



三顧股份有限公司  
METATECH ( AP ) INC.

Stock Code **3224**

# 20

Annual Report

# 19

# 2019 Annual Report

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

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## I. Business report to shareholders

Shareholders, ladies, and gentlemen,

Thank you very much to shareholders in the busy schedule to participate in the Company's 2020 Shareholders' Meeting.

Looking back on the operation situation for the whole of 2019, with the opening up of regulations and policy encouragement, Taiwan biotechnology industry actively followed up and rekindled market confidence. MetaTech Biomedical is committed to the development of "regenerative medicine". Not only has it successfully transferred the latest "cell layer" technology from Japan, it has also implemented the establishment of a cell processing center in Taiwan, and obtained the first case of "the third phase clinical trial license of cell therapy products". At the same time, MetaTech has signed a contract with a major international manufacturer in Japan to prepare a joint venture in Hsinchu Biomedical Science Park to build the largest CDMO cell factory in Asia and introduce an automated cell culture system to increase production capacity.

On September 6, 2018, the Ministry of Health and Welfare announced the implementation of the "Regulations Governing the Application of The Medical Technique and Medical Device" (referred to as "Regulations for Specific Management"), which classifies six safe and predictable cell therapy programs as managed as specific medical technologies. Among them, the "treatment of knee cartilage defects with self-contained cartilage cell transplantation" listed in the "Regulations Special Treatment", can be for "knee cartilage defect" indications, through the medical institutions to develop an implementation plan to the Ministry of Health and Welfare after applying for approval, by the implementation of the cell therapy technology in line with the physician, to provide patients with more than one kind of conventional treatment options at their own cost. Because of this, the Company took the lead in applying the technology of chondrocyte cell sheet from Japan CellSeed Inc. and cooperated with E-Da Hospital to apply for the "autologous chondrocyte transplantation to treat knee cartilage defects" cell therapy technology of the Regulations for Specific Management, which was approved by the Ministry of Health and Welfare on December 18, 2019, is the first approved non-cancer cell therapy project in Taiwan and is currently being accepted. In the follow-up, MetaTech has successively applied for Regulations for Specific Management with many medical centers and teaching hospitals in Taiwan through this project. As of April 28, 2020, Taipei Medical University, Kaohsiung Veterans General Hospital, and Hualien Tzu Chi Hospital, etc. have also approved the application of Regulations for Specific Management for the "autologous chondrocyte transplantation to treat knee cartilage defects", which will contribute to the revenue of the Company's Biomedical Division in this year.

Besides, autogenous fibroblasts developed by MetaTech are safe and effective for skin defects, such as concave acne scars/acne scars, concave/pit scars, and wrinkles left after surgery or trauma wound healing. The long-lasting treatment method can repair and strengthen the patient's skin defects.

At present, MetaTech has cooperated with E-Da Hospital, Taipei Medical University, and Changhua Christian Hospital respectively to "Autologous fibroblast transplantation to treat skin defects: the filling and repair of wrinkles, depressions, and scars", and applied for the Regulations for Specific Management to the Ministry of Health and Welfare. In the future, it is expected to cooperate with many hospitals to submit an application for cell therapy for "autologous fibroblast transplantation". In addition to the treatment of cartilage and skin, MetaTech has also begun to promote the business of immune cell storage. Through its good relationship with the hospital and the construction of Zhubei cell generation plant in the future, it is expected to introduce the latest cell culture technology and products from all over the world to provide the hospital with more choices in clinical treatment and more guarantees for patients. With more and

more hospitals applying for Regulations for Specific Management, it is predicted that the cell therapy market will grow rapidly in the future. MetaTech's strategy is to build a complete and close service line-up of medical institutions, add CDMO outsourcing of cell therapy products, and cooperate with cell storage business, which will increase the market share and seize the cell therapy market in Taiwan. It is expected that MetaTech will become the leader of Taiwan's regenerative medical industry soon. The Company's cell therapy technology not only benefits the domestic people but also plans to provide international medical services for overseas patients to come to Taiwan for medical treatment. We hope to expand the international market of MetaTech's biomedicine and create MIT's high-quality regenerative medical technology and services in combination with Taiwan's excellent medical technology. In this case, the board of directors and management also evaluate the external environment changes and actively take appropriate measures for the effective operation strategy to enable MetaTech's business to grow continuously and develop new business opportunities.

Here, we will report the results of the 2019 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.

## (1) 2019 business results

### (A) 2019 Business Plan Implementation Results

The 2019 consolidated revenue of NT\$1,412,575,000 was decreased by NT\$47,715,000, or 3.27%, compared with NT\$1,460,290,000 in 2018; the net loss after tax in 2019 is NT\$92,695,000, which is an increase of NT\$34,951,000 compared with the net loss after tax of NT\$57,744,000 in 2018. And the loss per share after tax is \$1.60.

### (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 2019, the consolidated revenue was NT\$1,412,575,000, which decreased compared with the same period of last year, mainly due to the impact of trade war; in 2019, the operating expenses increased compared with the same period of last year, mainly due to the impact of the increase of the current period's share option costs of employees and the development of regenerative medicine, which increased the current loss.

2. The relevant financial ratios are as follows:

Entry	2019	2018
Current Ratio%	340.22	401.05
Quick Ratio%	298.62	347.37
Liabilities to Assets Ratio%	33.29	18.14
Fixed Assets to Permanent Capital %	574.37	612.15
ROE %	(8.93)	(6.91)
Paid-up Capital to Business Interests %	(19.94)	(14.07)
Paid-up Capital to Income Before Tax %	(20.47)	(11.29)
Net Profit (Loss) Ratio %	(6.56)	(3.95)
Earnings Per Share (NT\$) after retrospect	(1.60)	(1.01)

For the analysis and calculation formula of the financial ratio, please refer to the disclosure of the "Financial Analysis" section of the 2019 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 April 24, 2017, MetaTech has signed a cooperation contract with CellSeed Inc. of Japan on regenerative medicine. It plans to develop and produce autologous cell layers and develop "Regenerative Medicine". According to "Global Regenerative Medicine Market Analysis & Forecast to 2023; Stem Cells, Tissue Engineering, BioBanking & CAR-T Industries" of "Research and Markets" reported and pointed out that the global regenerative medicine market in 2018 is worth 28 billion US dollars, and it is estimated that by 2023 growing to more than 81 billion US dollars, its compound annual growth rate (Compound Annual Growth Rate, CAGR) is 23.3%. MetaTech is the pioneer in the development of the biomedical industry. It cooperates with CellSeed Inc. of Japan, the pioneer of regenerative medicine in Japan, to introduce the first "regenerative medicine" technology transfer project in Taiwan and Japan - "cell layer" culture technology, to develop "esophagus and cartilage regenerative medical technology", to join hands to attack the vigorous but still unsatisfied demand of Asian regenerative medical market, and to form alliances with Taiwan medical institution together, to launch a new treatment plan. Esophageal oral mucosal epithelial cell layer products are used in the repair of esophageal cancer patients after endoscopic submucosal dissection (ESD), which can reduce the proliferation of healing tissue and maintain the esophageal lumen space, compared with traditional drugs and balloon expansion treatment can effectively avoid the symptoms of esophageal stenosis. The current clinical trial application has successfully accepted the technology and quality of Japanese technology transfer. As planned, it obtained TFDA approval on August 8, 2019, at E-Da Hospital, E-Da Cancer Hospital and National Taiwan University Hospital perform Phase III clinical trials, fully demonstrating MetaTech's seriousness and determination in the field of regenerative medicine.
- (2) Since 2019, MetaTech Biomedical has successively filed applications for autologous chondrocyte therapy technology plan with E-Da Hospital, Taipei Medical University Hospital, Kaohsiung Veterans General Hospital, and Hualien Tzu Chi Hospital according to "Specific Cellular Therapeutic Technology". On December 18, 2019, the application for the implementation of E-Da Hospital was reviewed and approved. It is expected that the first half of 2020 will begin to benefit some 50,000 patients who need artificial joint replacement every year in Taiwan.
- (3) In addition to the above-mentioned layered culture technology, the autologous fibroblast transplantation technology is also developed on this cornerstone, which is used to fill and repair skin defects-wrinkles, cavities, and scars. In 2019, they jointly filed applications for the implementation of cell therapy with Tri-Service General Hospital, E-Da Hospital, and Taipei Medical University Hospital under "Specific Cellular Therapeutic Technology". MetaTech Biomedical Laboratory is also evaluating the development of other popular cell therapy products that are expected to optimize the manufacturing process of existing products in order to increase the depth and breadth of the product line.



- (4) The opening of the processing center: In January 2019, the construction of the largest cell layer operation room in China was completed in Oriental Science Park. In addition to providing more capacity for regenerative medical products, the center also set up the industry's only quality control experiment. The room is responsible for the quality control process of cell slices, which can effectively control the time and cost control. In addition to the internal use of the quality control center, the quality control related business will be promoted in the future to increase the Company's revenue. In order to allow the legal listing of cell products and conduct clinical trials in hospitals, Taiwan's competent authority has strict regulations regarding the inspection of Cell Processing Unit (CPU) for cell therapy technologies and cell product manufacturing sites for clinical trials, both manufacturers and manufacturing units must Only by checking compliance with the relevant standards of Good Tissue Practice (GTP) then can start the case or perform cell therapy. MetaTech Biomedical has been inspected by the TFDA five times in 2019. Among them, the knee cartilage layer of Specific Cellular Therapeutic Technology has been qualified for CPU, and the phase III clinical trial of the human oral mucosal epithelial cell layer is also approved. Besides, to develop the CDMO of cell products and have the ability to accept orders from major domestic and foreign manufacturers, it is imperative to start upgrading the hardware and software of the MetaTech Biomedical Cell Processing Center to the PIC / S GMP level. Therefore, MetaTech particularly invites the relevant personnel of the Hitachi Chemical Quality Assurance Division and Life Science Division, as well as the experts (PMDA) experts (GMP inspectors) of the former independent administrative legal entity Pharmaceutical and Medical Machines (PMDA) from December 2019 to MetaTech Company to The Cell Processing Center (CPC) of Xizhi city, conducted analysis and interviews on the gaps in upgrading to GMP. Afterward, Hitachi Chemical also submitted a formal written analysis report to MetaTech. The report acknowledged MetaTech's investment and efforts in various aspects of CPC, and no major defects were found.
- (5) In order to continuously expand the medical application of cell layer technology and strengthen authorized technical cooperation to implement the geo-localization of the cell layer, MetaTech Company and CellSeed Inc. of Japan on January 30, 2020, jointly established Up Cell Biomedical Inc. as a research and development company; The company is expected to supply MetaTech's layer technology. In addition to MetaTech's layer technology, the Up Cell Biomedical Inc. program includes new product introductions, clinical trial evaluation and execution, technical commoditization and patent applications, and then entrusts MetaTech to manufacture on a commission basis. The first project the company expects to develop is the neural cell layer, which works with Dr. Yuan Kun, Tu, Dean of E-DA Hospital, for brachial plexus and spinal injury.

## **② 2020 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.

2. Biomedical Department: In the early days of operation, MetaTech introduced CellSeed Inc. of Japan's cell layer culture technology to develop its main products, but MetaTech was not satisfied with the current situation and did not set its own limits. In order to imitate innovation (Simulating Innovation) strategy, adhere to the extension of cell layer culture technology Development and marketization will use the original technology to break through key core technologies and continue to introduce and learn the world's advanced scientific and technological achievements. MetaTech sets a milestone for future development: In order to accelerate the global cooperation and development of regenerative medicine, MetaTech Biomedical plans to cooperate with Taiwan Hitachi Asia Pacific Co., Ltd. and Hitachi Chemical work together to plan a cell factory in compliance with PIC / S (The Pharmaceutical Inspection Convention and Pharmaceutical Inspection Cooperation Scheme) GMP (Good Manufacturing Practices) specifications at Hsinchu Biomedical Science Park, and introduce automation The production system provides OEM services for cellular products, and introduces the assistance of AI to make production predictions and fine-tuning processes according to customer needs, providing the safest and highest quality cellular product services for domestic and abroad customers.

(B) Important sales policy

1. Electronic Department: To strengthen the promotion of the application of products in the cloud market (server, savings equipment, high-level commercial switch), wireless communication (router, 5G routers), industrial control (industrial switch, railway communication equipment), medical equipment, automotive electronics (electric vehicle electronic equipment), tool and machine equipment market, semiconductor test equipment market products and other high-level markets.

Due to the impact of the COVID-19 outbreak, in the first half of the year, suppliers are faced with the problem of insufficient raw materials, and the delivery period is expected to be extended to 2-6 weeks. Due to the extension of the delivery period and the shortage of staff rework, the overall customer delivery speed and response will slow down.

2. Biomedical Department: MetaTech Company is actively cooperating with major hospitals in the north, central, and south. Currently, it has negotiated cooperation plans with 13 hospitals including E-Da Hospital, Tri-Service General Hospital, Tzu Chi Hospital, and Taipei Medical University Hospital. The law will help the Company's revenue; in the field of wound repair, skin and cartilage treatment after esophageal cancer surgery, it is hoped that through the early screening and other cooperative channels, the subsidiary Jianhua Travel Agency Co., Ltd. will undertake the referral of medical patients to Taiwan for international medical patient arrangements include comprehensive planning and services such as visas, itineraries, accommodation and travel, complete the relevant regulations that international medical must follow, and increase the Company's revenue.

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</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, MetaTech 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> <li>◆ Sales agents of Singatron semiconductor products</li> <li>◆ Cooperated with E-Da Hospital, E-Da Healthcare Group to apply for the application of autologous chondrocyte therapy technology plan.</li> </ul>

	<ul style="list-style-type: none"> <li>◆ Cooperated with E-Da Hospital, E-Da Healthcare Group to apply for the application of autologous fibroblast therapy technology plan.</li> <li>◆ Jointly held “Global Regenerative Medicine Trends and Outlook Forum” with Taiwan Hitachi Asia Pacific Co., Ltd. and PwC Taiwan.</li> <li>◆ The third phase of clinical trials submitted for human (self) oral mucosa epithelial cell layer tablets was approved by the Ministry of Health and Welfare for trial.</li> <li>◆ Recognized by the 16th National Innovation Award (Biotechnology Pharmaceutical and Precision Medicine category) for the self-developed "Innovation of High-efficiency Aggregated Fibroblasts" project.</li> <li>◆ Cooperated with Taipei Medical University Hospital to apply for the application of autologous fibroblast therapy technology plan.</li> <li>◆ Cooperated with Taipei Medical University Hospital to apply for the application of autologous chondrocyte therapy technology plan.</li> <li>◆ The Company's Cell Processing Center applied for the cell preparation site accreditation in accordance with "Regulations Governing the Application of The Medical Technique and Medical Device", which was approved by the Ministry of Health and Welfare (E-Da Hospital-autologous chondrocytes).</li> <li>◆ Cooperated with Kaohsiung Veterans General Hospital to apply for the application of autologous chondrocyte therapy technology plan.</li> </ul>
2020	<ul style="list-style-type: none"> <li>◆ Established R&amp;D Company-Up Cell Biomedical Inc. in Taiwan with a joint venture with CellSeed of Japan.</li> <li>◆ Cooperated with Hualien Tzu Chi Hospital, Buddhist Tzu Chi Medical Foundation to apply for the application of autologous chondrocyte therapy technology plan.</li> <li>◆ The Company's Cell Processing Center applied for the cell preparation site accreditation in accordance with "Regulations Governing the Application of The Medical Technique and Medical Device", which was approved by the Ministry of Health and Welfare (Kaohsiung Veterans General Hospital-autologous chondrocytes).</li> <li>◆ Signed a tripartite memorandum of cooperation with Hitachi Chemical Co., Ltd. and Taiwan Hitachi Asia Pacific Co., Ltd. for follow-up cooperation. It is expected to cooperate in cell therapy and regenerative medical product development, in Hsinchu Biomedical Science Park builds the largest CDMO cell foundry in Asia and joins Hitachi's cell therapy product supply chain. °</li> <li>◆ The Company's Cell Processing Center applied for the cell preparation site accreditation in accordance with "Regulations Governing the Application of The Medical Technique and Medical Device" and was approved by the Ministry of Health and Welfare (Taipei Medical University Hospital-Autologous Chondrocytes).</li> <li>◆ The Company's Cell Processing Center applied for the approval of cell preparation site in accordance with "Regulations Governing the Application of The Medical Technique and Medical Device" with Hualien Tzu Chi Hospital, Buddhist Tzu Chi medical foundation, which was approved by the Ministry of health and welfare.</li> </ul>



### III. Corporate governance report

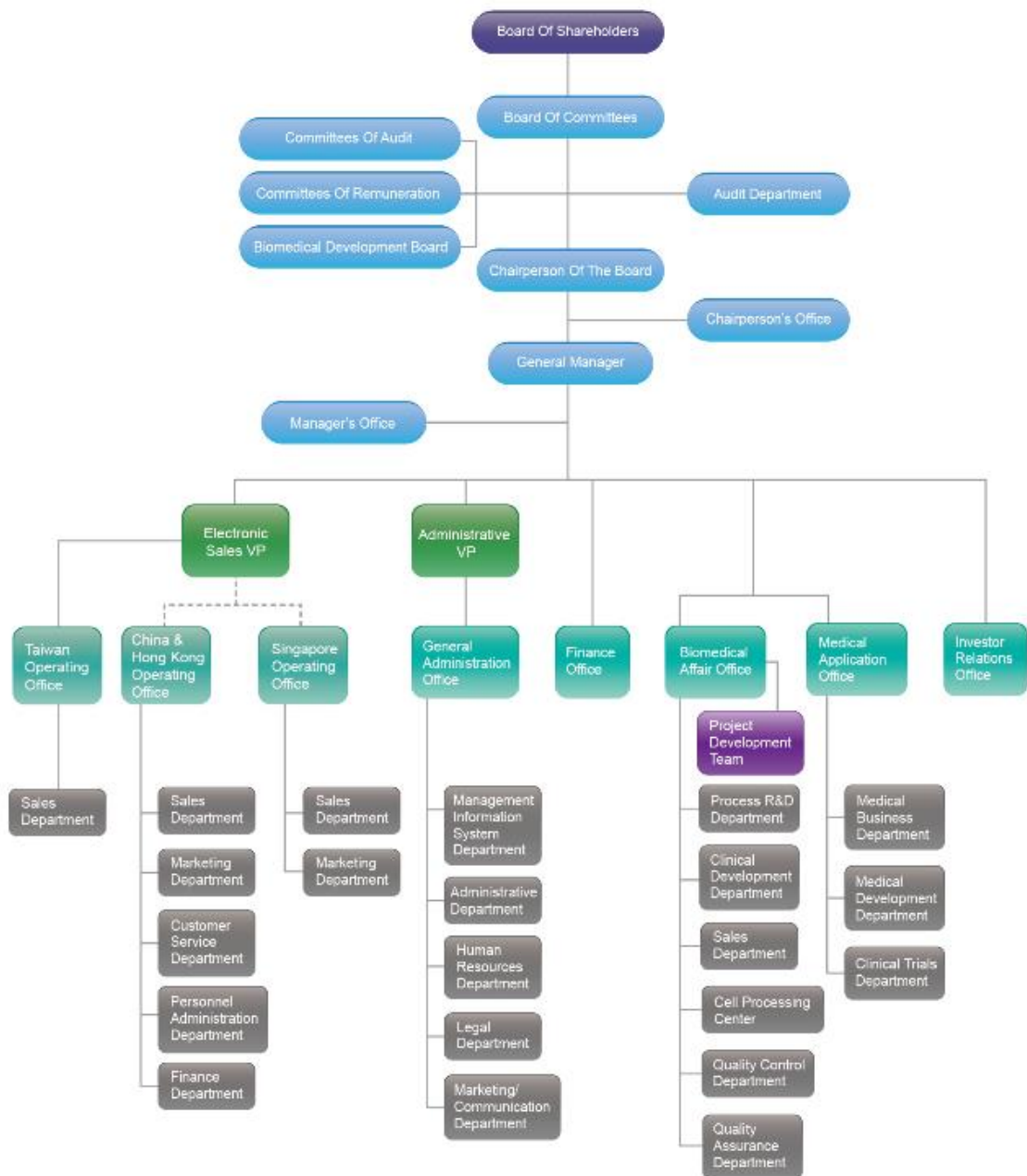
A. Company organization

On November 8, 2019,  
the eighth board of directors passed the resolution

(A) Organization system

1. The Company's organizational structure

#### *Company's structure*



## 2. Business operations of major departments

Departments		Main duties
Audit Department		<ul style="list-style-type: none"> <li>◆ Assisting 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>◆ Checking and tracing of various operating loops.</li> </ul>
Chairperson'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 of departments and carry out the assignment.</li> </ul>
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 Operating Office		<ul style="list-style-type: none"> <li>◆ Coordinating the operations across Taiwan.</li> </ul>
Subordinate Units	Sales Department	<ul style="list-style-type: none"> <li>◆ Responsible for the procurement and planning of all electronic product lines.</li> <li>◆ Responsible for electronic product market survey, research and analysis, product sales plan formulation and solve customer product design and process issues.</li> <li>◆ Operations and management of electronic merchandise inventory and shipment within the group.</li> <li>◆ Reminder and progress tracking of accounts receivable.</li> </ul>
China and Hong Kong Operating Office		<ul style="list-style-type: none"> <li>◆ Coordinating the operations of offices in Hong Kong and mainland China.</li> </ul>
Singapore Operating Office		<ul style="list-style-type: none"> <li>◆ Coordinating the operations of offices in Singapore and Southeast Asia.</li> </ul>
General Administration Office		<ul style="list-style-type: none"> <li>◆ Overall management of the group's human resources, legal affairs, administration, general affairs, operation, procurement (except for electronic business-related products), planning, information, funds release, and other affairs.</li> </ul>
Subordinate Units	Management Information System Department	<ul style="list-style-type: none"> <li>◆ Responsible for the planning, construction, and maintenance of the operating system information, computerization, information integration, information security management, etc. of each unit within the group.</li> </ul>
	Administrative Department	<ul style="list-style-type: none"> <li>◆ Responsible for the group's general affairs and operation related matters.</li> <li>◆ Responsible for the purchase and management of the Group's fixed assets and internal and external items and equipment (except for electronic business-related products).</li> <li>◆ Responsible for the release of funds within the group.</li> </ul>

		<ul style="list-style-type: none"> <li>◆ Responsible for the group's general affairs and operation related matters.</li> <li>◆ Responsible for the purchase and management of the Group's fixed assets and internal and external items and equipment (except for electronic business-related products).</li> <li>◆ Responsible for the release of funds within the group.</li> </ul>
	Human Resources Department	<ul style="list-style-type: none"> <li>◆ Responsible for group personnel recruitment and deployment, personnel training and development, human resources planning, salary management, performance management, labor relationship management, and administrative operations management.</li> <li>◆ Responsible for reviewing salary and bonus within the group.</li> </ul>
	Legal Department	<ul style="list-style-type: none"> <li>◆ Responsible for the formulation of relevant corporate governance measures, interpretation of laws and regulations, legal affairs, and litigation-related businesses within the group.</li> </ul>
	Marketing/Communication 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>
Finance Office		<ul style="list-style-type: none"> <li>◆ Responsible for providing and analyzing financial management information within the group.</li> <li>◆ Responsible for financial dispatching and fund management within the group.</li> <li>◆ Responsible for intra-group account processing, statement preparation, and tax planning.</li> <li>◆ Responsible for budget compilation and management within the group.</li> <li>◆ Responsible for intra-group stock operations, shareholders' meetings, the board of directors, functional committees, and corporate governance-related matters.</li> </ul>
Biomedical Affair Office		<ul style="list-style-type: none"> <li>◆ Coordinating the R&amp;D and technical development of products related to the biomedical business.</li> <li>◆ Coordinating the construction, maintenance, and management of the cell layer process center.</li> <li>◆ Coordinating the application and implementation of clinical trials and "Regulations Special Treatment".</li> <li>◆ Coordinating the cooperation of domestic hospitals.</li> <li>◆ Coordinating the marketing and sales of various biomedical products.</li> <li>◆ Coordinating the testing and management of various medical quality control.</li> <li>◆ Coordinating the issuance, distribution, filing, and management of quality documents related to biomedicine.</li> </ul>
Subordinate Units	Project Development Team	<ul style="list-style-type: none"> <li>◆ Development: data collection and analysis of various types of projects such as technology, products, changes, cooperation between industry, government, academia, research and medicine, project feasibility assessment, preliminary testing, and management before being officially incorporated into the R&amp;D cycle.</li> <li>◆ Project management: government projects, internal projects, external cooperation projects, award applications, etc., are introduced into the R&amp;D cycle according to the company's relevant management methods, and the progress of each project is controlled.</li> <li>◆ Intellectual property management: Realize R&amp;D achievements in different forms, such as patent application and maintenance, academic journal publication, business secrets, copyright, and management of other public publications.</li> </ul>
	Process R&D Department	<ul style="list-style-type: none"> <li>◆ R&amp;D: Comprehensive process R&amp;D and standardization operations, including new technology R&amp;D and process introduction, trial production operations, current process optimization, lower raw material consumption, and new case process cost analysis and evaluation.</li> </ul>
	Clinical Development Department	<ul style="list-style-type: none"> <li>◆ Project management: Comprehensive managing the application, execution, and management of clinical projects.</li> <li>◆ Medical affairs: Medical affairs/Medical and scientific information collection, presentation, and training/Assisting clinical development/Establishing and maintaining KOL relations/Market analysis.</li> </ul>
	Sales Department	<ul style="list-style-type: none"> <li>◆ Business Section: Responsible for the service and sales of personalized products related to the biomedical business.</li> <li>◆ Marketing Section: Comprehensive planning and implementation of product promotion and development of biomedical business.</li> <li>◆ Business Management Section: General Administration of the Medical and Medical Department, please pay/account operations and business/contact customer service of the Health Management.</li> </ul>

