing and financial leasing two types of treatment, only to increase the relevant disclosure.



The Company will treat the lessee's lease contract in accordance with International Financial Reporting Standard No. 16, except that it does not rewrite the previous financial statements (hereinafter referred to as "corrected traceability"), and for January 1, 2019, the right to use assets and lease liabilities may each be increased by \$53,434.

(C) Impact of IFRSs issued by the International Accounting Standards Board but not yet approved by the FSC

The following table sets out the criteria and explanations for the new release, amendment and revision of the International Financial Reporting Standards that have been published by the International Accounting Standards Board but not yet included in the FSC:

<u>New release / amendment / amendment guidelines and explanations</u>	<u>The effective date of the release of the International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8 "Exposure Initiative - Definition of Materiality"	January 1, 2020
Amendment to International Financial Reporting Standard No. 3 "Definition of Business"	January 1, 2020
Amendments to International Financial Reporting Standard 10 and IAS 28 "The sale or investment of assets between investors and their affiliates or joint ventures"	Waiting for being determined by the International Accounting Standards Board
International Financial Reporting Standard No. 17 "Insurance Contracts"	January 1, 2021

The Company's assessment of the above criteria and interpretations has no material impact on the Company's financial position and financial performance.

IV.A summary of significant accounting policies

The principal accounting policies used in the preparation of the individual financial statements are explained below. Unless stated, such policies apply uniformly throughout all reporting periods.

(A) Follow the statement

The individual financial statements have been prepared in accordance with the IFRSs, IASs, Interpretations and Interpretations (IFRSs) issued by the FSC in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(B) The basis of preparation

1 . Except for the following important items, the individual financial statements have been prepared based on historical cost :

- (1) Financial assets and liabilities measured at fair value through profit or loss at fair value (including derivatives).

- (2) Defined Welfare Assets recognized as net present value of defined benefit obligations based on the assets of the pension fund.
- 2 . The preparation of the financial statements in conformity with the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations ("IFRSs") approved by the FSC requires the use of certain critical accounting estimates, in the process of applying the Company's accounting policies, management also needs to make judgments, items that involve a high degree of judgment or complexity, or involve significant assumptions and estimates of the individual financial statements. Please refer to Note 5 for further details.
- 3 . The Company applied IFRS 9 and IFRS 15 for the first time on January 1, 2018. It uses the revised retrospective to recognize the conversion difference as a retained surplus or other equity on January 1, 2018, and the financial statements and notes for 2017 have not been reorganized. 2017 annual is based on International Accounting Standards No. 39 (hereinafter referred to as "IAS 39"), International Accounting Standards No. 11 (hereinafter referred to as "IAS 11"), and International Accounting Standards No. 18 (hereinafter referred to as "IAS 18"), and the relevant explanations and explanations for the preparation of the announcement, the major accounting policies adopted and the description of the important accounting items, please refer to Note VII (4) and (5).

(C) Foreign Currency Exchange

Entries included in each individual financial report of the Company are measured in the currency of the primary economic environment in which the individual operates (functional currency). The individual financial statements are presented using the functional currency "NT \$" of the Company as the currency of presentation.

1 . Foreign currency transactions and balances

- (1) Foreign currency transactions are exchanged into the functional currency using the spot exchange rate on the trading day or measurement date to exchange differences arising on translation of these transactions are recognized as profit or loss for the period.
- (2) The balance of foreign currency monetary assets and liabilities shall be evaluated and adjusted according to the spot exchange rate at the balance sheet date. The difference arising from the adjustment shall be recognized as current profit or loss.
- (3) The balance of foreign currency non-monetary assets and liabilities is measured at fair value through profit or loss and is adjusted based on the spot exchange rate at the balance sheet date. Exchange differences arising from the adjustment are recognized as profit or loss for the current period; Others are measured at fair value through other comprehensive income, at the spot exchange rate on the balance sheet date, the exchange differences arising from the adjustments are recognized in other comprehensive income; Non-fair value measurement is based on the historical exchange rate of the initial trading day.
- (4) All exchange gains and losses are reported "other benefits and losses" in the statement of profit or loss.

2 . Conversion of foreign operating agencies

For all group entities with different functional currency and presentation currency, their business results and financial position are translated into the currency of presentation in the following

- A. Assets and liabilities expressed in each of the balance sheets are translated at the closing rates at the balance sheet date;
- B. Revenues and losses expressed in each individual statement of profit or loss are translated using the average exchange rates for the period; and
- C. All exchange differences arising on conversion are recognized in other comprehensive income.

(D) The classification criteria for the distinction between current and non-current assets and liabilities

1 . Assets meet one of the following conditions, classified as current assets:

- (1) It is expected that the asset will be realized in the normal course of business, or it is intended to be sold or consumed by consumers.
- (2) Mainly for the purpose of trading.
- (3) Expected to be realized within 12 months after the balance sheet date.
- (4) The liquidation term cannot be unconditionally extended to at least 12 months after the balance sheet date. The terms of a liability may depend on the counterparty's choice of the issuer of an equity instrument to incur liquidation without affecting its classification.

The Company classifies all the assets that do not meet the above criteria as non-current.

2 . A liability that meets one of the following conditions is classified as current liabilities:

- (1) The liquidation is expected in the normal operating cycle.
- (2) Mainly for the purpose of trading.
- (3) Expected to be settled within 12 months after the balance sheet date.
- (4) The liquidation term cannot be unconditionally extended to at least 12 months after the balance sheet date. The terms of a liability may depend on the counterparty's choice of the issuer of an equity instrument to incur liquidation without affecting its classification.

The Company classifies all liabilities that do not meet the above criteria as non-current.

(E) Cash Equivalents

Cash equivalents are short-term, highly liquid investment that can be converted into fixed cash at any time with little risk of changes in value. The certificate of deposits is classified as approximate cash in accordance with the foregoing definition and is held for the purpose of meeting short-term cash commitments in operation.

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

- 1 . Financial assets that are not measured at amortized cost or measured at fair value through other comprehensive gain or loss.

- 2 . The Company's financial assets measured at fair value through profit or loss in accordance with the usual transactions are accounted for on the trade date.
- 3 . The Company's original transaction costs are measured at fair value through profit or loss, and subsequent gains and losses are recognized in profit or loss.

(G) Accounts receivable and notes receivable

- 1 . It refers to the accounts and bills that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
- 2 . Short-term accounts receivable and notes that are unpaid interest, the effect of discounting is not large, the company is measured by the original invoice amount.

(H) Impairment of financial assets

After accounting for all reasonable and verifiable information (including forward-looking), the financial assets measured at amortized cost and the accounts receivable with significant financial components are measured at each balance sheet date, for those who have not significantly increased the credit risk since the original recognition, the Company measures the allowance loss based on the 12-month expected credit loss amount; for those who have significantly increased the credit risk since the original recognition, the allowance loss is measured by the amount of credit loss expected during the existence period; for the accounts receivable that do not contain the significant financial component, the allowance loss is measured by the expected amount of credit loss during the duration.

(I) Excluding financial assets

When the Company lacks the contractual rights to receive cash flows from a financial asset, the Company will exclude the financial assets.

(J) Operating lease (lessor)

Lease income from operating leases, net of any incentives given to the lessee, and amortization on a straight-line basis over the period of the lease is recognized in profit or loss.

(K) Inventory

The cost of inventories is measured by the lower of the cost and the net realizable value, and the cost is determined according to the first-in-first-out method. When the comparative cost is lower than the net realizable value, the comparative method is adopted, and the net realizable value refers to the balance of the estimated selling price in the ordinary course of business less the relevant selling expenses.

(L) Equity method investment / subsidiary

- 1 . Subsidiaries refer to individuals (including structured individuals) controlled by the company, and when the company is exposed to rewards or remuneration for changes in the participation of the company, they enjoy rights, when the power of the individual is capable of affecting such remuneration, the company controls the individual.
- 2 . The unrealized profits and losses generated by the company and its subsidiaries have been sold. The accounting policies of the subsidiaries have been adjusted as necessary, consistent with the policies adopted by the company.
- 3 . The profits and losses of the company after the acquisition of the company's subsidiaries are recognized as current profits and losses, and other comprehensive income and losses after acquisition are recognized as other comprehensive profit and loss. If the loss share recognized by the company's subsidiary company equals or exceeds the equity in the subsidiary, the company continues to recognize the loss in proportion to the shareholding.
- 4 . Changes in the shareholdings of a subsidiary that do not result in loss of control (transactions with non-controlling interests) are treated as equity transactions, that is, as transactions with the owner. The difference between the amount of adjustment of non-controlling equity and the fair value of the consideration paid or received is directly recognized as equity.
- 5 . When the company loses control of the subsidiary company, the remaining investment in the former company is revalued at the fair value, and is used as the fair value of the original recognized financial asset or originally recognized as the cost of the related enterprise or joint venture, the difference between the fair value and the carrying amount is recognized as the current profit or loss. For all funds previously recognized in other comprehensive profits and losses related to the company, the accounting process and the company have the same basis for directly disposing of assets or liabilities, in other words, the profit or loss previously recognized as other comprehensive profit or loss will be reclassified to profit or loss when the relevant assets or liabilities are disposed of. When the control over the subsidiary is lost, the interest or loss is reclassified from equity to profit or loss.
- 6 . According to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the current profits and losses and other comprehensive gains and losses of the individual financial statements shall be the same as the share of the owners of the parent company in the current financial statements prepared in the merger basis and other comprehensive income, the owner's equity of the individual financial report should be the same as the equity attributable to the owner of the parent in the financial report prepared under the consolidation basis.

(M) Property, plant and equipment

- 1 . The immovable property, plant and equipment are accounted for based on the acquisition cost and the relevant interest during capitalization period is capitalized.
- 2 . Subsequent costs only included in the asset's carrying amount or recognized as a separate asset is its possible future economic benefits associated with the item that are likely to flow to the Company and the cost of the item can be measured reliably. The book value of the portion that is reset should be divided by columns. All other maintenance costs are recognized as a current profit or loss when incurred.
- 3 . Subsequent measurement of the cost-recovery model for real estate, plant and equipment depreciates on a straight-line basis over the estimated useful life, excluding depreciation of land. Depreciation is provided separately for the individual components of the property, plant and equipment if the components are material.
- 4 . At the ending date of each financial year, the Company reviews the residual values, useful lives and depreciation methods of each asset. If the expected value of the salvage value and the useful life are different from previous estimates, or the future economic benefits of the asset Expected changes in consumption patterns have been accounted for as of the change in accounting estimates in IAS No.8, "Changes in accounting policies, accounting estimates and errors" from the date of change. The useful life of each asset is as follows:

Housing and building	50 years
Mechanical equipment	3 ~ 5 years
Transportation equipment	3 ~ 5 years
Office equipment	3 ~ 5 years
Lease improvement	3 ~ 5 years
Other equipment	3 ~ 5 years

(N) Leases (Tenant)

Operating lease payments, net of any incentives received from the lessor, are amortized on a straight-line basis over the lease terms as profit or loss for the period.

(O) Intangible assets

- 1 . Expertise  
The expertise is the acquisition cost basis, which is amortized over the estimated useful life of 10 years according to the straight-line method.
- 2 . Goodwill  
Goodwill is a result of mergers and acquisitions.

(P) Impairment of non-financial assets

- 1 . The Company estimates the recoverable amount of assets with signs of impairment as at the balance sheet date. If the recoverable amount is less than its carrying amount, the Company recognizes the impairment loss. Recoverable amount is the fair value of an asset less costs of sale or its value in use, whichever is higher. In addition to goodwill, when there is no asset impairment loss recognized in previous years, the impairment loss will be reversed, except for the increase of the carrying amount of the asset due to the impairment loss, not exceeding the carrying amount of the asset after deducting depreciation or amortization if no impairment loss has been recognized.
- 2 . Goodwill and the intangible assets that are not yet available for use are regularly estimated for their recoverable amount. When the recoverable amount is lower than its book value, the impairment loss is recognized. The impairment loss of goodwill impairment will not be reversed in subsequent years.
- 3 . Goodwill is allocated to the cash-generating unit for the purpose of impairment testing. This apportionment is based on the identification of the operating department and the distribution of goodwill to a group of cash-generating units or cash-generating units that are expected to benefit from the business combination that generates goodwill.

(Q) Borrowing

It refers to short-term payments from banks. The Company measures its fair value less transaction cost when it is originally recognized, and any subsequent difference between the price and the redemption value after deducting the transaction cost, the effective interest method is used to recognize the interest expense in profit or loss during the circulation period according to the amortization procedure.

(R) Accounts payable and notes payable

- 1 . Refers to the debts incurred as a result of the purchase of the goods and the notes payable due to business and non-business.
- 2 . Short-term accounts payable and notes that are unpaid interest, the effect of discounting is not large, the company is measured by the original invoice amount.

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

- 1 . The main purpose of the occurrence is to buy back in the near future, and financial liabilities held for trading, except for derivatives that are designated as hedging instruments by hedge accounting.
- 2 . The Company is measured at fair value at the time of original recognition, and the related transaction costs are recognized in profit or loss and subsequently measured at fair value through profit or loss.

(T) Convertible Bonds payable

The convertible bonds payable by the Company, embedded with the conversion rights (that is, the holder's right to convert into ordinary shares of the Company and convert a fixed amount into a fixed number of shares), Put options and Call options, at the time of initial issuance, the issue price is divided into financial assets, financial liabilities or equity according to the conditions of issuance, which are treated as follows:

- 1 . The Put options and Call options which were embedded in the Company's issuance of convertible bonds should be initially stated at their fair value through "financial assets or liabilities at fair value through profit or loss"; Subsequent to the balance sheet date, according to the current fair value evaluation, the difference recognized as "fair value through profit or loss of financial assets (liabilities) interests or losses".
- 2 . The master contract of the convertible bond payable is measured at fair value at initial recognition, the difference between the redemption price recognized as premium on bond payable, as an increase or decrease in corporate bonds payable; Subsequent effective interest method is recognized as profit or loss for the current period on the basis of the amortized cost during the bond circulation period, as an adjustment to "finance cost"
- 3 . The conversion rights embedded in the Company's issue of convertible bonds conformed to the definition of equity, At the time of initial recognition, the amount of the issued share capital, net of the above "financial assets or liabilities at fair value through profit or loss", and the "net corporate bonds payable" then the remaining value is stated in "Capital reserve - share options", the subsequent no longer re-measure.
- 4 . Any transaction costs directly attributable to the issue of the convertible bonds payable are allocated to the components of the liability and equity based on the original carrying amount.
- 5 . When the holder changes, the liability component (Including "corporate bonds payable" and "financial assets or liabilities measured at fair value through profit or loss") of the accounting, according to the classification of the follow-up measurement method to deal with, the book value of "capital surplus - share options" is added as the issue cost of the common shares in exchange for the book value of the components of the liability plus the above.

(U) Excluding financial liabilities

When the obligations set out in the contract are fulfilled, canceled or expired, the Company depreciates the financial liabilities.



(V) Debt preparation

The liability provision generated by the Company is subject to current statutory or definitive obligations due to past events. It is highly probable that an economically beneficial resource will be required to settle the obligation and the amount of the obligation can be recognized reliably. The measure of debt preparation is measured at the best present value of the estimated expenses required to settle the obligation on the balance sheet date. The discount rate is based on the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liabilities, amortization is recognized as interest expense. Future operating loss may not be recognized as a liability.

(W) Employee benefits

1 . Short-term employee benefits

Short-term employee benefits are measured at the non-discount of expected payments and are recognized as a fee when the related services are rendered.

2 . Pensions

(1) Determine the drafting plan

For the purpose of determining the transfer plan, the amount of retirement fund to be appropriated should be recognized as the current cost of the pension based on the basis of the accrual basis. Prepayments Advances are recognized as assets to the extent that cash is repayable or future payments are reduced.

(2) Determine the welfare plan

A. The net obligation under a defined benefit plan is calculated by discounting the future benefits earned by employees in current or past service and dividing the fair value of the plan assets by the present value of the defined benefit obligations at the balance sheet date and the unrecognized Pre-column service costs. The defined net benefit obligation is calculated annually by the actuary using the expected unit benefit method, which is determined by reference to the market yield of high quality corporate bonds at the balance sheet date that is consistent with the currency and period of the defined benefit plan; in the high-quality corporate debt countries with deep markets use the market rate of government bonds (at the balance sheet date).

B. The actuarial gains and losses of the defined benefit plan was recognized in other comprehensive income in the period in which it was incurred and expressed in retained earnings.

C. Costs related to prior period service costs are recognized as profit or loss immediately.

3 . Leave benefits

Severance benefits are the benefits that are provided to employees on termination of employment prior to the normal retirement date or in the event that the employee decides to accept a company's welfare offer in return for the termination of the employment. The Company recognizes an offer that no longer has the effect of canceling a termination benefit or recognizes the earlier of the relevant restructuring costs. It is not expected that the benefits fully repaid within 12 months after the balance sheet date should be discounted.

4 . Employee Bonus and Director and Supervisor's Remuneration

Employees' dividends and director and supervisor's remuneration are recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. If there is any discrepancy between the actually allotted amount and the estimated amount of the resolution in the shareholders' meeting, the change shall be dealt with according to the accounting estimation.

The other remuneration of share-issuing employee, the basis for calculating is the number of shares for the day before the resolution of the board of directors closing price.

(X) Employee shares basic payment

The equity-based payment agreement for delivery of the equity is measured at the fair value of the goods given and equity on the date of provision, and is recognized as compensation for the period of acquisition and is relatively adjusted for equity. The fair value of the equity goods should reflect the vested and non-vested conditions of market prices. The recognition of remuneration costs is adjusted as the number of awards that are expected to be in compliance with conditions of service and non-marketable conditions of acquisition until the final recognition is based on the recognition of the number of vested interests.

(Y) Income tax

1 . Income tax expense includes current and deferred income tax. Income tax is recognized in profit or loss, except when income tax relating to items included in other comprehensive income or directly in equity is included in other comprehensive income or directly in equity, respectively.

2 . Current income tax is based on the country in which the Company operates and generates taxable income, using tax rates that have been enacted or substantively enacted at the balance sheet date. Management regularly assesses the status of income tax returns on the applicable laws applicable to income tax and, where applicable, estimates the income tax liabilities based on tax expected to be paid to tax authorities. Income tax on unallocated income tax is subject to 10% of the income tax, and on the distribution of actual earnings after the distribution of surplus earnings through the shareholders' meeting, the remaining 10% of unallocated income tax expense is recognized in the next year of the earning year.

- 3 . Deferred income tax is recognized using the balance sheet method, using the temporary differences arising on the basis of the tax on assets and liabilities and their carrying amounts in the individual statement of balance sheet. Deferred tax liabilities arising from the goodwill on the initial recognition are not recognized if the deferred income tax arises from the transaction (Excluding business combinations), and no accounting profits or taxable gains (tax losses) were not fall them at the time of the transaction, they are not recognized. If the temporary differences arising from investing in subsidiaries, the Company can control the timing of the temporary differences and the temporary differences are likely to not be reversed in the foreseeable future, it will not be recognized. Deferred income tax has been enacted at the balance sheet date or has been substantively enacted and is subject to the tax rates (and tax laws) expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- 4 . Deferred tax assets are probable to be used to offset future taxable income to the extent that they are probable will be tax and revaluation of unquoted and recognized deferred tax assets on each balance sheet date.
- 5 . When there is law enforcement right to recognize the current income tax assets recognized and the amount of liabilities offset each other and is intended to settle on a net basis or realize both assets and liabilities, the current income tax assets and current income tax liabilities When there is statutory execution right to offset current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are taxed by the same taxpayer or the same taxpayers, When the net basis is settled or the assets are simultaneously realized and the liabilities are settled, the deferred income tax assets and liabilities are offset from each other.

(Z) Share capital

Common shares are classified as equity. The incremental cost directly attributable to the issue of new shares or options is net of tax as a charge on items net of income tax.

(ZA) Dividend distribution

Dividend distribution to shareholders of the Company is recognized in the financial report when the dividends are distributed in the resolution of the Company's shareholders' meeting. The cash dividends distributed are recognized as liabilities. Dividend distributions are recognized as dividends to be allocated and are reversed on the base date of issue of new shares Common stock and share premium.

(ZB) Revenue recognition

1 . Sales of goods

- (1) The Company sells electronic materials and equipment, and the sales revenue is recognized when the control of the product is transferred to the customer, and the company has no outstanding performance obligations that may affect the customer's acceptance of the product. The delivery of the goods occurs when the product is shipped to a designated location, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product under a sales contract, or if there is objective evidence that all acceptance criteria have been met.

- (2) Accounts receivable are recognized when the goods are delivered to the customer. Since the company has unconditional rights to the contract price from that point on time, it is only necessary to pass the time to collect the consideration from the customer.

## 2 . Getting customer contract costs

The incremental costs incurred by the Company in obtaining customer contracts are expected to be recoverable, but the relevant contract period is shorter than the following year, so these costs are recognized as expenses when incurred.

## V. Significant accounting judgments, assumptions and major sources of estimation uncertainty

When preparing the individual financial statements, the Company makes significant judgments in adopting the accounting policies and makes significant assumptions and estimates on future events. Judgments and estimates made are continually evaluated and adjusted based on historical experience and other factors. These estimates and assumptions have the risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Please elaborate on the following:

### (A) Significant judgments adopted in accounting policies

#### 1 total revenue or net recognition

The Company's commitment to the nature of the customer's commitment based on the type of transaction and its economic substance is the performance obligation of the specific goods or services provided by itself (ie, the company is the main manager) or the performance obligation of the other party to provide such goods or services (ie, the company is an agent). When the Company controls the goods or services before transferring certain goods or services to the customer, the Group is the chief manager and recognizes the total amount of the considerations that are expected to be obtained for the transfer of the specific goods or services. If the company does not control the goods or services before the transfer of the specific goods or services to the customer, the company is the agent, which is arranging for the other party to provide specific goods or services to the client, and any fees or commissions that the arrangement is entitled to are recognized as income.

The Company determines the control of the goods or services before the transfer of specific goods or services to the customer based on the following indicators:

- a . Have primary responsibility for completing the commitment to provide specific goods or services.
- b . Take inventory risks before the transfer of specific goods or services to the customer or after the transfer of control.
- c . Have the discretion to set a price for a particular good or service.

(B) Critical accounting estimates and assumptions

1. The realization of deferred income tax assets

Deferred income tax assets are recognized only where it is probable that future taxable income will be available against which the temporary differences can be utilized. The assessment of the achievability of deferred tax assets must involve significant accounting judgments and estimates by management that include assumptions about expected future revenue growth and profitability, tax holiday periods, available income tax credits and tax planning. Any changes in the global economic environment, industrial environment and changes in laws and regulations may result in major adjustments to deferred tax assets.

Up to December 31, 2018, the Company recognized deferred tax assets of \$ 42,943.

2. Inventory evaluation

As inventories are stated at the lower of cost and net realizable value, the Company must use judgment and estimation to determine the net realizable value of inventories on the balance sheet date. Due to the rapid technological change, the Company assesses the amount of inventories due to normal wear and tear, obsolete obsolescence or non-market value at balance sheet date and reduces the cost of inventories to net realizable value. This stock assessment mainly depends on the product demand in a specific period in the future as the basis for estimation and may result in significant changes.

The carrying amount of inventories of the Company as at December 31, 2018 was \$ 32,492.

VI. Description of important accounting subjects

(A) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Stock cash and Revolving funds	\$ 50	\$ 50
Check deposit and demand deposit	283,658	35,549
Certificate of deposit	<u>4,800</u>	<u>6,800</u>
	288,508	42,399
Minus : Allowance for Other Financial Assets - Current	( <u>10,062</u> )	( <u>7,954</u> )
Cash presented to the balance sheet	<u>\$ 278,446</u>	<u>\$ 34,445</u>

1. The credit facilities of the financial institutions with which the Company operates are of good quality and the Company has extensive credit facilities with a number of financial institutions and is expected to have a very low probability of default.