	Cell Processing Center	<ul style="list-style-type: none"> <li>◆ Factory Affairs Section: Comprehensive managing the facilities and equipment maintenance and verification of the plant and other related operations.</li> <li>◆ Manufacturing Section: Managing the manufacturing operations related to the factory.</li> <li>◆ Production Control Section: Comprehensive managing production schedule planning in the plant, including the preparation, maintenance and follow-up of production schedule plans, confirmation of orders, smooth delivery of maintenance orders, business coordination and communication, and raw material storage inventory management Related work.</li> </ul>
	Quality Control Department	<ul style="list-style-type: none"> <li>◆ Quality Control Section: Managing the relevant testing operations in the factory quality system, including the management of inspection items such as incoming quality control (IQC), process quality control (IPQC), final product quality control (FQC), inspection platform maintenance development, report issuance &amp; Management, quality control system maintenance, traceability.</li> <li>◆ Test Laboratory: In accordance with ISO/IEC 17025:2017 to confirm the operation of certified laboratories, including acceptance inspection, quality control project inspection, on-board operation, result review, and report production.</li> </ul>
	Quality Assurance Department	<ul style="list-style-type: none"> <li>◆ Quality assurance: Implementation of the quality system and validation operation management in accordance with the pharmaceutical regulations in the plant area, establishment and execution of audit/check operations and subsequent corrective and preventive measures in accordance with the pharmaceutical regulations, training and management of the quality system personnel in the factory, and quality procedure operations Formulate maintenance and other quality systematic activities and standards, so that products and services can meet the required quality tasks.</li> <li>◆ Quality document management: document management and filing management of a comprehensive quality system in the factory area.</li> </ul>
Medical Application Office		<ul style="list-style-type: none"> <li>◆ Coordinating the Company's new medical business development assessment and clinical development of new applications.</li> <li>◆ Responsible for domestic and foreign business development and company cooperation model planning and introduction matters.</li> <li>◆ Coordinating the cooperation and strategic development of domestic biotechnology-related government agencies and legal persons.</li> </ul>
Subordinate Units	Medical Development Department	<ul style="list-style-type: none"> <li>◆ Responsible for the introduction and evaluation of domestic medical technology.</li> <li>◆ Responsible for the planning and management of domestic medical technology and education and training.</li> <li>◆ Responsible for evaluating the services and promotion of medical equipment and regenerative medicine products.</li> </ul>
	Clinical Trials Department	<ul style="list-style-type: none"> <li>◆ Responsible for collecting and evaluating the development of new products and new clinical applications of existing products.</li> <li>◆ Responsible for collecting and discussing with specialists to evaluate the feasibility and introduction of clinical application of products.</li> <li>◆ Responsible for the follow-up and management of the actual application of new products and existing products in various hospitals.</li> </ul>
	Medical Business Department	<ul style="list-style-type: none"> <li>◆ To help to promote the collection of biotechnology team information and the production of assessment reports and other related matters.</li> <li>◆ Responsible for the marketing plan for regenerative medicine products.</li> <li>◆ Responsible for the evaluation, introduction, and follow-up of foreign regenerative medicine products and medical technology.</li> <li>◆ To Collect the analysis and evaluation of the latest technologies, patents, information, and related company data of domestic and foreign regenerative medicine.</li> <li>◆ To connect domestic government agencies and related legal persons, establish a strategic alliance of regenerative medicine through cooperation, and deeply cultivate the domestic regenerative medicine industry.</li> </ul>
Investor Relations Office		<ul style="list-style-type: none"> <li>◆ Construct interactive relationships between companies and natural or corporate shareholders, media, and authorities.</li> <li>◆ Assisting the Company's financial, business, and other departments to expand their external relations.</li> <li>◆ Planning and organizing shareholder meetings, legal meetings, and press conferences.</li> <li>◆ Responsible for the Company's speaking tasks.</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 May 2, 2020; 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 (Note 1)	Male	2018.6.25	3 years	2015.06.30	373,000	0.64%	7,000	—	—	—	—	—	—	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: Wang, Hui Jun (Note 2)	Male	2020.2.14	3 years	2020.2.14	—	—	—	—	—	—	—	—	—	Ph.D., Institute of chemistry, University of Illinois, Champaign Bachelor and Master of Chemistry, National Taiwan University Visiting lecture of Academia Sinica biomedical translation research center, distinguished researcher and Director of Institute of Biochemistry Vice president of Academia Sinica	Independent Director, Standard Chem & Pharm CO., LTD. Independent Director Lin BioScience, Inc. Representative, Up Cell Biomedical Inc. Visiting lecture of Academia Sinica biomedical translation research center	—	—	—

Director	Republic of China	Bei De Bi Xiu Investment Co., Ltd. Representative: Chen, Rui Jie	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	Jun-mao International Co., Ltd.	—	2018.6.25	3 years	2018.6.25	1,592,000	2.74%	5,450,000	9.39%	—	—	—	—	—	Corporate Director, Ma Shen Kai Rui Biochemical Technology Co., Ltd. Corporate Director, CLEANAWAY Co., Ltd.	—	—	—
Director	Republic of China	Jun-mao International Co., Ltd. Representative: Wu, Zhen Long	Male	2018.6.25	3 years	2018.6.25	2,890,000	4.98%	3,886,000	6.7%	—	—	818,000	1.41%	Chairman, NYA Cable TV Co., Ltd. Chairman, Dayang Cable TV Co., Ltd. Chairman, Dejun Investment Co., Ltd. Chairman, Yufeng Investment Co., Ltd.	1. Chairman, Jun-mao International Co., Ltd. 2. Chairman, Jun-mao 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.	—	—	—



																	8. Director, Eastern Home Shopping & Leisure Co., Ltd. 9. Chairman, BELXBIO-Pharmaceutical Co.LTD 10. Representative of the Corporation Director, Berks Biotech Co., Ltd. 11. Chairman, Yongxin Multimedia Co., Ltd.			
Director	Republic of China	National Development Fund, Executive Yuan	—	2018.6.25	3 years	2018.6.25	2,777,000	4.79%	2,777,000	4.79%	—	—	—	—	—	—	1. Genovate Biotechnology Co., Ltd. 2. Taiwan Biotech Co., Ltd. 3. Scinopharm Taiwan, Ltd. 4. Taiwan Flower Biotechnology Co., Ltd. 5. Ubi Pharma Inc. 6. Adimmune Corporation 7. Taigen Biopharmaceuticals Holdings Limited 8. Pharmaessentia Corporation 9. Pharmaengine Inc. 10. Taian Technologies Corp. 11. Mycenax Biotech Inc. 12. Taimed Biologics 13. Eirgenix, Inc. 14. Apex Medical Corp.	—	—	—

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.Honorary Director, Taiwanese Society for Reproductive Medicine 3.Supervisor, Taiwan Society for Stem Cell Research 4.Supervisor, Taiwan Association for Cellular Therapy 5.Chairman, Taiwan Society for Biopreservation and Biobanking 5. Vice Chairman, Up Cell Biomedical Inc.	—	—	—
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Director	Republic of China	Dajun Investment Co., Ltd.	—	2018.6.25	3 years	2018.6.25	197,000	0.34%	197,000	0.34%	—	—	—	—	—	—	—	—	—	
Director	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 6. Special assistant, Up Cell Biomedical Inc.	—	—	—
Director	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.	—	—	—

														Consultant, Fujian Zhiqu Network Information Technology Co., Ltd. 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&D Program and 4G Broadband Application Software Innovation and Innovation Park				
Independent Director	Republic of China	Chen, Rong Hua	Male	2018.6.25	3 years	92.06.10	—	—	—	—	—	—	—	Master, Accounting National Chengchi University Institute Lecturer, Department of Accounting, National Chung Hsing University Executive Director, National Federation of CPA Associations of ROC	1. Independent Director, Single Well Industrial Corp. 2. Accountant and Director, L.H.Chen & Co., CPAs	—	—	—

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. Chairman, Taiwan Capital 2. Chairman, Education Foundation of the Taiwan Institute of Water Resources and Agriculture 3. 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. Supervisor, Healthy Aging Health Care Co. Ltd. 2. Chairman, Trefoil Partners Limited	—	—	—

														Taiwan Consultant, Genuine Chemical Pharmaceutical Co., Ltd. General Manager, Departmen t of Medicine, Monsanto Far East Ltd. Taiwan Branch General Manager of department, GSK Taiwan Manager, Department of Business & Marketing, Zuellig Pharma Product / Business Manager, GlaxoSmithKline plc Business Manager, Boehringer Ingelheim Animal Health General Manager , Bio-Juvenate Biotechnology Co., Ltd.				
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Note 1: Qiu, Jun Hua, the director representative of Bei De Bi Xiu Investment Co., Ltd., was a discharge of director on February 14, 2020.

Note 2: Wang, Hui Jun the director representative of Bei De Bi Xiu Investment Co., Ltd. was a election of director on February 14, 2020

(2) Major shareholders of corporation shareholders:

May 2, 2020

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%)
Jun-mao International Co., Ltd.	Wu, Zhen Long (68%), Wu, Jun Yi (16.00%), 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	11	12	
Bei De Bi Xiu Investment Co., Ltd. Representative: Hu, Li San	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		—
Jun-mao 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 (Note 3)			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Bei De Bi Xiu Investment Co., Ltd. Wang, Hui Jun (Note 3)	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chen, Rong Hua	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wu, Rong Yi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
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.

(11) There is no one of the circumstances in Article 30 of the Company Law.

(12) There is no Article 27 of the Company Law which stipulates that the government, legal person or its representative shall be elected

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: Qiu, Jun Hua, the director representative of Bei De Bi Xiu Investment Co., Ltd., was a discharge of director on February 14, 2020.  
Wang, Hui Jun, the director representative of Bei De Bi Xiu Investment Co., Ltd. was a election of director on February 14, 2020.

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

Deadline for the transfer as of May 2, 2020; 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 (Note 1)	Male	2014.05.26	7,000	0.01%	—	—	—	—	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 2)	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 Department	Republic of China	Zhu, Xiang Bin (Note 3)	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 Administration Office, Honyi International Company Limited	—	—	—	—
Assistant Manager, Audit Department	Republic of China	Ni, Yong Fa (Note 3)	Male	2019.08.13	—	—	—	—	—	—	Graduated from the Department of Enterprise Management, Fu Jen Catholic University Finance Manager, Global BioPharma, Inc. Assistant Manager, Management Office of Lin Shiung Enterprise Co., Ltd. Audit, Chun Yuan Steel Industry Co., Ltd.	—	—	—	—

Assistant Manager of Biomedical Affair Office	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 (Note 4)	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 Investor Relations Office	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 / Administrative Department	Republic of China	Zhan, Zhi Cong	Male	2017.11.10	—	—	—	—	—	—	Master, Accounting Department, Assistant Manager, Deloitte & Touche	—	—	—	—
Assistant Manager of Taiwan Operating Office	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.	—	—	—	—
Assistant Manager of General Administration Office	Republic of China	Deng, An Zhi	Male	2019.11.08	—	—	—	—	—	—	Master, Health Policy and Management Institute of National Taiwan University Executive sponsor, the Supply Center of the Administrative Center, Chang Gung Medical Foundation	—	—	—	—

Note 1: Qiu Jun Hua, Deputy General Manager of Administration, resigned on December 31, 2019.

Note 2: 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 3: Zhu, Xiang Bin, Assistant Director of the Audit Department, resigned on April 1, 2019. During this period, Dong, Yi Jie, the Audit Agent, temporarily replaced him. Ni, Yong FA, the new Assistant Director of the Audit Department, took office on August 13, 2019.

Note 4: Wang, Zhen Xun, the Assistant Manager of the Medical Application Office, resigned on March 12, 2020. Wu, Ying Zhen, the Manager of the Medical Application Office, temporarily replaced him.

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

(1) Remuneration of Directors

December 31, 2019; 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)	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)
		Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	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 amount	Stock amount	Cash amount	Stock amount			
Chairman	Hu, Li San	-	-	-	-	-	-	60	60	(0.06)	(0.06)	3,518	3,518	-	-	-	-	-	-	(3.86)	(3.86)	None
Director	Tang, Hong De	-	-	-	-	-	-	60	60	(0.06)	(0.06)	3,191	3,191	108	108	-	-	-	-	(3.62)	(3.62)	None
Director	Qiu, Jun Hua	-	-	-	-	-	-	60	60	(0.06)	(0.06)	2,270	2,270	108	108	-	-	-	-	(2.63)	(2.63)	None

Director (Note 2)	Bei De Bi Xiu Investment Co., Ltd. Representative of Corporation Director: Chen, Rui Jie	-	-	-	-	-	-	30	30	(0.03)	(0.03)	-	-	-	-	-	-	-	-	(0.03)	(0.03)	None
Director	National Development Fund, Executive Yuan Representative of Corporation Director: He, Hong Neng	-	-	-	-	-	-	30	30	(0.03)	(0.03)	-	-	-	-	-	-	-	-	(0.03)	(0.03)	None
Director	Jun-mao International Co., Ltd. Representative of Corporation Director: Wu, Zhen Long	-	-	-	-	-	-	40	40	(0.04)	(0.04)	-	-	-	-	-	-	-	-	(0.04)	(0.04)	None
Director	Dajun Investment Co., Ltd. Representative of Corporation Director: Yang, Zhi Hui	-	-	-	-	-	-	50	50	(0.05)	(0.05)	-	-	-	-	-	-	-	-	(0.05)	(0.05)	None
Director	Dajun Investment Co., Ltd. Representative of Corporation	-	-	-	-	-	-	50	50	(0.05)	(0.05)	-	-	-	-	-	-	-	-	(0.05)	(0.05)	None



	Director: Zhao, Hong Zhang																					
Independent Director	Chen, Rong Hua	600	600	-	-	-	-	50	50	(0.70)	(0.70)	-	-	-	-	-	-	-	-	(0.70)	(0.70)	None
Independent Director	Wang, Wen Zhu	618	618	-	-	-	-	60	60	(0.73)	(0.73)	-	-	-	-	-	-	-	-	(0.73)	(0.73)	None
Independent Director	Wu, Rong Yi	600	600	-	-	-	-	80	80	(0.73)	(0.73)	-	-	-	-	-	-	-	-	(0.73)	(0.73)	None

1. Please state the remuneration payment policy, system, standard and structure of the independent director, and state the relevance with the amount of remuneration according to the responsibility, risk, investment time and other factors  
The remuneration of the Independent Directors of the Company is handled in accordance with the resolution of the 22nd Meeting of the 7th board of directors of the Company, and the fixed part-time remuneration shall be paid according to their identities
2. Except as disclosed in the above table, the remuneration received by the directors of the Company for providing services (such as serving as consultants for non-employees) to all companies in the financial report in the most recent year: the Director he, Hong Neng served as the consultant of the Company's biotechnology development, and paid a total of NT \$750,000 as the consultant fee in 2019.

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

Title	Name	Directors' remuneration								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)		Four items A, B, C and D Total share of after-tax equity (Note 10)		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)	The company	All companies in the consolidated financial statements (Note 7)			Cash amount	Stock amount	Cash amount
Chairman	Hu, Li San	1,818	1,818	-	-	-	-	570	570	(2.58)	(2.58)	8,979	8,979	216	216	-	-	-	-	(9.92)	(9.92)	None
Director	Tang, Hong De																					

Director	Qiu, Jun Hua																				
Director	Bei De Bi Xiu Investment Co., Ltd. Representative of Corporation Director: Chen, Rui Jie																				
Director	National Development Fund, Executive Yuan Representative of Corporation Director: He, Hong Neng																				
Director	Jun-mao International Co., Ltd. Representative of Corporation Director: Wu, Zhen Long																				
Director	Dajun Investment Co., Ltd. Representative of Corporation Director: Yang, Zhi Hui																				
Director	Dajun Investment Co., Ltd. Representative of Corporation Director: Zhao, Hong Zhang																				

Independent Director	Chen, Rong Hua																					
Independent Director	Wang, Wen Zhu																					
Independent Director	Wu, Rong Yi																					
*Except as disclosed in the above table, the remuneration received by the directors of the Company for providing services (such as serving as consultants for non-employees) to all companies in the financial report in the most recent year:																						
<p>1. Please state the remuneration payment policy, system, standard and structure of the independent director, and state the relevance with the amount of remuneration according to the responsibility, risk, investment time and other factors. The remuneration paid by the company to directors can be divided into two categories: Directors' remuneration and business execution expenses. And the remuneration of directors and supervisors is in accordance with Article 16 of the articles of association. If there is any surplus in the company's annual general accounts, the company shall first pay taxes to make up for the previous losses, and ten percent of the surplus shall be the statutory surplus reserve, and the balance together with the undistributed surplus of the previous year shall be submitted by the board of directors to the shareholders' meeting for resolution of reservation or distribution; in addition, the proportion of cash dividends distributed shall not be less than 30%, and the rest shall be distributed by way of stock dividends. It is decided by the shareholders' meeting that since the fixed level of remuneration does not depend on the current year's earnings level and future risks, it has no relative impact on the company's operating performance.</p> <p>2. Except as disclosed in the above table, the remuneration received by the directors of the Company for providing services (such as serving as consultants for non-employees) to all companies in the financial report in the most recent year: the Director he, Hong Neng served as the consultant of the Company's biotechnology development and paid a total of NT \$750,000 as the consultant fee in 2019.</p>																						

### Remuneration Level Table

To pay each director's remuneration	Name of director			
	The Company	All companies in the financial report	The Company	All companies in the financial report
Less than \$1,000,000	Hu, Li San, Tang, Hong De, Qiu, Jun Hua, Chen, Rui Jie, He, Hong Neng, Wu, Zhen Long, Yang, Zhi Hui, Zhao, Hong Zhang, Chen, Rong Hua, Wang, Wen Zhu, Wu, Rong Yi	Hu, Li San, Tang, Hong De, Qiu, Jun Hua, Chen, Rui Jie, He, Hong Neng, Wu, Zhen Long, Yang, Zhi Hui, Zhao, Hong Zhang, Chen, Rong Hua, Wang, Wen Zhu, Wu, Rong Yi	Chen, Rui Jie, He, Hong Neng, Wu, Zhen Long, Yang, Zhi Hui, Zhao, Hong Zhang, Chen, Rong Hua, Wang, Wen Zhu, Wu, Rong Yi, Huang, Can Lie	Chen, Rui Jie, He, Hong Neng, Wu, Zhen Long, Yang, Zhi Hui, Zhao, Hong Zhang, Chen, Rong Hua, Wang, Wen Zhu, Wu, Rong Yi
\$1,000,000 (inclusive) to \$2,000,000 (excluding)	None	None	None	None
\$2,000,000 (inclusive) to \$3,500,000 (excluding)	None	None	Tang, Hong De, Qiu, Jun Hua	Tang, Hong De, Qiu, Jun Hua
\$3,500,000 (inclusive) to \$5,000,000 (excluding)	None	None	Hu, Li San	Hu, Li San,
\$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	11 persons	11 persons	11 persons	11 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 remunerations 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 supervisor's 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, 2019; 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 consolidat ed financial statements (Note 5)	The Comp any	All companies in the consolidat ed financial Statements (Note 5)	The Comp any	All companies in the consolidat ed 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 amount	Stock amount	Cash amount	Stock amount			
Director	Tang, Hong De	3,047	3,047	108	108	144	144	-	-	-	-	(3.56)	(3.56)	
Director (Note 1)	Qiu, Jun Hua	2,179	2,179	108	108	91	91	-	-	-	-	(2.57)	(2.57)	
Deputy General Manager of Electronic Business Division (Note 2)	Zhou, Shuo Hui	350	350	18	18	150	150	-	-	-	-	(0.56)	(0.56)	

Note 1: Qiu, Jun Hua, the Administrative Deputy General Manager, resigned on December 31, 2019.

Note 2: Zhou, Shuo Hui, the Deputy General Manager of Electronic Business Division, resigned on February 28, 2019, and Tang, Hong De, the General Manager, served concurrently.

\* 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 Comp any	All companies in the consolidat ed financial statements (Note 5)	The Comp any	All companies in the consolidat ed financial Statements (Note 5)	The Comp any	All companies in the consolidat ed 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 amount	Stock amount	Cash amount	Stock amount			
General Manager	Tang, Hong De													
Administrative Deputy General Manager	Qiu, Jun Hua	5,576	5,576	234	234	385	385	-	-	-	-	(6.68)	(6.68)	
Deputy General Manager of Electronic Business Division	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\$ 1,000,000	Zhou, Shuo Hui	Zhou, Shuo Hui
NT\$ 1,000,000 (inclusive) to NT\$ 2,000,000	None	None
NT\$ 2,000,000 (inclusive) to NT\$ 3,500,000	Tang, Hong De, Qiu, Jun Hua	Tang, Hong De, Qiu, Jun Hua
NT\$3,500,000元(inclusive) to NT\$5,000,000	None	None
NT\$ 5,000,000 (inclusive) to NT\$ 10,000,000	None	None
NT\$ 10,000,000 (inclusive) to NT\$ 15,000,000	None	None
NT\$ 15,000,000 (inclusive) to NT\$ 30,000,000	None	None
NT\$ 30,000,000 (inclusive) to NT\$50,000,000	None	None
NT\$ 50,000,000 (inclusive) to NT\$ 100,000,000	None	None
More than NT\$ 100,000,000	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 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 included the remuneration. The salary expenses recognized in accordance with IFRS 2 "Share Basis Payment", including obtaining employee stock option certificates, restricting employee 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 1 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, 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 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 number 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 firm 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.

- (3) The name of the manager who distributed the employee bonus and the dispensing situation: None.
- (4) The top ten employees who obtained the names of the employee's dividends, job titles, and the employee's dividend amount: None.
- (5) 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. 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, 2019, Unit: NT\$ thousand

Title	2018				2019			
	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	1,955	1,955	(3.39)	(3.39)	2,388	2,388	(2.58)	(2.58)
Supervisor (Note 1)	-	-	-	-	-	-	-	-
General Manager and Deputy General Manager	7,602	7,602	(13.17)	(13.17)	6,195	6,195	(6.68)	(6.68)

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.

Note 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 the 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.

**Remuneration of the top five directors of listed and OTC companies (Individual disclosure of name and remuneration (Note 1))**

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 6)		Whether or not to receive transfer costs from subsidiaries (Note 7)
		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	
								Cash amount	Stock amount	Cash amount	Stock amount			
Director	Tang, Hong De	3,047	-	108	-	204	-	-	-	-	-	(3.62)	(3.62)	None
Assistant Manager	Wang, Zhe Xun	2,400	-	108	-	223	-	-	-	-	-	(2.95)	(2.95)	None
Administrative Deputy General Manager	Qiu, Jun Hua	2,179	-	108	-	151	-	-	-	-	-	(2.63)	(2.63)	None
Assistant Manager	Wang, Shi Jun	1,200	-	106	-	1,026	-	-	-	-	-	(2.52)	(2.52)	None
Assistant Manager	Liu Hengyu	1,684	-	108	-	165	-	-	-	-	-	(2.11)	(2.11)	None

Note 1: The "Top five directors of remuneration", which refers to the company's managers, up to the relevant manager's certification standards, according to the former Securities and Futures Bureau, FSC, on March 27, 2003. The letter No. 0920001301 stipulated the application scope of "Manager". As for the calculation and determination principle of "the top five remunerations", the company manager receives the salaries, retirement pensions, bonuses and special expenses from all companies in the consolidated financial report, and the total amount of employee compensation (that is, A +B+C+D four totals), and after the ranking, the top five remunerations are recognized. If the director concurrently serves as the former supervisor, this table and the above table (1-1) should be completed.

Note 2: It is the amount of the salary, job bonus, and severance payment of the top five remuneration executives in the most recent year.

Note 3: It is the number of various bonuses, incentive payments, transportation allowance, special allowance, various allowances, dormitories, company cars, and other compensation amounts for the top five remuneration executives in the most recent year. Where the expenses of housing, motor vehicles, and other means of transport or exclusive individuals are provided, the nature and cost of the assets provided, actual or fair market rates of rent, oil, and other payments shall be disclosed. If with drivers, please note that the company pays the drivers in relation to the remuneration but does not include the remuneration. The salary expenses recognized in accordance with IFRS 2 "Share-based payment", including obtaining employee warrants, restricting employee rights of new shares and participating in cash capital increase subscription shares, shall also be included in the remuneration.

Note 4: It is the amount of the compensation amount (including stock and cash) of the top five directors of remuneration approved by the board of directors in the most recent year. If it cannot be estimated, the proposed distribution amount of this year shall be calculated according to the proportion of the actual distribution amount of last year, and it shall also attach to the Table 1-3.

Note 5: The total amount of remuneration paid to the top five remuneration executives of the Company by all companies (including the Company) in the consolidated report should be disclosed.

Note 6: Net profit after tax refers to the net after-tax benefit of individual or individual financial reports in the most recent year.

Note 7: a. This column should clearly state that the top five remuneration executives of the company receive the amount of the remunerations from the affiliated transfer business or the parent company (if not, please fill in "None").

b. Remuneration means remuneration, bonus (including remuneration of employees, directors, and supervisors) and business execution allowances received by the top five remuneration executives of the company as directors, supervisors, or managers of the subsidiary's transfer business or parent company.

\* 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.

### C. Operational situation of corporate governance

(A) The board of directors' operations:

From 2019 to May 8, 2020 Board of Directors (Included temporary) had 8 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	8	—	100.00%	
Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Tang, Hong De	8	—	100.00%	
Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Qiu, Jun Hua (Note 2)	5	—	83.33%	resigned on February 14, 2020, should attend 6 times
Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Wang, Hui Jun (Note 2)	2	—	100.00%	Re-elected on February 14, 2020, should attend 2 times
Director	Bei De Bi Xiu Investment Co., Ltd. Representative of Corporation Director: Chen, Rui Jie (Note 2)	6	2	75.00%	
Director	Jun-mao International Co., Ltd. Representative of Corporation Director: Wu, Zhen Long	7	—	87.50%	
Director	National Development Fund, Executive Yuan Representative of Corporation Director: He, Hong Neng	5	3	62.5%	
Director	Dajun Investment Co., Ltd. Representative of Corporation Director: Yang, Zhi Hui	8	—	100.00%	

Director	Dajun Investment Co., Ltd. Representative of Corporation Director: Zhao, Hong Zhang	7	1	87.50%	
Independent Director	Wu, Rong Yi	8	—	100.00%	
Independent Director	Chen, Rong Hua	4	3	50.00%	
Independent Director	Wang, Wen Zhu	8	—	100.00%	

Other items to be recorded:

I. 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. The 4th meeting of the 8th board of directors on January 22, 2019: the board of directors applied to Chinatrust Commercial Bank for the renewal of the comprehensive loan financing line and the mutual endorsement and guarantee proposal between the company and MetaTech Limited, a great grandson of Hong Kong, which was approved by the chairman after consulting all directors. Independent directors have no individual opinions.
2. The 4th meeting of the 8th board of directors on January 22, 2019: the proposal on loan of funds between related parties was approved by the chairman after consultation with all directors. Independent directors have no individual opinions.
3. The 5th meeting of the 8th board of directors on March 26, 2019: the amendment to some provisions of "Regulations governing loans" of the Group was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
4. The 5th meeting of the 8th board of directors on March 26, 2019: the amendment to some provisions of "Regulations governing endorsement guarantee" of the Group was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
5. The 5th meeting of the 8th board of directors on March 26, 2019: the amendment to some provisions of "Regulations governing the acquisition and disposal of assets" of the Group, which was approved by all directors present at the consultation of the chairman. Independent directors have no individual opinions.
6. The 6th meeting of the 8th board of directors on May 3, 2019: in order to purchase goods from Sunnwealth Electric Machine Industry Co., Ltd., MetaTech Trading (Shenzhen) Co., Ltd. requested the Company to apply to the bank for the issuance of standby L / C or performance guarantee, which was amended and approved by all directors present at the consultation of the chairman. The independent director directed the finance department to strengthen the presentation of the reasonableness of the bank line application and endorsement guarantee in the board of directors. The finance department has amended and reported to the board of directors after the meeting.
7. The 7th meeting of the 8th board of directors on August 13, 2019: in order to meet the needs of business development, the Company first hired He, Hong Neng, director to serve as the production and technology development consultant on May 15, 2019, aiming at the case of salary and remuneration of He, Hong Neng, director to be paid. He, Hong Neng did not vote on the withdrawal of the case, and which was approved by the remaining directors present at the consultation of the chairman. Independent directors have no individual opinions.
8. The 7th meeting of the 8th board of directors on August 13, 2019: the "sales and collection cycle", "purchase and payment cycle" written system of the internal control system of the Biomedical Affair Office and the amendment to the approval authority table, which was approved by all directors present at the consultation of the chairman. Independent directors have no individual opinions.
9. The 7th meeting of the 8th board of directors on August 13, 2019, Ni, Yong Fa, was appointed as the new director of the Audit Department of the Company, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
10. The 7th meeting of the 8th board of directors on August 13, 2019: PwC Taiwan's public accountant fee proposal from the second quarter of 2019 to the first quarter of 2020, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
11. The 8th meeting of the 8th board of directors on November 8, 2019: The Company's annual audit plan for 2020, which was approved by all directors present at the consultation of the chairman. Independent directors have no individual opinions.
12. The 8th meeting of the 8th board of directors on November 8, 2019: the renewal of liability insurance for directors, supervisors and managers in 2019, which was approved by all directors' present at the consultation of the chairman. Independent directors have no

individual opinions.

13. The 9th meeting of the 8th board of directors on January 10, 2020: newly formulated the written system and power table of internal control system "production cycle", revised the written system of "R & D cycle", "real estate, plant and equipment cycle" and "computer information cycle", which was approved by all directors present at the consultation of the chairman. The audit committee directed that the general purpose of the project should be to obtain research and development results. As amended by the Company after the meeting and approved by the board of directors.
14. The 9th meeting of the 8th board of directors on January 10, 2020: the amendment to some provisions of risk management policies and procedures, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
15. The 9th meeting of the 8th board of directors on January 10, 2020: the case of MTI Holding Co., Ltd. loan and MetaTech (s) Pte Ltd. USD 500 thousand loans between related parties, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
16. The 9th meeting of the 8th board of directors on January 10, 2020: the case of MTI Holding Co., Ltd. loan and MetaTech Ltd. USD 1000 thousand loans between related parties, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
17. The 9th meeting of the 8th board of directors on January 10, 2020: the board of directors applied to Chinatrust Commercial Bank for the renewal of the comprehensive loan financing line and the mutual endorsement and guarantee proposal between the company and MetaTech Limited, a great grandson of Hong Kong, which was approved by the chairman after consulting all directors. Independent directors have no individual opinions.
18. The 10th meeting of the 8th board of directors on March 27, 2020: the lifting of the restrictions on the prohibition of competition by directors of the Company's regular shareholders' meeting of this year, which was approved by the chairman after consulting all directors. Independent directors have no individual opinions.
19. The 11th meeting of the 8th board of directors on May 8, 2020: PwC Taiwan's public accountant fee proposal from the second quarter of 2020 to the first quarter of 2021, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
20. The 11th meeting of the 8th board of directors on May 8, 2020: The Company plans to issue common shares with private equity capital increase. This case was amended by the chairman in consultation with all attending directors. The independent director's instructions should clearly disclose the use of funds to facilitate investors' discretion. Therefore, in this article, the use of funds for private placement is added to the "Expanding Business Investment" item for investors to refer to.
21. The 11th meeting of the 8th board of directors on May 8, 2020: in order to meet the needs of business development, the Company first hired He, Hong Neng, director to serve as the production and technology development consultant, aiming at the case of salary and remuneration of He, Hong Neng, director to be paid. He, Hong Neng did not vote on the withdrawal of the case, and which was approved by the remaining directors present at the consultation of the chairman. Independent directors have no individual opinions.



- (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. The 7th meeting of the 8th board of directors on August 13, 2019: in order to meet the needs of business development, the Company first hired He, Hong Neng, director to serve as the production and technology development consultant on May 15, 2019, aiming at the case of salary and remuneration of He, Hong Neng, director to be paid. He, Hong Neng did not vote on the withdrawal of the case, and which was approved by the remaining directors present at the consultation of the chairman. Independent directors have no individual opinions.
  2. The 10th meeting of the 8th board of directors on March 27, 2020: Director Wang Huijun's original remuneration for the company's general counsel, Director Wang Huijun did not vote on the withdrawal of the case, and which was approved by the remaining directors present at the consultation of the chairman. Independent directors have no individual opinions.
  3. The 11th meeting of the 8th board of directors on May 8, 2020: in order to meet the needs of business development, the Company first hired He, Hong Neng, director to serve as the production and technology development consultant, aiming at the case of salary and remuneration of He, Hong Neng, director to be paid. He, Hong Neng did not vote on the withdrawal of the case, and which was approved by the remaining directors present at the consultation of the chairman. Independent directors have no individual opinions.
- III. The listed OTC companies should disclose information on the evaluation cycle and period, evaluation scope, method, and evaluation content of the board of directors' self (or peers) evaluation, and fill out the attached Table II (2) the evaluation implementation status of the board of directors: The Company has not yet implemented.
- IV. 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: The Company's overall annual business plan and budget are reported in the audit committee. The independent director reviews the Company's proposed business plan and conducts regular financial, business, and market reports in the later board of directors so that the independent director can effectively supervise the actual implementation results of the Company's business plan. In terms of financial statements and internal control audit of the Company, annual and semi-annual financial reports are reviewed in the audit committee meeting, and the audit report information is provided monthly to enable independent directors to have sufficient information to understand and supervise the Company's operating results.
  - (D) Improving the operational efficiency and decision-making ability of the board of directors: the Company has formulated "Regulations governing procedure for board of directors meetings" and strengthening the functions of the board of directors in accordance with the rules. Strengthening the professional knowledge of directors, to strengthen the functions of the board of directors, provide the information about the professional knowledge courses of directors to the directors of the Company, participate in the professional courses organized by the SFC, and provide the information according to the "Directions for the implementation of continuing education for directors and supervisors of TWSE listed and TPEX listed companies", which the hours required for further study shall be arranged for each director.

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: Qiu, Jun Hua, the director representative of Bei De Bi Xiu Investment Co., Ltd., was a discharge of director on February 14, 2020. Wang, Hui Jun, the director representative of Bei De Bi Xiu Investment Co., Ltd. was an election of director on February 14, 2020.

(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.

From 2019 to May 8, 2020, the audit committee held 8 meetings, with the attendance of independent directors as follows:

Title	Name	Actual attendance (B)	Entrusted Attendance	Actual attendance ratio (%) 【 B/A 】	Note
Independent Director	Chen, Rong Hua	4	3	50.00%	
Independent Director	Wang, Wen Zhu	8	0	100.00%	
Independent Director	Wu, Rong Yi	8	0	100.00%	

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. The 4th meeting of the 8th board of directors on January 22, 2019: the board of directors applied to Chinatrust Commercial Bank for the renewal of the comprehensive loan financing line and the mutual endorsement and guarantee proposal between the company and MetaTech Limited, a great grandson of Hong Kong, which was approved by the chairman after consulting all directors. Independent directors have no individual opinions.
2. The 4th meeting of the 8th board of directors on January 22, 2019: the proposal on loan of funds between related parties was approved by the chairman after consultation with all directors. Independent directors have no individual opinions.
3. The 5th meeting of the 8th board of directors on March 26, 2019: the amendment to some provisions of "Regulations governing loans" of the Group was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.

4. The 5th meeting of the 8th board of directors on March 26, 2019: the amendment to some provisions of "Regulations governing endorsement guarantee" of the Group was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
5. The 5th meeting of the 8th board of directors on March 26, 2019: the amendment to some provisions of "Regulations governing the acquisition and disposal of assets" of the Group, which was approved by all directors present at the consultation of the chairman. Independent directors have no individual opinions.
6. The 6th meeting of the 8th board of directors on May 3, 2019: in order to purchase goods from Sunnwealth Electric Machine Industry Co., Ltd., MetaTech Trading (Shenzhen) Co., Ltd. requested the Company to apply to the bank for the issuance of standby L / C or performance guarantee, which was amended and approved by all directors present at the consultation of the chairman. The independent director directed the finance department to strengthen the presentation of the reasonableness of the bank line application and endorsement guarantee in the board of directors. The finance department has amended and reported to the board of directors after the meeting.
7. The 7th meeting of the 8th board of directors on August 13, 2019: in order to meet the needs of business development, the Company first hired He, Hong Neng, director to serve as the production and technology development consultant on May 15, 2019, aiming at the case of salary and remuneration of He, Hong Neng, director to be paid. He, Hong Neng did not vote on the withdrawal of the case, and which was approved by the remaining directors present at the consultation of the chairman. Independent directors have no individual opinions.
8. The 7th meeting of the 8th board of directors on August 13, 2019: the "sales and collection cycle", "purchase and payment cycle" written system of the internal control system of the Biomedical Affair Office and the amendment to the approval authority table, which was approved by all directors present at the consultation of the chairman. Independent directors have no individual opinions.
9. The 7th meeting of the 8th board of directors on August 13, 2019, Ni, Yong Fa, was appointed as the new director of the Audit Department of the Company, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
10. The 7th meeting of the 8th board of directors on August 13, 2019: PwC Taiwan's public accountant fee proposal from the second quarter of 2019 to the first quarter of 2020, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
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12. The 8th meeting of the 8th board of directors on November 8, 2019: the renewal of liability insurance for directors, supervisors and managers in 2019, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
13. The 9th meeting of the 8th board of directors on January 10, 2020: newly formulated the written system and power table of internal control system "production cycle", revised the written system of "R & D cycle", "real estate, plant and equipment cycle" and "computer information cycle", which was approved by all directors present at the consultation of the chairman. The audit committee directed that the general purpose of the project should be to obtain research and development results. Amended by the Company after the meeting and approved by the board of directors.
14. The 9th meeting of the 8th board of directors on January 10, 2020: the amendment to some provisions of risk management policies and procedures, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
15. The 9th meeting of the 8th board of directors on January 10, 2020: the case of MTI Holding Co., Ltd. loan and MetaTech (s) Pte Ltd. USD 500 thousand loans between related parties, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
16. The 9th meeting of the 8th board of directors on January 10, 2020: the case of MTI Holding Co., Ltd. loan and MetaTech Ltd. USD 1000 thousand loans between related parties, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.
17. The 9th meeting of the 8th board of directors on January 10, 2020: the board of directors applied to Chinatrust Commercial Bank for the renewal of the comprehensive loan financing line and the mutual endorsement and guarantee proposal between the

company and MetaTech Limited, a great grandson of Hong Kong, which was approved by the chairman after consulting all directors. Independent directors have no individual opinions.

18. The 10th meeting of the 8th board of directors on March 27, 2020: the lifting of the restrictions on the prohibition of competition by directors of the Company's regular shareholders' meeting of this year, which was approved by the chairman after consulting all directors. Independent directors have no individual opinions.

19. The 11th meeting of the 8th board of directors on May 8, 2020: PwC Taiwan's public accountant fee proposal from the second quarter of 2020 to the first quarter of 2021, which was approved by all directors' present at the consultation of the chairman. Independent directors have no individual opinions.

20. The 11th meeting of the 8th board of directors on May 8, 2020: the Company plans to issue common shares with private equity capital increase. This case was amended by the chairman in consultation with all attending directors. The independent director's instructions should clearly disclose the use of funds to facilitate investors' discretion. Therefore, in this article, the use of funds for private placement is added to the "Expanding Business Investment" item for investors to refer to.

(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.

(3) Communication items include:

1. January 21, 2019: implementation of audit plan from October to December 2018. The independent directors of the company have good communication results on the implementation and effectiveness of the audit business.

2. 2019.03.26 2018 internal control self-assessment and the "Internal control system statement". The independent directors of the company have good communication results on the implementation and effectiveness of the audit business.

3. 2019.05.03: (1) business implementation of Audit Department from January to March 2019. (2) Key work of Audit Department in 2019. The independent directors of the company have good communication results on the implementation and effectiveness of the audit business.

4. 2019.08.13: (1) business implementation of Audit Department from April to June 2019. (2) Special audit - business secret management of health care department. (3) Key work of Audit Department in the second half of 2019. The independent directors of the company have good communication results on the implementation and effectiveness of the audit business.

5. 2019.11.08: (1) business implementation of Audit Department from July to September 2019. (2) Key work of Audit Department in the second half of 2019. (3) Annual audit plan for 2020. The independent directors of the company have good communication results on the implementation and effectiveness of the audit business.

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.

(3) Communication items include:

1. work scope, strategy and planning report of financial statement audit of each quarter in 2018. (2) 2018 internal control report. (3) Other matters to be communicated with the governance unit. The independent directors and Accountants of the Company have good communication results.
2. in order to comply with IFRS16 lease accounting, we obtained Hsinchu biomedical science Park will capitalize the rent on the leasehold assets and leasehold liabilities under the balance sheet, and recognize the interest expense and depreciation expense when paying the rent in each period, which will affect the presentation of the financial statements in the balance sheet. Since the two subjects of assets and liabilities are added at the same time, the total assets and liabilities will increase. The independent directors and Accountants of the company have good communication results. (2) According to Letter No. 20180200029, the Company will apply IFRS16 "lease" from 2019. All lease contracts (except short-term or low value leases) shall be recorded to enhance the transparency of financial statements. For the Company's leasing, it will present borrowing: right to use assets, lending: lease liabilities in the future, so the estimated impact on the financial statements in 2019 is about NTD 53,434,000, and this bulletin will be included in the "Regulations governing the acquisition and disposal of assets". The Firm has complied with the relevant provisions of No. 10 statement of professional ethics of Accountants on the independence of the Company in this year's audit and has not found any violation of the relevant provisions that may affect the independence of the Firm. (3) Article 14 and 36 of the securities and Exchange Act amend the relevant provisions to require that the financial statements submitted to the audit committee and the board of directors shall be signed or sealed by the chairman, manager and chief financial officer. The independent directors and Accountants of the Company have good communication results.

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 majorshareholders	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"

<p>(D) Whether the Company has established internal regulations and prohibits insiders from using undisclosed information in the market to buy and sell securities?</p>	<p>V</p>	<p>(D) The company has established the "Prevention of Insider Trading Management Measures", and at least once a year, the Company shall conduct education and publicity on "Management of the prevention of insider trading", "Procedures for handling material insider information" and relevant laws and regulations for directors, managers and employees. To provide timely education and guidance to new directors, managers and employees upon their arrival.</p> <p>* on August 20, 2008, the current directors, independent directors, managers and employees have been educated and promoted, including the scope of major internal information, confidential operation, public operation and illegal handling, and the files have been sent to all directors, independent directors, managers and employees for reference.</p>	<p>It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>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?</p>	<p>V</p>	<p>(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></p>	<p>It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>(B) Whether the company voluntarily sets up other functional committees other than the salary compensation committee and audit committee established according to law?</p>	<p>V</p>	<p>(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. In addition, the Biomedical Development Committee shall hold at least two meetings a year and may hold meetings at any time as necessary. The functions and powers of the committee are as follows, and the proposed matters shall be submitted to the board of directors for discussion:</p>	<p>It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"</p>

			<ol style="list-style-type: none"> <li>1. Review the major decisions and operation plans of the company's medical department.</li> <li>2. Supervise the implementation of major plans of the health care department.</li> <li>3. Supervise and deal with the risks faced by the health care department</li> <li>4. Ensure that the health care department complies with relevant laws and regulations.</li> <li>5. Plan the future development direction, etc.</li> </ol>	
(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? And report the results of performance evaluation to the board of directors, and apply to individual directors' remuneration and nomination renewal reference?	V		The company has formulated the performance evaluation method and evaluation method of the board of directors. The performance evaluation report of the board of directors is based on the achievement of annual objectives, self-evaluation of directors and mutual evaluation of directors. At the end of each year, the company reviews the results and submits the results of performance evaluation to the board of directors. At the same time, the report is applied to the reference of salary and remuneration of individual directors and nomination and renewal.	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		In accordance with Article 27 of the code of corporate governance practice, the Company regularly evaluates the independence of certified public accountants, formulates the audit and evaluation form of certified public accountants with reference to Article 47 of the Accounting Law and No. 10 "integrity, impartiality, objectivity and independence" in the bulletin of professional ethics, and issues the statement of independence of certified public accountants, which is approved by the audit committee and submitted to the board of directors for approval independence of accountant.	It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"



<p>IV. Whether the listed and OTC companies allocate competent and appropriate number of corporate governance personnel, and designate corporate governance directors to be responsible for corporate governance related matters (including but not limited to providing the information required for the directors and supervisors to carry out their business, assisting the directors and supervisors to comply with laws and regulations, handling the relevant matters of the meetings of the board of directors and the shareholders' meeting according to law, making the minutes of the meetings of the board of directors and the shareholders' meeting, etc.)?</p>	<p>V</p>	<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>	<p>It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<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>	<p>V</p>	<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>	<p>It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>VI. Does the company appoint a professional agency to handle the shareholders' affairs?</p>	<p>V</p>	<p>The company has appointed Concord Securities Co., Ltd. to handle the related affairs of the shareholders' meeting</p>	<p>It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"</p>

<p>VII. Information disclosure</p> <p>(A) The Company set up a website to expose financial business and corporate governance information</p>	<p>V</p>	<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.  <a href="http://www.metatech.com.tw">Http://www.metatech.com.tw</a></p>	<p>It complies with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"</p>
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<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>(C) Whether a company announces and reports the annual financial report within two months after the end of the fiscal year, and announces and reports the financial report of the first, second and third quarters and the operation of each month in advance before the specified time limit?</p>	<p>V</p>	<p>The Company announces and reports the annual financial report within two months after the end of the fiscal year, and announces and reports the financial report of the first, second and third quarters and the operation of each month in advance before the specified time limit.</p>	<p>The Paragraph 2 of Article 36 of the Securities Exchange Law provides for handling.</p>

<p>III. 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>	V	<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>
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<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>The Company's 6th corporate governance ranking is 6%~20% of the ranking of the over-the-counter company. During this period, the English annual report, English meeting notice, English handbook and English financial report are provided, and the implementation of the resolutions of the previous annual shareholders' general meeting is disclosed. In addition, our company also strives to promote the integrity management policy, formulate procedures for reporting illegal and unethical or dishonest behaviors, and establish a reporting system for ethical violations on the Company's website, and complete the corporate social responsibility report this year. The Company expects to improve the performance evaluation of the board of directors in 2020 and upload the annual financial report disclosed in English before 7 days of the regular shareholders meeting.</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	9	10			
Independent Director	Chen, Rong Hua	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	The fourth term of 2018/8/7~20 21/6/24
Independent Director	Wang, Wen Zhu	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	The fourth term of 2018/8/7~20 21/6/24
Other	Huang, Can Lie	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	The fourth term of 2018/8/7~20 21/6/24

Note 1 : Please specify if the 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 fill 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) Not the manager listed in (1) or the spouse, relatives within the second parent, or direct blood relatives within the third parent, etc. of the managers listed in (1) or (2), (3).
- (5) Directors, supervisors or directors of corporate shareholders who do not directly hold more than 5% of the company's total issued shares, hold the top five shares, or appoint representatives to act as company directors or supervisors in accordance with Article 27, paragraph 1 or 2, of the Company Law Employee (but if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited to this).
- (6) More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees of other companies controlled by the same person (but if it is the company or its parent company, subsidiary or subsidiary of the same parent company according to this (The independent directors established by the law or local national laws and regulations shall not be limited to this.)
- (7) Directors (directors), supervisors (supervisors) or servants of other companies or institutions who are not the same person or spouse with the company's chairman, general manager or equivalent, but if the company and its parent company, subsidiary (If the independent directors established by the subsidiary of the same parent company in accordance with this law or local national laws serve concurrently, they are not limited to this).
- (8) Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds 20% of the company's total issued shares The above does not exceed 50%, and the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, not subject to this limit).
- (9) Professionals, sole proprietorships, partnerships, business owners of companies or institutions that do not provide audits for companies or related companies, or business, legal, financial, accounting and other related services that have not received more than NT\$500,000 in the past two years. Partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M&A Act are not limited to this.
- (10) There is no one of the circumstances in Article 30 of the Company Law.

## 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.

The annual salary remuneration committee met 7 times (A) from 2019 to May 8, 2020, and membership qualifications and attendances are as follows:

Title	Name	Actual attendance (B)	Entrusted Attendance	Actual attendance ratio (%) 【 B/A 】	Note
Convener	Wang, Wen Zhu	7	—	100%	The fourth term of 2018/8/7~2021/6/24
Commissioner	Chen, Rong Hua	2	4	28.57%	The fourth term of 2018/8/7~2021/6/24
Commissioner	Huang, Can Lie	7	—	100%	The fourth term of 2018/8/7~2021/6/24

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: The discussion and resolution results of each division of the Remuneration Committee of the Company, and the Company's handling of members' opinions are as follows:

1. The 8th meeting of the 4th Remuneration Committee on January 22, 2019: In the Company's 2018 year-end bonus distribution for employees and managers, members recommended that the calculation basis be calculated based on a six-month salary weighted average, which was approved by all directors present at the consultation of the chairman. The Company adopted a member's suggestion to make corrections, which were reviewed by the board of directors.
2. The 8th meeting of the 4th Remuneration Committee on January 22, 2019: Wang, Shi Jun, the Assistant Manager of Electronic Business Division, the quarterly bonus case, which was approved by all directors present at the consultation of the chairman.
3. The 3rd meeting of the 4th Remuneration Committee on March 26, 2019: In 2019, the distribution system and basis of performance bonus of electronic institutions, the committee members suggest that we should fully consider the bad debts and overdue issues before amending the bonus presentation, which was approved by all directors present at the consultation



of the chairman. The Company will coordinate with relevant units after the meeting, and then submit a new version to discuss the appropriate reward and punishment system with the Remuneration Committee.