2. Please refer to Note 8 for the Company's guarantee of cash and cash equivalents provided by the Company.

(B) Notes receivable and accounts receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes receivable	\$ 1,427	\$ 2,861
Accounts receivable	\$ 96,265	\$ 86,701
Minus : Allowance for bad debts	-	( 1,645 )
	<u>\$ 96,265</u>	<u>\$ 85,056</u>

1 . The ageing analysis of accounts receivable and notes receivable is as follows:

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Not overdue	\$ 93,170	\$ 1,427	\$ 77,595	\$ 2,861
Within 30 days	391	-	3,459	-
31-90 days	2,704	-	4,129	-
91 days or more	-	-	1,518	-
	<u>\$ 96,265</u>	<u>\$ 1,427</u>	<u>\$ 86,701</u>	<u>\$ 2,861</u>

The above is based on the numbers of day overdue aging analysis.

2 . The maximum amount of the maximum risk of the credit risk of the Company's bills receivable in 2018 and 31 December 2017 is \$1,427 and \$2,861, respectively, regardless of the collateral or other credit enhancements held; the maximum risk of credit risk on behalf of the Company's accounts receivable in 2018 and 31 December 2017 was \$96,265 and \$85,056 respectively.

3 . The Company does not hold any collateral.

4 . Please refer to Note VII (2) for the credit risk information of related accounts receivable and notes receivable.

(C) Inventories

	<u>December 31, 2018</u>		
	<u>Cost</u>	<u>Allow the decline in value loss</u>	<u>Book value</u>
Commodity	\$ 33,971	(\$ 1,479 )	\$ 32,492
	<u>\$ 33,971</u>	<u>(\$ 1,479 )</u>	<u>\$ 32,492</u>
	<u>December 31, 2017</u>		
	<u>Cost</u>	<u>Allow the decline in value loss</u>	<u>Book value</u>
Commodity	\$ 35,397	(\$ 4,909 )	\$ 30,488
	<u>\$ 35,397</u>	<u>(\$ 4,909 )</u>	<u>\$ 30,488</u>

Relevant inventory loss recognized in current period:

	2018	2017
The cost of inventories sold	\$ 385,460	\$ 364,970
Inventory decline in value and inventory retention losses (gain from price recovery of inventory)	( 3,430 )	( 4,407 )
	<u>\$ 757,695</u>	<u>\$ 360,563</u>

In 2018 and 2017, the Company actively recovered the price loss and slow moving inventory, which resulted in a rebound.

(D) Investment in equity method

	December 31, 2018	December 31, 2017
MetaTech Investment Holding Co. Ltd	\$ 372,617	\$ 350,645
Jianhua Travel Service Co., Ltd.	2,782	797
	<u>\$ 375,399</u>	<u>\$ 351,442</u>

For details of the subsidiaries of the Company, please refer to Note IV (3) to the Company's 2018 annual consolidated financial report.

(E) Real estate, plant and equipment

	Land	House & Building	Mechanical Equipment	Transportation Equipment	Office Equipment	Lease Improvement	Other Equipment	Construction in progress (Note)	Total
January 1, 2018									
Costs	\$ 17,209	\$ 40,313	\$ 7,771	\$ 4,517	\$ 18,121	\$ 7,187	\$ 1,626	\$ 19,413	\$ 116,157
Accumulated depreciation	-	( 10,866 )	( 1,337 )	( 376 )	( 15,707 )	( 4,163 )	( 822 )	-	( 33,271 )
	<u>\$ 17,209</u>	<u>\$ 29,447</u>	<u>\$ 6,434</u>	<u>\$ 4,141</u>	<u>\$ 2,414</u>	<u>\$ 3,024</u>	<u>\$ 804</u>	<u>\$ 53,524</u>	<u>\$ 82,886</u>
2018									
January 1	\$ 17,209	\$ 29,447	\$ 6,434	\$ 4,141	\$ 2,414	\$ 3,024	\$ 804	\$ 19,413	\$ 82,886
Add	-	-	6,242	936	1,765	-	-	89,924	98,867
Disposition	-	-	-	-	( 24 )	-	-	-	( 24 )
Depreciation Expense	-	( 790 )	( 1,416 )	( 774 )	( 744 )	( 1,817 )	( 301 )	-	( 5,842 )
December 31	<u>\$ 17,209</u>	<u>\$ 28,657</u>	<u>\$ 11,260</u>	<u>\$ 4,303</u>	<u>\$ 3,411</u>	<u>\$ 1,207</u>	<u>\$ 503</u>	<u>\$ 109,337</u>	<u>\$ 175,887</u>
December 31, 2018									
Costs	\$ 17,209	\$ 40,313	\$ 14,013	\$ 5,453	\$ 19,697	\$ 7,187	\$ 1,626	\$ 109,337	\$ 214,835
Accumulated depreciation	-	( 11,656 )	( 2,753 )	( 1,150 )	( 16,286 )	( 5,980 )	( 1,123 )	-	( 38,948 )
	<u>\$ 17,209</u>	<u>\$ 28,657</u>	<u>\$ 11,260</u>	<u>\$ 4,303</u>	<u>\$ 3,411</u>	<u>\$ 1,207</u>	<u>\$ 503</u>	<u>\$ 109,337</u>	<u>\$ 175,887</u>



	Land	House & Building	Mechanical Equipment	Transportation Equipment	Office Equipment	Lease Improvement	Other Equipment	Construction in progress (Note)	Total
January 1, 2017									
Costs	\$ 17,209	\$ 40,313	\$ 3,733	\$ -	\$ 17,857	\$ 7,187	\$ 1,626	\$ -	\$ 87,925
Accumulated depreciation	-	( 10,075 )	( 415 )	-	( 15,368 )	( 2,366 )	( 521 )	-	( 28,745 )
	<u>\$ 17,209</u>	<u>\$ 30,238</u>	<u>\$ 3,318</u>	<u>\$ -</u>	<u>\$ 2,489</u>	<u>\$ 4,821</u>	<u>\$ 1,105</u>	<u>\$ -</u>	<u>\$ 59,180</u>
2017									
January 1	\$ 17,209	\$ 30,238	\$ 3,318	\$ -	\$ 2,489	\$ 4,821	\$ 1,105	\$ -	\$ 59,180
Add	-	-	4,038	4,517	536	-	-	19,413	28,504
Depreciation Expense	-	( 791 )	( 922 )	( 376 )	( 611 )	( 1,797 )	( 301 )	-	( 4,798 )
December 31	<u>\$ 17,209</u>	<u>\$ 29,447</u>	<u>\$ 6,434</u>	<u>\$ 4,141</u>	<u>\$ 2,414</u>	<u>\$ 3,024</u>	<u>\$ 804</u>	<u>\$ 19,413</u>	<u>\$ 82,886</u>
December 31, 2017									
Costs	\$ 17,209	\$ 40,313	\$ 7,771	\$ 4,517	\$ 18,121	\$ 7,187	\$ 1,626	\$ 19,413	\$ 116,157
Accumulated depreciation	-	( 10,866 )	( 1,337 )	( 376 )	( 15,707 )	( 4,163 )	( 822 )	-	( 33,271 )
	<u>\$ 17,209</u>	<u>\$ 29,447</u>	<u>\$ 6,434</u>	<u>\$ 4,141</u>	<u>\$ 2,414</u>	<u>\$ 3,024</u>	<u>\$ 804</u>	<u>\$ 19,413</u>	<u>\$ 82,886</u>

Information on guarantees provided by real estate, plant and equipment is detailed in Note 8; for capital expenditures in which the real estate, plant and equipment have been contracted but not yet incurred, please refer to Note IX (2) 5 for details.

(F) Other non-current assets

	2018	2017
Prepayment	\$ 31,788	\$ -
Refundable deposits	4,936	4,704
Others	3,890	5,717
	<u>\$ 40,614</u>	<u>\$ 10,421</u>

The prepayment is mainly for the payment of machinery and equipment prepaid by the company for the establishment of the laboratory.

(G) Intangible assets

	Expertise (Note2&3)
January 1, 2018	
Costs	\$ 13,860
Accumulated amortization	-
	<u>\$ 13,860</u>
2018	
January 1,	\$ 13,860
Add-from getting individually	123,115
Amortization expense	-
December 31	<u>\$ 136,975</u>



	<u>Expertise (Note2&amp;3)</u>
December 31, 2018	
Costs	\$ 136,975
Accumulated amortization	<u>-</u>
	<u>\$ 136,975</u>
	<u>Expertise</u>
January 1, 2017	
Costs	\$ 25,000
Others-Price Adjustment (Note 1)	( 18,333 )
Accumulated amortization	<u>( 6,667 )</u>
	<u>\$ -</u>
2017	
January 1,	\$ -
Add - from a individual acquisition (Note2,3)	13,860
Amortization expense	<u>-</u>
December 31	<u>\$ 13,860</u>
December 31, 2017	
Costs	\$ 38,860
Others-Price Adjustment (Note 1)	( 18,333 )
Accumulated amortization	<u>( 6,667 )</u>
	<u>\$ 13,860</u>

Note 1: The Company re-revised the contract price of the special technology license with the owner of the technology on December 29, 2016.

Note 2: The Company's expertise has not yet reached the usable status, so it is not intended to be amortized. After the availability status is reached, the number of years of durability is assessed and amortized on a straight line basis. In accordance with IAS 36, the intangible assets that have not yet reached the usable status are compared at least annually for the recoverable amount of the intangible asset and its carrying amount to test whether it is derogated.

Note 3: For capital expenditures in which intangible assets have been contracted but have not yet occurred, please refer to Note IX (2) 5 for details.

#### (H) Corporate bonds payable

- 1 . The Company's corporate bonds payable have been converted into ordinary shares before maturity, so the balances for both 2018 and December 31, 2017 are 0.
- 2 . The Company approved by the competent authority, solicited and issued the domestic second guaranteed convertible bonds with a total issuance amount of \$ 15,000 thousand and a coupon rate of 0% for a period of 3 years. The circulation period was from July 24, 2014 to July 24, 2017. The convertible corporate bonds are repayable in cash by denomination of bonds upon maturity. The conversion of corporate bonds on July 24, 2014 in Taipei Exchange listed on the transaction.

- 3 . Upon the issuance of the second convertible bonds, the Company separated the conversion rights that are the nature of equity from the components of the liabilities according to the provisions of IAS No.32 "Financial Instruments: Expression" and set out "Capital surplus - share options" in the amount of \$ 5,205 . The other embedded call options and put options, which are not closely related to the economic characteristics and risks of the underlying contractual obligations, are segregated in accordance with IAS No. 39 "Financial Instruments: Recognition and Measurement" and accounted for as "Financial liabilities measured at fair value through profit or loss". The holders were fully converted to common stock of 4,016 thousand shares by July 24, 2017. Therefore, the above-mentioned "capital reserve – stock options" and "financial liabilities measured at fair value through profit or loss" have all been reversed, so the balances are all 0.
- 4 . The amount of "capital reserve – conversion corporate bond premium" generated by the Company due to the aforementioned corporate bond conversion transaction was \$113,824. Since the company's convertible corporate debt of \$150,000 has been fully converted, it will be cancelled.

(I) Pensions

- 1 . (1) In accordance with the "Labor Standards Act.", the Company has defined a defined benefit retirement scheme which is applicable to the service years of all regular staff before the implementation of the "Labor Pension Act." on July 1, 2005 continue to apply the Labor Standards Act. staff follow-up service years. Employees meet the retirement conditions, the payment of pensions is based on the length of service and the average salary of the previous 1 month before retirement, and service years within 15 years (inclusive) for each year to give two bases, over 15 years shall be given one base year for each full year, provided that the cumulative maximum is 45 bases. The Company on a monthly basis 2% of the total payroll to the pension fund, the labor retirement reserve fund supervisory committee of the nominal accounts stored in the Bank of Taiwan, but after the approval of the New Taipei City Government, from March 2009 to March 2016, withdrawing labor retirement reserves. In addition, before the end of each year, the Company estimates the balance of the labor retirement reserve account in the preceding paragraph. If the balance falls short of the estimated retirement benefit for the labor eligible for retirement in the next financial year following the above calculation the Company will make the shortfall before the end of March of the
- (2) The amounts recognized in the balance sheet are as follows :

	<u>December 31,2018</u>	<u>December 31,2017</u>
Present value of defined benefit obligation	\$ 7,474	\$ 5,498
Project assets fair value	( 9,072 )	( 8,720 )
Net defined benefit assets	<u>(\$ 1,598 )</u>	<u>(\$ 3,222 )</u>

(3) Net change in defined benefit assets is as follows:

	Present value of defined benefit obligation	Project assets fair value	Net defined benefit assets
<b>2018</b>			
Balance on January 1	\$ 5,498	(\$ 8,720 )	(\$ 3,222 )
Interest expense (income)	83	( 130 )	( 47 )
	<u>5,581</u>	<u>( 8,850 )</u>	<u>( 3,269 )</u>
Re-measured the number:			
Plan asset remuneration (Excluding the amount included in interest income or expense)	-	( 222 )	( 222 )
Impact of changes in financial assumptions	328	-	328
Experience adjustment	1,565	-	1,565
	<u>1,893</u>	<u>( 222 )</u>	<u>1,671</u>
Balance on December 31	<u>\$ 7,474</u>	<u>(\$ 9,072 )</u>	<u>(\$ 1,598 )</u>
<b>2017</b>			
Balance on January 1	\$ 5,512	(\$ 8,621 )	(\$ 3,109 )
Interest expense (income)	83	( 130 )	( 47 )
	<u>5,595</u>	<u>( 8,751 )</u>	<u>( 3,156 )</u>
Re-measured the number:			
Plan asset remuneration (Excluding the amount included in interest income or expense)	-	45	45
Impact of changes in financial assumptions	-	-	-
Experience adjustment	( 97 )	-	( 97 )
	<u>( 97 )</u>	<u>45</u>	<u>( 52 )</u>
Provision of retirement fund	-	( 14 )	( 14 )
Balance on December 31	<u>\$ 5,498</u>	<u>(\$ 8,720 )</u>	<u>(\$ 1,598 )</u>

(4) The assets of the Company's defined benefit retirement plan are determined by the Bank of Taiwan within the proportion and the amount of the entrusted operation projects under the annual investment and utilization plan of the Fund. According to Article 6 of the Regulations for Revenues, Expenditures Safeguard and Utilization of the Labor Retirement Fund (That is financial institutions at home and abroad, domestic and overseas listed OTC or PE equity securities, and securitization of domestic and foreign real estate investments) entrusted management, and related use cases are supervised by the Labor Pension fund Supervisory Committee. The use of the fund shall not be less than the minimum return calculated on the basis of a two-year time deposit rate of the local bank. If there are deficiencies, it will be supplemented by the State Treasury after being approved by the competent authority. As the Company is not entitled to participate in the operation and management of the Fund, the fair value classification of plan assets cannot be disclosed in accordance with paragraph 142 of IAS No.19. 2018 and December 31, 2017 constitute the fair value of the total assets of the fund; please refer to the government's annual reports on the employment of labor pension funds.

(5) The actuarial assumptions on pensions are summarized below :

	<u>2018</u>	<u>2017</u>
Discount Rate	1.25%	1.50%
Future salary increase rate	2.25%	2.00%

The hypothesis of future mortality is based on the improved statistics and empirical estimates of the Taiwan annuity life table.

The present value of the defined benefit obligation affected by the changes in the major actuarial assumptions used is analyzed as follows:

	<u>Discount Rate</u>		<u>Future salary increase rate</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
December 31, 2018				
The impact of determining the present value of welfare obligations	<u>(\$ 166 )</u>	<u>\$ 172</u>	<u>\$ 702</u>	<u>(\$ 639 )</u>
December 31, 2017				
The impact of determining the present value of welfare obligations	<u>(\$ 136 )</u>	<u>\$ 140</u>	<u>\$ 578</u>	<u>(\$ 521 )</u>

The above sensitivity analysis is based on the analysis of the effects of changes in a single assumption based on other assumptions. Many hypothetical changes in practice may be linked. The sensitivity analysis is consistent with the method used to calculate net pension liabilities on the balance sheet. The methods and assumptions used in the preparation of the sensitivity analysis are the same as those in the previous period.

- (6) The estimated grant payment of the Company to the retirement plan in 2019 is \$ 0.  
 (7) Up to December 31, 2018, the weighted average duration of the retirement plan was 10.3 years.  
 (8) The maturity analysis of pension payment is as follows:

2 - 5 years	\$	4,822
5 years or more		911
	\$	<u>5,733</u>

- 2 . (1) With effect from July 1, 2005, the Company has established a retirement scheme that provides for the appropriation pursuant to the "Labor Pension Act." and applies to employees of nationality. The Company will choose to apply the part of the labor pension system under the "Labor Pension Act." to pay a monthly pension of 6% of the salary to the employee's personal account of the Bureau of Labor Insurance. The employees' pensions shall be paid according to the pensions of individual employees' special accounts and cumulative income amount of the monthly pension or a pension to receive.
- (2) For the year of 2018 and 2017, the pension costs of the Company recognized by the above pension scheme were \$3,186 and \$2,384.

(J) Debt preparation – Current

	2018	2017
Balance on December 31	<u>(\$ 4,433 )</u>	<u>(\$ 4,433 )</u>

The Company had signed a sale and purchase contract with TBMS International Corporation, and agreed to purchase the equipment which cost \$ 33,050 before December 31, 2016, if canceled the order, the Company should pay 20% of no-purchase price as a penalty for breach of contract, and the amount without being ordered yet in the contract was \$29,090, the Company had appropriated a debt preparation amount of \$4,433 in accordance with the contract. Up to March 26, 2019, both parties were still negotiating the compensation amount.

(K) Employee shares basic payment

- 1 . For the year of 2018, the Company's share-based payment agreement is as follows :

<u>Type of agreement</u>	<u>Give date</u>	<u>Quantity of Giving</u>	<u>Contract period</u>	<u>Acquired conditions</u>
Cash increase reserve employee subscription	Feb.9, 2015	329 thousand shares	NA	Immediately get
Employee stock purchase plan	Apr.2, 2018	2,280 thousand shares	6 years	2~5 years of service
Employee stock purchase plan	May.14, 2018	1,297 thousand shares	6 years	2~5 years of service
Employee stock purchase plan	Nov.15, 2018	423 thousand shares	6 years	2~5 years of service

2. The details of the above share-based payment agreements are as follows:

	2018		2017	
	Quantity of employee stock options	Weighted Average Exercise Price (NT\$)	Quantity of employee stock options	Weighted Average Exercise Price (NT\$)
Number of stock options outstanding during the beginning of the period / January 1	-	\$ -	-	\$ -
Current stock options issued	4329000	56.66	-	-
Current stock options exercised	( 329000 )	36.00	-	-
Number of stock options outstanding during the ending of the period / December 31	<u>4000000</u>	58.36	<u>-</u>	<u>-</u>
Number of stock options for exercising during the ending of the period / December 31.	<u>-</u>	-	<u>-</u>	-

3. The weighted average exercise price of the 2018 annual exercise of the stock options on the exercise date is \$46.90. There are no stock options exercised in 2017.

4. On December 31, 2018, the stock options outstanding, the exercise price range was \$55.00 to \$59.20, and the weighted average remaining contract period was 5.36 years. There were no stock options outstanding in 2017.

5. The share-based payment transaction given by the Company on the give date is based on the Black-Scholes option evaluation model to estimate the fair value of the option to subscribe, and the relevant information is as follows:

Type of agreement	Give date	Share price	Performance price	Expected volatility	Expected duration	Expected dividend	Risk-free rate	Fair value per unit
Cash capital increase retains employee purchase	2017.1.2	\$44.10	\$36.00	27.39% (Note 1)	2018.1.2 ~ 2018.1.10	—	0.28%	\$8.10
Employee stock purchase plan	2018.4.2	\$58.50	\$58.50	44.54 ~ 46.90% (Note 2)	4~5.5 years	—	0.64 ~ 0.76%	20.61 ~ 24.70
Employee stock purchase plan	2018.5.14	\$59.20	\$59.20	44.25 ~ 47.03% (Note 2)	4~5.5 years	—	0.67 ~ 0.76%	20.76 ~ 25.07
Employee stock purchase plan	2018.11.15	\$55.00	\$55.00	40.56 ~ 48.61% (Note 2)	4~5.5 years	—	0.73 ~ 0.83%	17.88 ~ 24.44

Note1 The expected volatility is based on the return of the give date, and the average of the annualized standard deviation of the return rate from July 3, 2017 to January 2, 2018 is

Note2 Refer to the expected duration of the period, the annual standard deviation of the historical daily return rate of Metatech Co., Ltd. (code: 3224).

1 . For the year of 2018, the Company's share-based payment agreement is as follows :

	2018	2017
Equity settled	\$ 19,639	\$ -

(L) Share capital

1 . Up to December 31, 2018, the Company had a fixed capitalization of \$ 1,000,000 divided into 100,000 thousand shares (including 15,000 thousand shares subscribed by its employees' warrants) Paid-in capital amounted to \$ 580,160 and the number of outstanding shares was 580,160 thousand shares, with a denomination of \$ 10. The shares of the Company in issue have all been received.

The number of shares outstanding at the beginning and the end of the common shares of the Company is adjusted as follows :

	2018	Unit: thousand shares 2017
January 1	44,016	40,000
Corporate debt conversion to common stock	-	4,016
Cash increase	14,000	-
December 31	58,016	44,016

2 . On March 24, 2017, the Company made cash replenishment with the resolution of the Board of Directors to issue 14,000 thousand shares of new shares at a price of \$10 per share, and expected to raise \$504,000 thousand. The issue price per share was \$ 36. The capital increase was completed on October 13, 2017 by Financial Supervisory Commission No. 1060036940, and approved by the Board of Directors on December 11, 2017 with the capital increase date of January 16, 2018, and completed the change registration.

3 . On December 11, 2017, the Company issued employee stock options through the Board of Directors, issuing a total of 4,000 units, and each unit of the Company recognized 1,000 shares of the Company's common stock which were approved by Letter No. 1060051040 issued by the Financial Supervisory Commission on January 8, 2018.

(M) Capital reserve

1 . According to the Company Law, the over amount of shares issued in excess of par value and capital surplus of gift income, apart from being used to make up for losses, in the absence of any accumulated losses in the company, new shares or cash are issued in proportion to the original shares of the shareholders. In addition, according to the relevant provisions of the Securities and Exchange Act., the above capital reserve capitalization of capital reserve, each of its total number does not exceed 10% of the paid-up capital. When a company is not deficient in surplus reserves to cover its capital losses, it may not supplement it with capital reserve.

2 . For details of capital reserve - stock options and employee stock options please refer to Note VI (8) and (11).

(N) Retained Earnings

- 1 . In accordance with the Articles of Association of the Company, if there is a surplus in the annual total accounts, the tax shall be first collected to make up for the losses previously made, and the remaining 10% shall be statutory surplus reserves. The remaining balances shall be submitted by the board of directors to the shareholders for resolution on the remaining undistributed earnings of the previous years reserved or assigned; Employee dividend is one ten thousandth, dividend distribution of shareholders, the cash dividend distribution ratio of not less than 30%, the rest is distributed in the form of stock dividends.
- 2 . Statutory surplus reserve shall not be used except for offsetting the company's loss and issuing new shares or cash in proportion to the original shares of the shareholders; however, to the new shares or cash, the public reserve exceeds 25% of the paid-up capital.
- 3 . When the Company distributes the surplus, according to the law, it shall distribute the special surplus reserve for the debit balance of the other equity items on the balance sheet date at the balance sheet date. When the balance of the debit balance of other equity items turns back, the amount of the rotation shall be included Available for distribution of
- 4 . The Company's 2017 and 2016 are cumulative losses, and no surplus can be distributed. The loss appropriation proposal for 2017 and 2016 will be resolved by the shareholders' meeting on June 25, 2018 and June 20, 2017.
- 5 . For details of employee compensation and remuneration of directors and supervisors, please refer to Note VI (17).