4. The 4th meeting of the 4th Remuneration Committee on August 13, 2019: To meet the needs of business development, on May 15, 2019, the Company first hired Director He, Hong Neng to serve as the Company's Biotechnology Development consultant, which was approved by all directors present at the consultation of the chairman.
5. The 4th meeting of the 4th Remuneration Committee on August 13, 2019: It is proposed to appoint Mr. Ni, Yong Fa as the new head of the Audit Department of the Company, which was approved by all directors present at the consultation of the chairman.
6. The 5th meeting of the 4th Remuneration Committee on November 8, 2019: It is recommended to adjust the salary case of Liu, Heng Yu, the assistant of the Biomedical Business Department, which was approved by all directors present at the consultation of the chairman.
7. The 5th meeting of the 4th Remuneration Committee on November 8, 2019: In order to cooperate with the organizational adjustment, Deng, An Zhi, was proposed to be the assistant manager of the General Administration Office, which was approved by all directors present at the consultation of the chairman.
8. The 5th meeting of the 4th Remuneration Committee on November 8, 2019: In order to cooperate with the organizational adjustment, Zhan, Zhi Cong, was proposed to be the assistant manager and serve as the director of the Finance Office, which was approved by all directors present at the consultation of the chairman.
9. The 6th meeting of the 4th Remuneration Committee on January 10, 2020: In the year-end bonus payment plan of the company's managers in 2019, the committee members proposed to increase the bonus allocation base of relevant units, which was approved by all directors present at the consultation of the chairman. The Company will adjust the base number after the meeting, which will be approved by the board of directors.
10. The 6th meeting of the 4th Remuneration Committee on January 10, 2020: The distribution system and basis of performance bonus of Electronic Business Division in 2020, which was approved by all directors' present at the consultation of the chairman.
11. The 7th meeting of the 4th Remuneration Committee on March 27, 2020: The case of remuneration of director Wang, Hui Jun, assigned to serve as the Company's general consultant, which was approved by all directors' present at the consultation of the chairman.
12. The 7th meeting of the 4th Remuneration Committee on May 8, 2020: Director He, Hong Neng, proposed to continue to serve as the Company's Biotechnology Development consultant, which was approved by all directors' present at the consultation of the chairman.

(E) Performance of social responsibility and differences between the code of practice of corporate social responsibility of listed and OTC companies and the reasons:

Items	Operational situation (Note 1)			Differences and Causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description (Note 2)	
I. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note 3)	✓		In accordance with the principle of materiality, the company has conducted risk assessment on environmental, social and corporate governance issues related to the operation of the Company and completed the corporate social responsibility statement in 2019. Please go to the Company's official website for inquiry: <a href="http://www.metatech.com.tw/invest/metatech_CSR.aspx">http://www.metatech.com.tw/invest/metatech_CSR.aspx</a> At the same time, the risk management policy has formulated on January 10, 2020. Please go to the Company's official website for inquiry: <a href="http://www.metatech.com.tw/invest/business_management.aspx">http://www.metatech.com.tw/invest/business_management.aspx</a>	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
II. Does the company set up a full-time (part-time) unit that promotes corporate social responsibility, and the board of directors authorizes the senior management to handle it, and reports the handling situation to the board of directors?	✓		The Company is concurrently promoted by the Finance Office to promote corporate social responsibility, and the board of directors authorizes senior management to handle and report the handling situation to the board of directors.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
III. Environmental issues (1) Does the company establish an appropriate environmental management system according to its industrial characteristics?	✓		The company establishes an appropriate environmental management system according to the nature of its operating activities. The special unit or personnel responsible for environmental management promotes and maintains environmental management-related systems and organizes environmental education courses for management and employees.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

<p>(2) Is the company committed to improving the efficiency of the use of resources and using recycled materials with low impact on environmental loads?</p>	<p>✓</p>		<p>In order to improve the utilization efficiency of various resources, the Company will make proper and sustainable use of water resources and formulate relevant management measures. At the same time, it plans to build and strengthen relevant environmental protection treatment facilities to avoid polluting water, air and land; and do its utmost to reduce the adverse impact on human health and the environment, and adopt the best and feasible pollution prevention and control technology measures.</p>	<p>It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>(3) Does the company assess the potential risks and opportunities of climate change to the company now and in the future, and take measures to deal with climate-related issues?</p>	<p>✓</p>		<p>The Company pays attention to the impact of climate change on its operations and, in accordance with the operating conditions and greenhouse gas inventory results, formulates the Company's energy conservation and carbon reduction and greenhouse gas reduction strategies to reduce the impact of the Company's operations on the natural environment.</p>	<p>It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>(4) Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?</p>	<p>✓</p>		<p>The annual total power consumption is about 340229 kilowatt hours, and the indirect greenhouse gas produces 181342.06 kg of CO<sub>2e</sub> greenhouse gas emissions (the calculation method adopts the emission coefficient method, and the carbon emission coefficient per unit of electric power is calculated by the carbon emission coefficient of electric power of 0.533 kgco<sub>2e</sub> / kilowatt hour published by 2018 energy Administration). The total oil consumption of official vehicles is about 798.36 liters, and the direct category I greenhouse gas is about 1,885.15kg CO<sub>2e</sub> (the calculation method is emission coefficient method. The emission coefficient refers to the greenhouse gas emission coefficient management table 6.0.3 published by the Environmental Protection Administration, Executive Yuan. Please go to the Company's official website for inquiry:  <a href="http://www.metatech.com.tw/invest/metatech_CSR.aspx">http://www.metatech.com.tw/invest/metatech_ CSR.aspx</a></p>	<p>It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"</p>

IV. Social issues (1) Does the company formulate relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	✓		The Company abides by the Labor Standards Act and respects internationally recognized basic labor and human rights principles and establishes management methods to protect employees' legal rights and employment policies without discrimination.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(2) Does the company formulate and implement reasonable employee welfare measures (including compensation, vacations, and other benefits), and appropriately reflect operating performance or results in employee compensation?	✓		The Company has formulated reasonable employee welfare measures, and appropriately reflected operating performance or results in employee compensation. Such as performance bonuses and year-end bonuses.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(3) Does the company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees?	✓		The Company regularly carries out safety and health education and publicity and formulates protective measures for working environment and personal safety of employees. For protective measures for working environment and personal safety of employees, please go to the Company's official website for inquiry <a href="http://www.metatech.com.tw/invest/pdf/custm.pdf">http://www.metatech.com.tw/invest/pdf/custm.pdf</a>	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(4) Does the company establish an effective career development training program for employees?	✓		The Company formulates personnel training plan, and each unit proposes education courses every year, and provides external course training according to the needs of employees.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
(5) Does the Company follow relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and complaint procedures to protect the rights and interests of consumers?	✓		The Company implements a close relationship with customers, including customer health and safety, customer privacy, after-sales customer service and maintenance. And follow the relevant regulations and international standards. For the complaint channel of the Company, please go to the Company's official website for inquiry <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"
(6) Does the Company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor human rights, and their implementation?	✓		The Company complies with relevant laws and regulations, protects the legitimate rights and interests of employees, and requires suppliers to respect internationally recognized basic labor and human rights principles.	It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

<p>V. Does the company prepare corporate social responsibility reports and other reports that disclose the company's non-financial information in accordance with the international reporting standards or guidelines? Is the disclosure report confirmed or guaranteed by the third-party verification unit?</p>	<p>✓</p>	<p>In accordance with the principle of materiality, the Company has conducted risk assessment on environmental, social and corporate governance issues related to the operation of the Company and completed the corporate social responsibility statement in 2019. Please go to the Company's official website for inquiry <a href="http://www.metatech.com.tw/invest/metatech_CSR.aspx">http://www.metatech.com.tw/invest/metatech_CSR.aspx</a> At present, the Company has not obtained the confirmation or guarantee opinions from the third-party verification unit, but it has also made efforts in this direction.</p>	<p>It complies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>VI. If the Company has its own corporate social responsibility code in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please state the difference between its operation and the established code:</p> <p>The Company practices corporate social responsibility, and promotes economic, environmental and social progress, in order to achieve the goal of sustainable development, refer to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed" jointly formulated by the Taiwan Stock Exchange and the Taipei Exchange set "Corporate Social Responsibility Best Practice Principles" to implement corporate governance, develop a sustainable environment, maintain social welfare, strengthen corporate social responsibility information disclosure, and operate on the ground according to the methods. The current operations have achieved good results, but the Company has not obtained the confirmation or guarantee opinions from the third-party verification unit, but it has also made efforts in this direction.</p>			
<p>VII. Other important information helpful in understanding the operational status of corporate social responsibility:</p> <ol style="list-style-type: none"> <li>(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.</li> <li>(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, MetaTech 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></li> <li>(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.</li> <li>(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.</li> <li>(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.</li> </ol>			

(F) Performance of ethical corporate management and differences between ethical corporate management best practice principles of listed and OTC companies:

Items	Operational situation			Differences and Causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
I. Establish good faith business policies and plans (1) Does the Company have a good faith operation policy approved by the board of directors, and clearly state the good faith operation policy and practice in the regulations and external documents, as well as the commitment of the board of directors and senior management to actively implement the operation policy?	✓		The Company has currently formulated a policy of integrity management. In the regulations and external documents, the policies and practices of operating in good faith are clearly stated. The board of directors and the management shall exercise their powers with caution when performing business. The Company's Audit Department will conduct irregular audits.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"
(2) Does the Company establish an evaluation mechanism for the risk of dishonest behavior, regularly analyze and evaluate the business activities with high risk of dishonest behavior within the business scope, and formulate the prevention plan for dishonest behavior based on it, and at least cover the prevention measures for the behaviors in Article 7, paragraph 2 of "Ethical corporate management best practice principles for TWSE / GTSM listed companies"?	✓		The Company has stipulated that directors, managers, employees, appointees or those with substantial control ability should not directly or indirectly provide, promise, demand or accept any improper benefits, or do other dishonest acts in violation of integrity, law or fiduciary obligations in the process of doing business, in order to obtain or maintain benefits, and the Company regularly analyzes and evaluates their business activities with high risk of dishonesty within the business scope.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"
(3) Does the company specify operating procedures, conduct guidelines, disciplinary and grievance systems for violations in the prevention of dishonest conduct plan, implement them, and regularly review the revised disclosure plan?	✓		At present, the Company has formulated rules and instructions for employees. In order to implement the policy of honest operation and actively prevent dishonest behavior, the company regularly publicizes the spirit of honest operation through employee education and training.	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?	✓		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"

(2) Does the Company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to prevent dishonest behaviors and supervision and implementation?	✓		Although the Company has not set up a full-time (Part-time) unit to promote corporate social responsibility, but the relevant positions are distributed in various departments, the company will spare no effort to fulfill the corporate responsibility.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"
(3) Whether the Company has formulated a policy to prevent conflict of interest, provide a proper statement pipeline, and implement it?	✓		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.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"
(4) Whether the Company has established an effective accounting system and internal control system for the implementation of integrity management, and the internal audit unit will formulate relevant audit plans based on the results of the assessment of the risk of dishonesty, and check the plan to prevent dishonesty Follow the situation, or entrust an accountant to perform the audit?	✓		The Company has established effective internal control, relevant management measures and accounting systems to implement, and has audit units to regularly audit the relevant compliance of all units of the Company.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"
(5) Whether the Company regularly organizes internal and external education and training for integrity management?	✓		The Company has now set employee rules and instructions and strengthened employee advocacy.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"
III. The Company's reporting system operation (1) Does the company formulate a specific reporting and reward system, and establish a convenient reporting channel, and assign appropriate personnel to handle the object of the report?		✓	The Company has established a specific reporting and reward system and a reporting system for violations of professional ethics. We will also assign appropriate personnel to be responsible for the handling of the reported objects. Please refer to our official website for information about our complaint channel: <a href="http://www.metatech.com.tw/reportmate/report.aspx">http://www.metatech.com.tw/reportmate/report.aspx</a>	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"
(2) whether the company has established the standard operating procedures and relevant confidentiality mechanisms for the handling of accusations?		✓	This corporation has established procedures for the handling of reports of illegal, unethical or dishonest conduct, which specify the standard operating procedures for the investigation, follow-up measures to be taken after the completion of the investigation and relevant confidentiality mechanisms.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"

(3) Whether the company has taken measures to protect the prosecutor from improper handling due to the prosecution?		✓	The Company allows anonymous reporting and will keep confidential and protect the colleagues and relevant personnel who report violations or participate in the investigation process, so as to avoid unfair retaliation and treatment and assign special personnel to investigate.	It complies with the "Ethical corporate management best practice principles for TWSE/GTSM Listed Companies"
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?		✓	The Company has disclosed the content of the integrity management code and its effectiveness on the Company's website and Market Observation Post System.	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 supervisor's 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
- (16) Standard Operating Procedures for Handling Requests Made by Directors
- (17) Regulations for reporting illegal and unethical or dishonest behaviors
- (18) Regulations Information Management
- (19) Management of related party transactions
- (20) Risk response strategies and risk management procedures

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 27, 2020

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 27, 2020. 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						
2019 Shareholders' Meeting	2019.06.17	Proposals Matters:						
		1. Acknowledging the 2018 Business Report and the Consolidated Financial Statements, the voting results are as follows. The voting weights represent 98.65% of the voting rights of the shareholders at the time of voting:						
		Items	Attendance at shareholders' voting rights	Agree	Opposition	Invalid	Abstaining/Not voting	Resolution results/implementation status tracking
		Weights	34,174,733	33,714,736	2,768	0	457,229	This case was approved and announced in the Market Observation Post System after the meeting.
		Proportion	100.00%	98.65%	0.01%	0	1.34%	
		2. Acknowledging the 2018 loss allocation, the voting results are as follows, in favour of weights accounting for 98.65% of the voting rights of shareholders at the time of voting.						
		Items	Attendance at shareholders' voting rights	Agree	Opposition	Invalid	Abstaining/Not voting	Resolution results/implementation status tracking
		Weights	34,174,733	33,714,725	2,778	0	457,230	This case was approved and announced in the Market Observation Post System after the meeting.
		Proportion	100.00%	98.65%	0.01%	0	1.34%	
		Discussion Matters:						
		1. 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 98.65% of the voting rights of the shareholders present at the time of voting.						
		Items	Attendance at shareholders' voting rights	Agree	Opposition	Invalid	Abstaining/Not voting	Resolution results/implementation status tracking

		Weights	34,174,733	33,714,731	2,773	0	457,229	This case was approved and announced in the Market Observation Post System after the meeting. And completed the change of the Ministry of Economy on 2019.8.5.
		Proportion	100.00%	98.65%	0.01%	0	1.34%	
2. 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 98.65% of the voting rights of shareholders at the time of voting.								
		Items	Attendance at shareholders' voting rights	Agree	Opposition	Invalid	Abstaining/Not voting	Resolution results/implementation status tracking
		Weights	34,174,733	33,714,728	2,775	0	457,230	This case was approved and announced in the Market Observation Post System after the meeting. The Company will be faithfully implemented in accordance with regulations.
		Proportion	100.00%	98.65%	0.01%	0	1.34%	
3. In the revised section of the group's "endorsement guarantee Operating Procedures", the voting results are as follows, in favour of weights accounting for 98.65% of the voting rights of shareholders at the time of voting.								
		Items	Attendance at shareholders' voting rights	Agree	Opposition	Invalid	Abstaining/Not voting	Resolution results/implementation status tracking
		Weights	34,174,733	33,714,729	2,774	0	457,230	This case was approved and announced in the Market Observation Post System after the meeting. The Company will be faithfully implemented in accordance with regulations.
		Proportion	100.00%	98.65%	0.01%	0	1.34%	
4. In the revised section of the group "acquisition or disposition of asset disposal procedures", the voting results are as follows, in favor of weight 98.65% of the voting rights of shareholders at the time of voting.								
		Items	Attendance at shareholders' voting rights	Agree	Opposition	Invalid	Abstaining/Not voting	Resolution results/implementation status tracking
		Weights	34,174,733	33,714,728	2,776	0	457,229	This case was approved and announced in the Market Observation Post System after the meeting. The Company will be faithfully implemented in accordance with regulations.
		Proportion	100.00%	98.65%	0.01%	0	1.34%	

		5. In the revised section of lifting the restrictions on Directors' competing behaviors of the Company, the voting results are as follows, in favor of weight 98.65% of the voting rights of shareholders at the time of voting.				
Items	Attendance at shareholders' voting rights	Agree	Opposition	Invalid	Abstaining/Not voting	Resolution results/implementation status tracking
Weights	36,168,788	35,612,050	61,332	0	495,406	This case was approved and announced in the Market Observation Post System after the meeting.
Proportion	100.00%	98.46%	0.17%	0	1.37%	

Shareholders' Meeting / Board of Directors	Date	Important resolutions	Resolution results/implementation status tracking
The 4th meeting of the 8th Board of Directors	2019.1.22	1. By renewing the application 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.	It has been approved by Chinatrust Commercial Bank and will report the content of the loan verification in this meeting.
		2. Passed the loan of funds between related parties.	It shall be implemented according to the resolution of the board of directors and announced in the Market Observation Post System.
		3. Passed the Company's 2018 employees and managers year-end bonus issue.	It shall be implemented according to the resolution of the board of directors and the base of bonus calculation shall be based on the weighted average of the employees' salary in the past six months.
		4. Passed the season bonus case of the Wang, Shi Jun, the Assistant Manager of the Electronic Business Division.	It shall be implemented according to the resolution of the board of directors.
The 5th meeting of the 8th Board of Directors	2019.3.26	1. Passed the 2018 annual "Internal Control System Statement" to agree to the case.	It shall be implemented according to the resolution of the board of directors.
		2. Passed the Company's 2018 annual individual financial statements and consolidated financial statements.	It shall be implemented according to the resolution of the board of directors and strengthens the presentation of business report.
		3. Passed the Company's 2018 annual loss compensation case.	It shall be implemented according to the resolution of the board of directors and strengthens the statement of loss recovery methods and disclose them in the business plan or annual report.
		4. Amendments to the provisions of the "Articles of Association" of the Company.	It shall be implemented according to the resolution of the board of directors.

		5. Amendments to the provisions of the "Funding and Others Operating Procedures" of the Group.	It shall be implemented according to the resolution of the board of directors.
		6. Amendments to the provisions of the "Endorsement Guarantee Operating Procedures" of the Group.	It shall be implemented according to the resolution of the board of directors.
		7. Amendments to the provisions of the "Acquisition or Disposition of Assets Processing Procedures" of the Group.	It shall be implemented according to the resolution of the board of directors.
		8. Amendments to the provisions of the "Acquisition or Disposition of Assets Processing Procedures" of the Group.	It shall be implemented according to the resolution of the board of directors.
		9. Amended the 2019 annual electronic institution performance bonus distribution system and basic case.	It shall be implemented according to the resolution of the board of directors, and the new version will be drafted and discussed with the Remuneration Committee in the future.
		10. Passed dissolving the restrictions on the prohibition of competition of directors of the Company's shareholders' meeting this year.	It shall be implemented according to the resolution of the board of directors.
		11. By holding the date, time, address and the contents of the 2019 shareholders' meeting, and exercising the voting rights by electronic means.	It shall be implemented according to the resolution of the board of directors.
		12. Passed applying 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).	It shall be implemented according to the resolution of the board of directors.
The 6th meeting of the 8th Board of Directors	2019.5.3	1. Passed applying to the Taiwanese corporate bank for a renewal of the credit line.	It shall be implemented according to the resolution of the board of directors.
		2. Passed applying for renewal of the credit line to Changhua Bank.	It shall be implemented according to the resolution of the board of directors.
		3. Passed applying to the Land Bank for a credit line.	It shall be implemented according to the resolution of the board of directors.
		4. Passed MetaTech Trading (Shenzhen) Co., Ltd. to purchase goods from Sunonwealth Electric Machine Industry Co., Ltd., the Company is requested to apply to the bank to open a STANDBY L/C or performance guarantee letter.	It shall be implemented according to the resolution of the board of directors.
The 7th meeting of the 8th Board of Directors	2019.8.13	1. Adjusted the organizational structure of the Biomedical Business Department.	The adjustment of the organizational structure has been completed in accordance with the resolution of the board of directors. The Biomedical Business Division would supplement the detailed operating plan and budget of the Biomedical Division with the



			annual budget proposal for the next meeting.
		2. For business development needs, the industry first hired Director He, Hong Neng as the Company's biotechnology development consultant on May 15, 2019, in response to the compensation payable to Director He.	It shall be implemented according to the resolution of the board of directors.
		3. In order to accelerate the development and application of new cell layer projects, it is planned to establish a research and development company in Taiwan with a joint venture with CellSeed of Japan.	At present, the Company's organizational structure has been completed, and the source of funds and equity structure have been confirmed. The medical application will report on the implementation of this meeting in detail. (Annex V of the detailed report, pages 41-67)
		4. Amendments to the "Sales and Collection Cycle", "Purchase and Payment Cycle" written system and approval authority table for the internal control system of the Biomedical Business Division.	It shall be implemented according to the resolution of the board of directors and announced in the Market Observation Post System.
		5. It is proposed to appoint Mr. Ni Yong Fa as the new head of the Audit Department of the Company.	It shall be implemented according to the resolution of the board of directors and announced in the Market Observation Post System.
		6. PwC Taiwan's public accountant fee case from the second quarter of 2019 to the first quarter of 2020.	It shall be implemented according to the resolution of the board of directors.
		7. Comprehensively revise the company's "Accounting System" provisions.	It shall be implemented according to the resolution of the board of directors and announced to the group.
		8. It is proposed to apply for credit line to the national agricultural banks.	It was approved by the national agricultural banks and the guarantee procedure was completed on 8/29.
The 8th meeting of the 8th Board of Directors	2019.11.8	1. The Company's annual audit plan for 2020.	It shall be implemented according to the resolution of the board of directors.
		2. Amendments to some provisions of the Group's "Ethical corporate management best practice principles".	It shall be implemented according to the resolution of the board of directors.
		3. It is proposed to adjust the organizational structure of the Company.	It shall be implemented according to the resolution of the board of directors. The Group's internal knowledge was announced after the division of "Per Administration Department" into "Legal Department" and "Human Resources Department".
		4. Adjusted the salary case of Liu, Heng Yu, the assistant manager of the Biomedical Business Division.	It shall be implemented according to the resolution of the board of directors.

		5. In order to cooperate with the organization adjustment, it is proposed to promote Deng, An Zhi of the General Management Office to be the assistant manager.	It shall be implemented according to the resolution of the board of directors and declared as an insider.
		6. In order to cooperate with the organization adjustment, it is planned to promote Zhan, Zhi Cong as the assistant manager and serve as the director of the Finance Department.	It shall be implemented according to the resolution of the board of directors.
		7. In order to obtain the "building interior decoration certificate" of the medical workshop and office, it is necessary to obtain the "separate and combined household consent" and other documents signed by the landlord, Kingfisher Technology Corp.	It shall be implemented according to the resolution of the board of directors. Completed the contract signing process with a third-party notary on 11/14.
		8. The case concerning the renewal of liability insurance for directors, supervisors and managers in 2019.	It shall be implemented according to the resolution of the board of directors. And complete the remittance on 12 / 25.
		9. The Company intends to apply to MTI Holding Co. Ltd. for capital loan and case	It shall be implemented according to the resolution of the board of directors and announced in the Market Observation Post System.
The 9th meeting of the 8th Board of Directors	2020.1.10	1. Amendments to the new internal control system "production cycle" written system and approval authority table, revised "research and development cycle", "real estate, plant and equipment cycle" and "computer information cycle" written system case.	It shall be implemented according to the resolution of the board of directors. And announced to the group.
		2. Approved the risk management policies and procedures.	It shall be implemented according to the resolution of the board of directors. And announced to the group.
		3. Amended and approved the Company's 2020 budget and annual operating plan.	It shall be implemented according to the resolution of the board of directors.
		4. Approved the loan of funds between people with related relationships—MTI Holding Co., Ltd. and MetaTech (S) Pte Ltd. USD 500 thousand.	It shall be implemented according to the resolution of the board of directors and announced in the Market Observation Post System.
		5. Approved the loan of funds between people with related relationships—MTI Holding Co., Ltd. and MetaTech (S) Pte Ltd. USD 1,000 thousand.	It shall be implemented according to the resolution of the board of directors and announced in the Market Observation Post System.
		6. Passed the proposed application to the Chinatrust Commercial Bank for the renewal of the comprehensive lending facility and the mutual endorsement of the guarantee between the Hong Kong Great-Grandson Company MetaTech Limited.	It has passed the credit line review of Chinatrust Commercial Bank and announced in the market observation post system after the meeting on that day. On February 20, the counter insurance procedure was completed.
		7. Amendments to the Company's 2019 year-end manager bonus payment case.	The amendment was completed in accordance with the resolution of the board of directors and was issued on January 20.
		8. 2020 electronic institutions performance bonus distribution system and the basis of the case.	It shall be implemented according to the resolution of the board of directors.

The 10th meeting of the 8th Board of Directors	2020.3.27	1. Approved the 2019 "Internal Control System Statement".	Approved by the board of directors and will be disclosed in the 2019 annual report.
		2. Passed the Company's 2019 individual financial statements and consolidated financial statements.	Approved by the board of directors, the declaration will be completed on 3/31; 6/30 will be submitted to the shareholders' meeting for recognition.
		3. Passed consideration of the Company's 2019 loss allocation case.	Approved by the board of directors and disclosed in the business plan or annual report, 6/30 will be submitted to the shareholders' meeting for recognition.
		4. Approved to apply to Mega Bank for a short-term comprehensive credit line.	It shall be implemented according to the resolution of the board of directors. Completed the bank guarantee procedure on 4/10.
		5. Approved the lifting of the prohibition on the non-compete of directors of this year's shareholders' meeting	Approved by the board of directors and would be submitted to the shareholders' meeting for approval on 6/30.
		6. By holding the date, time, address and content of the resolution of the 2020 shareholders' meeting, the voting right may be exercised electronically.	It shall be implemented according to the resolution of the board of directors and announced in the Market Observation Post System.
		7. Amendments to the Company's "Management of Related Party Transactions".	It shall be implemented according to the resolution of the board of directors. And announced to the group.
		8. The director Wang, Hui Jun's remuneration as the Company's general consultant was submitted to the case for approval.	It shall be implemented according to the resolution of the board of directors.
The 11th meeting of the 8th Board of Directors	2020.5.8	1. Approved the PwC Taiwan public accountant case from the second quarter of 2020 to the first quarter of 2021.	It shall be implemented according to the resolution of the board of directors.
		2. Amendment to the company's plan to issue ordinary shares with private equity capital increase.	It shall be implemented according to the resolution of the board of directors and announced in the Market Observation Post System.
		3. In order to cooperate with the revision of regulations, the company's "The rules of procedure in the board of directors" case was revised.	It shall be implemented according to the resolution of the board of directors. And announced to the group.
		4. Approved the "Management of Financial Statement Compilation Process" case.	It shall be implemented according to the resolution of the board of directors. And announced to the group.
		5. Passed to Chang Hwa Commercial Bank, Ltd. for the extension of the credit line.	It shall be implemented according to the resolution of the board of directors.
		6. Through the re-appointment of Director He, Hong Neng as the biotechnology development consultant of the Company, the case concerning the remuneration of Director He should be paid.	It shall be implemented according to the resolution of the board of directors.

(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, chief internal auditor, head of corporate management, head of research and development)

May 31, 2020

Title	Name	Appointment date	Dismissal date	Reasons for resigning or dismissal
Audit Manager	Zhu, Xiang Bin	2014.02.26	2019.04.01	Resignation due to health factors
Medical Application Office	Wang, Zhe Xun	2017.06.20	2020.03.12	Resignation due to personal career planning

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

(A) Public accountant's fees

Accounting firm name	Accountant's name		During the audit	Note
PricewaterhouseCoopers Taiwan	Xu, Ming Chuan	Zhi, Bing Jun	2019/01/01/~2019/12/31	

Unit: NT\$ thousand

Public fee items		Audit public fee	Non-audit public fee	Total
Amount of distance				
1	Less than \$2,000 thousand		√(Note)	√
2	\$2,000 thousand (inclusive) to \$4,000 thousand	√		√
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 advance money and employee share options.

Unit: NT\$ thousand

Accounting firm name	Accountant's name	Audit public fees	Non-audit public fees					During the audit	Remarks
			System Design	Business registration	Human Resources	Other (Note 2)	Subtotal		
PricewaterhouseCoopers Taiwan	Xu, Ming Chuan	2,800				280	280	2019/01/01-2019/12/31	Advance payment and employee stock options and current increase, corporate bonds and other public expenses
	Zhi, Bing Jun							2019/01/01-2019/12/31	

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 remarks, and disclose the audit and non-audit 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 fees, the service contents should be listed in the remarks.

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

**E. In the most recent two years and subsequent periods, the information for Change of the CPAs:**

**(E) About the former Accountants:**

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 situation	accountant	appointed person
	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		

**(F) About the current Accountants:**

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	2019		Ended the transfer date as of May 2, 2020	
		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.	—	—	—	—
Representative of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Chen, Zong Ji	—	—	—	—
Representative and chairman of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Hu, Li San	—	—	—	—
Representative and General manager of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Tang, Hong De	(200,000)	—	—	—
Representative of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Chen, Rui Jie	—	—	—	—
Representative and Executive deputy general manager of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Qiu, Jun Hua (Note 1)	—	—	(366,000)	—
Representative of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Wang, Hui Jun (Note 1)	—	—	—	—
Director	Jun-mao International Co., Ltd.	198,000	—	1,982,000	—
Representative of Corporation Director	Bei De Bi Xiu Investment Co., Ltd. Representative: Wu, Zhen Long	996,000	—	—	—
Director	National Development Fund, Executive Yuan	—	—	—	—
Representative of Corporation Director	National Development Fund, Executive Yuan Representative: He, Hong	—	—	—	—

	Neng				
Director	Dajun Investment Co., Ltd.		—	—	—
Representative of Corporation Director	Dajun Investment Co., Ltd. Representative of Corporation Director: Yang, Zhi Hui		—	—	—
Representative of Corporation Director	Dajun Investment Co., Ltd. Representative of Corporation Director: Zhao, Hong Zhang		—	—	—
Independent Director	Wu, Rong Yi		—	—	—
Independent Director	Chen, Rong Hua		—	—	—
Independent Director	Wang, Wen Zhu		—	—	—
Auditing Assistant Manager	Zhu, Xiang Bin (Note 2)		—	—	—
Auditing Assistant Manager	Ni, Yong Fa (Note 2)		—	—	—
Deputy General Manager of Electronic Business	Zhou, Shuo Hui (Note 3)		—	—	—
General Manager of Biomedical Affair Office	Liu, Heng Yu		—	—	—
General Manager of Finance / Management Division	Zhan, Zhi Cong		—	—	—
Assistant Manager of Investment Relations Department	Lin, Wen Jie		—	—	—
Assistant Manager of Medical Application Department	Wang, Zhe Xun (Note 4)		—	—	—
Assistant Manager of Taiwan Operating Office	Wang, Shi Jun	3,000	—	—	—
General Administration Office	Deng, An Zhi (Note 5)		—	—	—

Note 1: Qiu Jun Hua, Deputy General Manager of Administration, resigned on December 31, 2019.

Note 2: 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 3: Zhu, Xiang Bin, Assistant Director of the Audit Department, resigned on April 1, 2019. During this period, Dong, Yi Jie, the Audit Agent, temporarily replaced him. Ni, Yong FA, the new Assistant Director of the Audit Department, took office on August 13, 2019.

Note 4: Wang, Zhen Xun, the Assistant Manager of the Medical Application Office, resigned on March 12, 2020. Wu, Ying Zhen, the Manager of the Medical Application Office, temporarily replaced him

Note 5: Deng, An Zhi, Assistant Manager of the General Administration Office, took office on November 8, 2019.

(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 May 2, 2020; 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	
Jun-mao International Co., Ltd.	5,450,000	9.39%					Wu, Zhen Long	Chairman	
Jun-mao International Co., Ltd. Representative: Wu, Zhen Long	3,886,000	6.70%					Wu, Zhen Long	In person	
Wu, Zhen Long	3,886,000	6.70%			818,000	1.41%	Jun-mao International Co., Ltd.	Chairman	
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%							
National Development Fund, Executive Yuan	2,777,000	4.79%							
National Development Fund, Executive Yuan Representative: Chen, Mei Ling	0	0%							
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%							
Ou Si Mi	2,341,000	4.04%							

Chi Jiang Security Co., Ltd.	818,000	1.41%					Wu, Zhen Long	Chairman	
Lin, Fang Bang	770,000	1.33%							
Wang, Wen Hua	721,000	1.24%							
Su, Min Hui	720,000	1.24%							

**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 May 2, 2020; 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
Up Cell Biomedical Inc.	3,300,000	25.38	1,450,000-	11.15	4,750,000	36.53

Note: It is the company's long-term investment using the equity method.

## IV. Capital Overview

### A. Capital and shares

#### (A) Source of equity

May 2, 2020 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

May 2, 2020

Share Category	Authorized capital stock				Note
	Outstanding Shares	Any repurchases of the Company	Unissued shares	Total	
Common shares	58,016,045 shares	0 shares	141,983,955 shares	200,000,000 Shares (Note 2)	Note1

Note 1: The Company listed at over-the-counter market on June 3, 2004.

Note 2: The Company changed the total capital to NTD 2,000,000,000 on August 08, 2019, the amount per share was \$10, and the total number of shares was 200,000,000 shares.

2. General declaration system related information: None.

(B) Shareholders' structure

Deadline for the transfer as of May 2, 2020; Unit: Shares

Shareholders structure Quantity	Government Institutions	Financial Institutions	Other corporations	Foreign Institutions and outsiders	Personal	Total
Number of people	1	0	113	10,159	17	10,290
Holding shares	2,777,000	0	12,576,453	41,953,501	709,091	58,016,045
Shareholding ratio	4.79%	0.00%	21.68%	72.31%	1.22%	100.00%

(C) The ownership distribution

1. Common shares

Deadline for the transfer as of May 2, 2020; \$ 10 per share

Shareholding classification	Shareholders	Holding shares	Shareholding ratio
1 to 999	7,987	188,651	0.33
1,000 to 5,000	1,477	3,187,132	5.49
5,001 to 10,000	318	2,492,506	4.30
10,001 to 15,000	121	1,560,663	2.69
15,000 to 20,000	87	1,573,096	2.71
20,001 to 30,000	89	2,233,387	3.85
30,001 to 40,000	50	1,806,600	3.11
40,001 to 50,000	21	926,891	1.60
50,001 to 100,000	63	4,561,938	7.86
100,001 to 200,000	39	5,650,159	9.74
200,001 to 400,000	17	4,729,414	8.15
400,001 to 600,000	6	2,780,164	4.79
600,001 to 800,000	8	5,412,520	9.33
800,001 to 1,000,000	1	818,000	1.41
1,000,001 more	6	20,094,924	34.64
Total	10,290	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 May 2, 2020; Unit: Shares

Name of major shareholders	Shares	Holding shares	Shareholding ratio
Jun-mao International Co., Ltd.		5,450,000	9.39
Wu, Zhen Long		3,886,000	6.70
Bei De Bi Xiu Investment Co., Ltd.		3,141,924	5.42

National Development Fund, Executive Yuan	2,777,000	4.79
Huan Cheng Shi Yu Investment Co., Ltd.	2,499,000	4.31
Ou Si Mi	2,341,000	4.04
Chi Jiang Security Co., Ltd.	818,000	1.41
Lin, Fang Bang	770,000	1.33
Wang, Wen Hua	721,000	1.24
Su, Min Hui	720,000	1.24

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

Unit: NT\$ thousand

Items		Years	2018	2019	Year as of March 31, 2020 (Note 8)
Per stock price (Note 1)	Highest		70.50	69.0	57.7
	Lowest		43.30	52.1	32.55
	Average		57.38	61.08	47.14
Net value per share (Note 2)	Before distribution		18.49	17.31	17.00
	After distribution		18.49	17.31	17.00
Earnings per share	Weighted average number of shares		57,440,703 shares	58,016,045 shares	58,016,045 shares
	Earnings per share (before retroactive) (Note 3)		(1.01)	(1.60)	(0.43)
	Earnings per share (after retroactive) (Note 3)		(1.01)	(1.60)	(0.43)
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)		(56.81)	(38.175)	-
	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:  $\text{Ratio of dividend/price to dividend ratio} = \text{the average closing price per share} / \text{cash dividend per share}$ . 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 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.

Note 10: The Board of Directors passed a resolution on March 27, 2020, which did not distribute dividends for the year 2019. It is intended to be recognized by the regular shareholders meeting on June 30, 2020;

## (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 2019 deficit compensation, on March 27, 2020 by the Board of Directors through the current year does not assign dividends; the case shall be reported to the June 30, 2020 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 27, 2020, 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 May 2, 2020; 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, May 2)
	(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)
Redemption or early settlement terms	<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: Fill 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	
Item	Year	2010	2011	As of April 30, 2012	2016	2017	As of April 30, 2018	2019	As of April 30, 2020
Convertible corporate bonds market price	Highest	120.0	113.1	Not applicable (Note 1)	118.00	151.00	Not applicable (Note 2)	133	123
	Lowest	104.6	113.1	Not applicable (Note 1)	103.00	111.65	Not applicable (Note 2)	111.1	107.1
	Average	112.3	113.1	Not applicable (Note 1)	110.75	126.41	Not applicable (Note 2)	122.17	113.81
Conversion price		11.6		Not applicable (Note 1)	37.35		Not applicable (Note 2)	63.3	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.

Note 3: The Company's third domestic guaranteed convertible corporate bonds in 2018 expired on January 9, 2019, and the sale of the counters was terminated on January 9, 2022.,and The conversion will start on April 10, 2019.

**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, 2020

	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)
Manager	General manager	Tang, Hong De (Note 7)	694	1.2%	—	—	—	—	694	\$ 58.5 ; \$ 59.2	—	1.2%
	Deputy general manager	Qiu, Jun Hua (Note 8)										
	Assistant Manager	Liu, Heng Yu										
	Assistant Manager	Wang, Ze Xun										
	Assistant Manager	Lin, Wen Jie										
	Assistant Manager	Wang, Shi Jun										
	Assistant Manager	Zhan, Zhi Cong										
	Assistant Manager	Deng Anzhi										
Employees (Note 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.

Note 7: Qiu, Jun Hua, Deputy General Manager of administration, resigned on December 31, 2019.

Note 8: Wang, Zhe Chun, Assistant Manager of the Medical Application Office, resigned on March 12, 2020.

#### **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:

(1) On May 19, 2016, the Financial Management Committee approved the revocation, and the Letter No. 1050020158 was approved.

Unit: NT\$ thousand

Project	Implementation situation		As of the first quarter of 2012	Reasons for advance or backward progress and improvement plans
CellSeed Premium	Amount expended	Expected	338,350	This plan will not generate benefits until the esophageal repair products and knee cartilage products are available, and the plan has not been completed by the first quarter of 2020, so it has not yet generated benefits, so there should be no major abnormalities.
		Actual	331,494	
	Execution progress (%)	Expected	94.61%	
		Actual	92.69%	
Laboratory construction	Amount expended	Expected	35,000	The actual payment progress exceeded the original expected progress mainly because the project was originally planned to build a cell layer process center laboratory at the Company's current site (Far East World Center), but the future operation growth was evaluated, and the structure and structure of the building The area of use is not enough, so the board of directors of the Company has leased the Farglory U-TOWN factory office building and moved the laboratory construction to a new location. After reviewing the relevant contracts and the minutes of the Company's board of directors, the laboratory construction increased by NTD 9,880 thousand The area of the main department after the new site is about 306 level ground, an increase of 62 level ground (25.41%) from the original site of about 244 pings, an increase of NTD 9,350 thousand. In addition, in order to make the laboratory operation smoother, some engineering designs were changed, so the increase was NTD 530 thousand. Yuan. The above-mentioned total of NTD 9,880 thousand is paid by the Company with its own funds, and there should be no major abnormalities.
		Actual	44,880	
	Execution progress (%)	Expected	100.00%	
		Actual	128.22%	
Equipment	Amount expended	Expected	55,000	The main reason is that some sporadic instruments have yet to be finalized before purchase, resulting in the project completion time lagging expectations, and the actual progress has reached 96.04%, there should be no major abnormalities.
		Actual	52,823	
	Execution progress (%)	Expected	100.00%	
		Actual	96.04%	

Clinical trial cost	Amount expended	Expected	65,538	The actual payment progress is behind schedule, mainly because the review progress of the competent authority is longer than expected and the regulations of cell therapy are constantly evolving, which is behind the original schedule. The reason after evaluation is reasonable. In the part of the esophageal repair plan, the Company has submitted an IND application to TFDA on December 28, 2018 and received the TFDA reply letter in principle to agree to the trial on February 13, 2019. Subsequent TFDA letters stated that they agreed to the National Taiwan University Hospital, E-Da Hospital, E-Da Healthcare Group and E-Da Cancer Hospital, E-Da Healthcare Group will perform this test. The Company will submit it to NDA (New Drug Application) depending on the test report results; In the knee cartilage project, the company cooperated with E-Da Hospital to apply for cell therapy to the Ministry of Health and Welfare on June 17, 2019 according to "Regulations Governing the Application of Specific Medical Technique and Medical Device". plan. Has been approved by the Ministry of Health and Welfare on December 18, 2019. The agreed site of the MetaTech-Cell Processing Center is in compliance with the Good Practices for Human Cellular Tissue (GTP), and approved for implementation at E-Da Hospital, E-Da Healthcare Group Autologous chondrocyte transplantation technique for knee cartilage defects.
		Actual	8,440	
	Execution	Expected	98.87%	
	progress (%)	Actual	12.73%	
Laboratory maintenance cost	Amount expended	Expected	30,160	The original expected progress was behind, mainly due to the slight delay in the construction of the laboratory, so the subsequent payment of laboratory maintenance fees was also delayed. It is still reasonable to evaluate the reason for the late payment progress. However, the laboratory has been put into mass production at the end of 2018, and the initial laboratory maintenance fee is relatively low. After the Company continues to invest in R&D and production, the laboratory maintenance fee will increase gradually.
		Actual	16,789	
	Execution progress (%)	Expected	92.34%	
		Actual	51.40%	
Total	Amount expended	Expected	524,048	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 there is no significant abnormality after evaluation.
		Actual	454,426	
	Execution progress (%)	Expected	95.88%	
		Actual	83.14%	

(C) The third domestic convertible corporate bond issued 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 NTD 151,500 thousand raised by the third domestic convertible corporate bond in this time has been fully invested in the first half of 2019 to supplement working capital to meet the working capital needs of the Electronic Department's operating growth, and replaced with the funds raised financing from banks, in addition to increasing long-term capital stability, strengthening the ability to flexibly dispatch funds and improving the financial structure, can also save the Company's interest expenses and improve the Company's operating competitiveness. Overall, the benefits of the Company's issuance of the third domestic convertible corporate bond in 2018 for the purpose of enriching working capital should have already emerged.
		Actual	151,500	
	Execution progress (%)	Expected	100.00%	
		Actual	100.00%	

## 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 2019:

Unit: NT\$ thousand ; %

Main products	Sales Amount	Business ratio
Biomedical products	2,266	0.16%
Consumer products	62,318	4.41%
Communication products	163,643	11.59%
Connector	909,897	64.41%
Others	274,451	19.43%
Total	1,412,575	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	ADDA	10	Iatiat	19	Neoway Technology	28	SKYLAB
2	Alliancememory	11	ICPLUS	20	Netsol	29	SUNON
3	Analog	12	InterFET	21	E-otron	30	SU-SCON
4	ASIX	13	Infibi	22	Walsin	31	Winchester INTERCONNECT
5	Cirrus	14	Jensondisplay	23	Phoenix Contact	32	YEEBO LCD
6	E-switch	15	Kdtouch	24	Pixelworks		
7	Everspin	16	Ledengin	25	Samtec		
8	Gridcomm-PLC	17	Metrodyne	26	Singatron		
9	Holtek	18	MXIC	27	SINGWAY		

Biomedical Department:

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

- **Electronic Department:**

In 2020, it is expected to look for semiconductor product agent lines, mainly for modular IC products and power control management IC products.

- **Biomedical Department:**

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 limbal deficiencies are future developmental.

According to statistics, 37% of adults over the age of 50 in Taiwan suffer from arthritis, and more than 40,000 patients need to undergo joint replacement surgery each year. They currently occupy more than 5% of health care medical expenses. In the future, under the influence of an aging society, there will be growth multiply. But the repair of articular cartilage injury is very difficult. Once the defect is not repaired, the defect will be more and more enlarged and more serious, leading to the occurrence of end-stage arthritis, and even need to accept artificial joint replacement surgery to improve the disease. From September 6, 2018, the Ministry of Health and Welfare notified the "Regulations Governing the Application of Specific Medical Technique and Medical Device" to amend the provisions (referred to as the Regulations Special Treatment) to identify six types of cell therapy projects with certain safety and predictable results, classified as a specific medical technology for management. Among them, "autologous chondrocyte transplantation to treat knee cartilage defects" listed on the front of the waiting tube method can be applied to the Ministry of Health and Welfare for approval for the indications of "knee cartilage defects" through medical institutions. It is performed by a physician who is qualified to perform cell therapy techniques and provides patients with an additional option of routine treatment at their own expense. In view of this, the Company took the lead in applying the technology of chondrocyte cell sheet from Japan CellSeed Inc., and cooperated with E-Da Hospital to apply for the Regulations Special Treatment of "autologous chondrocyte transplantation to treat knee articular cartilage defects" cells treatment technology, the case has been approved by the Ministry of Health and Welfare on December 18, 2019. It is the first approved non-cancer cell therapy project in Taiwan. MetaTech has also cooperated with many medical centers and teaching hospitals in Taiwan to apply for the Regulations Special Treatment. As of April 28, 2020, has passed the "autologous chondrocyte transplantation to treat knee joints" of cell therapy application with four hospitals including E-Da Hospital, Taipei Medical University, Kaohsiung Veterans General Hospital and Hualien Tzu Chi Hospital Cartilage Defects" of Regulations Special Treatment. The application for cooperation between MetaTech and Changhua Christian Hospital has also been submitted on April 16, 2020 and is currently under review; in addition, the cooperation between MetaTech and Tri-Service General Hospital

and Shin Kong Wu Ho-Su Memorial Hospital is expected to be sent before the end of May 2020, the follow-up MetaTech will cooperate with National Taiwan University Hospital, Min-Sheng General Hospital, Show Chwan Hospital, Kaohsiung Medical University, Chi Mei Hospital, Linkou Chang Gung Memorial Hospital, Kaohsiung Chang Gung Memorial Hospital and Taipei Veterans General Hospital and other hospitals have cooperated to apply for the Regulations Special Treatment of "autologous chondrocyte transplantation to treat knee cartilage defects".

In addition, at present, most of the clinical treatments for skin defects, such as sunken acne scars/acne scars, sunken/pit scars and wrinkles left after healing of surgical or trauma wounds, are implanted with foreign substances or peeling/vaporized skin resurfacing, or acidic skin resurfacing/chemical skin resurfacing, etc. However, these implants often trigger allergic reactions, causing granuloma, necrosis or abscess ulcers; Peel-off/vaporized skin resurfacing treatments such as dermabrasion surgery, because the repair period is too long, are prone to side effects such as post-inflammatory pigmentation, infection, hypertrophic scars; however, clinical trial literature shows that autologous fibroblasts treatment can be greatly reduced the above-mentioned side effects are a safe, low-effect, and long-lasting new treatment, which can repair and strengthen the skin defects of patients.

The Regulations Special Treatment table lists the cell therapy technology items that can be applied to include "autologous fibroblast transplantation."

In view of the large number of plastic surgery and dermatology patients in Taiwan, MetaTech independently developed autologous fibroblast technology based on the existing cell culture technology, and used this technology on June 3 and October 1, 2019, respectively, with the E-Da Hospital and Taipei Medical University for the treatment of autologous fibroblast transplantation to treat skin defects: the filling and repair of wrinkles, depressions and scars, the application for Regulations Special Treatment was submitted to the Ministry of Health and Welfare. In the future, it is expected to cooperate with Changhua Christian Hospital, Kaohsiung Veterans General Hospital, Min-Sheng General Hospital and Linkou Chang Gung Memorial Hospital to cooperate in the application for cell therapy of " autologous fibroblast transplantation".

The Ministry of Health and Welfare announced the statistics of the top 10 causes of death for Chinese in 2018. The cancer has been the number one cause of death for 37 consecutive years, claiming 488,784 precious lives. The trachea, bronchus and lung cancer are the first cause of cancer death, liver and intrahepatic cholangiocarcinoma are the second, and colon, rectum and anal cancer occupy the third cause of cancer death. Among the six major projects announced by the Regulations Special Treatment, the most concerned one is autoimmune cell therapy, because it is the last hope for cancer patients with poor effect of existing therapies. Six kinds of autoimmune cell therapy developed by the Regulations Special Treatment, including NK, DC, CIK, DC-CIK, TIL, gamma-delta T, etc., are applicable to patients with hematological malignancies or first to third stage solid cancer that are not effective after standard treatment, as well as patients with fourth stage solid cancer. In view of this, MetaTech is now actively developing peripheral blood mononuclear cell (PBMC) cryopreservation technology and services, which is expected to provide patients / customers with their personal precise medical services. The procedure is to first separate PBMC from the whole blood of patients / customers for cryopreservation, and then separate the target cells (such as NK or CIK) according to the future needs of patients / customers, after expanded culture, safety test and transplantation back to the body to treat the disease, MetaTech first promoted the immune cell storage business in the initial stage, first obtained the revenue of the first stage, and then after MetaTech and several hospitals put forward the application of the Regulations Special Treatment plan for immune cells and obtained the approval, it was expected to obtain the qualification of legal treatment for

patients and charges, and then the second stage would be obtained revenue.