(O) Operating income

	2018
Revenue from customer contracts	\$ 425,333
Others	2,691
Total	\$ 428,024

1 . Segmentation of customer contract revenue

The company's revenue is derived from the provision of goods and services that are gradually transferred over time and transferred at a certain point in time. The income can be divided into the following departments:

	2018		
	Electronic department	Biomedical department	Total
Departmental income	\$ 425,333	\$ 2,691	\$ 428,024
Time for recognizing the income			
Income recognized at a certain point in time	\$ 425,333	\$ 1,444	\$ 426,777
Income recognized over time generally	-	1,247	1,247
	\$ 18,026	\$ 18,026	\$ 18,026



2 . Contract liability

The Company recognizes the contract liability related to customer contract revenue as follows:

	<u>December 31, 2018</u>
Contract liability	
Advance Loan	\$ <u>156</u>

(1) Significant changes in contract liability

No such situation.

(2) Initial contract liability recognized income in the current period

	<u>2018</u>
Revenue recognized in the current period of balance of contract liability	
Advance Loan	\$ <u>62</u>

(P) Other benefits and losses

	<u>2018</u>	<u>2017</u>
Net loss on financial liabilities measured at fair value through profit or loss	\$ -	(\$ 308 )
Net foreign currency exchange (loss) benefits	7,127	( 5,131 )
Disposed the interests of fixed assets	( 24 )	-
Compensation for losses		( 757 )
Total	\$ <u>7,103</u>	(\$ <u>6,196</u> )

(Q) Employee benefits, depreciation and amortization expenses

	<u>2018</u>	<u>2017</u>
Employee benefits costs		
Salary costs	\$ 68,972	\$ 37,159
Labor health insurance costs	5,322	3,972
Pension costs	3,139	2,337
Director's remuneration	1,945	1,410
Other costs of employment	3,360	2,187
	\$ <u>82,738</u>	\$ <u>47,065</u>
Depreciation expense - Operating expenses	\$ <u>2,930</u>	\$ <u>2,677</u>
Depreciation expense - Operating costs	\$ <u>2,912</u>	\$ <u>2,121</u>
Amortization expense - Operating expenses	\$ <u>552</u>	\$ <u>589</u>

1 . According to the revised Articles of Association of the Company, if the Company's annual accounts are profitable, the remuneration of employees should be provided from 1% to 5%. However, when the Company still has accumulated losses, it should reserve the amount of compensation in advance.

- 2 . The Company was a cumulative loss for the year of 2018 and December 31, 2017, and therefore no employee remuneration and director's remuneration were included. Information about employee and remuneration of directors and supervisors approved by the board of directors of the Company and shareholders' meetings can be obtained from the "Market Observation Post System".
- 3 . The number of employees of the Company for 2018 and December 31, 2017 was 90 and 69 persons respectively, of which 9 and 7 directors were not concurrent as employees.

(R) Income tax

1 . Income tax (benefit) costs

(1) Income tax (benefit) costs component:

	<u>2018</u>	<u>2017</u>
Current income tax :		
Income tax arising from current income	\$ -	\$ -
Deferred income tax :		
The original generation & rotation of temporary difference	( 5,912 )	( 1,512 )
Impact of tax rate changes	( 3,523 )	-
Income tax (benefit) costs	<u>(\$ 9,435 )</u>	<u>(\$ 1,512 )</u>

(2) Income tax related to other comprehensive income:

	<u>2018</u>	<u>2017</u>
Foreign operating agencies conversion difference	(\$ 2,008 )	\$ 3,440
Determine the re-measurement of the benefit obligation	428	( 4 )
Impact of tax rate changes	658	-
	<u>(\$ 2,075 )</u>	<u>\$ 3,436</u>

2 . Relationship between income tax expense and accounting profit

	<u>2018</u>	<u>2017</u>
Income tax before income tax at statutory tax rate	(\$ 2,980 )	\$ 625
According to the tax law should be removed from the cost	3	( 4 )
Deferred income tax assets can be realized assessment of changes	7,521	( 2,133 )
Income tax impacts of tax law amendments	( 3,523 )	-
Income tax expenses	<u>(\$ 9,435 )</u>	<u>(\$ 1,512 )</u>

3 . The amount of each deferred income tax asset or liability arising from temporary differences and tax losses is as follows:

	2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive net profit	December 31
Temporary differences :				
- Deferred tax assets:				
Allowance for loss of inventory decline	\$ 835	(\$ 538 )	\$ -	\$ 297
No vacation bonus	215	25	-	240
Foreign operating agencies exchange differences	3,447	-	( 1,400 )	2,047
Re-measurement of the benefit plan	283	-	478	761
Tax losses	24,440	13845	-	38,285
Onerous contract losses finance tax difference	989	175	-	1,164
Others	-	149	-	149
Subtotal	<u>30,209</u>	<u>13656</u>	<u>( 922 )</u>	<u>42,943</u>
- Deferred income tax liabilities:				
Long-term foreign equity investment interests	( 6,436 )	( 3522 )	-	( 9,958 )
Unrealized exchange of benefits	81	( 670 )	-	( 589 )
Pension tax difference	( 160 )	( 29 )	-	( 189 )
Subtotal	<u>( 6,515 )</u>	<u>( 4221 )</u>	<u>-</u>	<u>( 10,736 )</u>
Total	<u>\$ 23,694</u>	<u>\$ 9435</u>	<u>(\$ 922 )</u>	<u>\$ 32,207</u>

	2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive net profit	December 31
Temporary differences :				
- Deferred tax assets:				
Allowance for loss of inventory decline	\$ 1,585	(\$ 750 )	\$ -	\$ 835
No vacation bonus	215	-	-	215
Foreign operating agencies exchange differences	7	-	3,440	3,447
Re-measurement of the benefit plan	287	-	( 4 )	283
Tax losses	17,108	7332	-	24,440
Onerous contract losses finance tax difference	989	-	-	989
Others	694	( 694 )	-	-
Subtotal	<u>20,885</u>	<u>5888</u>	<u>3,436</u>	<u>30,209</u>
- Deferred income tax liabilities:				
Long-term foreign equity investment interests	( 987 )	( 5449 )	-	( 6,436 )
Unrealized exchange of benefits	( 97 )	97	-	-
Financial liabilities evaluate benefits	( 895 )	976	-	81
Pension tax difference	( 160 )	-	-	( 160 )
Subtotal	<u>( 2,139 )</u>	<u>( 4376 )</u>	<u>-</u>	<u>( 6,515 )</u>
Total	<u>\$ 18,746</u>	<u>\$ 1512</u>	<u>\$ 3,436</u>	<u>\$ 23,694</u>

4 . The profit-making business of the Company tax revenue tax collection agencies approved by the government to 2016.

5 . The Company has not yet used the tax losses of the effective period and unrecognized deferred tax assets related amounts as follows:

December 31, 2018				
Occurrence of the year	The number of declarations / approved	Have not arrived the amount	Not recognize deferred Income tax assets amount	Last deduction year
2008	Approved number	\$ 35,455	\$ 35,455	2018
2009	Approved number	41,776	41,776	2019
2010	Approved number	18,341	18,341	2020
2011	Approved number	14,982	14,982	2021
2012	Approved number	17,232	5,170	2022
2013	Approved number	15,876	4,763	2023
2014	Approved number	12,959	3,888	2024
2015	Approved number	21,087	6,326	2025
2016	Approved number	42,849	12,855	2026
2017	Declared number	28,478	-	2027
2018	Estimated number	85,947	-	2028
		<u>\$ 334,982</u>	<u>\$ 143,556</u>	

December 31, 2017

Occurrence of the year	The number of declarations / approved	Have not arrived the amount	Not recognize deferred Income tax assets amount	Last deduction year
2008	Approved number	\$ 35,455	\$ 35,455	2018
2009	Approved number	41,776	41,776	2019
2010	Approved number	18,341	5,502	2020
2011	Approved number	14,982	4,495	2021
2012	Approved number	17,232	5,170	2022
2013	Approved number	15,876	4,763	2023
2014	Approved number	12,959	3,888	2024
2015	Approved number	21,087	6,326	2025
2016	Approved number	42,849	-	2026
2017	Declared number	28,478	-	2027
		<u>\$ 334,982</u>	<u>\$ 143,556</u>	

6. The amendment to the Taiwan Income Tax Law came into effect on February 7, 2018. The tax rate for the profit-making business income tax has been increased from 17% to 20%. This amendment has been applied since 2018. The Company has assessed the related income tax implications for this tax rate change.

(S) Profits (Loss) per share

	2018		
	After-tax amount	Weighted average number of shares outstanding (thousand shares)	Loss per share (NT\$)
<u>Basic loss per share</u>			
Net loss attributable to ordinary shareholders of parent company for the period	<u>(\$ 57,744 )</u>	<u>57,441</u>	<u>(\$ 1 )</u>
	2017		
	After-tax amount	Weighted average number of shares outstanding (thousand shares)	Loss per share (NT\$)
<u>Basic profits per share</u>			
Net profit attributable to ordinary shareholders of parent company for the period	<u>\$ 5,189</u>	<u>43,392</u>	<u>\$ 0.12</u>

In 2018, due to the anti-dilutive effect of convertible corporate bonds issued by the company, it was not included in the calculation of diluted earnings per share.

In 2017, due to the anti-dilutive effect of convertible corporate bonds issued by the company, it was not included in the calculation of diluted earnings per share.

(T) Business lease

The Company leases offices and warehouses under operating leases for a period of 1 to 10 years. The year of 2018 and 2017 recognized respectively \$3,942 and \$1,548 for the current period. The total amount of the minimum lease payments to be paid in the future as stipulated in the lease is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
No more than 1 year	\$ 8,690	\$ 3,555
More than 1 year but not more than 5 years	21,073	6,222
Over 5 years	24,713	-
	<u>\$ 54,476</u>	<u>\$ 9,777</u>

(U) Cash flow supplementary information

1 . Only part of the cash paid for investment activities:

	<u>2018</u>	<u>2017</u>
Purchase of real estate, plant and equipment	\$ 98,867	\$ 28,504
Plus: Notes payable for the purchase of real property, plant and equipment at the beginning of the period	-	807
Minus : Notes payable for the purchase of real property, plant and equipment at the end of the period	( 5,237 )	-
The current payment of cash	<u>\$ 54,476</u>	<u>\$ 29,311</u>

2 . Not affect the cash flow of fund-raising activities :

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Convertible corporate bonds into common stock (including conversion discount)	\$ -	\$ 148,779

## VII. Party Trading

### (A) The name and relationship of related parties

<u>Relationship name</u>	<u>Relationship with the Company</u>
MetaTech Investment Holding Co., Ltd.	The subsidiary of the Company
Jianhua Travel Agency Co., Ltd.	The subsidiary of the Company
MTI Holding Co., Ltd.	The grand company of the Company
MetaTech (S) Pte Ltd.	The great-grand company of the Company
MetaTech Ltd.	The great-grand company of the Company
MetaTech Trading (Shenzhen) Co., Ltd.	The subsidiary of MetaTech Ltd.
An Xing Biotechnology Co., Ltd.	Other related parties

### (B) Significant transactions with related parties

#### 1. Operating income

	<u>2018</u>	<u>2017</u>
Merchandising :		
Subsidiary	\$ 2,939	\$ 3,126

The transaction price of the Company's purchase to the related party is calculated according to the agreed gross margin between the parties. The Company's payment terms for general suppliers are about 30 to 90 days for the month.

#### 2. Purchase

	<u>2014</u>	<u>2013</u>
Product purchase:		
Subsidiary	\$ 5,676	\$ 3,398
Labor purchase:		
Subsidiary	173	71
	\$ 5,849	\$ 3,469

The transaction price of the company's purchases to related parties is based on the gross profit value agreed upon by both parties. The Company's payment terms for general suppliers are approximately 30 to 90 days before the end of the month.

#### 3. Related parties accounts receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiary	\$ 182	\$ 349

Accounts receivables were mainly derived from sales transactions, which were unsecured and coupon receivable and no provision for liabilities was made.

4 . Other receivables

	December 31, 2018	December 31, 2017
Subsidiary	\$ 8,095	\$ 3,531

It is mainly the management service fee and the loan from the subsidiary and the subsidiary company.

The Company provides subsidiary management services, which are negotiated by both parties and collect management fee income according to the agreed period.

The revenues received in 2018 and 2017 are \$15,781 and \$11,624, respectively, and

5 . Related parties accounts payable

	December 31, 2018	December 31, 2017
Subsidiary	\$ 415	\$ 648

6 . Property transaction

Obtained real estate, plant and equipment

	2018	2017
Subsidiary	\$ -	\$ 1,200

7 . Related Parties of Loan

Loan to the related parties

	2018		
	End of period Financing balance	Interest rate range	End of period Interest payable balance
Subsidiary	\$ -	-	\$ -
	2017		
	End of period Financing balance	Interest rate range	End of period Interest payable balance
Subsidiary	\$ 1000.00	2.00%	\$ 2

8 . Other payables

	December 31, 2018	December 31, 2017
Subsidiary	\$ 124	\$ 622

Those were subsidiaries due to freight and other payables.



9 . The situation of endorsement

The details of the endorsed guarantees provided by the Company for the issuance of guarantee bills for the loans of the related parties are as follows:

<u>Be endorsed to ensure that the object</u>	<u>December 31, 2018</u>
Subsidiary	\$ 25,358
	(USD 500 thousand and NTD 10,000 thousand)

<u>Be endorsed to ensure that the object</u>	<u>December 31, 2017</u>
Subsidiary	\$ 14,880
	(USD 500 thousand)

10 . Others

The amount of short-term guaranteed borrowings shared by the Company and MetaTech Ltd., a great-grandchild of the Company, was NT \$ 45,000 thousand and US \$ 1,500 thousand for the year of 2018 and December 31, 2017 respectively. For the year of 2018 and December 31, 2017, NT \$ 60,000 thousand will be offered to banks as guarantee. The amount of pre-open guarantee has been used NT \$ 15,000 thousand, and NT \$ 5,000 thousand respectively for the year of 2018 and December 31, 2017.

(C) The main management salary information

	<u>2018</u>	<u>2017</u>
Salary and other short-term employee benefits	\$ 12,789	\$ 9,776
After retirement benefits	324	303
Share-based payment	1,146	-
Total	<u>\$ 14,259</u>	<u>\$ 10,079</u>

### VIII. Mortgage (Pledge) of assets

Details of the Group's asset guarantees are as follows:

Names of Assets	Book value		Secured use
	December 31, 2018	December 31, 2017	
Other current assets			
- Current account special account	\$ 5,262	\$ 3,154	Short-term loan guarantee
- Certificate of deposit	4,800	4,800	Customs & Credit Card Acquirers Performance Bond Guarantee
Real estate, plant and equipment			
- Land	17,209	17,209	Long-term short-term credit line guarantee
- Houses and buildings	28,657	29,447	"
	<u>\$ 55,928</u>	<u>\$ 54,610</u>	

### IX. Major or unrecognized liabilities of contract promise

(A) Contingencies

None

(B) Contingencies

- 1 . Up to December 31, 2018, the Company issued a guaranteed ticket of \$ 10,000 to suppliers for
- 2 . Significant contingent liabilities relating to related parties and unconfirmed contractual commitments please refer to Notes VII (2) 9 and 10 for details.
- 3 . Up to December 31, 2018, the Company had a bank guarantee of \$ 5,000 as performance bond for the purchase contract.
- 4 . Up to December 31, 2018, the company provided a promissory note of \$10,000 as a guarantee for obtaining the Industry Upgrade and Innovation Platform Coaching Program of Ministry of Economics, and a bank loan amount of \$10,000 as a performance bond.
- 5 . Capital expenditures that have been contracted but have not yet occurred

	December 31, 2018	December 31, 2017
Real estate, plant and equipment	\$ 8,800	\$ 80,988
Intangible assets (Note)	162,533	277,410
Total	<u>\$ 171,333</u>	<u>\$ 358,398</u>

Note: The Company promotes the innovation and transformation of the Company's regenerative medicine by expanding the development of biomedical research and development. On December 21, 2016, the Company signed a start-up contract for cell layer regenerative medical cooperation with CellSeed Inc. of Japan, and the price of this contract is JPY 50,000,000. On March 24, 2017, the board of directors of the company signed a contract for cooperation with CellSeed Inc. of Japan to sign the regenerative medicine for cell layer reconstitution. On April 24, 2017, the two parties officially signed a contract for regenerative medicine cooperation, and the contract price is JPY 1,250,000,000. Up to December 31, 2018, the Company has paid JPY 715,770,551 in accordance with the contractual payment schedule.

#### X. Major disaster losses

None.

#### XI. Material subsequent events

On August 7, 2018, the Company was expected by the board of directors to issue the third domestic guaranteed convertible corporate bond with a maximum cap of \$151,500. On December 14, 2018, the Company has taken the FSC No. 1070345294 approved to raise and issue the third domestic guaranteed convertible corporate bonds. The total issuance is \$150,000, the coupon rate is 0%, and the issuance period is 3 years. The period is from January 9, 2019 to January 9, 2022. When the Conversion corporate bond expires, it is repaid in cash at the denomination of the bond. The conversion company bonds were listed on the Securities and Futures Trading Center of the

#### XII. Others

##### (A) Financial report expression

The Company's capital management objectives are to safeguard the Company's ability to continue operations, maintain the optimal capital structure to reduce capital costs and provide remuneration to shareholders. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce its debt.

(B) Financial instruments

1 . Types of financial instruments

	December 31, 2018	December 31, 2017
<u>Financial assets</u>		
Financial assets measured by amortized cost/Accounts Receivable		
Cash and Cash Equivalents	\$ 278,446	\$ 34,445
Notes Receivable	1,427	2,861
Accounts Receivable	96,447	85,405
Other Receivables	10,525	16,398
Refundable Deposits		
Listed in "Other Non-current Assets"	4,936	4,704
Other financial assets		
Listed in "Other Current Assets"	10,062	7,954
	<u>\$ 401,843</u>	<u>\$ 151,767</u>
<u>Financial liabilities</u>		
Financial liabilities measured by amortized cost		
Short-term Loan	\$ 20,000	\$ -
Notes Payable	1,377	-
Other Payables	70,890	49,573
Guarantee Deposits Received	25,282	8,367
Listed in "Other Non-current Liabilities "	30	33
	<u>\$ 401,843</u>	<u>\$ 57,973</u>

2 . Risk Management Policy

- (1) The Company's ordinary operations are affected by a number of financial risks, including market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.
- (2) Risk management is performed by the financial department of the Company in accordance with the policies approved by the board of directors. The Company's finance department is responsible for identifying, assessing and circumventing financial risks through its close cooperation with the operating units of the Company. The board of directors has written principles on overall risk management and also provides written policies on specific areas and issues such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and investment in the remaining liquidity.

### 3 . The nature and extent of the significant financial risk

#### (1) Market risk

##### Currency risk

- A. The Company is a multinational operation and therefore is subject to exchange rate risk arising from transactions that are different from the Company's functional currency, mainly in US dollars. The relevant exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- B. The management of each operating unit has established policies that require each company in the company to manage the exchange rate risk relative to its functional currency.
- C. The Company holds investments in certain foreign operating agencies and its net assets are exposed to foreign currency translation risk.
- D. The Company's operations involve certain non-functional currencies (The functional currency of the Company is NTD). Therefore, the foreign currency assets and liabilities with the effect of significant exchange rate fluctuations under the influence of exchange rate fluctuations are as follows:

(Foreign currency: functional currency)	December 31, 2018		
	Foreign Currency (thousand)	Exchange rate	Carrying amount (NT\$)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 3,258	30.715	\$ 100,069
JPY : NTD	\$ 267,823	0.2782	\$ 74,508
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1,703	30.715	52,308
(Foreign currency: functional currency)	December 31, 2017		
	Foreign Currency (thousand)	Exchange rate	Carrying amount (NT\$)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 3,153	29.760	\$ 93,833
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1,337	29.760	39,789

- E. The aggregate of all exchange profits recognized for 2018 and 2017 of the monetary items of the Company that have a significant effect due to exchange rate fluctuations was \$ 7,127 and (\$ 5,131), respectively.

F. The foreign currency market risk analysis of the Company due to significant exchange rate fluctuations is as follows:

		2018		
		Sensitivity Analysis		
(Foreign currency: functional currency)	Change range	Impact on after-tax profit and loss	Impact on other comprehensive income after tax	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 1,001	\$	-
JPY : NTD	1%	475	\$	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	523		-
		2017		
		Sensitivity Analysis		
(Foreign currency: functional currency)	Change range	Impact on after-tax profit and loss	Impact on other comprehensive income after tax	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 938	\$	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	398		-

(2) Credit risk

- A. The credit risk of the Company's customers unable to meet due to contractual obligations and the risk of financial loss to the Company, it is mainly attributable to the fact that the counterparty is unable to pay off the accounts receivable, notes receivable and financial assets contractual cash flows measured at amortized cost.
- B. The Company establishes the management of credit risk from the perspective of the Company. For transactions of banks and financial institutions, with more than just a set of investment grade, then they can be admitted to trading partners. In accordance with the internal credit policy, all operating units within the company are required to conduct management and credit risk analysis for each of their new customers before setting the terms and conditions for payment and delivery. The internal risk control system assesses the credit quality of customers by considering their financial status, past experience and other factors. The individual risk limits are established by the management based on internal or external ratings and regularly monitor the use of credit lines. The main credit risk arises from the credit risk of wholesale and retail customers and includes unreceived receivables.

- C. The Company uses IFRS 9 to provide the following presumptions as a basis for determining whether there is a significant increase in the credit risk of financial instruments since the original recognition:  
When the contract amount is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk has been significantly increased since the original recognition of the financial assets.
- D. The Company uses IFRS 9 to provide a premise that when the contract payment is overdue for more than 90 days in accordance with the agreed payment terms, it is deemed to have been breached.
- E. The indicators used by the Company to determine the debt instrument investment as credit impairment are as follows:
- (A) The issuer has significant financial difficulties or is likely to enter bankruptcy or other financial restructuring;
  - (B) The issuer defers or does not pay interest or principal;
  - (C) Unfavorable changes in the national or regional economic situation associated with the issuer's default.
- F. The Company will group the customer's accounts receivable according to the characteristics of the customer's rating, and use the simplified method to estimate the expected credit loss based on the loss rate method.
- G. After the recourse process, the Company reversed the amount of the financial assets that could not reasonably be expected to be recovered, but the Company will continue to pursue the legal procedures for recourse to protect the rights of the claims. The Company did not write off on December 31, 2018 and still has claims for recourse activities.
- H. The Company refers to the Taiwan Institute of Economic Research's prosperous observation report for future forward-looking considerations, and the loss rate established by the history of specific periods and current information is adjusted to estimate the allowance for accounts receivable. The expected credit loss rate of the Company's outstanding overdue receivables is not significant on December 31, 2018.
- I. The amount of the allowance for the accounts receivable of the Company that was simplified was not significant and was not recognized in 2018.

	2018
January 1	\$ 1,645
Gain on reversal of impairment loss	( 1,645 )
December 31	\$ -

- J. For credit risk information in 2017, please refer to Note VII (4) for details

### (3) Liquidity risk

- A. The cash flow forecast is implemented by each operating unit within the group and is aggregated by the group finance department. The Company's finance department monitors the Company's liquidity requirements forecast to ensure that it has sufficient funds to meet operating needs and maintain sufficient borrowing commitments at any time. These projections take into account the group's debt financing plans and the terms of the debt to be followed, in line with the financial ratios of the internal balance sheet.

B. The following tables represent the Company's non-derivative financial liabilities grouped by their respective maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date. The amount of contractual cash flows disclosed in the table below represents the undiscounted amount.

Non-derivative financial liabilities:

December 31, 2018	1 year or less	Within 1 to 2 years	Within 2 to 5 years	5 years or more
Short- term debt	\$ 20,000	\$ -	\$ -	\$ -
Notes payable	1,377	-	-	-
Accounts payable	70,890	-	-	-
Other payables	25,282	-	-	-
Guarantee Deposits Received (Listed in "Other Non-current Liabilities ")	30	-	-	-

Non-derivative financial liabilities:

December 31, 2017	1 year or less	Within 1 to 2 years	Within 2 to 5 years	5 years or more
Accounts payable	\$ 49,573	\$ -	\$ -	\$ -
Other payables	8,367	-	-	-
Guarantee Deposits Received (Listed in "Other Non-current Liabilities ")	33	-	-	-

(C) Fair value information

1. The levels of the appraisal techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for the same assets or liabilities available to the Company at the measurement date. An active market is a market in which transactions in assets or liabilities of sufficient frequency and quantity occur to provide pricing information on an ongoing basis.

Level 2: The observable inputs for the asset or liability, directly or indirectly, except where quoted prices include Level 1.

Level 3: Cannot observe inputs to assets or liabilities.

2. The balance of the financial instruments measured by the fair value of the Company for 2018 and December 31, 2017 is \$0, so there is no disclosure of relevant fair value information.

3. The methods and assumptions used by the Company to measure the fair value are as follows:

The Company adopts the market quotation as the input value of fair value (i.e. the Level 1).

According to the characteristics of the instruments, the quoted price of the open-end fund market is based on the net value.



- 4 . There is no transfer between Level 1 and Level 2 in 2018 and 2017.
- 5 . There is no transfer from and to the Level 3 in 2018 and 2017.
- 6 . The fair value of the Company is classified into the third level of the evaluation process by the accounting department is responsible for the financial instruments independent fair value verification, using independent source data to bring the evaluation results close to the market state, confirming that the data sources are independent, reliable, in line with other resources and representing the executable prices, and regularly calibrating the evaluation model for back-testing, update the input values and data required for the evaluation model and any other necessary fair value adjustments to ensure that the evaluation results are reasonable.

(D) Impact of the initial application of International Financial Reporting Standard No. 9 and the 2017 annual application of IAS 39 information

1 . The major accounting policies adopted in 2017 are as follows:

- (1) Financial assets measured at fair value through profit or loss
  - A. Financial assets measured at fair value through profit or loss is financial assets held for trading. Financial assets, if acquired primarily for short-term sale, are classified as holding financial assets for trading. Derivatives are classified as holding financial assets for trading, except that hedge accounting is designated as a safe subject.
  - B. The Company's financial assets measured at fair value through profit or loss in accordance with the trading conventions are accounted for on the trade date.
  - C. When the original recognition is measured at fair value, the related transaction costs are recognized as current gains and losses. Subsequent changes in fair value are measured at fair value through profit or loss.
- (2) Accounts Receivable

It is the amount due from customers in the normal course of business for the sale of goods or services. As measured at fair value at the time of original recognition, subsequent effective interest method is measured at amortized cost less deductible. However, the short-term accounts receivable that are unpaid interest rates are not affected by the discount, and are subsequently measured by the original invoice amount.
- (3) Financial asset impairment
  - A. On each balance sheet date, the Company assesses whether there is any objective evidence of impairment, which indicates that one or more items (i.e. "loss items") occurred after the original recognition of a certain or a group of financial assets, and the loss has a reliable estimate of the estimated future cash flows of a financial asset or group of financial assets.
  - B. The Company's policy to determine whether there is objective evidence of impairment loss is as follows:
    - (A) Significant financial difficulties of the issuer or debtor;
    - (B) Break a contract, such as delay or non-payment of interest or principal payments;
    - (C) The Company gives the debtor a concession that was impossible to consider due to economic or legal reasons related to the financial difficulties of the debtor;
    - (D) The possibility that the debtor will enter bankruptcy or other financial restructuring is greatly increased;

- (E) The active market of the financial assets disappeared due to financial difficulties;
- (F) Observable information shows that the estimated future cash flows of a group of financial assets are measurably reduced after the original recognition of the assets, although the reduction is not yet recognized as belonging to a particular financial asset in the group, such information includes adverse changes in the debtor's repayment status of the group of financial assets, or a national or regional economic situation related to the default of assets in the group of financial assets;

C. The Company has assessed that when there is objective evidence of impairment and that impairment losses have occurred, the following categories are treated:

Financial assets measured by amortized cost

The difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset is recognized in profit or loss. When the amount of the impairment loss decreases in the subsequent period, and the reduction can be objectively linked to the occurrence of the impairment loss, the previously recognized impairment loss is reversed in the current profit and loss within the limit of the amortized cost of the reversal on the reversal date. The amount of recognition and reversal loss is adjusted by the allowance account to adjust the carrying amount of the asset.

2 . The description of the important accounting items as of December 31, 2017 is as follows:

- (1) The balance of the financial assets measured by the Company at fair value through profit or loss on December 31, 2017 was \$0.
- (2) The financial assets held by the Company for trading have a net loss of \$308 in 2017.

3 . The credit risk information as of December 31, 2017 is as follows:

- (1) Credit risk is the risk of financial loss caused by the Company's inability to perform its contractual obligations. The Company is required to conduct management and credit risk analysis for each of its new customers before the terms and conditions of the payment and delivery are set out in accordance with the internal credit policy. The internal risk control system assesses the credit quality of customers by considering their financial status, past experience and other factors. The major credit risk arises from cash and deposits placed with banks and financial institutions, as well as from unreceived receivables and committed transactions.
- (2) As of December 31, 2017, there was no credit limit. In addition, the creditors of the Company's receivables have good credit and are mostly domestic electronics manufacturers. Therefore, there is no significant credit risk after assessment.
- (3) The accounts receivable of the Company that are not overdue and not derogated are in accordance with the credit standards stipulated by the industry characteristics, business scale and profitability of the trading objects.

(4) The ageing analysis of financial assets that have been past due but not derogated is as follows:

	December 31, 2017
Within 30 days	\$ 540
31-90 days	1,622
More than 91 days	-
	<u>\$ 2,162</u>

The above is an age analysis based on the number of overdue days.

(5) Analysis of changes in financial assets that have been depreciated by the group assessment:

- A. Up to December 31, 2017, the amount of receivables deducted by the Company was \$1,645  
 B. The allowance for bad debt changes is as follows:

	2017
January 1	\$ 4,344
Gain on reversal of impairment loss	( 2,503 )
Amount that was written off due to uncollectible	( 196 )
December 31	<u>\$ 1,645</u>

4 . The initial application of International Financial Reporting Standard No. 9 has no material impact on the Company's financial position and financial performance on January 1, 2018.

(E) Impact of the initial application of International Financial Reporting Standard No. 15 and the 2017 annual application information of IAS 11 and IAS 18

1 . The revenues used in 2017 are recognized as follows:

The company sells electronic materials and equipment. Revenue is the fair value of the consideration received or receivable for sales of goods to customers outside the company during normal business activities, which is deducted from the net amount of business tax, sales return, quantity discount and discount. Commodity sales are delivered to the buyer, the amount of goods sold can be reliably measured, and future economic benefits are likely to be recognized when they flow into the enterprise. When the significant risks and rewards related to ownership have been transferred to the customer, the Company does not continue to participate in the management and does not maintain effective control and the customer accepts the goods according to the sales contract or when there is objective evidence that all acceptance terms have been met, the goods are delivered.

2 . The income recognized by the Company in the above accounting policies in 2017 is as follows:

	2017
Sales revenue	\$ 401,638
Others	5,987
Total	<u>\$ 407,625</u>

3. The Company applies the relevant provisions of IAS 18 in 2017 and recognizes the advance payment related to the income contract during the past reporting period, and the other current liabilities are presented on the balance sheet. The balance as of December 31, 2017 is as follows:

	December 31, 2017
Advance Payment	\$ <u>84</u>

4. If the Company continues to apply the above accounting policies in 2018, the number of impacts on the Balance Sheet single-line items in the current period and the explanations are as follows, and there is no significant impact on the current consolidated income statement:

Items of Balance sheet	December 31, 2018		
	Adopted the balance recognized by IFRS 15	Adopted the balance recognized in the original accounting policy	Number of impacts of changes in accounting policies
Contract liability	\$ 156	\$ -	\$ 156
Other current liabilities	-	( 156 )	( 156 )

Note: According to IFRS 15, the contract liability recognized in the contract is expressed on the balance sheet as advance payment (listed for other current liabilities) in the

### XIII. Reference of disclosures

#### (A) Major information related transactions

Information about the investees should be disclosed in accordance with the audited financial statements of the investee companies. The following transactions with the subsidiaries are eliminated in the preparation of the individual report. The information disclosed below is for reference only.

1. Loan to others: Please see Table I for details.
2. Endorsement guarantee for others: Please refer to Table II for details.
3. Securities held at the end of the period (excluding investment subsidiaries): None.
4. Accumulative purchases or sales of the same security amounting to NT \$ 300 million or over 20% of paid-up capital: None.
5. Acquisition of real estate amounting to NT \$ 300 million or over 20% of paid-up capital: None.
6. Disposal of real estate amounting to NT \$ 300 million or over 20% of the paid-up capital: None.
7. To enter into relationships with other people, the sales volume of NT \$ 100 million or over 20% of the paid-in capital: None.
8. Receivables from related parties amount to NT \$ 100 million or over 20% of the paid up capital:
9. Engaged in derivative financial transactions: None.
10. Business relationship between the parent company and its subsidiaries and its subsidiaries and significant transactions and amounts: Please refer to Table III for details.

#### (B) Transfer investment business information

Invested company name, location, etc. Related information ( Does not include in Mainland invested companies ) : Please refer to Table IV for details.

(C) Mainland investment information

- 1 . Invest in the cause of investing in the Mainland Related Information: Please refer to Table V for
- 2 . The significant transactions that occurred in the investee company of the mainland of China directly or indirectly through the third regional undertaking and the reinvestment of capital, its price, terms of payment, and unrealized gain / loss: Please refer to Table III.

XIII. Operating Department Information

Not applicable



MetaTech Company Limited  
Cash and cash equivalents  
December 31, 2018

List I		Unit: NTD thousand	
Entry	Summary	Amount	Note
Cash in stock		\$ 50	
Demand deposits			
— Taiwan currency deposits		184951	
— Foreign currency deposits	USD 784,633.06 exchange rate	24100	
	1 : 30.715		
	EUR 65.54 exchange rate	2	
	1 : 35.2		
	JPY 267,823,446 exchange rate	74508	
	1 : 0.2782		
	RMB 2,350.04 exchange rate	11	
	1 : 4.472		
Check Deposit		86	
Certificate of deposits		4800	
		<u>288508</u>	
Minus: List to "Other Current Assc		( 10062 )	
		<u>\$ 36737</u>	
	(The following blank)		



MetaTech Company Limited  
Net Accounts receivable list  
December 31, 2018

List II

Unit: NTD thousand

<u>Customers Name</u>	<u>Amount</u>	<u>Note</u>
Non-related parties		
A	\$ 32,293	
C	6,456	
D	7,424	
Others	<u>50,092</u>	Each customer balance did not exceed the balance of this subject 5%
	96,265	
Minus: allowance bad debt	<u>-</u>	
	<u>\$ 96,265</u>	

(The following blank)



MetaTech Company Limited  
Inventory List  
December 31, 2018

List III

Unit: NTD thousand

Entry	Amount		Note
	Cost	Price	
Commodity	\$ 33,971	<u>\$ 32,492</u>	The net realizable value is the market price
Minus: Allowance for detention inventories and loss of value	( <u>1,479</u> )		
	<u>\$ 32,492</u>		

(The following blank)



MetaTech Company Limited  
List of changes in long-term equity investments adopting equity method  
From January 1, 2018 to December 31, 2018

List IV

Unit: NT \$ thousand

Name	Balance at the beginning of period		Current period increase (Note)		Current period decrease		Balance at the end of period			Net equity		Provide a guarantee or pledge
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Shareholding ratio	Amount	Price(NTD)	Total Pirce	
MetaTech Investment Holding Co., Ltd.	10,000,000	<u>\$350,645</u>	-	<u>\$21,972</u>	-	<u>\$ -</u>	10,000,000	100%	<u>\$372,617</u>	\$37.26	<u>\$372,617</u>	No
Jianhua Travel Agency Co.,	600	<u>\$797</u>	200	<u>\$2,000</u>	-	<u>(\$ 15)</u>	800	100%	<u>\$2,782</u>	\$3,478	<u>\$2,782</u>	No

Note: Includes recognition of investment interests and cumulative conversion adjustments.

(The following blank)



MetaTech Company Limited  
Accounts Payable list  
December 31, 2018

List V

Unit: NTD thousand

<u>Supplier name</u>	<u>Amount</u>	<u>Note</u>
A	\$ 68,142	
Others	<u>2,333</u>	Each manufacturers balance did not exceed the amount of 5%
	<u>\$ 70,475</u>	

(The following blank)



MetaTech Company Limited  
Operating income list  
From January 1, 2018 to December 31, 2018

List VI

Unit: NTD thousand

<u>Entry</u>	<u>Amount</u>	<u>Note</u>
Connector	\$ 362,778	
Consumer products category	12,426	
Communication products category	49,359	
Other	1,444	
	<u>426,007</u>	
Less: sales returned and discount	( <u>674</u> )	
Net sales revenue	425,333	
Labor income	<u>2,691</u>	
Net operating income	<u>\$ 428,024</u>	

(The following blank)



MetaTech Company Limited  
Operating cost list  
From January 1, 2018 to December 31, 2018

List VII

Unit: NTD thousand

Entry	Amount	Note
Initial Inventory	\$ 35,397	
Plus: Purchases of raw material	377,930	
Minus: Ending Inventory	( 33,971 )	
Converted into sample expenses	( 75 )	
Purchase and Sales cost	379,281	
Expenses are converted into operating costs	6,179	
Inventory rebound benefit	( 3,430 )	
Total operating costs	<u>\$ 382,030</u>	

(The following blank)



MetaTech Company Limited  
Operating expenses list  
From January 1, 2018 to December 31, 2018

List VIII

Unit: NTD thousand

Project	Marketing costs	Management and General Services costs	Research and development expenses	Total
1. Payroll expenses	\$ 30390	\$ 36158	\$ 4369	\$ 70917
2. Entrusting Research Costs	-	-	11389	11389
3. Labor costs	3451	1498	6418	11367
4. Training Expenses	40	124	6436	6600
5. Insurance premiums	2511	2269	810	5590
6. Communication Fees	1353	3812	100	5265
7. Renting Expenses	1170	466	2306	3942
8. Delivery Costs	3531	3	84	3618
9. Other (Note)	11496	7757	6231	25484
	<u>\$ 53942</u>	<u>\$ 52087</u>	<u>\$ 38143</u>	<u>\$ 144172</u>

Note: Each individual project does not exceed the balance of this subject 5%

MetaTech Company Limited  
Loan  
January 1, 2018 to December 31, 2018

Table I

Unit: NT thousand  
(Except special note)

Number (Note 1)	Lending funds company	Loan object	Contacts projects	Rela tions hip	The current balance	Ending balance	Actual moving amount	Interest rate range	The nature of loan funds	Business deal amount	A reason for the need for short-term financing	prepare for the bad debts amount	Collateral		Loans quotas on individual objects	The total limit of loan funds	Note
													Name	Value			
0	MetaTech Co., Ltd.	Jianhua Travel Agency Co., Ltd.	Other receivables	Y	\$2,000	\$2,000	\$ -	1.8	a need for short-term financing	\$ -		\$ -	-	\$ -	214,572	429,144	Note3
0	MetaTech Co., Ltd.	MetaTech (S) Pte Ltd.	Other receivables	Y	\$29,950	-	-	2.80%	a need for short-term financing	-	Operating turnover	-	-	-	214,572	429,144	Note3 & Note4
1	MTI Holding Co., Ltd.	MetaTech Co., Ltd.	Other receivables	Y	\$61,910	61,430	-	3.70%	a need for short-term financing	-	Operating turnover	-	-	-	74,523	149,047	Note4 、 Note5
1	MTI Holding Co., Ltd.	MetaTech Ltd.	Other receivables	Y	\$30,955	30,715	-	3.05%	a need for short-term financing	-	Operating turnover	-	-	-	298,094	372,617	Note4 & Note5
1	MTI Holding Co., Ltd.	MetaTech (S) Pte Ltd.	Other receivables	Y	\$30,715	15,358	-	3.94%	a need for short-term financing	-	Operating turnover	-	-	-	298,094	372,617	Note4 、 Note5

MetaTech Company Limited  
Loan  
January 1, 2018 to December 31, 2018

Table I

Unit: NT thousand

Note 1: The description of the number column is as follows:

(1) The issuer is filled 0.

(2) Invested companies by company name from the Arabic numerals 1, starting with the serial number.

Note 2: According to the Company's "Regulations governing loans", the total amount of foreign loans granted to the Company by the Company for business loans should not exceed the sum of the business transactions. The total lending of short-term financing facilities should not exceed the net value of the Company 40% of the total amount of loans to the same object not exceeding 20% of the net value of the company's limit.

Note 3: According to the Company's "Regulations governing loans", the total amount of foreign loans granted to the Company by the Company for business loans should not exceed the sum of the business transactions. The total lending of short-term financing facilities should not exceed the net value of the Company 40% of the total amount of loans to the same object not exceeding 20% of the net value of the company's limit.

Note 4: According to the Subsidiary's "Regulations governing loans", the total amount of loans to foreign loans by a subsidiary shall not exceed the sum of its business loans due to the sum of its business loans ; The total amount of short-term financing loans shall not exceed the net value of various asset lending companies 40 % of the total amount of loans to the same object not exceeding 20% of the net value of subsidiaries. For the related parties whose voting shares are directly or indirectly held by the parent company of 100% or more, the limit of not exceeding 100% of the net value of the subsidiaries. The total amount of loans to the same object shall not exceed 80% of the net value of the subsidiary.

Note 5: The current balance and the ending balance are translated into NTD at the period-end exchange rate (1 USD: 30.715 NTD)

**MetaTech Company Limited**  
**Endorsement**  
January 1, 2018 to December 31, 2018

Table II

Unit: NT thousand  
(Except special note)

Number (Note 1)	Endorsement guarantor company	Endorsed objects		Endorsement guarantee limit for a single enterprise	The current balance of the highest endorsement guarantee	The end of the endorsement balance	Actual Drawing amount	Endorsed by property guarantee amount	The ratio of the accumulated endorsed guarantee amount to the net value of the latest financial statement	Endorsement ceiling	Actual Drawing amount	Endorsed by property guarantee amount	Actual Drawing amount	Note
		Company	Relation											
	MetaTech Co., Ltd.	MetaTech Ltd.	The third- tier subsidiary	\$536,430	\$15,478	\$15,358	\$ -	\$ -	1.43	\$1,072,859	Y	-	-	Note2 、 Note3 & Note4
	MetaTech Co., Ltd.	MetaTech (SZ)	The third- tier subsidiary	\$536,430	\$10,000	\$10,000	-	-	0.93	\$1,072,859	Y	-	Y	Note2 、 Note3

Note 1: The description of the number column is as follows:

(1) The issuer is filled 0.

(2) Invested companies by company name from the Arabic numerals 1, starting with the serial number.

Note 2: According to the "Regulations governing endorsement guarantee" of the Company, the Company's endorsed guarantee for single enterprise is limited to 60% of the net value of the Company.

Note 3: According to the "Regulations governing endorsement guarantee" of the Company, the total amount of external endorsement guarantees of the Company shall not exceed 80% of the net value of the Company.

Note 4: The balance of the end-of-period guarantee is converted into NTD at the period-end exchange rate (1 USD: 30.715 NTD).



## MetaTech Company Limited

### Business relationships and significant transactions between the parent company and its subsidiaries and its subsidiaries

January 1, 2018 to December 31, 2018

Table III Unit: NT thousand  
(Except special note)

Number	Trader's name	Transaction object	Relationship with Trader (Note 2)	Transaction situation			The combined total revenue or total assets ratio
				Subject	Amount	Transaction terms	
0	MetaTech Co., Ltd.	MetaTech Ltd.	1	Sales revenue	\$ 1324	According to the two sides agreed gross margin, payment conditions is open account 90 days	-
0	"	"	1	Other receivables	8,025	According to the two sides agreed gross margin, payment conditions is open account 90 days	-
0	"	MetaTech (S) Pte Ltd.	1	Sales revenue	1,615	According to the two sides agreed gross margin, payment conditions is open account 90 days	-
0	"	"	1	Accounts receivable	182	According to the two sides agreed gross margin, payment conditions is open account 90 days	-
0	"	"	1	Other receivables	70	Advance payment, the end of 90 days	-
0	"	Jianhua Travel Agency Co., Ltd.	1	Rental income	57	Calculated according to the amount agreed by both parties	-
1	MetaTech (S) Pte Ltd.	MetaTech Co., Ltd.	2	Sales revenue	1,659	According to the two sides agreed gross margin, payment conditions is open account 90 days	-
1	"	MetaTech Ltd.	3	Sales revenue	1,226	According to the two sides agreed gross margin, payment conditions is open account 90 days	-
1	"	"	3	Accounts receivable	210	According to the two sides agreed gross margin, payment conditions is open account 90 days	-
2	MetaTech Ltd.	MetaTech Co., Ltd.	2	Sales revenue	4,017	According to the two sides agreed gross margin, payment conditions is open account 90 days	-
2	"	"	2	Accounts receivable	415	According to the two sides agreed gross margin, payment conditions is open account 90 days	-
2	MetaTech Ltd.	MetaTech Co., Ltd.	2	Other receivables	57	According to the two sides agreed gross margin, payment conditions is open account 90 days	-
2	"	MetaTech (S) Pte Ltd.	3	Sales revenue	1,380	According to the two sides agreed gross margin, payment conditions is open account 90 days	-

## MetaTech Company Limited

### Business relationships and significant transactions between the parent company and its subsidiaries and its subsidiaries

January 1, 2018 to September 30, 2018

Table III

Unit: NT thousand  
(Except special note)

Number	Trader's name	Transaction object	Relationship with Trader (Note 2)	Transaction situation			The combined total revenue or total assets ratio
				Subject	Amount	Transaction terms	
2	MetaTech Ltd.	MetaTech (SZ)	3	Sales revenue	66,601	According to the two sides agreed gross margin, payment conditions is open account 90 days	5%
2	"	"	3	Accounts receivable	6,464	According to the two sides agreed gross margin, payment conditions is open account 90 days	-
2	"	"	3	Other payables	6,456	According to the two sides agreed gross margin, payment conditions is open account 90 days	-
3	Jianhua Travel Agency Co., Ltd.	MetaTech Co., Ltd.	2	Labor Income	173	The same as the conditions of general labor service, and the collection of payment is the same as the general customers	-
3	"	"	2	Refundable Deposits	30	According to the agreed renting deposit in security	-
3	"	"	2	Other receivables	67	Advance payment, the end of 30 days	-

Note 1: Information about the business dealings between the parent company and the subsidiaries should be separately indicated in the numbered columns, with the numbers as follows:

Note 2: There are three types of relationship with the trader, indicating the type (if the parent company or subsidiary between the same transaction, you do not need to repeat.) Such as: the parent company transactions in subsidiaries, if the parent company has been exposed, The subsidiary part does not need to be disclosed repeatedly; the transaction of the subsidiary company to the subsidiary company, if one of its subsidiary companies has been disclosed, the other subsidiary company need not repeatedly disclose):

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiaries.