Given that the aging population of Taiwan and the world has become an unstoppable trend, the number of people suffering from degenerative diseases has increased as human life expectancy has increased. For chronic degenerative diseases that are difficult to cure and difficult, and diseases that are difficult to reverse or recover, existing therapies cannot achieve the goal of complete cure, nor can they provide satisfactory therapeutic effects. Therefore, the emerging therapies that are safe, effective, can shorten the course of treatment, and accelerate the recovery of patients have their development potential, and are also quite expected by the market, the medical community, and patients. Although autologous cell therapy has its own points of customization, precision, and safety, its cost is high, and it cannot be mass-produced for use in foreign bodies. In addition, the safety of foreign body use and other issues have made cell therapy impossible to popularize not benefit most patients, this is the bottleneck that the regenerative medicine industry wants to actively break through. In order to make cell therapy products cost-reducing, stable in quality, high in safety, and uniform in efficacy, some regenerative medicine companies have developed contract development and manufacturing services (CDMO, Contract Development and Manufacturing Organization), such as Lonza and Hitachi Chemical Advanced Therapeutics Solutions (HCATS)/PCT. In response to MetaTech's expectation that the capacity of chondrocytes in CPC of Xizhi Plant will reach full capacity by 2024, it is inevitably necessary to start planning. If the regulations open up the use of allogeneic cells for cell therapy, the production line will be saturated, and the capacity will be insufficient. Therefore, MetaTech and Taiwan Hitachi Asia Pacific Co., Ltd. have signed a MOU. The two parties will establish a new company in Hsinchu Biomedical Science Park and set up the largest CDMO cell factory in Asia that complies with PIC/S GMP regulations and import Hitachi's Automated production system to achieve the purpose of improving product yield and safety and reducing production costs, in order to facilitate MetaTech's future CDMO orders. MetaTech's outsourced products include chondrocyte layer slices, fibroblasts, and CAR-T (Chimeric Antigen Receptor T-Cell Immunotherapy, CAR-NK (chimeric antigen receptor natural killer cell) immune cells, etc.

With the increasing number of hospitals approved by the Regulations special treatment application, it is expected that the cell therapy market will grow rapidly in the future. MetaTech will deploy ahead of time, plan to subcontract in CDMO mode. In addition, there are now 13 hospitals in Taiwan that have signed MOU with MetaTech, and it is expected to increase the number of cooperative hospitals in the future.

MetaTech's strategy is to build a complete and close service line-up of medical institutions, add CDMO outsourcing of cell therapy products and cooperate with cell storage business, which will increase the market share and seize the cell therapy market in Taiwan. It is expected that MetaTech will become the leader of Taiwan's regenerative medical industry in the future °

## (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 SouthAsia.

## ● Biomedical 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 "cell therapy". 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 critic 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 Taiwan: "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 therapy 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, and its application areas mainly 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 Japan's Panasonic, South Korea's LG Chemical (LG) Chemicals, and China's BYD are fiercely competitive. At the same time, car manufacturing represented by Tesla, BMW, and Mercedes Businessmen have also cross-bordered and actively deployed in the battery field. Therefore, the key products in the market in the next 10 to 20 years.

### ● Biomedical 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 therapy products in Taiwan 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 Taiwanese 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. However, based on serving customers, accelerating product listing and increasing the added value of technology, the Company invested manpower in the three major sales regions, Taiwan, China and ASEAN, and established product technical support and product application development departments to respond to customers' technical needs to help customers shorten the time to market.

(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.

#### ● Biomedical 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 NTD 57,560,000, 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 E-Da 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 Cell Processing 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 passed the factory inspection of "human (self) oral mucosa epithelial cell layer (CLS2702C)" cell therapy clinical trial (FDA Letter No. 1081100252) in March 2019, the field inspection approved by cell therapy technology cell preparation site CPU in August 2019 (FDA Letter No. 1081104330), and the second level biosafety Microbial Laboratory in September 2019 (Letter No. 1081870834) was approved by the CPU of the cell preparation site of cell therapy technology in November 2019 for field inspection (the project is autogenous chondrocytes). In addition, in response to the predictable expansion of production capacity, the Company is expected to establish a joint venture with Hitachi's Taiwan Asia Pacific Co., Ltd. in 2020, aiming to introduce the automatic cell culture process, undertake the CDMO orders of Hitachi Group, improve the level of regenerative medicine in Taiwan, and keep pace with the European, American and Japanese factories.
- (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 2019, in addition to the third phase clinical trial of esophageal cell lamellae to be carried out in National Taiwan University Hospital and E-DA hospital, MetaTech will also simultaneously develop the cells required for relative indications for the autologous fibroblasts and autologous chondrocytes in the six cell therapy technologies opened by Regulations Special Treatment. Among them, autologous fibroblast transplantation treatment technology is applied to skin defects: filling and repairing of wrinkles, cavities and scars, and indications such as adjuvant therapy. MetaTech has cooperated with E-Da Hospital, Taipei Medical University and Tri-Service General Hospital In cooperation, the hospital applied to the Ministry of Health and Welfare in accordance with "Regulations Special Treatment" for a cell therapy implementation plan. The medical institution for this implementation plan is the hospital, and the cell preparation site (CPU) is the MetaTech Cell Processing Center (CPC). In addition, in the application of cell layer treatment technology to knee joint cartilage defects and other indications, MetaTech cooperated with E-Da Hospital with cell layer process technology to apply chondrocyte layer transplantation to repair knee joint cartilage defect cell therapy technology. On December 18, 2019, MetaTech's Cell Processing Center applied for the cell preparation site accreditation based on "Regulations Special Treatment", which was approved by the Ministry of Health and Welfare. Today, MetaTech can supply qualified and legal chondrocytes to E-Da Hospital for knee joint cartilage of the treatment of defects, more hospitals (there are currently 13 medical centers) will cooperate with MetaTech to join the application of "Regulations Special Treatment" plan.
- (7) In 2020, MetaTech obtained the letter from the Ministry of Health on April 10 and 14, respectively, endorsing MetaTech's Cell Processing Center as the agreed cell preparation site for the implementation of the cell therapy technology for the treatment of knee cartilage defects in the Kaohsiung Veterans General Hospital and Taipei University Medical Hospital.
- (8) On April 10, 2020, MetaTech and Taiwan Hitachi Asia Pacific Co., Ltd. signed a cooperation memorandum to establish a joint venture company in Zhubei, which is expected to become a member of the Hitachi Group's global regenerative medical supply chain,

Taiwan Hitachi Asia Pacific Co., Ltd. will introduce Hitachi Group's international cell CDMO business to the joint venture company, and the two parties will further comprehensively deepen the global cooperative relationship of regenerative medicine in

the future.

(9) Future research directions in the future:

a) Development of new regenerative medical products. In addition to the existing knee chondrocyte layer, oral mucosal epithelial cell layer (esophageal layer) and fibroblasts, it is expected that the development will include fibroblasts Cells, chondrocytes, adipose stem cells, immune cells and other cells cryopreservation business;

b) To continue to sign cooperation contracts with more hospitals, expand the number of MetaTech’s cooperative medical institutions in Taiwan to seize the market to share the food pie;

c) To use automated systems to enlarge cell production capacity, improve product yield and reduce bottom costs. MetaTech continues to expand its layout from three aspects: technology development, clinical application and mass production process.

(10) Research and development personnel and their academic experience:

Note: employee turnover rates = number of employees leaving / (number of employees at the end of the period + number of employees leaving).

Unit:persons ; %

Project/year		2016	2017	2018	2019	End of 5/31 of 2020
Number of people at the beginning		9	13	18	24	34
New in this year		14	12	16	15	12
Transferees		-	-	6	1	-
Resignation of this period		9	7	4	4	10
Employees and retirees		1	-	-	-	-
Final number		13	18	24	34	36
Average years (years)		0.83	1.02	1.22	1.50	1.49
Turnover rate (%)		40.91%	25.00%	14.29%	10.53%	21.74%
Education distribution	Doctor	1	5	5	5	5
	Master	9	15	15	23	24
	University (professional school)	8	4	4	6	7
	High school	-	-	-	-	-

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.

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.

**c. 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.

### ● Biomedical 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. ctively cooperate with the National Teaching Hospital, through the medical cooperation and technology promotion of the cooperative hospitals (Taiwan University Hospital, E-Da 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 E-Da 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, Show Chwan Memorial 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 Hitachi 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	2019	
		Amount	%
Foreign sales		1,111,580	78.69%
Domestic sales		300,995	21.31%
Total		1,412,575	100.00%

#### 2. Market share:



## ● Electronic business

The Company's 2019 annual turnover of NT\$ 1,409,026,000, the amount of 2018 consolidated revenues decreased 3.26%. Mainly for finding new requirements in the application part of new markets (high-end commercial switches, vehicle-mounted switches, high-end servers, wafer test machines, gaming devices) and starting shipping. In the future, the company will continue to focus on the development of higher-margin products (E-Switch, Phoenix) and increase the proportion of other profitable product lines. Increase in market share. And integrate product integrity.

Unit: NT\$ thousand; %

Company name	Main products	Company type	Realized amount of capital	Revenue in 2019	Revenue growth rate (%)	2019 EPS
MetaTech	Electronic materials wholesale sales	at over-the-counter market	580,160	1,409,026	(3.26)	(1.6)
Yu Jie	Electronic materials retail, electronic materials wholesale, electronic information supply services	at over-the-counter market	365,679	1,046,501	(35.56)	0.1
Bei Wei	Burning, processing, testing and trading of computer electronic products and components	at over-the-counter market	721,458	3,149,776	2.41	0.97
Quanda	Distribution Agents and Maintenance of Electronic Components, Components, Integrated Circuits, Design and Test Instruments	at over-the-counter market	686,600	2,306,296	(35.69)	(0.09)

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.

## ● Biomedical business

According to the market research report Advancing Gene, Cell & Tissue-Base Therapies (ARM Annual Report & Sector Year in Review 2019), as of the end of 2019, global companies engaged in regenerative medicine-related businesses, including gene therapy, cell therapy and tissue engineering, etc. There have been more than 987 developments, and the number of regenerative medical products that have entered clinical trials in the world has reached 1066, including 94 in clinical phase 3, 591 in clinical phase II and 381 in clinical phase I, which shows the vigorous regeneration medical industry development and prosperity.

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 is 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. The occurrence of the issue of the Sino-US trade war in 2019 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.

## ● Biomedical 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

### ● Biomedical business

At present, most of the cell therapy fields in Taiwan's regenerative medicine industry is 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 Taiwan University Hospital, the E-Da Medical Hospital, and the Taipei Medical University Hospital. 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.

● Biomedical 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

Biomedical business :

main products	use way
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.
Cell storage service	1. Storage of chondrocytes from the knee joint to be applied to the cartilage defect of the knee joint. 2. Autogenous fibroblast storage for the application of skin defects, subcutaneous and soft tissue defects, other surface minimally invasive techniques or adjuvant therapy. 3. The peripheral blood mononuclear cells are stored in the blood for the application of hematological malignancies, stage I to stage III solid cancers, which are invalid after standard treatment and stage IV solid cancers. 4. The storage of adipose stem cells can be used as a combination or adjuvant therapy for the treatment of difficult wounds, extensive burns or skin trauma, subcutaneous and soft tissue defects, degenerative arthritis, knee cartilage defects, and other surface minimally invasive techniques.

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

Biomedical business :

The main product name	Supplier
Precision Medicine	BGI
Regenerative medicine	CellSeed-Petri dish

(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	2018				2019				As of the end of the first quarter of 2020			
	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	676,098	52%	None	A	692,248	56%	None	A	215,460	59%	None
2	B	199,832	15%	None	D	191,931	16%	None	D	48,919	13%	None
3	Others	417,442	33%	None	Others	348,709	28%	None	Others	100,085	28%	None
4	Net purchase	1,293,372	100		Net purchase	1,232,888	100		Net purchase	364,464	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	2018				2019				As of the end of the first quarter of 2020			
	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	Others	1,460,290	100%	None	Others	1,412,575	100%	None	Others	401,436	100	None
2	Net Purchase	1,460,290	100		Net Purchase	1,412,575	100		Net Purchase	401,436	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 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 cannot 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	2018				2019			
	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	volume	value	volume	value	volume	value	volume	value
Biomedical products	1	2,693	0	0	1	2,266	0	0
Others	215	1,690	267,731	246,490	19	966	182,406	273,484
Consumer products	1,799	6,504	4,165	59,338	1,114	3,197	4,638	59,122
Communications products	140	10,583	6,258	219,529	177	12,648	1,442	150,996
Connectors	4,413	180,558	35,682	732,905	7,527	281,918	31,242	627,978
Total	6,568	202,028	313,836	1,258,262	8,838	300,995	219,728	1,111,580

(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

	2018	2019
Turnover	1,460,290	1,412,575
Personnel costs	123,900	136,568
Personnel costs / turnover	0.08	0.10

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

Unit: NT\$ thousand

	2018	2019
Turnover	1,460,290	1,412,575
Number of employees	128	142
Turnover/employees	11,409	9,948

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

Unit: %; times

	2018	2019
Debt ratio (%)	18.14	33.29
Current ratio (%)	401.05	340.22
Quick ratio (%)	347.37	298.62

Accounts receivable turnover (times)	4.99	4.87
Inventory turnover rate (times)	11.8	12.38

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

May 31, 2020

Number of 107employee (person)	Year	The year ended May 31, 2020	2019	2018
		Business staff	94	91
	Application Engineer	-	-	-
	administration staff	49	51	47
	Total	143	142	128
Average age		39.09	42.21	42.30
Average service year (years)		6.93	7.35	7.14
Degree of academic distribution	Ph.D.	8.39%	9.16%	9.38%
	Master	23.78%	22.54%	19.53%
	University	61.54%	61.97%	65.63%
	High school	5.59%	5.63%	4.69%
	Below high school	0.70%	0.70%	0.78%
	Total	100.0%	100.0%	100.0%

**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:

2019/12/31

Education Training	Internal training	External training
Trainee times	70 people/time	31 people/time
Expenditure	NTD	NTD
Course Title	<p>A. Liberal Course            Trainees: 58 persons            Hours: 104 hrs</p> <p>1. Taiwan Safety and Fire Protection Association            —Fire Safety Workshop            —Disaster prevention and rescue</p> <p>2. Chinese Association of Fire Protection            —Fire safety and earthquake disaster response lectures            —Fire safety response protection workshop</p> <p>3. Education and training of new employees            —General safety and health education and</p>	<p>A. Biomedical Business Division            Trainees: 7 persons            Hours: 369 hrs</p> <p>1. CellSeed            —Professional technology transfer and training</p> <p>2. Taiwan Society of Quality Assurance (TSQA)            —2019 Human cell, tissue, and cellular and tissue-based products GTP compliance illustration meeting</p> <p>3. Cmp-micro.com, Inc.            —2019 Endotoxin Inspection Seminar</p> <p>4. Food and Drug Administration, MOHW            —Introduction to Drug Goods Marketing Regulations (GDP)</p> <p>B. Director, Independent Director, Audit, Finance            Trainees: 15 persons            Hours: 96 hrs</p> <p>1. Taiwan Corporate Governance Association            —Analysis of key messages and responsibilities of the annual report: views of directors and supervisors            —Shareholders' meeting and equity management            —New regulations and trends of corporate governance that must be known to directors and supervisors in 2019            —Anti-tax avoidance laws and Taiwan version of CRS are coming! From corporate governance, we will discuss the impact of overseas companies and coping            —Financial technology and financial supervision technology practices and case to investigate            —Public company board of directors and shareholders will practice theoretical discussion            —"Company assets" and case analysis - shareholder did not say sell, the board sold will be in trouble?</p>

<p>training (public administrative work)</p> <p>B. Professional function training</p> <p>Trainees: 12 persons Hours: 101.5 hrs</p> <ol style="list-style-type: none"> <li>1. AIC New Product Training</li> <li>2. Internal education and training of Samtec &amp; Phoenix</li> <li>3. Internal education and training of Samtec &amp; Phoenix &amp; E-Switch</li> <li>4. Explain Evespin product content and principle</li> <li>5. AIC product principle</li> <li>6. Internal education and training of Samtec</li> <li>7. All Anle Training</li> <li>8. AIC product training</li> <li>9. RF connector +Cable</li> <li>10. Samtec product basic materials and testing</li> <li>11. Samtec basic electronic concept</li> <li>12. Samtec, RF, HS and signal principle</li> <li>13. Samtec product</li> <li>14. Phoenix (PXC) product education and training, training for terminal blocks, round connectors, Board to Board and other products</li> <li>15. Basic connector concept</li> </ol>	<ul style="list-style-type: none"> <li>—Evaluation of the functioning and effectiveness of the board of directors</li> <li>—How directors fulfill their “loyal duties”</li> <li>—Key information and responsibilities analysis of annual reports: views of directors and supervisors</li> <li>—How directors and supervisors supervise the company to do fraud detection and prevention and establish a whistleblowing mechanism to strengthen corporate governance</li> <li>—Analysis of financial reports Step Version-Five Forces Analysis -Changes and New Situations of Joint Stock Companies under the Amendment of the Company Law- Trends and Prevention of Major Corporate Fraud -How to Understand Financial Statements-A Lesson for Non-financial Background Directors and Supervisors -Evaluate the Truth of the Company’s Business Results The first step: financial report analysis and restrictions</li> <li>—In the rapidly changing environment of technology, directors lead the company to respond</li> <li>—The responsibility of directors and supervisors of corporate mergers and acquisitions</li> <li>—Fubon Property and Casualty Directors and Supervisors’ Responsibilities and Corporate Governance Practice Seminar</li> <li>—Key audits that the board should understand matters and countermeasures</li> <li>—Global competitive market, how can companies continue to create peak management and sustainable management</li> </ul> <ol style="list-style-type: none"> <li>2. Securities &amp; Futures Institute <ul style="list-style-type: none"> <li>—Basic knowledge of capital security, personal data and business secret protection for enterprises</li> <li>—New amendments to the Income Tax Act (including companies and individuals) in practice class in 2018</li> <li>—Analysis of "New technology audit transformation" and "data analysis" practice cases under emerging technology</li> </ul> </li> <li>3. Taipei Exchange <ul style="list-style-type: none"> <li>—2019 annual bond market promotion illustration meeting</li> <li>—Internal insider regulations advocacy</li> <li>—2019 advocacy of the matters to be done by the OTC companies</li> </ul> </li> </ol> <p>C. General Administration Office</p> <p>Trainees: 9 persons Hours: 98 hrs</p> <ol style="list-style-type: none"> <li>1. Dun &amp; Bradstreet (Taiwan) <ul style="list-style-type: none"> <li>—Excel functions to automatically handle accounting, financial report preparation and advanced budget comparison application</li> <li>—How to effectively conduct financial analysis</li> <li>—Practical PPT briefing report production skills</li> </ul> </li> <li>2. Ivan Information - <ul style="list-style-type: none"> <li>—Corporate Security Workshop-Information Security Threats/Restoration Restores Against Violence</li> </ul> </li> <li>3. China Productivity Center <ul style="list-style-type: none"> <li>—Production management how to coordinate production and marketing and how to schedule production</li> </ul> </li> <li>4. Cmp-micro.com, Inc. <ul style="list-style-type: none"> <li>—2019 Endotoxin Testing Workshop</li> </ul> </li> <li>5. Data Systems Consulting Co., Ltd. <ul style="list-style-type: none"> <li>—Easy Flow form design and approval authority and application</li> </ul> </li> <li>6. Femas HR <ul style="list-style-type: none"> <li>—Cloud human resource management system</li> </ul> </li> </ol>
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	16. Samtec multi-row products, and double row connector	7. Hewlett Packard Enterprise —HPE SimpliVity 380 System Administration —HPE Information Manager Forum and Veeam Backup Solution
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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 are 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:

#### Customers:

Nature of contract	product line	Contract date	main content	Restrictions
Purchase contract	Accton Technology Co., Ltd.	Automatic renewal for 1 year every year after 2013/8/12~2 years	Semiconductor component sales	24-month product defect warranty liability Prohibition of inter-industry competition
Purchase contract	Inventec Corporation	Automatic renewal for 1 year after 2008/12/08 to three years and unlimited times	Semiconductor component sales	Five-year product warranty responsibility after discontinuation of production Three years warranty after receipt
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 Confidentiality clause
Purchase contract	WESTERN DIGITAL (SanDisk acquired by Western Digital)	Automatic renewal for 1 year every year from 2017/10/1~1 year	Semiconductor component sales	Product assurance Confidentiality clause

#### Suppliers:

Nature of contract	product line	Contract date	main content	Restrictions
Agency and sales contract TW/HK/CN	Samtec	2003/01/01- continued validity until termination	Semiconductor component sales agent	Sales area restrictions Intellectual property rights restrictions Privacy Policy
Agency and sales contract TW/CN/SG/HK	Everspin	Automatic renewal for 1 year every year from 2009/01/05~2 year	Semiconductor component sales agent	Sales area restrictions Intellectual property rights restrictions Privacy Policy
Agency and sales contract CN	Pixelworks (ViXS acquired by Pixelworks)-	2020/04/01- continued validity until termination	Semiconductor component sales agent	Sales area restrictions Intellectual property rights restrictions Privacy Policy
Agency and sales contract TW/CN/SG	E-Switch	2020/01/01- continued validity until termination	Semiconductor component sales agent	Sales area restrictions Intellectual property rights restrictions Privacy Policy
Agency and sales contract TW	Phoenix	2020/01/01-2020/12/31	Semiconductor component sales agent	Sales area restrictions Intellectual property rights restrictions Privacy Policy
Agency and sales contract TW	Analog	2020/01/01-2020/12/31	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
Collaboration Agreement	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
Real estate lease contract	Kingfisher Technology Corp.	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	Three-Power Tech co., Ltd.	2018.03.01~ Project warranty expiration	Cell layer factory construction	None
Amendment No.2 to Collaboration Agreement	CellSeed Inc.	2018/12/6 ~ 2027	Adjustment of payment schedule	None
Distributorship Agreement	CellSeed Inc.	2018/12/27 ~ 2021/1/7	CellSeed Inc. authorized the distribution right of petri dishes to MetaTech	<p>a. The place of sale is within the territory of the Republic of China.</p> <p>b. MetaTech shall not, without the prior written consent of CellSeed Inc., directly or indirectly sell, purchase, process or trade any products deemed to be the same, similar or competitive with the distribution subject during the term of this agreement.</p> <p>c. MetaTech must not disclose:</p> <ol style="list-style-type: none"> <li>1. Make the customer resell the culture dish to the area outside the distribution scope.</li> <li>2. Establish branches, warehouses or other overseas entities or facilities related to the resale of products.</li> <li>3. Directly or indirectly sell or transfer the subject matter of distribution abroad.</li> <li>4. Sell and distribute the target products to overseas customers through Internet, TV, catalogue, magazine or other media platforms.</li> </ol>
Cell therapy product commission preparation contract	E-Da Hospital	2020.03.06 ~ the end of the validity period	Co-operation of cell therapy projects (knee cartilage cell tablets)	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, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Current assets		921,817	703,827	638,435	910,355	776,169	802,439
Real estate, plant and equipment		58,400	60,868	84,031	177,016	222,399	219,239
Intangible Assets		23,333	0	13,860	136,975	258,627	264,113
Other assets		0	0	0	0	127,694	125,057
Total assets		30,033	44,172	43,370	86,242	120,648	125,266
Current liabilities	Before distribution	501,809	344,433	173,663	226,993	228,135	274,635
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)	(Note 3)
Not-Current liabilities		6,905	2,142	6,518	10,736	273,074	275,170
Total liabilities	Before distribution	508,714	346,575	180,181	237,729	501,209	549,805
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)	(Note 3)
Equity Attributable to the Owners of the Parent Company		524,869	462,292	599,515	1,072,859	1,004,328	986,309
Capital		400,000	400,000	440,160	580,160	580,160	580,160
Additional Paid-In Capital		126,005	126,005	234,624	618,263	649,086	653,457
Retained Earnings	Before distribution	(5,683)	(60,867)	(55,630)	(114,567)	(206,808)	(232,040)
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)	(Note 3)
Other interests		4,547	(2,846)	(19,639)	(10,997)	(18,110)	(15,268)
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total shareholders' equity	Before distribution	524,869	462,292	599,515	1,072,859	1,004,328	986,309
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)	(Note 3)

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

Note 2: There is no proposed surplus distribution in 2015~2018.