Note 3: The calculation of transaction amount represents the combined total revenue or total assets ratio, in the case of assets and liabilities item, the ending balance is calculated as the total individual assets; In the case of a profit or loss item, the cumulative amount in the period is calculated as the total individual revenue.

Note 4: Sales prices and receiving conditions and the general conditions of the transaction, the average customer collection period of 30 ~ 120 days.

## MetaTech Company Limited

### Invested company name, location and other relevant information (not including mainland invested companies)

January 1, 2018 to December 31, 2018

Table IV

Unit: NT thousand  
(Except special note)

Investment company name	Name of invested company	Location	The main business	Original investment amount		Held at the end			Invested company current profit and loss	Investment profit and loss recognized in this period	Note
				At the end of the period	At the end of last period	Number of shares	Ratio	Carrying amount			
MetaTech Co., Ltd.	MetaTech Investment Holding Co., Ltd.	British Virgin Islands	Engaged in holding and transfer of investment business	\$333,065	\$333,065	10,000,000	100	372,617	\$11,930	\$11,930	The subsidiary
MetaTech Co., Ltd.	Jianhua Travel Agency Co., Ltd.	Taiwan	Engaged in tourism business	3,400	1,400	800	100	2,782	( 15)	( 15)	The subsidiary
MetaTech Investment Holding Co., Ltd.	MTI Holding Co., Ltd.	Samoa	Engaged in holding and transfer of investment business	333,065	333,065	10,000,000	100	372,617	11,930	11,930	The second-tier subsidiary
MTI Holding Co., Ltd.	MetaTech (S) Pte Ltd.	Singapore	Electronic materials wholesale and retail	82,259	82,259	3,800,000	100	118,930	217	217	The third-tier subsidiary
MTI Holding Co., Ltd.	MetaTech Ltd.	Hong Kong	Electronic materials wholesale and retail	199,170	199,170	46,000,000	100	188,433	11,527	11,527	The third-tier subsidiary

**MetaTech Company Limited**  
**Mainland Investment Information - Basic Information**  
 January 1, 2018 to December 31, 2018

Table V

Unit: NT thousand  
 (Except special note)

Name of invested company in Mainland China	The main business	Paid-in capital	Investment method	At the beginning of this period, the cumulative investment amount was remitted from Taiwan	In the current period, the amount of investment is remitted or withdrawn		At the end of the period, the cumulative investment amount was remitted from Taiwan	Invested company current profit and loss	The proportion of shareholding directly or indirectly invested by the Company	Current investment income recognized	The Carrying amount of the end of investment	As of the current period, the investment income has been repatriated	Note
					remitted	withdrawn							
MetaTech (SZ)	Electronic materials wholesale and retail	\$80,533	Invest in mainland companies by investing in existing companies in the third region	\$80,533	\$ -	\$ -	\$80,533	\$2,515	100	\$2,515	\$20,435	\$ -	Note1 、 Note2 & Note3

Company name	At the end of the current period, the total amount of investment remitted from Taiwan to the Mainland	Ministry of Economic Affairs Investment Commission approved the investment amount	According to the provisions of the Investment Commission approved by the Ministry of Economic Affairs to invest in the Mainland (Note 3)
MetaTech Co., Ltd.	\$80,533	\$81,454	\$643,715

- Note 1: In cash, the subsidiary of the third region, MetaTech Investment Holding Co., Ltd., was reinvested by its Sub-subsidiary, MetaTech Ltd. The above cases were approved by the Investment Commission.
- Note 2: Paid-in capital and investment amount are translated into NT at the period-end exchange rate (1 USD: 30.715 NTD).
- Note 3: According to Ministry of Economic Affairs on August 29, 2008, Economic Commission 09704604680, the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China" was released and the cumulative investment made by investors in the Mainland, the upper limit is 60% of its net or individual net value, whichever is greater.

**MetaTech (AP) Inc. and Subsidiaries Relationship Business**  
**Consolidated Statement of Financial Statements**

The 2018 annual report of the Company (from January 1, 2018 to December 31 , 2018) should be included in the preparation of the consolidated financial statements of the related-party enterprise according to the "Guidelines for the preparation of the consolidated financial statements and relationship reports of the consolidated financial statements of the Company" Are the same as the companies that should be included in the compilation of the consolidated financial statements of the parent and subsidiary companies according to IAS No.10 and the related information that should be disclosed in the consolidated financial statements of the related companies was disclosed in the consolidated financial statements of the former parent and subsidiary companies , No separate preparation of corporate financial statements.

Hereby announced

Company Name: MetaTech (AP) Inc.

Chairman: Hu, Li San

March 26, 2019

## Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of MetaTech (AP) Inc. (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2018 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of MetaTech (AP) Inc. and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, MetaTech (AP) Inc. does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,  
MetaTech (AP) Inc.  
By

Hu Li San, Chairman  
March 26, 2019

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

***Opinion***

We have audited the accompanying consolidated balance sheets of MetaTech (AP) Inc. and subsidiaries (the “Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

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

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

#### **Appropriateness of cut-off of warehouse operating revenue**

##### Description

Please refer to Note 4(28), Note 5(1) and Note 6(3) to the consolidated financial statements where the accounting policy, critical accounting estimates and assumptions and the description of sales.

The types of sale is separated into direct delivery from factory and warehouse operating revenue. Base on International Financial Reporting Standards 15, 'Revenue from contracts with customers' endorsed by the Financial Supervisory Commission, an asset is transferred when (or as) the customer obtains control of that asset and an entity shall recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.

The good in the warehouse picked up by the customer means that control of the product is transferred, but the asset of transferred timing isn't fixed. Management recognize revenue base on the report provided by warehouse custodians and inventory movement record of warehouse. The process of revenue recognition contains numerous manual procedures, which would potentially result in inaccurate timing of revenue recognition and the discrepancy between physical inventory quantities in the warehouses and quantities in accounting record. Since the transaction amounts prior to and after the balance sheet date are significant to the financial statements, revenue cutoff has been identified as a key audit matter.

##### How our audit addressed the matter

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

- A. Evaluated the rationality of revenue policy and procedure for warehouse adopted the understanding of the nature of the industry, and it is confirmed that the accounting policy is consistent with the IFRS standard.
- B. Understood the process of the revenue recognition as well as evaluated and tested the Group's



controls, including testing the product name, quantity and amount in report provided by warehouse custodians, and confirmed the movement is recorded in the appropriate period.

- C. Performed cut-off test on the transactions of warehouse operating revenue around the period of balance sheet date, including verifying customers' receipt notes, supporting documents provided by hub custodian, inventory movement records, and costs of goods sold recognized in the correct reporting periods.
- D. Confirmed the inventory quantities with warehouse custodian and agreed the results to accounting records.

### **Realisability of deferred tax assets**

#### Description

Please refer to Note 4(25) "Income taxes", Note 5(2) "Critical accounting judgments and key sources of estimation and assumption uncertainty", and Note 6(17) "Income taxes" to the consolidated financial statements.

As of December 31, 2018, the Group recognised deferred tax assets amounting to NT\$42,943 thousand. Assessment of the realisability of deferred tax assets involves the future operating plan provided by the management, which includes the assumptions of future demands of the market, economic situations, expected future sales revenue growth rate and cost estimation. Since the assumptions above usually involve management's judgement and have high levels of uncertainty, we consider realisability of deferred tax assets a key audit matter.

#### How our audit addressed the matter

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

- A. Understood the company's operation and the nature of the industry to evaluate the rationality of the management's operating plan, inclusive of evaluating the preparation process of the operating plan and inspecting if management's approval is consistent with the operating plan.
- B. Inquired management the content of the operating plan, and assessed the intention and ability when executing the plan.
- C. Inspected the assumptions the management used when assessing the future growth of revenue, cost and expense in the operating plan, and compared with the historical results, economics and industry predictions to evaluate the rationality of the future taxable profit.
- D. Evaluated management's sensitivity analysis using different profit achievement rates, and ensured

management has appropriately dealt with the influences of the uncertainty of the future taxable profit.

### **Estimation of allowance for inventory valuation losses**

#### Description

Please refer to Note 4(12), for accounting policies on inventory valuation, and Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation. As of December 31, 2018, the balance of allowance for inventory valuation losses please refer to Note 6(3).

As of December 31, 2018, the balances of inventories and allowance for inventory valuation losses are NT\$132,983 thousand and NT\$16,214 thousand, respectively. The group is an agent for semiconductor, mainly about niche products. The main type of the products are consumer products, communication products and connectors. Because the products above are small-volume large-variety, short-term life cycle and facing furious pricing competition, the risk of inventory losses due from market value decline or obsolescence. The Group recognises inventories at the lower of cost and net realisable value. As the monetary values of inventories are material, and there are various types of inventories, the estimation and determination of the net realisable value of inventories as of the balance sheet date are subject to management's judgement and contain a high level of uncertainty and have material effects on the financial statements, and therefore, it was identified as a key audit matter.

#### How our audit addressed the matter

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

- A. Assessed the reasonableness of policies and procedures related to the provision of allowance for inventory valuation losses based on our understanding of the Group's operations and the characteristics of its industry.
- B. Understood the Group's warehousing control procedures. Reviewed the annual physical inventory count plan and participated in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Verified whether the inventory aging report that were used to assess obsolete and slow-moving inventories was correct, including changes in inventories being classified according to inventory aging.
- D. Checked the appropriateness of the estimation basis adopted by the Group for the evaluation of net realisable value, verified accuracy of inventory selling and purchase prices and recalculated and

evaluated the reasonableness of allowance for inventory valuation losses..

***Other matter – Parent company only financial reports***

We have audited and expressed an unmodified opinion on the parent company only financial statements of MetaTech (AP) Inc. as at and for the years ended December 31, 2018 and 2017.

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

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

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

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

***Auditor’s responsibilities for the audit of the consolidated financial statements***

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

the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope

and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Hsu, Ming-Chuan

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 26, 2019

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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 report of independent accountants 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  
YEARS ENDED DECEMBER 31

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
<b>Current Assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 494,329	38	\$ 203,163	26
1150	Notes receivable, net	6(2)	3,587	-	3,874	1
1170	Accounts receivable, net	6(2)	276,160	21	301,818	39
1200	Other receivables		2,470	-	12,867	2
1220	Current income tax assets		1,016	-	1	-
130X	Inventory	6(3)	116,769	9	105,216	13
1410	Prepayments		5,085	-	2,737	-
1470	Other current assets	6(1) and 8	10,939	1	8,759	1
11XX	<b>Current Assets</b>		<u>910,355</u>	<u>69</u>	<u>638,435</u>	<u>82</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(4), 7 and 8	177,016	14	84,031	11
1780	Intangible assets	6(6)	136,975	11	13,860	2
1840	Deferred income tax assets	6(17)	42,943	3	30,209	4
1900	Other non-current assets	6(5)(8)	43,299	3	13,161	1
15XX	<b>Non-current assets</b>		<u>400,233</u>	<u>31</u>	<u>141,261</u>	<u>18</u>
1XXX	<b>Total assets</b>		<u>\$ 1,310,588</u>	<u>100</u>	<u>\$ 779,696</u>	<u>100</u>

(Continued)

MetaTech (AP) Inc. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
YEARS ENDED DECEMBER 31

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
<b>Current Liabilities</b>					
2100	Short-term borrowings	\$ 20,000	2	\$ -	-
2130	Current contract liabilities	3,461	-	-	-
2150	Notes payable	2,022	-	422	-
2170	Accounts payable	162,441	12	145,025	19
2200	Other payables	33,989	3	14,295	2
2230	Current income tax liabilities	-	-	2,541	-
2250	Provisions for liabilities - current	4,433	-	4,433	-
2300	Other current liabilities	647	-	6,947	1
21XX	<b>Current Liabilities</b>	<u>226,993</u>	<u>17</u>	<u>173,663</u>	<u>22</u>
<b>Non-current liabilities</b>					
2570	Deferred income tax liabilities	10,736	1	6,515	1
2600	Other non-current liabilities	-	-	3	-
25XX	<b>Non-current liabilities</b>	<u>10,736</u>	<u>1</u>	<u>6,518</u>	<u>1</u>
2XXX	<b>Total Liabilities</b>	<u>237,729</u>	<u>18</u>	<u>180,181</u>	<u>23</u>
<b>Equity attributable to owners of the parent</b>					
<b>Share capital</b>					
3110	Share capital - common stock	580,160	44	440,160	56
<b>Capital surplus</b>					
3200	Capital surplus	618,263	48	234,624	30
<b>Retained earnings</b>					
3350	Total accumulated deficit	( 114,567)	( 9)	( 55,630)	( 7)
<b>Other equity</b>					
3400	Other equity interest	( 10,997)	( 1)	( 19,639)	( 2)
31XX	<b>Equity attributable to owners of the parent</b>	<u>1,072,859</u>	<u>82</u>	<u>599,515</u>	<u>77</u>
3XXX	<b>Total equity</b>	<u>1,072,859</u>	<u>82</u>	<u>599,515</u>	<u>77</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>					
<b>Significant events after the balance sheet date</b>					
3X2X	<b>Total liabilities and equity</b>	<u>\$ 1,310,588</u>	<u>100</u>	<u>\$ 779,696</u>	<u>100</u>

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



MetaTech (AP) Inc. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF INCOME  
 FOR THE YEARS ENDED DECEMBER 31

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	Year ended December 31				
		2018		2017		
		AMOUNT	%	AMOUNT	%	
4000	<b>Sales revenue</b>	6(14) and 14	\$ 1,460,290	100	\$ 1,429,233	100
5000	<b>Operating costs</b>	6(3)(16)	( 1,310,257)	( 90)	( 1,267,105)	( 89)
5950	<b>Net operating margin</b>		<u>150,033</u>	<u>10</u>	<u>162,128</u>	<u>11</u>
	<b>Operating expenses</b>	6(8)(16)(19)				
6100	Selling expenses		( 114,815)	( 8)	( 104,553)	( 7)
6200	General & administrative expenses		( 79,741)	( 5)	( 41,716)	( 3)
6300	Research and development expenses		( 38,143)	( 3)	( 4,427)	-
6450	Impairment gain (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	<u>1,009</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	<b>Total operating expenses</b>		( 231,690)	( 16)	( 150,696)	( 10)
6900	<b>Operating (loss) profit</b>		<u>81,657</u>	<u>( 6)</u>	<u>11,432</u>	<u>1</u>
	<b>Non-operating revenue and expenses</b>					
7010	Other income		9,709	1	7,327	-
7020	Other gains and losses	6(15)	6,480	-	( 10,094)	( 1)
7050	Finance costs		( 44)	-	( 729)	-
7000	<b>Total non-operating revenue and expenses</b>		<u>16,145</u>	<u>1</u>	<u>( 3,496)</u>	<u>( 1)</u>
7900	<b>(Loss) profit before income tax</b>		( 65,512)	( 5)	7,936	-
7950	Income tax expense (benefit)	6(17)	7,768	1	( 2,747)	-
8200	<b>(Loss) profit for the year</b>		<u>(\$ 57,744)</u>	<u>( 4)</u>	<u>\$ 5,189</u>	<u>-</u>
	<b>Other comprehensive income (net)</b>					
8311	Other comprehensive income, before tax, actuarial (losses) gain on defined benefit plans	6(8)	(\$ 1,671)	-	\$ 52	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(17)	<u>478</u>	<u>-</u>	<u>( 4)</u>	<u>-</u>
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>		<u>( 1,193)</u>	<u>-</u>	<u>48</u>	<u>-</u>
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		10,042	1	( 20,233)	( 1)
8399	Income tax relating to the components of other comprehensive income	6(17)	( 1,400)	-	3,440	-
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>		<u>8,642</u>	<u>1</u>	<u>( 16,793)</u>	<u>( 1)</u>
8300	<b>Total other comprehensive income for the year</b>		<u>\$ 7,449</u>	<u>1</u>	<u>(\$ 16,745)</u>	<u>( 1)</u>
8500	<b>Total comprehensive income for the year</b>		<u>(\$ 50,295)</u>	<u>( 3)</u>	<u>(\$ 11,556)</u>	<u>( 1)</u>
	<b>Profit (loss) attributable to:</b>					
8610	Owners of the parent		<u>(\$ 57,744)</u>	<u>( 4)</u>	<u>\$ 5,189</u>	<u>-</u>
	<b>Other comprehensive income attributable to:</b>					
8710	Owners of the parent		<u>(\$ 50,295)</u>	<u>( 3)</u>	<u>(\$ 11,556)</u>	<u>( 1)</u>
	<b>Basic earnings (loss) per share</b>	6(18)				
9750	<b>Total basic earnings (loss) per share</b>		<u>(\$ 1.01)</u>	<u>\$ 0.12</u>		
9850	<b>Total diluted earnings (loss) per share</b>		<u>(\$ 1.01)</u>	<u>\$ 0.12</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 YEARS ENDED DECEMBER 31, 2018 AND 2017  
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Equity attributable to owners of the parent							Other Equity Financial statements translation differences of foreign operations	Total equity
	Notes	Capital Reserves					Accumulated deficit		
		Share capital - common stock	Total capital surplus, additional paid-in capital	Employee stock warrants	Stock warrants	Others			
<b>Year 2017</b>									
Balance at January 1, 2017		\$ 400,000	\$ 120,716	\$ -	\$ 5,205	\$ 84	(\$ 60,867)	(\$ 2,846)	\$ 462,292
Gain for the year		-	-	-	-	-	5,189	-	5,189
Other comprehensive loss for the year		-	-	-	-	-	48	( 16,793)	( 16,745)
Total comprehensive loss		-	-	-	-	-	5,237	( 16,793)	( 11,556)
Conversion of convertible bonds	6(7)(11)	40,160	113,824	-	( 5,205)	-	-	-	148,779
Balance at December 31, 2017		\$ 440,160	\$ 234,540	\$ -	\$ -	\$ 84	(\$ 55,630)	(\$ 19,639)	\$ 599,515
<b>Year 2018</b>									
Balance at January 1, 2018		\$ 440,160	\$ 234,540	\$ -	\$ -	\$ 84	(\$ 55,630)	(\$ 19,639)	\$ 599,515
Loss for the year		-	-	-	-	-	( 57,744)	-	( 57,744)
Other comprehensive loss for the year		-	-	-	-	-	( 1,193)	8,642	7,449
Total comprehensive loss		-	-	-	-	-	( 58,937)	8,642	( 50,295)
Issue of shares	6(11)	140,000	364,000	-	-	-	-	-	504,000
Share-based compensation cost	6(10)	-	2,665	16,974	-	-	-	-	19,639
Balance at December 31, 2018		\$ 580,160	\$ 601,205	\$ 16,974	\$ -	\$ 84	(\$ 114,567)	(\$ 10,997)	\$ 1,072,859

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



MetaTech (AP) Inc. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	2018	2017
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
(Loss) profit before tax		(\$ 65,512 )	\$ 7,936
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(4)(16)	6,324	5,659
Amortization expense	6(16)	601	674
Expected credit gain/ Reversal for bad debt expense	6(2) and 12(4)	( 1,009 )	( 2,588 )
Net loss on financial assets or liabilities at fair value through profit or loss	6(15) and 12(4)	-	308
Interest expense		44	67
Bond interest expense		-	662
Interest income	(	760 )	( 527 )
Share-based payments	6(10)	19,639	-
Loss on disposal of property, plan and equipment	6(4)	24	-
Unrealized foreign exchange (gain) loss	(	2,811 )	4,438
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets held for trading		-	4,780
Notes receivable		287	1,622
NewItem		26,654	( 57,878 )
Other receivable		10,397	( 10,845 )
Prepayments	(	2,348 )	322
Inventories	(	11,553 )	1,742
Other current assets	(	72 )	( 647 )
Net defined benefit asset	6(8)	( 47 )	( 61 )
Changes in operating liabilities			
Contract liabilities	(	946 )	-
Notes payable		1,600	152
Accounts payable		17,416	( 5,198 )
Other payable		14,457	( 17,160 )
Other current liabilities	(	1,893 )	( 2,181 )
Cash inflow (outflow) generated from operations		10,492	( 68,723 )
Interest received		760	527
Interest paid	(	44 )	( 67 )
Income taxes paid	(	5,230 )	( 530 )
Net cash flows from (used in) operating activities		5,978	( 68,793 )
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
(Increase) decrease in restricted assets		( 2,108 )	260
Acquisition of property, plant and equipment	6(4)(20)	( 94,076 )	( 29,713 )
(Increase) decrease in refundable deposits		( 226 )	11,274
Increase in other non-current assets		( 32,137 )	( 1,709 )
Acquisition of intangible assets	6(6)	( 123,115 )	( 13,860 )
Net cash flows used in investing activities		( 251,662 )	( 33,748 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Proceeds from short-term bank loans		40,000	65,000
Payments on short-term bank loans	(	20,000 )	( 65,000 )
Proceeds from issuing shares	6(11)	504,000	-
Decrease in other non-current liabilities	(	3 )	-
Net cash flows from financing activities		523,997	-
Effect of exchange rate changes on cash and cash equivalents		12,853	( 25,762 )
Net increase (decrease) in cash and cash equivalents		291,166	( 128,303 )
Cash and cash equivalents at beginning of year	6(1)	203,163	331,466
Cash and cash equivalents at end of year	6(1)	\$ 494,329	\$ 203,163

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

MetaTech (AP) Inc. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN thousands of New Taiwan dollars, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

MetaTech (AP) Inc.(the “Company”) was incorporated as 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 retail and wholesale of electronic materials and equipment, and the development and operation of biomedical related businesses. The shares of the Company were authorized by the Financial Supervisory Commission, R.O.C. and have been traded on Taipei Exchange (formerly GreTai Securities Market) in the R.O.C.since June 3, 2004.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to the Board of Directors on on March 26, 2019.

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 FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15, Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.
- (d) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4).

B. IFRS 15, 'Revenue from contracts with customers' and amendments

The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, liabilities in relation to sales contracts are recognised as contract liabilities, but were previously presented as other current liabilities in the balance sheet. As of January 1, 2018,

the balance amounted to \$4,407.

ii. Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

(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 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by \$64,654.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 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, 2021

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

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

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ( 'IAS 39' ), International Accounting Standard 11 ( 'IAS 11' ), International Accounting Standard 18 ( 'IAS 18' ) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (d) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2018	December 31, 2017	
MetaTech (AP) Inc.	MetaTech Investment Holding Co., Ltd.(MetaTech Investment)	Investment holding company	100	100	Note
"	Chienhwa Travel Service Co., Ltd.	Travel tour company	100	100	"
MetaTech Investment	MTI Holding Co., Ltd.(MTI Holding)	Investment holding company	100	100	"
MTI Holding	MetaTech (S) Pte Ltd. (MetaTech(S))	Sales and electronic company	100	100	"
"	MetaTech Ltd.	Sales and electronic company	100	100	"
MetaTech Ltd.	MetaTech (Shenzhen) Ltd. Company (MetaTech (SZ))	Sales and electronic company	100	100	"

Note: These investee companies are included in the consolidated financial statement based on their financial statements which were audited by the Group's independent accountants for the corresponding period.

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 \$18,013 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:

(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, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. 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 amortised 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 recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(8) 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.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises 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 or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

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

(11) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

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

(13) 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	50 years
Machinery and equipment	3 ~ 5 years
Office equipment	3 ~ 5 years
Transportation equipment	3 ~ 5 years
Other equipment	3 ~ 5 years
Leasehold improvements	3 ~ 5 years

(14) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(15) Intangible assets

A. Intangible assets

Separately acquired special technology are stated at historical cost. Acquired special technology has a finite useful life and is amortised on a straight-line basis over their estimated useful lives of 10 years.

## B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

### (16) 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 amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill, 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. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

### (17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised 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.

### (18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of goods or services 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.

### (19) 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.

(20) Convertible bonds payable

A. 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 or 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'.

(21) Derecognition of financial liabilities

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

(22) Provisions

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.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Termination benefits

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

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

Employees' compensation and directors' and supervisors' remuneration are recognised as

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

(24) 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 and non-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.

(25) 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.

(26) 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.

(27) 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.

(28) Revenue recognition

A. Sale of goods

- (a) The Group sells a range of electronic components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer 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 wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

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

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for



allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

## 5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

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

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

Revenue recognition on a net/gross basis

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

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

- (a) The Group is primarily responsible for the provision of goods or services;
- (b) The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- (c) The Group has discretion in establishing prices for the goods or services.

### (2) Critical accounting estimates and assumptions

#### A. Realisability of deferred tax assets

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

As of December 31, 2018, the Group recognised deferred tax assets amounting to \$42,943.

#### B. Evaluation of inventories

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

As of December 31, 2018, the carrying amount of inventories was \$116,769.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand and revolving funds	\$ 420	\$ 424
Checking accounts and demand deposits	499,171	203,893
Time deposits	<u>4,800</u>	<u>6,800</u>
	504,391	211,117
Less: Classified as other current assets	( 10,062)	( 7,954)
	<u>\$ 494,329</u>	<u>\$ 203,163</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. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

### (2) Notes and accounts receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes receivable	<u>\$ 3,587</u>	<u>\$ 3,874</u>
Accounts receivable	\$ 276,821	\$ 303,475
Less: Allowance for doubtful accounts	( 661)	( 1,657)
	<u>\$ 276,160</u>	<u>\$ 301,818</u>

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

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 223,723	\$ 3,587	\$ 262,933	\$ 3,874
Up to 30 days	39,581	-	31,774	-
31 to 90 days	8,664	-	6,803	-
Over 90 days	<u>4,853</u>	<u>-</u>	<u>1,965</u>	<u>-</u>
	<u>\$ 276,821</u>	<u>\$ 3,587</u>	<u>\$ 303,475</u>	<u>\$ 3,874</u>

The above ageing analysis was based on past due date.

B. As at December 31, 2018 and 2017, 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 were \$3,587 and \$3,874, \$276,160 and \$301,818, respectively.

C. The Company does not hold any collateral as security.

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

(3) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 132,983	(\$ 16,214)	\$ 116,769
	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 117,497	(\$ 12,281)	\$ 105,216

	2018	2017
Cost of goods sold	\$ 1,306,450	\$ 1,268,631
Loss on decline in market value(Gain on reversal of decline)	3,795	( 1,917)
Others	12	391
	<u>\$ 1,310,257</u>	<u>\$ 1,267,105</u>

The Group recognized gain on reversal of decline in market value for the year ended December 31, 2017 as certain inventories which were previously provided with allowance were subsequently sold.

(4) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvement	Others	Construction in Progress(A)	Total
<u>At January 1, 2018</u>									
Cost	\$ 17,209	\$ 40,313	\$ 7,772	\$ 5,328	\$ 28,865	\$ 12,666	\$ 1,626	\$ 19,413	\$ 133,192
Accumulated depreciation	-	( 10,866)	( 1,337)	( 1,045)	( 26,108)	( 8,983)	( 822)	-	( 49,161)
	<u>\$ 17,209</u>	<u>\$ 29,447</u>	<u>\$ 6,435</u>	<u>\$ 4,283</u>	<u>\$ 2,757</u>	<u>\$ 3,683</u>	<u>\$ 804</u>	<u>\$ 19,413</u>	<u>\$ 84,031</u>
<u>2018</u>									
Opening net book amount	\$ 17,209	\$ 29,447	\$ 6,435	\$ 4,283	\$ 2,757	\$ 3,683	\$ 804	\$ 19,413	\$ 84,031
Additions	-	-	6,241	936	2,090	123	-	89,924	99,324
Disposals	-	-	-	-	( 24)	-	-	-	( 24)
Depreciation charge	-	( 790)	( 1,416)	( 876)	( 1,004)	( 1,937)	( 301)	-	( 6,324)
Net exchange differences	-	-	-	( 1)	5	15	-	-	9
Closing net book amount	<u>\$ 17,209</u>	<u>\$ 28,657</u>	<u>\$ 11,260</u>	<u>\$ 4,342</u>	<u>\$ 3,824</u>	<u>\$ 1,884</u>	<u>\$ 503</u>	<u>\$ 109,337</u>	<u>\$ 177,066</u>
<u>At December 31, 2018</u>									
Cost	\$ 17,209	\$ 40,313	\$ 14,013	\$ 6,247	\$ 31,071	\$ 12,903	\$ 1,626	\$ 109,337	\$ 232,709
Accumulated depreciation	-	( 11,656)	( 2,753)	( 1,905)	( 27,247)	( 11,019)	( 1,123)	-	( 55,703)
	<u>\$ 17,209</u>	<u>\$ 28,657</u>	<u>\$ 11,260</u>	<u>\$ 4,342</u>	<u>\$ 3,824</u>	<u>\$ 1,884</u>	<u>\$ 503</u>	<u>\$ 109,337</u>	<u>\$ 177,066</u>

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvement	Others	Construction in Progress(A)	Total
<u>At January 1, 2017</u>									
Cost	\$ 17,209	\$ 40,313	\$ 3,733	\$ 821	\$ 29,088	\$ 12,843	\$ 1,626	\$ -	\$ 105,633
Accumulated depreciation	-	( 10,075)	( 415)	( 520)	( 26,035)	( 7,199)	( 521)	-	( 44,765)
	<u>\$ 17,209</u>	<u>\$ 30,238</u>	<u>\$ 3,318</u>	<u>\$ 301</u>	<u>\$ 3,053</u>	<u>\$ 5,644</u>	<u>\$ 1,105</u>	<u>\$ -</u>	<u>\$ 60,868</u>
<u>2017</u>									
Opening net book amount	\$ 17,209	\$ 30,238	\$ 3,318	\$ 301	\$ 3,053	\$ 5,644	\$ 1,105	\$ -	\$ 60,868
Additions	-	-	4,038	4,517	713	225	-	19,413	28,906
Depreciation charge	-	( 791)	( 922)	( 529)	( 987)	( 2,129)	( 301)	-	( 5,669)
Net exchange differences	-	-	1	( 6)	( 22)	( 57)	-	-	( 84)
Closing net book amount	<u>\$ 17,209</u>	<u>\$ 29,447</u>	<u>\$ 6,435</u>	<u>\$ 4,283</u>	<u>\$ 2,757</u>	<u>\$ 3,683</u>	<u>\$ 804</u>	<u>\$ 19,413</u>	<u>\$ 84,011</u>
<u>At December 31, 2017</u>									
Cost	\$ 17,209	\$ 40,313	\$ 7,772	\$ 5,328	\$ 28,865	\$ 12,666	\$ 1,626	\$ 19,413	\$ 133,102
Accumulated depreciation	-	( 10,866)	( 1,337)	( 1,045)	( 26,108)	( 8,983)	( 822)	-	( 49,101)
	<u>\$ 17,209</u>	<u>\$ 29,447</u>	<u>\$ 6,435</u>	<u>\$ 4,283</u>	<u>\$ 2,757</u>	<u>\$ 3,683</u>	<u>\$ 804</u>	<u>\$ 19,413</u>	<u>\$ 84,011</u>

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8. Capital expenditure contracted for at the balance sheet date but not yet incurred is provided in Note 9(F).

Note A: The new laboratory is for the use of advancing regenerative medicine. The related cost will be capitalized.

(5) Other non-current assets

	December 31, 2018	December 31, 2017
Prepayments	\$ 31,788	\$ -
Guarantee deposits paid	6,612	6,386
Others	4,899	6,775
	<u>\$ 43,299</u>	<u>\$ 13,161</u>

The prepayments refers to the prepaid expenses of machines and equipments for the new laboratory.

(6) Intangible assets

	<u>Acquired special technology</u> (Note B and C)	
<u>At January 1, 2018</u>		
Cost	\$	13,860
Accumulated amortisation		-
	<u>\$</u>	<u>13,860</u>
<u>2018</u>		
Opening net book amount	\$	13,860
Additions – acquired separately		123,115
Amortisation charge		-
Closing net book amount	<u>\$</u>	<u>136,975</u>
<u>At December 31, 2018</u>		
Cost	\$	136,975
Accumulated amortisation		-
	<u>\$</u>	<u>136,975</u>
	<u>Acquired special technology</u>	
<u>At January 1, 2017</u>		
Cost	\$	25,000
Other – Price adjustment (Note A)	(	18,333)
Accumulated amortisation	(	6,667)
	<u>\$</u>	<u>-</u>
<u>2017</u>		
Opening net book amount	\$	-
Additions – acquired separately (Note B and C)		13,860
Amortisation charge		-
Closing net book amount	<u>\$</u>	<u>13,860</u>
<u>At December 31, 2017</u>		
Cost	\$	38,860
Other – Price adjustment (Note A)	(	18,333)
Accumulated amortisation	(	6,667)
	<u>\$</u>	<u>13,860</u>

Note A: The Group revised the contract on December 29, 2016.

Note B: Acquired special technology hasn't been ready for use, so the company doesn't amortize it. Once it is ready for use, it will write off against profits over their anticipated life by charging depreciation expenses on a straight-line basis. In accordance with IAS 36, acquired special technology not yet available for use for impairment annually by comparing its carrying

amount with its recoverable amount.

Note C: Capital expenditure contracted for at the balance sheet date but not yet incurred is provided in Note 9(F).

(7) Bonds payable

- A. The bonds had been converted into common stock before the maturity date. Therefore the balance of the bonds payable as of the year ended 2018 and 2017 is 0.
- B. The Company issued \$150,000, 0% domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 24th, 2014~July 24th, 2017) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 24th, 2014.
- C. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$5,205 were separated from the liability component and were recognized in ‘capital-surplus-share options’ in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets or liabilities at fair value through profit or loss’ in net amount 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 bondholders had converted all the convertible bonds into 4,016 thousand shares of common stock as on July 24th, 2017.
- D. The amount of the ‘Capital Surplus-Additional Paid-In Capital-Bond Conversion’ due to the conversion mentioned above is \$113,824. The convertible corporate bonds of the Company, totaling \$150,000 (face value) had all been converted.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	\$ 7,474	\$ 5,498
Fair value of plan assets	( 9,072)	( 8,720)
Net defined benefit liability	<u>(\$ 1,598)</u>	<u>(\$ 3,222)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 5,498	(\$ 8,720)	(\$ 3,222)
Interest (expense) income	<u>83</u>	<u>( 130)</u>	<u>( 47)</u>
	<u>5,581</u>	<u>( 8,850)</u>	<u>( 3,269)</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	( 222)	( 222)
Change in financial assumptions	328	-	328
Experience adjustments	<u>1,565</u>	<u>-</u>	<u>1,565</u>
	<u>1,893</u>	<u>( 222)</u>	<u>1,671</u>
Balance at December 31	<u>\$ 7,474</u>	<u>(\$ 9,072)</u>	<u>(\$ 1,598)</u>
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2017</u>			
Balance at January 1	\$ 5,512	(\$ 8,621)	(\$ 3,109)
Interest (expense) income	<u>83</u>	<u>( 130)</u>	<u>( 47)</u>
	<u>5,595</u>	<u>( 8,751)</u>	<u>( 3,156)</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	45	45
Experience adjustments	<u>( 97)</u>	<u>-</u>	<u>( 97)</u>
	<u>( 97)</u>	<u>45</u>	<u>( 52)</u>
Paid pension	<u>-</u>	<u>( 14)</u>	<u>( 14)</u>
Balance at December 31	<u>\$ 5,498</u>	<u>(\$ 8,720)</u>	<u>(\$ 3,222)</u>

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

Utilisation of the Labor Retirement Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31, 2018	Year ended December 31, 2017
Discount rate	1.25%	1.50%
Future salary increases	2.25%	2.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	( 166)	172	702	( 639)
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	( 136)	140.00	578.00	(521.00)

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

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

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



December 31, 2019 amount to \$0.

(g) As of December 31, 2018, the weighted average duration of the retirement plan is 10.3 years.

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

2-5 years	4,822
Over 5 years	911
	\$ 5,733

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

(b) Metatech(S) and Metatech Ltd. adopt a funded defined contribution pension plan in accordance with local regulations.

(b) The Company’s mainland China subsidiaries, Metatech(SZ), has a defined contribution plan. Monthly contributions 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 contribution percentage for the years ended December 31, Y and Y-1, was both 13% , respectively. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017, were \$5,449 and \$4,522, respectively.

(9) Provisions

	2018	2017
At December 31	\$ 4,433	\$ 4,433

The Group had agreed a contract with TBMS International Corporation to purchase the equipment amounting to \$ 33,050 before December 31, 2016. The Group should pay 20% of unfilled order as a penalty if the Group canceled the order. The Group had left \$29,090 of the contract above not paid, and recognized a debt preparation amount of \$4,433 in accordance with the contract. As of March 26, 2019, each party was still negotiating the compensation amount.

(10) Share-based payment

A. For the years ended December 31, 2018, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	granted (in thousands)	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2018.1.2	329	NA	Vested immediately
Employee stock options	2018.4.2	2,280	6 years	2~5 years' service
Employee stock options	2018.5.14	1,297	6 years	2~5 years' service
Employee stock options	2018.11.15	423	6 years	2~5 years' service

Among the share-based payment arrangements above are settled by equity.

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

	2018		2017	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	\$ -	-	\$ -
Options granted	4,329,000	56.66	-	-
Options exercised	( 329,000)	36.00	-	-
Options outstanding at December 31	<u>4,000,000</u>	58.36	<u>-</u>	-
Options exercisable at December 31	<u>-</u>	-	<u>-</u>	-

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2018 was \$46.9. No stock options were exercised for the year ended December 31, 2017.

D. As of December 31, 2018, the range of exercise prices of stock options outstanding was \$55.00 ~\$59.20(in dollars); the weighted-average remaining contractual period was 5.36 years. No stock options were outstanding for the year ended December 31, 2017.

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
Cash capital increase reserved for employee preemption	2018.1.2	\$ 44.1	\$ 36.0	27.39% (Note A)	2018.1.2~ 2018.1.10	-	0.28%	\$ 8.10
Employee stock options	2018.4.2	58.5	58.5	44.54%~46.90%	4~5.5 years	-	0.64~0.76%	0.61~24.70
Employee stock options	2018.5.14	59.2	59.2	44.25%~47.03%	4~5.5 years	-	0.67~0.76%	0.76~25.07
Employee stock options	2018.11.1 5	55.0	55.0	40.56%~48.61%	4~5.5 years	-	0.73~0.83%	7.88~24.44

Note A: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life,

and the standard deviation of return on the stock during this period.

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

	2018	2017
Equity-settled	\$ 19,639	\$ -

(11) Share capital

A. As of December 31, 2018, the Company's authorised capital was \$1,000,000, consisting of 100,000 thousand shares of ordinary stock (including 15,000 thousand shares reserved for employee stock options), and the paid-in capital was \$580,160 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2018	2017
At January 1	\$ 44,016	\$ 40,000
From convertible bonds	-	4,016
Cash capital increase	14,000	-
At December 31	\$ 58,016	\$ 44,016

2. On March 24, 2017, the Board of Directors of the Company adopted a resolution to issue 14,000 thousand common stock, with a par value of \$10 and, amounting to 504,000 thousands. The above issuance was submitted to the FSC for approval by Financial-Supervisory-Securities-Corporate-1060036940. On December 11, 2018, the Board of Directors of the Company adopted a resolution to the subscription base date was determined as at January 8, 2018.

3. On December 11, 2018, the Board of Directors of the Company adopted a resolution to issue stock option amounting to 4,000 unit and each unit can purchase 1,000 shares of the Company's common stock. The issuance was submitted to the FSC for approval by Financial-Supervisory-Securities-Corporate-1060036940 and became effective in January 8, 2019.

(12) Capital surplus

A. Pursuant to the R.O.C. 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. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Capital reserve - stock options and employee stock options is provided in Note (G) and (J).

(13) Retained earnings

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. Stock dividends should be appropriated at a rate of 10% per annum. The remainder, if any, to be retained or to be appropriated shall be resolved

by the stockholders at the stockholders' meeting. According to the dividend policy adopted by the Board of Directors, cash dividends shall account for at least 30% of the total dividends distributed.

- 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 Company had accumulated deficits for the years ended December 31, 2018 and 2017, no surplus can be distributed. The surplus allocation table was resolved by the shareholders' meeting on June 25, 2018 and June 20, 2017.
- E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(16).

(14) Operating revenue

	<u>2018</u>
Revenue from contracts with customers	\$ 1,456,669
Others	3,621
	<u>\$ 1,460,290</u>

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:

	Hongkong and China	Southeast Asia	Taiwan			Reconciliation and elimination	Total
			Electronics	Biomedicine	Others		
Total segment revenue	\$ 701,058	\$ 341,499	\$ 425,333	\$ 2,691	\$ 1,103	(\$ 11,394)	\$ 1,460,290
Inter-segment revenue	( 5,397)	( 2,885)	( 2,939)	-	( 173)	11,394	-
Revenue from external customer	<u>\$ 695,661</u>	<u>\$ 338,614</u>	<u>\$ 422,394</u>	<u>\$ 2,691</u>	<u>\$ 930</u>	<u>\$ -</u>	<u>\$ 1,460,290</u>
Timing of revenue recognition							
At a point in time	\$ 695,661	\$ 338,614	\$ 422,394	\$ 1,444	\$ 930	\$ -	\$ 1,459,043
Over time	-	-	-	1,247	-	-	1,247
	<u>\$ 695,661</u>	<u>\$ 338,614</u>	<u>\$ 422,394</u>	<u>\$ 2,691</u>	<u>\$ 930</u>	<u>\$ -</u>	<u>\$ 1,460,290</u>

B. Contract liabilities

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

	December 31, 2018
Advance sales receipts	\$ 3,461

(a) Significant changes in contract assets and liabilities

None.

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

	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Advance sales receipts	\$ 4,210

(15) Other gains and losses

	2018	2017
Losses on financial assets at fair value through profit or loss	\$ -	(\$ 308)
Losses on disposals of property, plant and equipment	( 24)	-
Foreign exchange gains(losses)	6,504	( 7,826)
Compensation losses	-	( 757)
Miscellaneous disbursements	-	( 1,203)
	\$ 6,480	(\$ 10,094)

(16) Employee benefit expense

	2018	2017
Wages and salaries	\$ 107,392	\$ 72,240
Labour and health insurance fees	5,718	4,286
Pension costs	5,402	4,475
Other personnel expenses	5,388	2,548
	\$ 123,900	\$ 83,549
Depreciation charges - Operating expense	\$ 3,412	\$ 3,538
Depreciation charges - Operating costs	\$ 2,912	\$ 2,121
Amortization charges - Operating expense	\$ 601	\$ 674

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees 'compensation and directors' and supervisors' remuneration. The ratio shall be 1~5% for employees' compensation supervisors' remuneration, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

B. The Company had accumulated deficits for the years ended December 31, 2018 and 2017; therefore, no compensation for employees and remuneration of directors was accrued. Information on the employees' compensation and remuneration of directors and supervisors

resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(17) Income tax

A. Income tax expense

(a) Components of income tax expense:

	2018	2017
Current tax:		
Current tax on profits for the year	\$ 1,762	\$ 4,327
Tax on undistributed surplus earnings	-	-
Prior year income tax overestimation	( 95)	( 68)
Total current tax	1,667	4,259
Deferred tax:		
Origination and reversal of temporary differences	( 5,912)	( 1,512)
Impact of change in tax rate	( 3,523)	-
Income tax (benefit) expense	(\$ 7,768)	\$ 2,747

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

	2018	2017
Currency translation differences	(\$ 2,008)	\$ 3,440
Remeasurement of defined benefit obligations	428	( 4)
Impact of change in tax rate	658	-
	(\$ 922)	\$ 3,436

B. Reconciliation between income tax expense and accounting profit

	2018	2017
Tax calculated based on profit before tax and statutory tax rate (note)	(\$ 11,259)	\$ 6,563
Expenses disallowed by tax regulation	( 412)	( 1,615)
Change in assessment of realisation of deferred tax assets	7,521	( 2,133)
Prior year income tax overestimation	( 95)	( 68)
Impact of change in tax rate	( 3,523)	-
Income tax expense	(\$ 7,768)	\$ 2,747

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

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

	2018			December 31
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	
Deferred tax assets:				
– Temporary differences:				
Loss on inventory	\$ 835	(\$ 538)	\$ -	\$ 297
Adjustment to unused paid annual leave	215	25		240
Currency translation differences	3,447	-	( 1,400)	2,047
Remeasurement of defined benefit obligations	283		478	761
Tax losses	24,440	13,845		38,285
Onerous contracts provision	989	175	-	1,164
Others	-	149	-	149
Subtotal	<u>30,209</u>	<u>13,656</u>	<u>( 922)</u>	<u>42,943</u>
– Deferred tax liabilities:				
Share of profit or loss of associates and joint ventures accounted for	( 6,436)	( 3,522)	( 9,958)	
Unrealised exchange gain	81	( 670)	-	( 589)
Pension	( 160)	( 29)	-	( 189)
Subtotal	<u>( 6,515)</u>	<u>( 4,221)</u>	<u>-</u>	<u>( 10,736)</u>
Total	<u>\$ 23,694</u>	<u>\$ 9,435</u>	<u>(\$ 922)</u>	<u>\$ 32,207</u>

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Loss on inventory	\$ 1,585	(\$ 750)	\$ -	\$ 835
Adjustment to unused paid annual leave	215	-		215
Currency translation differences	7	-	3,440	3,447
Remeasurement of defined benefit obligations	287		(4)	283
Tax losses	17,108	7,332		24,440
Onerous contracts provision	989	-	-	989
Others	694	(694)	-	-
Subtotal	<u>20,885</u>	<u>5,888</u>	<u>3,436</u>	<u>30,209</u>
	-	-	-	-
– Deferred tax liabilities:				
Share of profit or loss of associates and joint ventures accounted for	( 987)	( 5,449)	( 6,436)	
Valuation gain on financial liabilities, net	( 97)	97	-	-
Unrealised exchange gain	( 895)	976	-	81
Pension	( 160)	-	-	( 160)
Subtotal	<u>( 2,139)</u>	<u>( 4,376)</u>	<u>-</u>	<u>( 6,515)</u>
Total	<u>\$ 18,746</u>	<u>\$ 1,512</u>	<u>\$ 3,436</u>	<u>\$ 23,694</u>

D. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

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



December 31, 2018

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2008	Amount assessed	\$ 35,455	\$ 35,455	2018
2009	Amount assessed	41,776	41,776	2019
2010	Amount assessed	18,341	18,341	2020
2011	Amount assessed	14,982	14,982	2021
2012	Amount assessed	17,232	5,170	2022
2013	Amount assessed	15,876	4,763	2023
2014	Amount assessed	12,959	3,888	2024
2015	Amount assessed	21,087	6,326	2025
2016	Amount assessed	42,849	12,855	2026
2017	Amount assessed	28,478	-	2027
2018	Amount estimated	85,947	-	2028
		<u>\$ 334,982</u>	<u>\$ 143,556</u>	

December 31, 2017

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2008	Amount assessed	\$ 35,455	\$ 35,455	2018
2009	Amount assessed	41,776	41,776	2019
2010	Amount assessed	18,341	5,502	2020
2011	Amount assessed	14,982	4,495	2021
2012	Amount assessed	17,232	5,170	2022
2013	Amount assessed	15,876	4,763	2023
2014	Amount assessed	12,959	3,888	2024
2015	Amount assessed	21,087	6,326	2025
2016	Amount assessed	42,849	-	2026
2017	Amount filed	28,478	-	2027
		<u>\$ 249,035</u>	<u>\$ 107,375</u>	

K. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has accessed the impact of the change in income tax rate.