Note 3: The 2019 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, 2020 (Note 1)
	2015	2016	2017	2018	2019	
Operating Revenue	2,153,401	1,662,820	1,429,233	1,460,290	1,412,575	401,436
Gross Profit	197,128	145,206	162,128	150,033	141,740	39,215
Operating profit (Loss)	(5,791)	(56,192)	11,432	(231,690)	(257,426)	(63,823)
Non-Operating Income and Expenses	12,737	(9,537)	(3,496)	16,145	(3,087)	(1,438)
Income Before Tax	6,946	(65,729)	7,936	(65,512)	(118,773)	(26,046)
Income (loss) from continuing operations, net of income tax	1,753	(56,195)	5,189	(57,744)	(92,695)	(25,232)
Loss from discontinued operations	0	0	0	0	0	0
Net profit (loss) for the current period	1,753	(56,195)	5,189	(57,744)	(92,695)	(25,232)
Other comprehensive income (net of tax) in this period	1,798	(6,382)	(16,745)	7,449	(6,659)	2,842
Total consolidated profit and loss for the current period	3,551	(62,577)	(11,556)	(50,295)	(99,354)	(22,390)
Net loss attributable to Owners of Parent	1,753	(56,195)	5,189	(57,744)	(92,695)	(25,232)
Net loss attributable to non-controlling interests	0	0	0	0	0	0
Consolidated profit or loss attributable to Owners of Parent	3,551	(62,577)	(11,556)	(50,295)	(99,354)	(22,390)
Total comprehensive profit and loss attributable to non- controlling interests	0	0	0	0	0	0
Earnings per share	0.05	(1.40)	0.12	(1.01)	(1.60)	(0.43)

Note 1: The above financial information has been checked by the 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)					
	2015	2016	2017	2018	2019	
Current assets	435,381	253,938	179,906	434,375	298,247	
Real estate, plant and equipment	56,225	59,180	82,886	175,887	221,835	
Intangible Assets	23,333	0	13,860	136,975	258,627	
Other assets	384,535	381,248	392,072	458,956	625,978	
Total assets	899,474	694,366	668,724	1,206,193	1,404,687	
Current liabilities	Before distribution	367,700	229,932	62,661	122,568	129,207
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)
Not-Current liabilities	6,905	2,142	6,548	10,766	271,152	
Total liabilities	Before distribution	374,605	232,074	69,209	133,334	400,359
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)
Equity Attributable to the Owners of the Parent Company	524,869	462,292	599,515	1,072,859	1,004,328	
Capital	400,000	400,000	440,160	580,160	580,160	
Additional Paid-In Capital	126,005	126,005	234,624	618,263	649,086	
Retained Earnings	Before distribution	(5,683)	(60,867)	(55,630)	(114,567)	(206,808)
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)
Other interests	4,547	(2,846)	(19,639)	(10,997)	(18,110)	
Treasury stock	0	0	0	0	0	
Non-controlling interests	0	0	0	0	0	
Total shareholders' equity	Before distribution	524,869	462,292	599,515	1,072,859	1,004,328
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3)

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

Note 2: There is no proposed surplus distribution in 2015~2018.

Note 3: The 2019 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)				
	2015	2016	2017	2018	2019
Operating Revenue	962,658	755,010	407,625	428,024	455,905
Gross Profit	66,746	39,125	47,062	45,994	40,395
Operating profit (Loss)	(30,776)	(51,972)	(23,732)	(142,527)	(177,299)
Non-Operating Income and Expenses	35,799	(15,334)	27,409	29,354	17,797
Income Before Tax	5,023	(67,306)	3,677	(67,179)	(119,107)
Income (loss) from continuing operations, net of income tax	1,753	(56,195)	5,189	(57,744)	(92,695)
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) for the current period	1,753	(56,195)	5,189	(57,744)	(92,695)
Other comprehensive income (net of tax) in this period	1,798	(6,382)	(16,745)	7,449	(6,659)
Total consolidated profit and loss for the current period	3,551	(62,577)	(11,556)	(50,295)	(99,354)
Net loss attributable to Owners of Parent	1,753	(56,195)	5,189	(57,744)	(92,695)
Net loss attributable to non-controlling interests	0	0	0	0	0
Consolidated profit or loss attributable to Owners of Parent	3,551	(62,577)	(11,556)	(50,295)	(99,354)
Total comprehensive profit and loss attributable to non-controlling interests	0	0	0	0	0
Earnings per share	0.05	(1.40)	0.12	(1.01)	(1.60)

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
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
2019	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, 2020 (Note 2)
		2015	2016	2017	2018	2019		
Financial Structure (%)	Debt to assets ratio	49.22	42.85	23.11	18.14	33.29	35.79	
	Long-term capital ratio to fixed assets	910.57	763.02	721.20	612.15	574.37	575.39	
Solvency (%)	Current ratio	183.70	204.34	367.63	401.05	340.22	292.18	
	Quick ratio	153.34	172.40	305.47	347.37	298.62	255.51	
	Interest coverage ratio	2.82	(19.19)	11.89	(1,487.91)	(24.64)	(18.7)	
Management capacity	Receivables turnover (times)	4.91	4.63	5.17	4.99	4.87	4.84	
	Average number of days received	74.34	78.83	70.60	73.14	74.94	75.41	
	Inventory turnover rate (times)	12.27	12.04	11.94	11.80	12.38	16.28	
	Payable turnover (times)	6.49	6.71	8.54	8.46	7.76	8.56	
	Average sales days	29.75	30.32	30.57	30.93	29.48	22.42	
	Real estate, plant and equipment turnover (times)	38.48	27.88	19.73	11.19	7.07	7.27	
	Total asset turnover (times)	2.23	1.81	1.80	1.40	1.00	1.06	
Profitability	Return on assets (%)	0.51	(5.81)	0.73	(5.52)	(6.32)	(6.36)	
	Return on equity (%)	0.42	(11.39)	0.98	(6.91)	(8.93)	(10.14)	
	Pre-tax net profit as a	1.74	(16.43)	1.80	(11.29)	(20.47)	(4.49)	

	percentage of paid-in capital (%)						
	Pure (loss) profit rate (%)	0.08	(3.38)	0.36	(3.95)	(6.56)	(6.29)
	Earnings per share (\$)	0.05	(1.40)	0.12	(1.01)	(1.60)	(0.43)
Cash flow	Cash flow ratio (%)	(5.71)	22.70	(39.61)	2.63	(25.11)	(26.66)
	Cash flow rate (%)	34.89	180.45	62.99	(13.38)	(15.76)	(25.92)
	Cash reinvestment ratio (%)	(5.00)	16.51	(11.34)	0.52	(4.67)	(6.01)
Leverage	Operational leverage	(2.40)	0.56	2.24	0.75	0.54	0.42
	Financial leverage	0.60	0.95	1.07	1.00	0.96	0.95
	<p>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.)</p> <p>1. Liabilities to assets ratio: 2019 was due to go through, and intangible assets increased cash capital increase set plant purchase equipment, caused by decreased liabilities accounted assets ratio.</p> <p>2. Interest coverage ratio: 2019 period was due to the increase in loss that interest coverage ratio is negative.</p> <p>3. Fixed asset turnover: 2019 was due to the development of regenerative medicine setting plant and purchase equipment to increase fixed asset turnover caused decline.</p> <p>4. Profitability Ratio Analysis: 2019 was due to the development of regenerative medicine increase in operating expenses caused the current deficit, so in 2019 the profitability ratios decline over the previous period.</p>						

Note 1: The opening of financial information in 2015 -2019 were checked by accountants; in the first quarter of 2020, they were verified by accountants.

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

Analysis Project		Year	Recent Year Financial Analysis				
		2015	2016	2017	2018	2019	
Financial Structure (%)	Debt to assets ratio	41.65	33.42	10.35	11.05	28.50	
	Long-term capital ratio to fixed assets	945.80	784.78	731.20	616.09	574.97	
Solvency (%)	Current ratio	118.41	110.44	287.11	354.40	230.83	
	Quick ratio	97.60	94.57	234.70	324.17	200.70	
	Interest coverage ratio	1.70	(19.67)	6.04	(1,525.80)	(63.35)	
Management capacity	Receivables turnover (times)	4.02	4.16	4.31	4.61	4.34	
	Average number of days received	90.73	87.77	84.63	79.14	84.11	
	Inventory turnover rate (times)	11.69	13.32	10.97	12.13	12.64	
	Payable turnover (times)	4.92	5.62	6.22	6.27	5.46	
	Average sales days	31.22	27.40	33.28	30.09	28.87	
	Real estate, plant and equipment turnover (times)	18.09	13.08	5.74	3.31	2.29	
	Total asset turnover (times)	1.17	0.95	0.60	0.46	0.35	
Profitability	Return on assets (%)	0.94	(6.71)	0.85	(6.16)	(6.98)	

	Return on equity (%)	0.42	(11.39)	0.98	(6.91)	(8.93)
	Pre-tax net profit as a percentage of paid-in capital (%)	1.26	(16.83)	0.84	(11.58)	(20.53)
	Pure (loss) profit rate (%)	0.18	(7.44)	1.27	(13.49)	(20.33)
	Earnings per share (\$)	0.05	(1.40)	0.12	(1.01)	(1.60)
Cash flow	Cash flow ratio (%)	(11.67)	17.14	(46.57)	(24.14)	(67.96)
	Cash flow rate (%)	(173.56)	(61.30)	(86.10)	(31.84)	(34.32)
	Cash reinvestment ratio (%)	(7.58)	7.86	(4.51)	(2.62)	(7.28)
Leverage	Operational leverage	1.46	0.73	0.59	0.86	0.70
	Financial leverage	0.81	0.94	0.97	1.00	0.99

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

1. Flow and quick ratio: 2019 were due cash injection in an increase liquidity, so that the rising flow and quick ratio.
2. Interest coverage ratio: 2019 period was due to the increase in loss that interest coverage ratio is negative.
3. Fixed asset turnover: 2019 was due to the development of regenerative medicine setting plant and purchase equipment to increase fixed asset turnover caused decline.
4. Profitability Ratio Analysis: 2019 was due to the development of regenerative medicine increase in operating expenses caused the current deficit, so in 2019 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
  - ◆ Debt to Total Assets = 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 / receivables 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 × (1 - tax rate)] / average total assets.
  - ◆ Return on shareholders' equity = post - tax profit / loss / average shareholder's 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 2019 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 2020 shareholders' meeting

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

March 27, 2020

**E. Individual financial statements and Accountants' Review Report: See pages 164 to 237 for details.**

**F. The parent company's consolidated financial statements approved by the accountants in the most recent year: See pages 238 to 305 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.

**METATECH(AP) INC.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND REPORT OF INDEPENDENT**  
**ACCOUNTANTS**  
**DECEMBER 31, 2019 AND 2018**

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



## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and shareholders of Metatech (AP) Inc.

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Metatech (AP) Inc. (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of Metatech (AP) Inc. as at December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

### ***Basis for opinion***

We conducted our audit of the parent company only financial statements as of and for the year ended December 31, 2019 in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, “Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and ROC GAAS for our audit of the parent company only financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are

independent of the Company 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 judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s parent company only financial statements of the current period are stated as follows:

#### **Appropriateness of warehouse operating revenue cut-off**

##### Description

For a description of accounting policy on revenue recognition, please refer to Note 4(29). For critical judgements in applying accounting policies, please refer to Note 5(1). For details of operating revenue, please refer to Note 6(17).

The Company has two delivery types for sales of goods: factory direct shipment and hub warehouse sales. In accordance with IFRS 15 ‘Revenue from contracts with customers’ as endorsed by the Financial Supervisory Commission, assets are transferred when customers obtain control of that assets. Revenue is recognised when the Company transferred promised goods to customers and the performance obligation is satisfied. The Company’s warehouses are located in Shanghai, a consignee obtains control of the assets when a consignee picks up the goods, but the timing of assets transfer is not fixed and

management recognised revenue based on the reports of inventory movement provided by hub custodians. As the information process, recording and maintenance of the reports were done manually it may lead to improper revenue recognition or the discrepancy between physical inventory quantities in the hubs and quantities in accounting record. Moreover, since transaction amounts before and after the balance sheet date are significant to the financial statements, we determined the appropriateness of warehouse operating revenue cut-off as a key audit matter.

How our audit addressed the matter:

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

1. Based on our understanding of the Company's business and industry, we assessed the reasonableness of warehouse operating revenue recognition policies and procedures and confirmed that these were consistently applied in the financial statements.
2. Understand the warehouses' process of collection, management and shipping, assessed and tested relevant internal controls, including randomly checking the product name, quantity and amount in the reports provided by hub custodian were in agreement with pick-up details and information on sales vouchers and confirmed that revenue from inventory movement are recognised in the correct reporting periods.
3. Performed cut-off tests on warehouse operating sales transactions that took place shortly before and after the balance sheet date, including verifying pick-up details provided by hub custodian are in agreement with the product name and quantity of inventory movement records and sales revenue amount, and are recognised in the correct reporting periods.
4. Performed confirmation for stock quantities at the warehouse and verified it against the system and accounting records.

## **Realisability of deferred tax assets**

### Description

For a description of the accounting policy on income tax, please refer to Note 4(26); for accounting estimates and assumption uncertainty in relation to income tax, please refer to Note 5(2); and for details of income tax, please refer to Note 6(21).

The Company's deferred tax assets amounted to \$74,542 thousand as at December 31, 2019. The evaluation of the realisability of deferred tax assets involved the future operation plan which was proposed by management to determine whether there is sufficient taxable income, including the estimated assumptions in forecasting market demand, economic conditions, revenue growth rate and cost considerations, etc. Since the abovementioned assumptions involved critical accounting judgement made by management, and has a high degree of uncertainty, we determined the realisability of deferred income tax assets as a key audit matter.

### How our audit addressed the matter:

We performed the following audit procedures on realisability of deferred tax assets:

1. Obtained an understanding of the Company's operation and industry nature, evaluated the reasonableness of future operation plan which was proposed by management, including preparation working flow of operation plan and assessed the operation plan whether it is consistent with the content which was approved by the management.
2. Inquired with management on the content of operation plan and assessed the performance intention and ability.
3. Examined the assumptions used by the management on future operation plan in determining the growth in revenue, cost and expense, compared the assumptions with historical data and information of economic and industry forecasting and further assessed the reasonableness of estimated future realisable taxable income.

4. Assessed the sensitivity analysis that was performed by management under different estimated net income completion percentage and confirmed that management has taken into account the effects of estimate uncertainty on future taxable income properly.

### **Valuation of allowance for inventory valuation losses**

#### Description

For a description of the accounting policy on inventory valuation, please refer to Note 4(11); for accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2); and for information on the allowance for inventory valuation losses, please refer to Note 6(4).

The Company's inventories and allowance for inventory valuation losses amounted to \$34,441 thousand and \$1,207 thousand, respectively, as at December 31, 2019. The Company is an agent of semiconductor components which is primarily engaged in sales of niche products and agent of consumer products, communications and connectors. As the agent products are in a small-volume, large-variety production, facing highly competitive nature of the market price and having a short life cycle, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Company recognises inventories at the lower of cost and net realisable value. The assessment of the allowance for inventory valuation losses, including the identification of obsolete inventory and determination of net realisable value, often involves subjective judgement and a high degree of uncertainty. Considering the material effect of inventory and its allowance for valuation losses on the parent company only financial statements, we determined the valuation of allowance for inventory valuation losses as a key audit matter.

#### How our audit addressed the matter:

We performed the following audit procedures on valuation of allowance for inventory valuation losses:

1. Assessed the reasonableness of policies and procedures related to the provision of allowance for inventory valuation losses based on our understanding of the operations and the characteristics of its industry.

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

***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditor's responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures

are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only 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 27, 2020

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The accompanying parent company only 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 parent company only 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.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 132,109	9	\$ 278,446	23
1136	Current financial assets at amortised cost	6(2) and 8	12,204	1	10,062	1
1150	Notes receivable, net	6(3)	918	-	1,427	-
1170	Accounts receivable, net	6(3)	111,504	8	96,265	8
1180	Accounts receivable - related parties	7	-	-	182	-
1200	Other receivables		2,299	-	2,430	-
1210	Other receivables - related parties	7	22	-	8,095	1
1220	Current income tax assets		29	-	22	-
130X	Inventories	6(4)	33,234	2	32,492	3
1410	Prepayments		5,691	1	4,556	-
1470	Other current assets		237	-	398	-
11XX	<b>Current Assets</b>		<u>298,247</u>	<u>21</u>	<u>434,375</u>	<u>36</u>
<b>Non-current assets</b>						
1550	Investments accounted for under equity method	6(5)	386,034	28	375,399	31
1600	Property, plant and equipment	6(6) and 8	221,835	16	175,887	15
1755	Right-of-use assets	6(7)	122,180	9	-	-
1780	Intangible assets	6(9)	258,627	18	136,975	11
1840	Deferred income tax assets	6(21)	74,542	5	42,943	4
1900	Other non-current assets	6(6)(8)(11)(24)	43,222	3	40,614	3
15XX	<b>Non-current assets</b>		<u>1,106,440</u>	<u>79</u>	<u>771,818</u>	<u>64</u>
1XXX	<b>Total assets</b>		<u>\$ 1,404,687</u>	<u>100</u>	<u>\$ 1,206,193</u>	<u>100</u>

(Continued)

METATECH(AP) INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
2100	Short-term borrowings	\$ 20,000	1	\$ 20,000	2
2130	Current contract liabilities	124	-	156	-
2150	Notes payable	324	-	1,377	-
2170	Accounts payable	79,278	6	70,475	6
2180	Accounts payable - related parties	239	-	415	-
2200	Other payables	12,082	1	25,158	2
2220	Other payables - related parties	151	-	124	-
2250	Provisions for liabilities - current	4,433	-	4,433	-
2280	Current lease liabilities	11,806	1	-	-
2300	Other current liabilities	770	-	430	-
21XX	<b>Current Liabilities</b>	<u>129,207</u>	<u>9</u>	<u>122,568</u>	<u>10</u>
<b>Non-current liabilities</b>					
2530	Corporate bonds payable	144,861	10	-	-
2570	Deferred income tax liabilities	14,259	1	10,736	1
2580	Non-current lease liabilities	112,002	8	-	-
2600	Other non-current liabilities	30	-	30	-
25XX	<b>Non-current liabilities</b>	<u>271,152</u>	<u>19</u>	<u>10,766</u>	<u>1</u>
2XXX	<b>Total Liabilities</b>	<u>400,359</u>	<u>28</u>	<u>133,334</u>	<u>11</u>
<b>Share capital</b>					
3110	Share capital - common stock	580,160	41	580,160	48
<b>Capital surplus</b>					
3200	Capital surplus	649,086	47	618,263	51
<b>Retained earnings</b>					
3350	Accumulated deficit	( 206,808)	( 15)	( 114,567)	( 9)
<b>Other equity interest</b>					
3400	Other equity interest	( 18,110)	( 1)	( 10,997)	( 1)
3XXX	<b>Total equity</b>	<u>1,004,328</u>	<u>72</u>	<u>1,072,859</u>	<u>89</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>					
3X2X	<b>Total liabilities and equity</b>	<u>\$ 1,404,687</u>	<u>100</u>	<u>\$ 1,206,193</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

METATECH(AP) INC.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars, except loss per share)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	<b>Sales revenue</b>	6(17) and 7	\$ 455,905	100	\$ 428,024	100
5000	<b>Operating costs</b>	6(4)(19) and 7	( 415,510)	( 91)	( 382,030)	( 89)
5950	<b>Net operating margin</b>		<u>40,395</u>	<u>9</u>	<u>45,994</u>	<u>11</u>
	<b>Operating expenses</b>	6(19)(20)				
6100	Selling expenses		( 53,428)	( 12)	( 53,942)	( 13)
6200	General and administrative expenses		( 66,311)	( 14)	( 52,087)	( 12)
6300	Research and development expenses		( 57,560)	( 13)	( 38,143)	( 9)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	-	-	1,645	-
6000	<b>Total operating expenses</b>		<u>( 177,299)</u>	<u>( 39)</u>	<u>( 142,527)</u>	<u>( 34)</u>
6900	<b>Operating loss</b>		<u>( 136,904)</u>	<u>( 30)</u>	<u>( 96,533)</u>	<u>( 23)</u>
	<b>Non-operating revenue and expenses</b>					
7010	Other income		1,512	1	10,380	2
7020	Other gains and losses	6(18)	1,114	-	7,103	2
7050	Finance costs		( 4,355)	( 1)	( 44)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net		19,526	4	11,915	3
7000	<b>Total non-operating revenue and expenses</b>		<u>17,797</u>	<u>4</u>	<u>29,354</u>	<u>7</u>
7900	<b>Loss before income tax</b>		<u>( 119,107)</u>	<u>( 26)</u>	<u>( 67,179)</u>	<u>( 16)</u>
7950	Income tax benefit	6(21)	26,412	6	9,435	2
8200	<b>Loss for the year</b>		<u>( \$ 92,695)</u>	<u>( 20)</u>	<u>( \$ 57,744)</u>	<u>( 14)</u>
	<b>Other comprehensive income (net)</b>					
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(11)	\$ 568	-	( \$ 1,671)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	( 114)	-	478	-
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>		<u>454</u>	<u>-</u>	<u>( 1,193)</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		( 8,891)	( 2)	10,042	2
8399	Income tax relating to the components of other comprehensive income	6(21)	1,778	-	( 1,400)	-
8360	<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>		<u>( 7,113)</u>	<u>( 2)</u>	<u>8,642</u>	<u>2</u>
8300	<b>Other comprehensive (loss) income for the year</b>		<u>( \$ 6,659)</u>	<u>( 2)</u>	<u>\$ 7,449</u>	<u>2</u>
8500	<b>Total comprehensive loss for the year</b>		<u>( \$ 99,354)</u>	<u>( 22)</u>	<u>( \$ 50,295)</u>	<u>( 12)</u>
	<b>Basic loss per share</b>	6(22)				
9750	<b>Total basic loss per share</b>		<u>( \$ 1.60)</u>		<u>( \$ 1.01)</u>	
9850	<b>Total diluted loss per share</b>		<u>( \$ 1.60)</u>		<u>( \$ 1.01)</u>	

The accompanying notes are an integral part of these parent company only financial statements.

METATECH(AP) INC.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

		<u>Capital Surplus</u>						Financial statements translation differences of foreign operations	<u>Total equity</u>
Notes	Share capital - common stock	Additional paid- in capital	Employee stock warrants	Stock warrants	Others	Accumulated deficit			
<u>2018</u>									
	\$ 440,160	\$ 234,540	\$ -	\$ -	\$ 84	(\$ 55,630)	(\$ 19,639)	\$ 599,515	
	-	-	-	-	-	( 57,744)	-	( 57,744)	
	-	-	-	-	-	( 1,193)	8,642	7,449	
	-	-	-	-	-	( 58,937)	8,642	( 50,295)	
6(14)	140,000	364,000	-	-	-	-	-	504,000	
6(13)	-	2,665	16,974	-	-	-	-	19,639	
	<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>	
<u>2019</u>									
	\$ 580,160	\$ 601,205	\$ 16,974	\$ -	\$ 84	(\$ 114,567)	(\$ 10,997)	\$ 1,072,859	
	-	-	-	-	-	( 92,695)	-	( 92,695)	
	-	-	-	-	-	454	( 7,113)	( 6,659)	
	-	-	-	-	-	( 92,241)	( 7,113)	( 99,354)	
6(13)	-	-	25,258	-	-	-	-	25,258	
6(10)	-	-	-	5,565	-	-	-	5,565	
	<u>\$ 580,160</u>	<u>\$ 601,205</u>	<u>\$ 42,232</u>	<u>\$ 5,565</u>	<u>\$ 84</u>	<u>(\$ 206,808)</u>	<u>(\$ 18,110)</u>	<u>\$ 1,004,328</u>	

The accompanying notes are an integral part of these parent company only financial statements.

METATECH(AP) INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31,	
		2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		( \$ 119,107 )	( \$ 67,179 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including right of use assets)	6(6)(7)(19)	27,701	5,842
Amortization expense	6(19)	367	552
Expected credit gain	6(3) and 12	-	( 1,645 )
Net loss on financial assets at fair value through profit or loss	6(18)	210	-
Interest expense		1,851	44
Interest expense of bonds discount amortization		2,503	-
Interest income		( 322 )	( 489 )
Share of profit of associates and joint ventures accounted for using equity method		( 19,526 )	( 11,915 )
Share based compensation cost	6(13)	25,258	19,639
Loss on disposal of property, plant and equipment	6(6)	-	24
Unrealized foreign exchange loss (gain)		2,853	( 2,811 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		509	1,434
Accounts receivable		( 15,239 )	( 9,564 )
Accounts receivable - related parties		182	167
Other receivables		131	10,437
Other receivables - related parties		8,073	( 4,564 )
Inventories		( 742 )	( 2,004 )
Prepayments		( 1,135 )	( 2,201 )
Other current assets		161	( 398 )
Net defined benefit assets	6(11)	( 20 )	( 47 )
Changes in operating liabilities			
Contract liabilities		( 32 )	72
Notes payable		( 1,053 )	1,377
Accounts payable		8,803	21,550
Accounts payable - related parties		( 176 )	( 233 )
Other payables		( 7,895 )	12,176
Other payables - related parties		27	( 498 )
Other current liabilities		341	226
Other non-current liabilities		-	( 3 )
Cash outflow generated from operations		( 86,277 )	( 30,011 )
Interest received		322	489
Interest paid		( 1,851 )	( 44 )
Interest taxes paid		( 7 )	( 22 )
Net cash flows used in operating activities		( 87,813 )	( 29,588 )
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at amortised cost	6(2)	( 2,142 )	( 2,108 )
Acquisition of property, plant and equipment	6(6)(24)	( 34,066 )	( 93,630 )
Increase in refundable deposits		( 197 )	( 232 )
Increase in other non current assets		( 33,978 )	( 32,137 )
Acquisition of intangible assets	6(9)	( 121,652 )	( 123,115 )
Acquisition of investments accounted for using equity method		-	( 2,000 )
Net cash flows used in investing activities		( 192,035 )	( 253,222 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short term borrowings	6(25)	35,000	40,000
Repayments of short term borrowings	6(25)	( 35,000 )	( 20,000 )
Proceeds from issuance of convertible bonds	6(25)	147,712	-
Repayment of principal portion of lease liabilities	6(7)(25)	( 11,348 )	-
Proceeds from issuance of shares	6(14)	-	504,000
Net cash flows from financing activities		136,364	524,000
Effect of exchange rate changes on cash and cash equivalents		( 2,853 )	( 2,811 )
Net (decrease) increase in cash and cash equivalents		( 146,337 )	244,001
Cash and cash equivalents at beginning of year	6(1)	278,446	34,445
Cash and cash equivalents at end of year	6(1)	\$ 132,109	\$ 278,446

The accompanying notes are an integral part of these parent company only financial statements.