(18) Earnings(loss) per share

		2018	
		Weighted average number of ordinary shares outstanding	Loss per share
		(share in thousands)	(in dollars)
		<u>Amount after tax</u>	<u>(in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 57,744)	<u>57,441</u>	(\$ 1.01)
		2017	
		Weighted average number of ordinary shares outstanding	Earnings per share
		(share in thousands)	(in dollars)
		<u>Amount after tax</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,189	<u>43,392</u>	\$ 0.12

The computation of diluted earnings per share did not include the shares from employee stock options for December 31, 2018 due to anti-dilution.

The computation of diluted earnings per share did not include convertible bonds for December 31, 2017 due to anti-dilution.

(19) Operating leases

The Group leases office spaces and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years. The Group recognised rental expenses of \$10,356 and \$7,820 in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	\$ 13,821	\$ 6,442
Later than one year but not later than five	24,947	6,222
Later than five years	24,713	-
	<u>\$ 63,481</u>	<u>\$ 12,664</u>

(20) Supplemental cash flow information

A. Investing activities with partial cash payments

	2018	2017
Purchase of property, plant and	\$ 99,313	\$ 28,906
Add: Opening balance of payable on equipment	-	807
Less: Ending balance of payable on	( 5,237)	-
Cash paid during the year [period]	<u>\$ 94,076</u>	<u>\$ 29,713</u>

B. Financing activities with no cash flow effects

	2018	2017
Convertible bonds being converted to capital stocks	<u>\$ -</u>	<u>\$ 148,779</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
An Xing Biotechnology Co., Ltd.	Other related parties

(2) Significant related party transactions

Property transactions:

Acquisition of property, plant and equipment:

	2018	2017
Other related parties	<u>\$ -</u>	<u>\$ 1,200</u>

(3) Key management compensation

	2018	2017
Salaries and other short-term employee benefits	\$ 15,371	\$ 11,500
Post-employment benefits	592	566
Share-based payments	<u>2,105</u>	<u>-</u>
	<u>\$ 18,068</u>	<u>\$ 12,066</u>

## 8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2018	December 31, 2017	
Other current assets			
– Demand deposits	\$ 5,262	\$ 3,154	Short-term borrowings Customs and credit card
– Time deposits	4,800	4,800	acquiring performance guarantee
Property, plant and equipment			
– Land	17,209	17,209	Short-term borrowings
– Buildings	28,657	29,447	"
	<u>\$ 55,928</u>	<u>\$ 54,610</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

### COMMITMENTS

#### (1)Contingencies

None.

#### (2)Commitments

A. For the year ended December 31, 2018, the Company issuance guarantee notes payables amounting to \$10,000 to vender for the purchase.

B. For the year ended December 31, 2018, the Company uses the bank loan amount of \$5,000 as the performance security guarantee for the purchase contract.

C. As of December 31, 2018, the company provides promissory note \$10,000 for guarantee and the credit of bank secured loan \$10,000 for performance guarantee since the company involves the program of Taiwan Industrial Innovation Platform.

D. The Group guarantee notes and endorsement guarantees for the subsidiaries' borrowings in profit or loss for the years ended December 31, 2018 and 2017, were \$25,358 (NT\$10,000 and US\$500 respectively), \$14,880 (US\$500 respectively)

E. The Group shares the credit line of short-term guaranteed borrowings. The credit line of the Group were NT\$45,000 thousand at December 31, 2018 and December 31, 2017 respectively. The Group signed a NT\$60,000 promissory note as collateral at December 31, 2018 and December 31, 2017. The credit line has been used NT \$ 15,000 thousand, and NT \$ 5,000 thousand respectively for the year of 2018 and December 31, 2017.

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

	December 31, 2018	December 31, 2017
Property, plant and equipment	\$ 8,800	\$ 80,988
Intangible assets	162,533	277,410
	<u>\$ 171,333</u>	<u>\$ 358,398</u>

NOTE: In order to expand the business of bio-medical R&D and the innovation of the regenerative medicine, the management of the Company decided to sign the Memorandum of understanding of cell regenerative medicine with CellSeed Inc. (JPN) on Dec. 21st, 2016. The MOU payment hereunder is ¥50,000,000. On Mar. 24th, 2017, the resolution of signing the official contract of cell regenerative medicine with CellSeed Inc. (JPN) had been passed at the board of directors meeting, and the contract was signed by both parties hereby officially on Apr. 24th, 2017. The contract payment hereunder is ¥1,250,000,000. As of Dec. 31st, 2018, the due payment ¥715,770,551 has been made by the Company herein the contract payment schedule.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On August 7, 2018, the company decided to issue the third domestic guaranteed convertible corporate bond by the board of directors, with a maximum cap of \$151,500. On December 14, 2018, the Republic of China obtained the letter of the competent authority's Certificate No. 1070345294 to approve the issuance and issuance of the third domestic guaranteed convertible corporate bonds. The total issuance is \$150,000, the coupon rate is 0%, and the issuance period is 3 years. The circulation period was from January 9, 2019 to January 9, 2022. When the conversion corporate bond expires, it is repaid in cash at the denomination of the bond. The conversion company bond was listed on the Securities and Futures Trading Center of the Republic of China on January 9, 2019.

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

December 31, 2018   December 31, 2017

Financial assets

Financial assets at amortised cost/ receivables

Cash and cash equivalents	\$	494,329	\$	203,163
Notes receivable		3,587		3,874
Accounts receivable		276,160		301,818
Other receivables		2,470		12,867
Guarantee deposits paid (shown as "other non-current assets")		6,612		6,386
Other financial assets (shown as "othercurrent assets")		<u>10,062</u>		<u>7,954</u>
	\$	<u>793,220</u>	\$	<u>536,062</u>

Financial liabilities

Financial liabilities at amortised cost

Short-term borrowings	\$	20,000	\$	-
Notes payable		2,022		422
Accounts payable		162,441		145,025
Other accounts payable		33,989		14,295
Guarantee deposits received (shown as "other non-current liabilities")		<u>-</u>		<u>3</u>
	\$	<u>218,452</u>	\$	<u>159,745</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, interest rate risk and price 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

Foreign exchange 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 and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: HKD and SGD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2018			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,258	30.715	\$ 100,069
USD:HKD	6,037	7.8304	185,426
JPY:NTD	267,823	0.2782	74,508
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,703	30.715	52,308
USD:HKD	2,312	7.8304	71,013
December 31, 2017			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,153	29.76	\$ 93,833
USD:HKD	6,335	7.8118	188,530
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,337	29.76	39,789
RMB:NTD	2,673	7.8118	79,548

- v. Total exchange gain (loss), including realised and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended

December 31, 2018 and 2017, amounted to \$6,504 and (\$7,826), respectively.

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

		2018		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	1,001	\$ -
USD:HKD	1%		1,854	-
JPY:NTD	1%		745	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%		523	-
USD:HKD	1%		710	-
		2017		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	938	\$ -
USD:HKD	1%		1,885	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%		398	-
USD:HKD	1%		795	-

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments 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, and the contract cash flows of financial assets stated at amortised cost.



- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' 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 Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk mainly 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 customer's accounts receivable, contract assets and rents receivable in accordance with credit rating of customer. The Group applies the modified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. There is no written-off financial assets that are still under recourse procedures amounted on December 31, 2018.
- viii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. The Group's expected credit loss rate of accounts receivable that are not past due are not significant for the years ended December 31, 2018.
- ix. The Group applies the simplified approach to provide loss allowance for accounts receivable that have no significant impact. The Group had not recognized related impact

for the years ended December 31, 2018.

	2018	
At January 1	\$	1,657
Reversal of impairment loss	(	1,009)
Effect of foreign exchange		13
At December 31	\$	661

x. Credit risk information of 2017 is provided in Note 12(4)

(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 (Note 6(26)) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. 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 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.

December 31, 2018	Less than 1 year	1 and 2 years	2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 20,000	\$ -	\$ -	\$ -
Notes payable	2,022	-	-	-
Accounts payable	162,441	-	-	-
Other payables	33,989	-	-	-
December 31, 2017	Less than 1 year	1 and 2 years	2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Notes payable	\$ 422	\$ -	\$ -	\$ -
Accounts payable	145,025	-	-	-
Other payables	14,295	-	-	-
Guarantee deposits received (shown as "other non-current	3	-	-	-

(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.

B. The balances of financial instruments measured at fair value recognized were both 0 on December 31, 2018 and 2017. Therefore, there was no disclosure of relevant fair value information.

C. The methods and assumptions the Group used to measure fair value are as follows:

The instruments the Group used market quoted prices as their fair values (that is, Level 1) are valued by characteristics. Open-end Funds' market quoted price is based on net asset value.

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

F. Finance 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.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

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

i. They are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

ii. 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.

iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Loans and receivables

Accounts receivable

They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(c) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’ ) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the

previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The significant accounts for the year ended December 31, 2017 are as follows:

- (a) The balances of financial assets at fair value through profit or loss was 0 on December 31, 2017.
- (b) The Group recognised net loss amounting to (\$308) on financial assets held for trading for the year ended December 31, 2017.

E. Credit risk information for the year ended December 2017 are as follows :

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. 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 Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- (b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The Group's accounts receivable that are neither past due nor impaired are fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.
- (d) The ageing analysis of financial assets that were past due but not impaired is as follows:

	<u>December 31, 2017</u>
<u>Accounts receivable</u>	
Up to 30 days	\$ 28,159
31 to 90 days	4,416
Over 90 days	<u>177</u>
	<u>\$ 32,752</u>

- (e) Movements in the provision for impairment of accounts receivable for the year ended December 2017 are as follows:

	2017
At January 1	\$ 4,441
Provision for impairment	-
Reversal of impairment	( 2,588)
Write-offs during the year	( 196)
At December 31	<u>\$ 1,657</u>

Initial application of IFRS 9 has no significant impact to the Company's financial condition and financial performance based on the Company's assessment as of January 1, 2018.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	2017
Sales revenue	\$ 1,422,471
Others	6,762
	<u>\$ 1,429,233</u>

C. The Group applies the relevant provisions of IAS 18 in 2017. During the past reporting period, it recognized the advance payment and payment related to the income contract, and listed other current liabilities on the balance sheet. The balance as of December 31, 2017 is as follows:

	December 31, 2017
Advance sales receipts	<u>\$ 4,407</u>

D. The effects and description of current balance sheets if the Group continues adopting above accounting policies are as follows:

Balance sheet items	December 31, 2018		
	Balance by using IFRS 15	previous accounting policies	changes in accounting policy
Advance sales receipts	\$ 3,461	\$ -	\$ 3,461
Other current assets	-	3,461	( 3,461)

Explanation : Under IFRS 15, liabilities in relation to sales contracts are recognised as contract liabilities, but were previously presented as advance sales receipts( shown as ‘other current liabilities’) in the balance sheet.

### 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, associates and joint ventures): 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 instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 4.

#### (3) Information on investments in Mainland China

- A. Basic information: 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 3.

### 14. 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 chief operating decision maker considers the business from a geographic perspective.

(2) Measurement of segment information

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

(3) Information about segment profit or loss, assets and liabilities

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

	2018						
	Hongkong and		Taiwan			Reconciliation and elimination	Total
	China	Southeast Asia	Electronics	Biomedicine	Others		
Revenue from external	\$ 695,661	\$ 338,614	\$ 422,394	\$ 2,691	\$ 930	\$ -	\$ 1,460,290
Inter-segment revenue	5,397	2,885	2,939	-	173	(11,394)	-
Total segment revenue	<u>\$ 701,058</u>	<u>\$ 341,499</u>	<u>\$ 425,333</u>	<u>\$ 2,691</u>	<u>\$ 1,103</u>	<u>(\$ 11,394)</u>	<u>\$ 1,460,290</u>
Segment income (loss)	<u>\$ 13,466</u>	<u>\$ 366</u>	<u>(\$ 28,044)</u>	<u>(\$ 68,489)</u>	<u>(\$ 182)</u>	<u>\$ 1,226</u>	<u>(\$ 81,657)</u>
Depreciation and amortisation	<u>\$ 412</u>	<u>\$ 120</u>	<u>\$ 972</u>	<u>\$ 5,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,925</u>

	2017						
	Hongkong and		Taiwan			Reconciliation and elimination	Total
	China	Southeast Asia	Electronics	Biomedicine	Others		
Revenue from external	\$ 673,513	\$ 350,664	\$ 398,294	\$ 5,988	\$ 774	\$ -	\$ 1,429,233
Inter-segment revenue	1,234	5,055	3,344	-	-	(9,633)	-
Total segment revenue	<u>\$ 674,747</u>	<u>\$ 355,719</u>	<u>\$ 401,638</u>	<u>\$ 5,988</u>	<u>\$ 774</u>	<u>(\$ 9,633)</u>	<u>\$ 1,429,233</u>
Segment income (loss)	<u>\$ 30,565</u>	<u>\$ 5,027</u>	<u>(\$ 2,404)</u>	<u>(\$ 21,328)</u>	<u>(\$ 428)</u>	<u>\$ -</u>	<u>\$ 11,432</u>
Depreciation and amortisation	<u>\$ 488</u>	<u>\$ 458</u>	<u>\$ 963</u>	<u>\$ 4,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,333</u>

(4) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2018 and 2017 is provided as follows:

	2018		2017	
Reportable segments	(\$	81,657)	\$	11,432
Other income		9,709		7,327
Other gains and losses		6,480	(	10,094)
Finance costs	(	44)	(	729)
Income/(loss) before tax from continuing operations	<u>(\$</u>	<u>65,512)</u>	<u>\$</u>	<u>7,936</u>

(5) Information on products and services

Please refer to Note 6 (14) for the related information.



(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Hongkong and China	\$ 695,661	\$ 1,050	\$ 673,513	\$ 1,055
Taiwan	426,015	346,942	405,056	99,241
Singapore	338,614	89	350,664	149
Total	<u>\$ 1,460,290</u>	<u>\$ 348,081</u>	<u>\$ 1,429,233</u>	<u>\$ 100,445</u>

(7) Major customer information

The Group had no individual customer whose sales amount accounts for more than 10% of net operating revenue in the consolidated statement of comprehensive income.



METATECH (AP) INC. AND SUBSIDIARIES

Loans to others  
For the year ended December 31, 2018

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	The Company	Chienhwa Travel Service Co., Ltd.	Other receivables	Y	2,000 (USD 67 thousand)	2,000 (USD 67 thousand)	\$ -	1.80%	Short-term financing	\$ -	Turnover of operation	\$ -	None	\$ -	\$ 214,572	\$ 429,144	Note3
0	The Company	MetaTech (S) Pte Ltd.	Other receivables	Y	29,950 (USD 998 thousand)	-	-	2.80%	Short-term financing	-	Turnover of operation	-	None	-	214,572	429,144	Note3 Note5
1	MTI Holding Co., Ltd.	The Company	Other receivables	Y	61,910 (USD 2,064 thousand)	61,430 (USD 2,048 thousand)	-	3.70%	Short-term financing	-	Turnover of operation	-	None	-	74,523	149,047	Note4 Note5
1	MTI Holding Co., Ltd.	MetaTech Ltd.	Other receivables	Y	30,955 (USD 1,032 thousand)	30,715 (USD 1,024 thousand)	-	3.05%	Short-term financing	-	Turnover of operation	-	None	-	298,094	372,617	Note4 Note5
1	MTI Holding Co., Ltd.	MetaTech (S) Pte Ltd.	Other receivables	Y	30,715 (USD 1,024 thousand)	15,358 (USD 512 thousand)	-	3.94%	Short-term financing	-	Turnover of operation	-	None	-	298,094	372,617	Note4 Note5

Note1 : 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: In accordance with the Company's "Procedures for Provision of Loans", limit on the rate of total loans to others can't be lower than the average of the rate financial institutions provided.

Note 3: In accordance with the Company's "Procedures for Provision of Loans", limit on total loans to others is 40% of the parent company's net assets; Limit on loans to a single party with short-term financing is 20% of the Company's net asset.

Note 4: In accordance with Subsidiaries's "Procedures for Provision of Loans", limit on total loans to others is 40% of the lender's net assets; Limit on loans to a single party with short-term financing is 20% of the lender's net asset. Furthermore, for the foreign companies which the Group holds 100% of the voting rights directly or indirectly, limit on loans is 100% of Subsidiaries's net assets; Limit on loans to a single party with short-term financing is 80% of Subsidiaries's net asset.

Note 5: Balance at December 31, 2018 is converted to NTD in closing exchange rate.(1USD : 30.715TWD)

METATECH (AP) INC. AND SUBSIDIARIES  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018	Outstanding endorsement/ guarantee amount at December 31, 2018	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 endorsement s/guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 1)											
0	The Company	MetaTech Ltd.	The Company's third-tier subsidiary	\$ 536,430	\$ 15,478	\$ 15,358	\$ -	\$ -	1.43	\$ 1,072,859	Y	-	-	Note 2 Note 3 Note 4
0	The Company	MetaTech (Shenzhen) Ltd.	The Company's third-tier subsidiary	536,430	10,000	10,000	-	-	0.93	1,072,859	Y	-	Y	Note 2 Note 3

Note1 : 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'.

Note2: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on the Company endorsements/guarantees to a single party with short-term financing is 50% of the Company's net assets.

Note3: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on the Company endorsements/guarantees to others is 100% of the Company's net assets.

Note4: Balance at December 31, 2018 is converted to NTD in closing exchange rate.(1USD : 30.715TWD)



METATECH (AP) INC. AND SUBSIDIARIES  
Significant inter-company transactions during the reporting periods  
For the year ended December 31, 2018

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 3

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	MetaTech Ltd.	1	Sales	\$ 1,324	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
0	"	"	1	Other Receivable	8,025	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
0	"	MetaTech (S) Pte Ltd.	1	Sales	1,615	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
0	"	"	1	Account Receivable	182	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
0	"	"	1	Other Receivable	70	Advance, and collection term is 90 days after monthly billings	-
0	"	Chienhwa Travel Service Co., Ltd.	1	Rent Revenue	57	Price is made based on mutual agreement	-
1	MetaTech (S) Pte Ltd.	The Company	2	Sales	1,659	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
1	"	MetaTech Ltd.	3	Sales	1,226	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
1	"	"	3	Account Receivable	210	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
2	MetaTech Ltd.	The Company	2	Sales	4,017	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
2	"	"	2	Account Receivable	415	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
2	"	"	2	Other Receivable	57	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
2	"	MetaTech (S) Pte Ltd.	3	Sales	1,380	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
2	"	MetaTech (Shenzhen) Ltd.	3	Sales	66,601	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	5%
2	"	"	3	Account Receivable	6,464	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
2	"	"	3	Other Payable	6,456	Price is made based on mutual gross profit agreement, and collection term is 90 days after monthly billings	-
3	Chienhwa Travel Service Co., Ltd.	The Company	2	Service Revenue	173	The terms of rendering of services and the collection terms are the as normal clients	-
3	"	"	2	Refundable Deposits	30	Lease deposit is made based on mutul agreement	-
3	"	"	2	Other Receivable	67	Advance, and collection term is 30 days after monthly billings	-

Note1 : 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:

- (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 credit term is coherent with general service is Net 120 days E.O.M.

METATECH (AP) INC. AND SUBSIDIARIES

Information on investees

Table 4

For the year ended December 31, 2018

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares (in thousand shares)	Ownership (%)	Book value			
The Company	MetaTech Investment Holding Co., Ltd.	BVI	Holding company	\$ 333,065	\$ 333,065	10,000,000	100	\$ 372,617	\$ 11,930	\$ 11,930	Subsidiary
The Company	Chienhwa Travel Service Co., Ltd.	Taiwan	Travel Business	3,400	1,400	800	100	2,782	( 15)	( 15)	Subsidiary
MetaTech Investment Holding Co., Ltd.	MTI Holding Co., Ltd.	Samoa	Holding company	333,065	333,065	10,000,000	100	372,617	11,930	11,930	Second-tier subsidiary
MTI Holding Co., Ltd.	MetaTech (S) Pte Ltd.	Singapore	Wholesale and retail of electronic materials	82,259	82,259	3,800,000	100	118,930	217	217	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	188,433	11,527	11,527	Third-tier subsidiary



METATECH (AP) INC. AND SUBSIDIARIES  
Information on investments in Mainland China  
For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MetaTech (Shenzhen) Ltd.	Wholesale and retail of electronic materials	\$ 80,533	Invested in cash through the third region's subsidiary, and then reinvested in subsidiaries in China.	\$ 80,533	\$ -	\$ -	\$ 80,533	\$ 2,515	100	\$ 2,515	\$ 20,435	\$ -	Note1 Note2 Note3

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	\$ 80,533	\$ 81,454	\$ 643,715

Note 1: Invested in cash through the third region's subsidiary, MetaTech Investment Holding Co., Ltd. which invested in MetaTech Ltd. and then reinvested in MetaTech (Shenzhen) Ltd. The investments were approved by the Investment Commission of the Ministry of Economic Affairs.

Note 2: Investment income recognized under equity method is concurrently reviewed by the Certified Public Accountant of parent company.

Note 3: Balance at December 31, 2018 is converted to NTD in closing exchange rate.(1USD : 30.715TWD)

Note 4: In pursuance of Shen-Zi Letter No.09704604680 from the Ministry of Economic Affairs dated August 29, 2008. The amended "Regulations for examination of investments and technical cooperation in Mainland Area" sets the limitation for investments in Mainland China to be higher of net book value or 60% of consolidated net book value.

## VII. Review and analysis of the financial condition, performance and risk management

### A. Review and analysis of financial conditions

#### (1) Financial status comparison and analysis table

Unit: NTS thousand

Items	Year	2018	2017	Difference	
				Amount	%
Current assets		910,335	638,435	271,900	42.59%
Real estate, plant and equipment		177,016	84,031	92,985	110.66%
Other assets		223,217	57,230	165,987	290.03%
<b>Total assets</b>		<b>1,310,588</b>	<b>779,696</b>	<b>530,892</b>	<b>68.09%</b>
Current liabilities		226,996	173,663	53,333	30.71%
Non- Current liabilities		10,736	6,518	4,218	64.71%
<b>Total liabilities</b>		<b>237,729</b>	<b>180,181</b>	<b>57,548</b>	<b>31.94%</b>
Share capital		580,160	440,160	140,000	31.81%
Capital reserve		618,263	234,624	383,639	163.51%
Reserve surplus		(114,567)	(55,630)	(58,937)	105.94%
Other equity		(10,997)	(19,639)	8,642	(44.00%)
<b>Total shareholders'equity</b>		<b>1,072,859</b>	<b>599,515</b>	<b>473,344</b>	<b>78.95%</b>

#### (2) Analysis of changes explained:

1. The increase in current assets in 2018 was mainly due to the increase in cash.
2. The increase in real estate, plant and equipment in 2018 was mainly due to the acquisition of equipment and equipment related expenses in 2018.
3. In 2018, the increase in other assets was mainly due to the increase in intangible assets due to the payment of the Japanese Cellseed premium in the current period.
4. The increase in current liabilities in 2018 was mainly attributable to the increase in accounts payable due to the increase in operating turnover demand borrowing short-term borrowings and the increase in end-of-year purchases.
5. The increase in share capital in 2018 was mainly due to the increase in cash.
6. The increase in capital reserve in 2018 was mainly due to cash increase.
7. The decrease in other interests in 2018 was mainly due to the exchange difference calculated by the financial statements of foreign operating institutions.

#### (3) Future plan for response:

The Company is expected to focus on the improvement of operating margins and the development of new product lines and customers to maintain stable growth of operations.

## B. Review and analysis of financial performance

### (1) Business result comparison analysis table

Items \ Year	2018	2017	Increase (decrease) amount	Proportion of change (%)
Net operating income	1,460,290	1,429,233	31,057	2.17%
Operating cost	1,310,257	1,267,105	43,152	3.41%
Operating margin	150,033	162,128	(12,095)	(7.46%)
Operating expenses	231,690	150,696	80,994	53.75%
Net profit	(81,657)	11,432	(93,089)	(814.28%)
Non-operating income and expenses	16,145	(3,496)	19,641	(561.81%)
Pre-tax pure income	(65,512)	7,936	(73,448)	(925.50%)
Income tax (expense) benefits	7,768	(2,747)	10,515	(382.78%)
Net profit for the period	(57,744)	5,189	(62,933)	(1212.82%)
Other interests	7,449	(16,745)	24,194	(144.48%)
Consolidated profit and loss for the current period	(50,295)	(11,556)	(38,739)	335.23%

#### I. Increase or decrease the proportion of analysis instructions:

- The increase in operating expenses in 2018 was mainly due to the increase in operating expenses due to the introduction of regenerative medicine.
- Income tax benefits increased in 2018 was mainly due to loss deduction.
- Other comprehensive gains and losses in 2018, was mainly due to the exchange difference calculated in the financial statements of foreign operating institutions in the current period, the benefits were greater than those in 2017.
- In 2018, the operating loss of \$ 81,657,000 was higher than the loss of the operating loss of \$ 11,432,000 in 2017, which was mainly due to the increase in operating expenses due to the return to regenerative medicine.
- In 2018, the pre-tax net loss was \$ 65,512,000, which was the reason for the increase in the loss of the pre-tax profit of \$ 7,936,000 in 2017.
- The increase in non-operating income and expenses, mainly due to foreign currency exchange benefits, was due to the impact of the appreciation of the US dollar and the Japanese currency.

#### II. Expected sales Overview:

In 2018, the electronics department continued to promote the application in high-end markets such as cloud technology, and biomedical research continued to invest in the development of biomedicine.

III. Possible influence on the company's future financial business: It is expected that the revenue will continue to grow in 2018, adding customers F, H and agent product line E, etc., in response to the changing market of customers, the Company will actively observe, grasp the market pulse and sign new agents to develop new business, in order to create a win-win situation between the company and shareholders.

IV. Future plans: The company is expected to focus on the increase in operating gross margin and the development of new product lines and customers to maintain stable growth in operations.



(2) Analysis of the change in operating gross profit: This was mainly due to the increase in demand of major customers for products with lower gross profit.

### C. Review and analysis of cash flows

(1) Liquidity analysis for the most recent biennium

Unit: NT\$ thousand

<u>Items</u>	<u>2018</u>	<u>2017</u>	<u>Increase (decrease) proportion (%)</u>
Cash flow ratio (%)	5,978	(68,793)	74,771
Cash flow rate (%)	(251,662)	(33,748)	(217,914)
Cash reinvestment ratio (%)	523,997	0	523,997

Increase or decrease rate change description:

1. Operating activities: The increase in net cash outflows from operating activities in 2018 was mainly due to the fact that the balance of accounts receivable for the year 2018 is lower than that of 2017 and the compensation cost for the share-based share of the current period.
2. Investment activities: The net cash outflow from investment activities in 2017 was mainly due to the increase in intangible assets and the establishment of laboratories.
3. Fundraising activities: The net cash inflow of financing activities in 2018 was mainly due to the cash increase.

(2) Cash flow analysis in the coming year

Unit: NT\$ thousand

<u>Cash balance at beginning of period (1)</u>	<u>Estimated net cash flow from operating activities for the year (2)</u>	<u>Estimated annual cash flow (3)</u>	<u>Estimated cash remaining (insufficient) amount (1)+(2)+(3)</u>	<u>Remedy for projected shortfall of cash</u>	
				<u>Investment Plan</u>	<u>Financing Plan</u>
494,329	(79,366)	(28,761)	386,202	-	-

Analysis of changes in cash flow in 2019 is expected:

1. Business activities: The net cash outflow from operating activities is expected to be NT\$ 79,366 thousand.
2. Investment activities: It is expected to pay for technology transfer, build laboratories and purchase equipment.
3. Financing activities: For the electronic operation working capital demand, on August 07, 2018, the board of directors of the Japanese company issued the third secured conversion of corporate bonds of NT\$ 151.5 million, and on January 07, 2019, the company raised the application price.

(3) Insufficient liquidity improvement plan: Not applicable.

**D. Major capital expenditures Impact in recent years and impacts on financial and operational situations**

(1) The use of major capital expenditures and funding sources: None.

(2) Expected benefits may be generated: None.

**E. The most recent annual reinvestment policy and the main reasons for profit or loss and its improvement plan and investment calculation for the coming year**

*Unit: NT\$ thousand*

<u>Description</u> <u>item</u>	<u>2018 (loss)</u> <u>benefit</u> <u>amount (NT\$</u> <u>thousand)</u>	<u>Policy</u>	<u>Main reasons for profit or</u> <u>loss</u>	<u>Improvement</u> <u>plan</u>	<u>Investment</u> <u>plan for the</u> <u>coming year</u>
MetaTech Investment Holding Co., Ltd.	11,930	Overseas holding company	For an overseas holding company, the main interest is due to investment interests.	Not applicable	None
Jianhua Travel Agency Co., Ltd.	(15)	Integrate international medical guests to travel to Taiwan	The impact of poor international medical development	Actively develop new customers and increase profits	None
MTI Holding Co., Ltd.	11,930	Overseas holding company	For an overseas holding company, the main interest is due to investment interests.	Not applicable	None
MetaTech (S) Pte Ltd.	217	Integrate group resources and expand overseas sales market	Expanding new customer sources, adjusting product mix to increase gross profit and optimizing manpower to generate revenue and increase profits.	Not applicable	None
MetaTech Limited.	11,527	Integrate group resources and expand overseas sales market	Expanding new customer sources, adjusting product mix to increase gross profit and optimizing manpower to generate revenue and increase profits.	Not applicable	None

MetaTech (SZ)	Integrate group resources and expand 2,515 overseas sales market	Expanding new customer sources, adjusting product mix to increase gross profit and optimizing manpower to generate revenue and increase profits.	Not applicable	None
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## F. Risk Management Analysis and Evaluation

### (1) The organizational structure of risk management:

The management of the company's various operational risks is divided by the relevant management unit according to the nature of its business and is described as follows:

1. Management Department: Responsible for the company's personnel risk management, property risk management, and legal management risks, and comply with relevant government agencies and policies to ensure the company's continued operations and asset safety.
2. Finance Department: Implementing business decision-making, responsible for financial scheduling and operations, assessing mid- to long-term investment benefits, establishing a hedging mechanism, and ensuring the effectiveness of internal control, achieving the reliability of financial reporting, operational effectiveness, efficiency, and the purpose of compliance with relevant laws and regulations to reduce financial and strategic risks.
3. Information Department: Responsible for network planning, construction, maintenance of network information security control and protection measures, and continuous measurement of network quality to reduce network operations and information security risks.

### (2) The effects of recent changes in interest rates, exchange rates, and inflation on the Company's profit and loss and future response measures:

Unit: NT\$ thousand

Items	Impact on Company's profit and loss			Future response measures
	Subject	2018	2017	
Interest rate	Interest income	760	527	Regular assessment of bank borrowing rates and close liaison with banks to obtain more favourable interest rates on borrowings reduces the impact of changes in interest rates on the Company's profit or loss.
	Interest expenses	44	729	

Exchange rate changes	Exchange interest (loss)	6,504	(7,826)	The Company's purchases are mainly quoted in U.S. dollars, and most of the sales are also quoted in U.S. dollars, so exchange rate movements are partially offset. The Company will also monitor and adjust in due course, and take measures to avoid risks if necessary.
Inflation	-	-	-	The main business of the Company is the distribution agency for semiconductor components. The agency products are mainly consumer products, communication products and connectors, so they are less affected by inflation.

(3) The most significant policies, sources of profit or loss, and future response measures for engaging in high-risk, highly leveraged investments, capital loans and others, endorsement guarantees and derivative financial products in the most recent years:

1. The company does not engage in high-risk, high-leverage investments, capital loans and others engaged in derivative commodity transactions. However, the Company has established a "Regulations governing loans " for compliance.
2. The guarantee for external endorsements is based on the Company's "Regulations governing endorsement guarantee". The endorsements for external endorsements as of the end of 2018 and March 31, 2019 were NT\$ 5,358,000 and NT\$ 5,410,000.

(4) Future R&D plans and projected R&D expenses: In order to improve the company's competitiveness, the company has invested in the development of regenerative medicine. In this first quarter of 2018, the fundraising plan has been used for NT\$ 376,251,000, in the future, it is expected to invest NT\$170,297,000 for the payment of royalties, laboratory construction, purchase of equipment and clinical trial costs.

(5) Impacts of major policies and legal changes at home and abroad on the financial operations of the company in the most recent year and response measures: Relevant laws and regulations at home and abroad, and always pay attention to the trend of domestic and international policy development and regulatory changes, to immediately think about changes in political and economic situation at home and abroad, so important policy and legal changes at home and abroad have not had a significant impact on the financial business of the company.

- (6) The impact of recent technological changes and industrial changes on the Company's financial business and response measures: The Company and its subsidiaries are mainly used in high-tech products and 3C products, and the current high-tech industry and 3C products are booming, which should have a positive impact on the Company.
- (7) Impact of corporate image change in the most recent year on corporate crisis management and response measures: The Company and its subsidiaries have always adhered to the principle of professional and honest sustainable management, and attached importance to corporate image and risk control. Therefore, there has been no corporate crisis management in the past year.
- (8) Expected benefits, possible risks and response measures for the merger and acquisition: None.
- (9) Expanded plant's expected benefits, possible risks and response measures: None.
- (10) Risks and Countermeasures for Concentration of Purchase or Sales:  
Purchase: The Company is an agent and maintains close cooperation with various manufacturers for a long time. There is no shortage of raw materials.  
Sales: The proportion of sales to the company has not yet been highly concentrated. On the one hand, the company maintains a long-term cooperation relationship with existing customers. On the one hand, it is committed to developing new customers and expanding and decentralizing business sources. Therefore, there will be no risk for the steady growth of the company due to the risk of sales concentration.
- (11) Directors, supervisors or large shareholders holding more than 10% of the shares, the impact, risk and response measures of a large number of transfer or replacement of equity, there was no doubt about the large number of transfer or replacement of equity.
- (12) Effect of changes in operating rights on the company, risks, and response measures: None.
- (13) In litigation or non-litigation, the company and company directors, supervisors, general managers, substantive principals, and shareholders with a shareholding ratio of more than 10% should be listed, and the major litigation, non-litigation or administrative litigation that the subordinate company has decided to determine or is still in the system, and the result may have a significant impact on shareholders' equity or securities prices, the facts of the dispute, the amount of
- the subject matter, the date of commencement of the lawsuit, the parties involved in the proceedings and the date of publication of the annual report shall be disclosed:

Litigation or non-litigation:

The Company's recent two-year and up-to-date newspapers and newspapers dated the litigation, non-litigation or administrative litigation that has been determined or currently in the system, and the results may have a significant impact on shareholders' equity or securities prices. The facts of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the parties involved in the proceedings and the current situation should be disclosed:

1. Due to the payment of the goods, the Company has a lawsuit with the supplier Xantia Co., Ltd. The Company has on 29 December 2017, and Wu Jia, Xantia reached a tripartite conciliation. The Company recovered NT\$ 600,000 from Wu Jia and on March 13, 2018, 4.7 million from Xantia Co., Ltd. The Xantia case was closed.
2. Due to the request for payment, the company has a cashier's note enforcement case with its client Taiwan Chaotic Electric Technology Co., Ltd. On January 25, 2018, the company appealed for compulsory execution of the electricity purchase and sale fees of Taichung, Changhua, Yunlin, Jiayi, Pingtung and other business offices of Taiwan Power Company Limited for each period. On April 11, 2018, the third person, Weicen Technology Co., Ltd. came to our company to discuss compensation. Both sides agreed to compensate for the total amount of 1,623,000 (including interest, litigation fee and enforcement fee). On April 13, 2018, Yejingweizen Technology Co., Ltd. remitted money to recover the arrears, and the Taiwan Chao Telegraph case has been completely closed.
3. The Company's directors, supervisors, general managers, substantive principals, major shareholders and subordinate companies with a shareholding ratio of more than 10%, the litigations that have been decided or are currently in the system in the last two years and the date of publication of the annual report, non-litigation or administrative litigation, the result may have a significant impact on the company's shareholders' equity or securities prices: None.
4. The Company's directors, supervisors, managers and shareholders holding more than 10% of the shares, the latest two years and the annual report of the annual report, the 157th provisions of the Securities Exchange Law and the company's current situation: None.
5. The company's directors, supervisors, managers and major shareholders with a shareholding ratio of more than 10% have been in the last two years and up to the date of publication of the annual report. If there is financial turnover or loss of credit, it should list its impact on the company's financial position: None.

(14) Other important risks and response measures:

Security risk assessment: to ensure that the risks faced by the company are controlled, the company

has set up a chapter on information security management within the company's "information management regulations", and strictly implemented various information security operation management methods to ensure the safety of customers, companies and suppliers. The safety testing of information systems and information assets is carried out on a regular basis every year. After assessment, there is no significant risk and no risk improvement plan is required.

**G. Other important matters:**

(1) Evaluation basis, basis, and main reasons for the listing of assets and liabilities

1. Evaluation basis, basis and main reasons for the provision of bad debts:

The main reason for the company's provision for bad debts is based on the assessment of the recoverability of accounts receivable. The company is based on factors such as ageing analysis of accounts receivable, credit rating, and economic environment, etc., as a basis for regular evaluation of the possibility of recovery of receivables and the basis for evaluation. The company's allowance for bad debts is listed as follows:

<u>Accounts receivable aging</u>	<u>More than 120 days</u>	<u>More than 180 days</u>	<u>More than 360 days</u>
provision ratio	5%	30%	100%

2. Allowances for provision for inventory depreciation losses:

The electronic business of the Company bases its acquisition costs on the basis of recording, adopts perpetual inventory system, and uses the weighted average method for calculation of costs. Starting from January 1, 2009, adopting the “Accounting Standards for Inventories” No. 10 of the Financial Accounting Standards Bulletin, the valuation of end-of-period inventory recovery costs and net realizable value is low, and when the comparative cost and net realizable value are low, The item-by-item comparison method was adopted, and the dumb product was additionally listed for provisional loss compensation. Net realizable value refers to the balance of the estimated selling price under normal circumstances minus the cost of the investment that has yet to be completed and the selling expenses. The company’s provision for the provision of dumb products is as follows:

<u>Inventory age</u>	<u>91 days to 180 days</u>	<u>181 days to 360 days</u>	<u>361 days or more</u>
provision ratio	30%	50%	100%



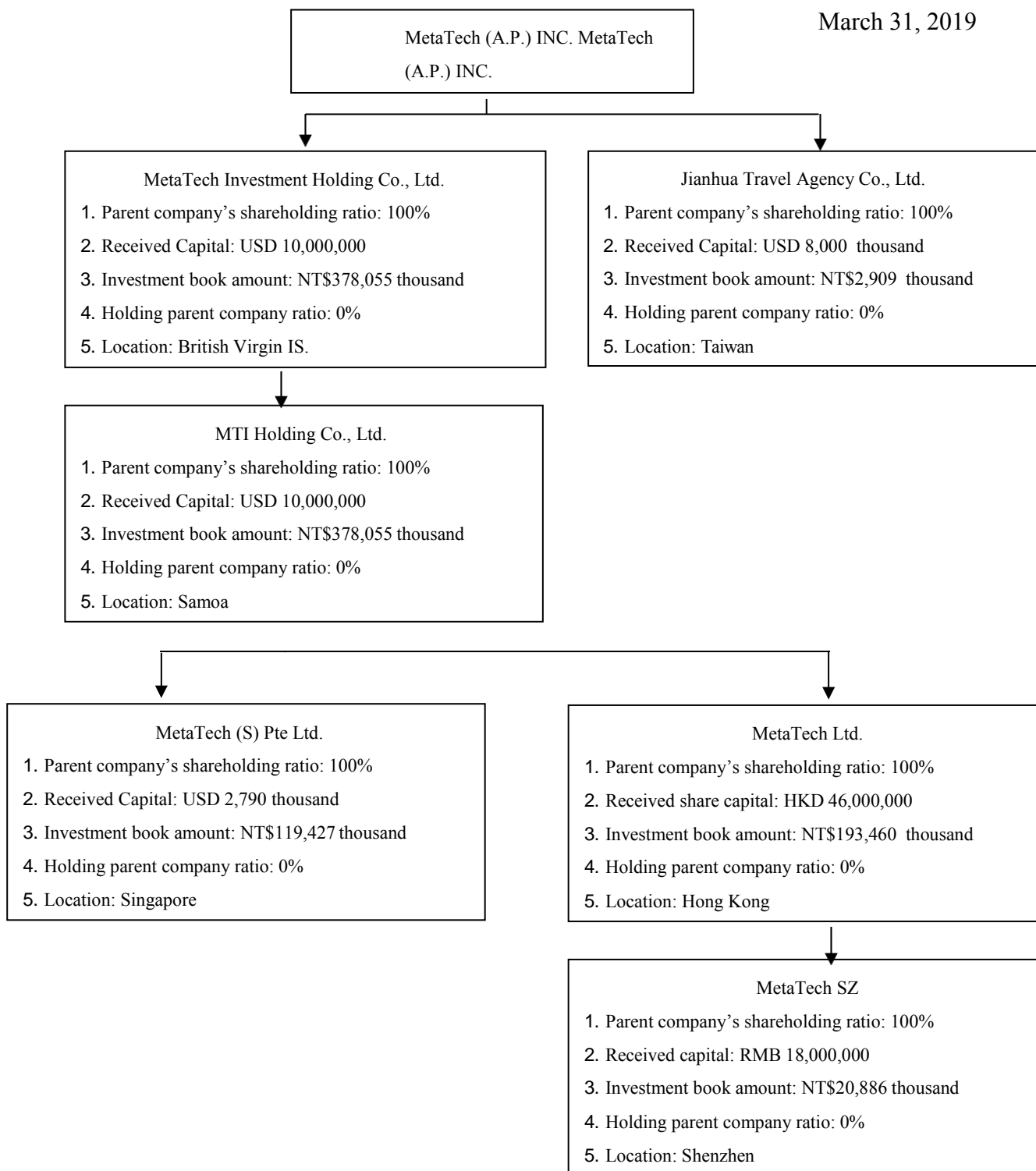
## VIII. Special disclosure

### A. Affiliated companies

#### (A) Relationship Corporate Overview

##### 1. Relationship corporate organizations overview

##### (1) Organization chart of relationship



- (2) It is presumed that there is a controlling and affiliated company in accordance with Article 369-3 of the company law: None.
- (3) Affiliated companies that directly or indirectly control the personnel finance or business operations of the company pursuant to paragraph 2 of Article 369-2 of the Company Law: None.

## 2. Basic information of each enterprise

Unit : \$

Company Name	Date of establishment	Address	Realized amount of capital	Major business or production projects
MetaTech Investment Holding Co., Ltd	2001.11	P.O.Box957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD10,000,000	Engaged in controlling and transferring investment
MTI Holding Co., Ltd	2001.11	P.O.Box217, Offshore Chambers, Apia, Samoa	USD10,000,000	Engaged in controlling and transferring investment
MetaTech(S) Pte Ltd	1998.09	60, Kaki Bukit Place, #08-09 Eunos Techpark, Singapore 415979	USD2,790,015	Wholesale and retail of electronic materials
MetaTech Ltd	1998.08	Workshop Unit 4, 12 Floor, Block B, Hoi Luen Industrial Centre, 55 Hoi Yuen Road, Kowloon, HK.	HKD46,000,000	Wholesale and retail of electronic materials
MetaTech (SZ)	2005.10	Room 305, G3 Building, TCL International E City, No. 1001 Zhongshan Park Road, Nanshan District, Shenzhen	RMB18,000,000	Wholesale and retail of electronic materials
Jianhua Travel Agency Co., Ltd.	1976.01	2F, No. 75, Sec. 1, Xintai 5th Road, Xizhi Dist., New Taipei City	NTD8,000,000	Travel industry

3. Presumed to have the same shareholder control and affiliation information: None

4. Overall relationship to the business covered by the business

The business of the company and its relations with the company includes sales of electronic components, of which MetaTech Investment Holding Co., Ltd. and MTI Holding Co., Ltd. are holding companies.

5. Information of company directors, supervisors and general managers

Unit: shares; %

Company Name	Title	Representative	Holding shares	
			Number of shares	Shareholding ratio
Jianhua Travel Agency Co., Ltd.	Chairman	Deng, An Zhi	800	100%
MetaTech Investment Holding Co.,Ltd.	Chairman and general manager	Qiu, Jun Hua	10,000,000	100%
			-	0%
MTI Holding Co.,Ltd.	Chairman and general manager	Qiu, Jun Hua	10,000,000	100%
			-	0%
MetaTech(S) Pte Ltd.	Chairman	Hu, Li San	3,800,000	100%
			-	0%
MetaTech Ltd.	Chairman	Hu, Li San	46,000,000	100%
			-	0%
MetaTech(SZ)	Chairman and general manager	Tang, Hong De	-	100%
			-	0%

## 6. Relationship Business Operation Overview

### (1) Financial status and operating results of each related company:

December 31, 2018 Unit: NT\$ thousand

<u>Company Name</u>	<u>Capital amount(\$)</u>	<u>Total assets</u>	<u>Total liabilities</u>	<u>Net value</u>	<u>Operating income</u>	<u>Operating interests</u>	<u>Current (loss) benefit (after tax)</u>	<u>Earnings (loss) per share (in \$) (after tax)</u>
MetaTech Investment Holding Co.,Ltd.	USD10,000,000	372,617	0	372,617	0	0	11,930	1.19
MTI Holding Co.,Ltd	USD10,000,000	372,617	0	372,617	0	0	11,930	1.19
MetaTech(S) Pte Ltd.	USD2,790,015	139,752	20,822	118,930	341,499	366	217	0.06
MetaTech Ltd.	HKD46,000,000	282,329	93,896	188,433	673,885	10,172	11,527	0.25
MetaTech (SZ)	RMB18,000,000	30,764	10,329	20,435	93,774	(2,980)	2,515	-
Jianhua Travel Agency Co., Ltd.	NTD8,000,000	3,022	1,240	1,782	1,103	(180)	(15)	(0.02)

Note: If the affiliated company is a foreign company, the relevant figures should be converted into TWD based on the exchange rate at the reporting date.

(2) The company that should be included in the preparation of the financial statements of the company's consolidated financial statements is the same as the company that has entered into the consolidated financial statements of the parent and subsidiary companies. Therefore, the financial statements of the related business combination will not be prepared separately.

(3) The company is not a subsidiary company of his company and therefore it is not necessary to prepare a relationship report.

### **B. The latest year and the date of publication of the annual report, private equity shares processing**

As of the most recent year and as of the publication date of the annual report, the case of private equity securities should disclose the basis and rationality of the date and amount and price adopted by the shareholders' meeting or the board of directors, the choice of specific persons and the necessary reasons for the private placement, and the self-owned funds or price and after completion of the disbursement, the fund utilization plan was

completed, and the funds used in the private equity securities were used and the progress of the plan was implemented: No such situation.

- C. The latest year and the date of publication of the annual report, subsidiaries hold or dispose of the Company's shares processing: No this situation.**
- D. Other necessary supplementary information: None.**
- E. The latest year and the date of publication of the annual report, if there is a matter that has a material effect on the shareholders' equity or the price of securities as defined in subparagraph 2 of paragraph 2 of Article 36 of the Securities Exchange Act: None.**

**MetaTech (AP) Inc.**

**Chairman: Hu, Li San**