METATECH(AP) INC.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018

(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 are primarily engaged in wholesale and retail of electronic products and equipment as well as development and operation of biomedicine related business. The shares of the Company were officially listed on the Taipei Exchange on June 3, 2004 as approved by the Financial Supervisory Commission.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on March 27, 2020.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 Company’s financial condition and financial performance based on the Company’s assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, ‘Leases’

A. 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.

- B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Company increased ‘right-of-use asset’ by \$53,434, increased ‘lease liability’ by \$53,434 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
  - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - (c) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
  - (d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.60%.
- E. The Company recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	54,476
Less: Low-value assets	(	67)
Add: Adjustments as a result of a different treatment of extension and termination options		<u>2,742</u>
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019		57,151
Incremental borrowing interest rate at the date of initial application		<u>1.60%</u>
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	<u><u>53,434</u></u>



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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 1, ‘classification of liabilities as current or non-current’	January 1, 2022

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through

profit or loss.

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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.

(4) 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.

(5) 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.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved by collecting contractual cash

flows.

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

- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

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

(10) Derecognition of financial assets

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

(11) Inventories

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

(12) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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.

- 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 Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. 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.
- E. When the Company loses control of a subsidiary, the Company 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 Company 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.
- F. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are

depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

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

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

Effective 2019 (Using the modified retrospective approach)

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

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

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

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

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

(15) Operating leases (lessee)

Prior to 2019

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.

(16) Intangible assets

Technical skills

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

(17) Impairment of non-financial assets

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

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

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

(18) Borrowings

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

(19) Notes and accounts payable

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

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

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

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Convertible bonds payable

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

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(22) Derecognition of financial liabilities

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



(23) Provisions

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company 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 Company 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 Company'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 Company 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 Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

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

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates 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 parent company only 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 Company

and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Share capital

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

(28) Dividends

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

(29) Revenue recognition

A. Sales of goods

- (a) The Company sells electronic products and equipment as an agent. Sales are recognised when control of the products has transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company 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 Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company'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 Company's accounting policies

#### Revenue recognition on a net/gross basis

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

- (a) The Company is primarily responsible for the provision of goods or services;
- (b) The Company 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; and
- (c) The Company has discretion in establishing prices for the goods or services.

### (2) Critical accounting estimates and assumptions

#### A. Realisability of deferred tax assets

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

As of December 31, 2019, the Company recognised deferred tax assets amounting to \$74,542.

#### B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company 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, 2019, the carrying amount of inventories was \$33,234.

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 98	\$ 50
Checking accounts and demand deposits	<u>132,011</u>	<u>278,396</u>
	<u>\$ 132,109</u>	<u>\$ 278,446</u>

A. The Company 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) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Time deposits maturing in excess of three months	\$ 9,013	\$ 4,800
Reserve account for demand deposits	<u>3,191</u>	<u>5,262</u>
	<u>\$ 12,204</u>	<u>\$ 10,062</u>

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

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	<u>\$ 84</u>	<u>\$ 57</u>

B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$12,204 and \$10,062, respectively.

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

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

(3) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ 918	\$ 1,427
Accounts receivable	\$ 111,504	\$ 96,265
Less: Allowance for bad debts	<u>-</u>	<u>-</u>
	<u>\$ 111,504</u>	<u>\$ 96,265</u>

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

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 107,589	\$ 918	\$ 93,170	\$ 1,427
Up to 30 days	3,915	-	391	-
31 to 90 days	-	-	2,704	-
Over 90 days	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 111,504</u>	<u>\$ 918</u>	<u>\$ 96,265</u>	<u>\$ 1,427</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, and January 1, 2018, the balances of receivables (including notes receivable) from contracts with customers amounted to \$112,422, \$97,692, and \$89,562, respectively.

C. As of December 31, 2019 and 2018, 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 Company's notes and accounts receivable was \$918 and \$1,427; \$111,504 and \$96,265, respectively.

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

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

(4) Inventories

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 2,756	\$ -	\$ 2,756
Work in progress	197	-	197
Semi-finished goods	549	-	549
Finished goods	369	-	369
Merchandises	<u>30,570</u>	<u>(1,207)</u>	<u>29,363</u>
	<u>\$ 34,441</u>	<u>\$ (1,207)</u>	<u>\$ 33,234</u>

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Merchandises	\$ 33,971	(\$ 1,479)	\$ 32,492
	Years ended December 31,		
	2019	2018	
Cost of goods sold	\$ 415,782	\$	385,460
Gain on reversal of decline in market value	( 207)	(	3,430)
Others	( 65)		-
	\$ 415,510	\$	382,030

The Company reversed from a previous inventory write-down because inventories with decline in market value and obsolete and slow-moving inventories were actively sold by the Company for the years ended December 31, 2019 and 2018.

(5) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
MetaTech Investment Holding Co., Ltd.	\$ 383,247	\$ 372,617
Chienhwa Travel Service Co., Ltd.	2,787	2,782
	\$ 386,034	\$ 375,399

Details of the subsidiaries are provided in Note 4(3) in the Company's consolidated financial statements for the year ended December 31, 2019.

(6) Property, plant and equipment

	2019								Total
	Land	Buildings and structures	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress (Note 1)	
At January 1									
Cost	\$ 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)
	\$ 17,209	\$ 28,657	\$ 11,260	\$ 4,303	\$ 3,411	\$ 1,207	\$ 503	\$ 109,337	\$ 175,887
Opening net book amount as at January 1	\$ 17,209	\$ 28,657	\$ 11,260	\$ 4,303	\$ 3,411	\$ 1,207	\$ 503	\$ 109,337	\$ 175,887
Additions	-	4,695	14,413	-	4,225	952	476	4,124	28,885
Transfers (Note 2)	-	102,191	29,002	-	2,786	11,270	-	( 113,461)	31,788
Depreciation charge	-	( 4,941)	( 5,052)	( 909)	( 1,898)	( 1,599)	( 326)	-	( 14,725)
Closing net book amount as at December 31	\$ 17,209	\$ 130,602	\$ 49,623	\$ 3,394	\$ 8,524	\$ 11,830	\$ 653	\$ -	\$ 221,835
At December 31									
Cost	\$ 17,209	\$ 147,199	\$ 57,428	\$ 5,453	\$ 26,266	\$ 19,409	\$ 2,061	\$ -	\$ 275,025
Accumulated depreciation	-	( 16,597)	( 7,805)	( 2,059)	( 17,742)	( 7,579)	( 1,408)	-	( 53,190)
	\$ 17,209	\$ 130,602	\$ 49,623	\$ 3,394	\$ 8,524	\$ 11,830	\$ 653	\$ -	\$ 221,835

2018

	Land	Buildings and structures	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress (Note)	Total
At January 1									
Cost	\$ 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>
Opening net book amount as at January 1	\$ 17,209	\$ 29,447	\$ 6,434	\$ 4,141	\$ 2,414	\$ 3,024	\$ 804	\$ 19,413	\$ 82,886
Additions	-	-	6,242	936	1,765	-	-	89,924	98,867
Disposals	-	-	-	-	( 24)	-	-	-	( 24)
Depreciation charge	-	( 790)	( 1,416)	( 774)	( 744)	( 1,817)	( 301)	-	( 5,842)
Closing net book amount as at 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>
At December 31									
Cost	\$ 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>

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

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

Note 2: The testing of the Company's regenerative medicine laboratory and relevant machinery and equipment were completed for the year ended December 31, 2019. Therefore, they were transferred from prepayments for business facilities (shown as other non-current assets).

(7) Leasing arrangements - lessee

Effective 2019 (Using the modified retrospective approach)

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

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

	<u>December 31, 2019</u>	<u>Year ended December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 68,638	\$ 3,010
Buildings	52,479	9,348
Transportation equipment	1,063	618
	<u>\$ 122,180</u>	<u>\$ 12,976</u>

C. For the year ended December 31, 2019, the additions to right-of-use assets amounted to \$81,722.



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

	<u>Year ended December 31, 2019</u>	
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$	1,767
Expense on short-term lease contracts		70
Expense on leases of low-value assets		48

E. For the year ended December 31, 2019, the Company's total cash outflow for leases was \$13,233.

(8) Other non-current assets

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Prepayments	\$ 33,000	\$ 31,788
Guarantee deposits paid	5,133	4,936
Others	5,089	3,890
	<u>\$ 43,222</u>	<u>\$ 40,614</u>

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

Prepayments for the year ended December 31, 2018 refer to the prepayments for the lab machinery and equipment.

(9) Intangible assets

	<u>Technical skills (Notes 1 and 2)</u>
At January 1, 2019	
Cost	\$ 136,975
Accumulated amortisation	-
	<u>\$ 136,975</u>
<u>2019</u>	
Opening net book amount as at January 1	\$ 136,975
Additions - acquired separately	121,652
Closing net book amount as at December 31	<u>\$ 258,627</u>
At December 31, 2019	
Cost	\$ 258,627
Accumulated amortisation	-
	<u>\$ 258,627</u>

	<u>Technical skills (Notes 1 and 2)</u>
At January 1, 2018	
Cost	\$ 13,860
Accumulated amortisation	-
	<u>\$ 13,860</u>
<u>2018</u>	
Opening net book amount as at January 1	\$ 13,860
Additions - acquired separately	<u>123,115</u>
Closing net book amount as at December 31	<u>\$ 136,975</u>
At December 31, 2018	
Cost	\$ 136,975
Accumulated amortisation	-
	<u>\$ 136,975</u>

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

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

(10) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds payable	\$ 150,000	\$ -
Less: Discount on bonds payable	( 5,139)	-
	<u>\$ 144,861</u>	<u>\$ -</u>

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

- (a) The Company issued \$150 million, 0%, third domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (January 9, 2019 ~ January 9, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on January 9, 2019.
- (b) The Company commissioned the Taiwan Business Bank Co., Ltd. to offer a guarantee for its convertible bonds. The guarantee duration is from the date that the borrowing amounts of the convertible bonds are fully collected to the date that the principal, interests and subordinated liabilities of the bonds are fully repaid. Except for the principal, the guarantee also covers

interests and all subordinated liabilities, including the delay interest and all payments required to be made in accordance with the terms of bonds issuance and conversion when exercising the early redemption of the bonds by the issuing companies or foreign issuers.

- (c) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue (April 10, 2019) to the maturity date (January 9, 2022), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
  - (d) The conversion price of the bonds, which was NTD 63.30 (in dollars) at the issuance, is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the reset conversion price shall not be less than 80% of the conversion price set on the issue date.
  - (e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue (April 10, 2019) to 40 days before the maturity date (November 30, 2021), or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
  - (f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance of the third convertible bonds, the equity conversion options amounting to \$5,565 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets at fair value through profit or loss - non-current' in net amount of \$0 as of December 31, 2019 in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 1.75%.

#### (11) Pensions

- A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit

pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 1 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. However, the Group ceased to contribute to the labor pension reserve from March 2009 to March 2018 after receiving the approval from the New Taipei City Government. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 7,298	\$ 7,474
Fair value of plan assets	( 9,484)	( 9,072)
Net defined benefit liability (shown as 'Other non-current assets')	<u>(\$ 2,186)</u>	<u>(\$ 1,598)</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>2019</u>			
At January 1	\$ 7,474	(\$ 9,072)	(\$ 1,598)
Interest expense (income)	<u>93</u>	<u>( 113)</u>	<u>( 20)</u>
	<u>7,567</u>	<u>( 9,185)</u>	<u>( 1,618)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 299)	( 299)
Change in financial assumptions	147	-	147
Experience adjustments	<u>( 416)</u>	<u>-</u>	<u>( 416)</u>
	<u>( 269)</u>	<u>( 299)</u>	<u>( 568)</u>
At December 31	<u>\$ 7,298</u>	<u>(\$ 9,484)</u>	<u>(\$ 2,186)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2018</u>			
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 assets (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>
At December 31	<u>\$ 7,474</u>	<u>(\$ 9,072)</u>	<u>(\$ 1,598)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's 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 Labour 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 has no right to participate in managing and operating that fund and hence the Company is 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, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2019	2018
Discount rate	<u>1.00%</u>	<u>1.25%</u>
Future salary increases	<u>2.25%</u>	<u>2.25%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience of the improved Taiwan annuity table. 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, 2019</u>				
Effect on present value of defined benefit obligation	<u>(\$ 147)</u>	<u>\$ 150</u>	<u>\$ 612</u>	<u>(\$ 563)</u>
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	<u>(\$ 166)</u>	<u>\$ 172</u>	<u>\$ 702</u>	<u>(\$ 639)</u>

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 Company for the year ending December 31, 2020 amount to \$0.
- (g) As of December 31, 2019, the weighted average duration of the retirement plan is 9.3 years.
- (h) The analysis of timing of the future pension payment was as follows:

2-5 years	\$	2,430
Over 5 years		<u>216</u>
	\$	<u>2,646</u>

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

- (b) For the aforementioned pension plan, the Company recognised pension costs of \$3,646 and \$3,186 for the years ended December 31, 2019 and 2018, respectively.

(12) Current provisions

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Balance at December 31	<u>\$ 4,433</u>	<u>\$ 4,433</u>

The Company signed a sales and purchase agreement with TBMS INTERNATIONAL CORPORATION and agrees to purchase equipment totaling \$33,050 before December 31, 2016. The Company has to pay 20% of the unpurchased amount as penalty for breach of contract if the purchase is cancelled. The unpurchased amount of the agreement was \$29,090 and hence the Company recognised provisions of \$4,433 in accordance with the agreement. As of March 27, 2020, the amount of compensation was still under negotiation by both parties.

(13) Share-based payment

A. For the years December 31, 2019 and 2018, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2018.01.02	329 thousand shares	NA	Vested immediately
Employee stock options	2018.04.02	2,280 thousand shares	6 years	2 ~ 5 years' service
Employee stock options	2018.05.14	1,297 thousand shares	6 years	2 ~ 5 years' service
Employee stock options	2018.11.15	423 thousand shares	6 years	2 ~ 5 years' service

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

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

	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	4,000,000	\$ 58.36	-	\$ -
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>4,000,000</u>	58.36
Options exercisable at December 31	<u>-</u>	-	<u>-</u>	-

C. The Company did not have any options exercised for the year ended December 31, 2019. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2018 was \$46.90 (in dollars).

D. For the years ended December 31, 2019 and 2018, the range of exercise prices of stock options outstanding was \$55.00~\$59.20 and \$55.00~\$59.20 (in dollars), respectively; the weighted-average remaining contractual period was 4.36 years and 5.36 years, respectively.

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

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Cash capital increase reserved for employee preemption	2018.01.02	\$ 44.1	\$ 36.0	27.39% (Note 1)	2018.01.02~ 2018.01.10	-	0.28%	\$ 8.10
Employee stock options	2018.04.02	58.5	58.5	44.54~46.90% (Note 2)	4 ~ 5.5 years	-	0.64~0.76%	20.61~24.70
Employee stock options	2018.05.14	59.2	59.2	44.25~47.03% (Note 2)	4 ~ 5.5 years	-	0.67~0.76%	20.76~25.07
Employee stock options	2018.11.15	55.0	55.0	40.56~48.61% (Note 2)	4 ~ 5.5 years	-	0.73~0.83%	17.88~24.44

Note 1: The expected price volatility is estimated based on the average annualised standard deviation by using the daily rates of returns over the period from January 2, 2018, the grant date, back to July 3, 2017 as the hypothesised value.

Note 2: The expected price volatility is estimated based on the annualised standard deviation by reference to the historical daily rate of returns of the Company (code: 3224) over the length of period approximating to the expected option life.

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

	Years ended December 31,	
	2019	2018
Equity-settled	\$ 25,258	\$ 19,639

(14) Share capital

A. As of December 31, 2019, the Company's authorised capital was \$1,000,000, consisting of 100 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$580,160, consisting of 58,016 thousand shares outstanding, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding are as follows:

Expressed in thousands of shares

	2019	2018
At January 1	58,016	44,016
Cash capital increase	-	14,000
At December 31	58,016	58,016

B. On March 24, 2017, the Board of Directors of the Company resolved to increase its capital by issuing 14 million shares with a par value of \$10 (in dollars) per share and a premium issuance price of NTD 36 (in dollars) per share. The Company is expecting to raise \$504 million. The capital increase was approved by the Financial Supervisory Commission Jin-Guan-Zheng-Fa-Zi Letter No.1060036940 on October 13, 2017 and the date of the capital increase was set on January 16, 2018 as approved by the Board of Directors on December 11, 2017.



C. On December 11, 2017, the Board of Directors of the Company approved to issue employee stock options of 4,000 units, and each unit represents the rights to subscribe 1,000 common shares. The issuance has been approved by the Financial Supervisory Commission Jin-Guan-Zheng-Fa-Zi Letter No.1060051040 on January 8, 2018.

(15) Capital surplus

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

B. The information regarding capital surplus - share options and employee share options is provided in Notes 6(10) and (13).

(16) Accumulated deficits to be covered

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

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

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

D. The Company incurred accumulated deficit for the years ended December 31, 2018 and 2017, and thus had no earnings for distribution. On June 17, 2019 and June 25, 2018, the shareholders approved the deficit compensation of 2018 and 2017, respectively.

E. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(20).

(17) Operating revenue

	Years ended December 31,	
	2019	2018
Revenue from contracts with customers	\$ 453,639	\$ 425,333
Others	2,266	2,691
	<u>\$ 455,905</u>	<u>\$ 428,024</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following departments:

	Year ended December 31, 2019		
	Electronics	Biomedicine	Total
Total segment revenue	\$ 453,639	\$ 2,266	\$ 455,905
Timing of revenue recognition			
At a point in time	\$ 453,639	\$ 1,627	\$ 455,266
Over time	-	639	639
	<u>\$ 453,639</u>	<u>\$ 2,266</u>	<u>\$ 455,905</u>

	Year ended December 31, 2018		
	Electronics	Biomedicine	Total
Total segment revenue	\$ 425,333	\$ 2,691	\$ 428,024
Timing of revenue recognition			
At a point in time	\$ 425,333	\$ 1,444	\$ 426,777
Over time	-	1,247	1,247
	<u>\$ 425,333</u>	<u>\$ 2,691</u>	<u>\$ 428,024</u>

B. Contract liabilities

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract liabilities:			
Advance sales receipts	<u>\$ 124</u>	<u>\$ 156</u>	<u>\$ 84</u>

(a) Significant changes in contract liabilities

None.

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

	Years ended December 31,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Advance sales receipts	<u>\$ 106</u>	<u>\$ 62</u>

(18) Other gains and losses

	Years ended December 31,	
	2019	2018
Losses on financial assets at fair value through profit or loss	(\$ 210)	\$ -
Net currency exchange gains	1,335	7,127
Losses on disposals of property, plant and equipment	- (	24)
Other losses	( 11)	-
	<u>\$ 1,114</u>	<u>\$ 7,103</u>

(19) Expenses by nature

Function Nature	Years ended December 31,					
	2019			2018		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense	\$ -	\$ 103,154	\$ 103,154	\$ -	\$ 82,738	\$ 82,738
Depreciation expense	5,816	21,885	27,701	2,912	2,930	5,842
Amortisation expense	-	367	367	-	552	552

(20) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	\$ 60,327	\$ 49,333
Employee stock options	25,258	19,639
Labour and health insurance fees	6,216	5,322
Pension costs	3,626	3,139
Directors' remuneration	2,428	1,945
Other personnel expenses	5,299	3,360
	<u>\$ 103,154</u>	<u>\$ 82,738</u>

- A. Under the amended Company's Articles of Incorporation, the current year's earnings, if any, shall first be reserved to cover accumulated deficit amount. The remainder, if any, shall be distributed as employees' compensation at 1%-5%.
- B. As of December 31, 2019 and 2018, no employees' compensation and directors' remuneration were accrued due to accumulated deficit of the Company.
- Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- C. As of December 31, 2019 and 2018, the Company had 105 and 90 employees, respectively, and had 9 directors for both years.

(21) Income tax

A. Income tax benefit

(a) Components of income tax benefit:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the period	\$ -	\$ -
Deferred tax:		
Origination and reversal of temporary differences	( 26,412)	( 5,912)
Impact of change in tax rate	-	( 3,523)
Income tax benefit	<u>(\$ 26,412)</u>	<u>(\$ 9,435)</u>

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

	Years ended December 31,	
	2019	2018
Currency translation differences	\$ 1,778	(\$ 2,008)
Remeasurement of defined benefit obligations	(\$ 114)	\$ 428
Impact of change in tax rate	-	658
	<u>\$ 1,664</u>	<u>(\$ 922)</u>

B. Reconciliation between income tax benefit and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	(\$ 23,821)	(\$ 13,436)
Expenses disallowed by tax regulation	2,498	3
Change in assessment of realisation of deferred tax assets	( 5,089)	7,521
Effect from changes in tax regulation	-	( 3,523)
Income tax expense	<u>(\$ 26,412)</u>	<u>(\$ 9,435)</u>

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

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Allowance for valuation loss on inventories	\$ 297	(\$ 55)	\$ -	\$ 242
Unused compensated absences	240	-	-	240
Currency translation differences	2,047	-	1,778	3,825
Remeasurement of benefit obligations	761	-	( 114)	647
Book-tax difference on onerous contracts losses	1,164	-	-	1,164
Lease liabilities	-	326	-	326
Others	149	-	-	149
-Tax losses	<u>38,285</u>	<u>29,664</u>	<u>-</u>	<u>67,949</u>
	<u>42,943</u>	<u>29,935</u>	<u>1,664</u>	<u>74,542</u>
Deferred tax liabilities:				
-Temporary differences:				
Gain on foreign long-term equity investment	( 9,958)	( 3,904)	-	( 13,862)
Unrealised exchange gain	( 589)	381	-	( 208)
Book-tax difference on pensions	( 189)	-	-	( 189)
	<u>( 10,736)</u>	<u>( 3,523)</u>	<u>-</u>	<u>( 14,259)</u>
	<u>\$ 32,207</u>	<u>\$ 26,412</u>	<u>\$ 1,664</u>	<u>\$ 60,283</u>

	2018			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Deferred tax assets:				
- Temporary differences:				
Allowance for valuation loss on inventories	\$ 835	(\$ 538)	\$ -	\$ 297
Unused compensated absences	215	25	-	240
Currency translation differences	3,447	-	( 1,400)	2,047
Remeasurement of benefit obligations	283	-	478	761
Book-tax difference on onerous contracts losses	989	175	-	1,164
Others	-	149	-	149
-Tax losses	<u>24,440</u>	<u>13,845</u>	<u>-</u>	<u>38,285</u>
	<u>30,209</u>	<u>13,656</u>	<u>( 922)</u>	<u>42,943</u>
Deferred tax liabilities:				
-Temporary differences:				
Gain on foreign long-term equity investment	( 6,436)	( 3,522)	-	( 9,958)
Unrealised exchange gain	81	( 670)	-	( 589)
Book-tax difference on pensions	( 160)	( 29)	-	( 189)
	<u>( 6,515)</u>	<u>( 4,221)</u>	<u>-</u>	<u>( 10,736)</u>
	<u>\$ 23,694</u>	<u>\$ 9,435</u>	<u>(\$ 922)</u>	<u>\$ 32,207</u>

D. The Company's income tax returns through 2017 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, 2019					
Year incurred	Amount filed/ assessed	Unrecognised		Expiry year	
		Unused amount	deferred tax assets		
2009	Assessed	\$ 41,776	\$ 41,776	2019	
2010	Assessed	18,341	18,341	2020	
2011	Assessed	14,982	14,982	2021	
2012	Assessed	17,232	5,170	2022	
2013	Assessed	15,876	4,763	2023	
2014	Assessed	12,959	3,888	2024	
2015	Assessed	21,087	-	2025	
2016	Assessed	42,849	-	2026	
2017	Assessed	28,478	-	2027	
2018	Filed	82,217	-	2028	
2019	Estimated	132,870	-	2029	
		<u>\$ 428,667</u>	<u>\$ 88,920</u>		

December 31, 2018					
Year incurred	Amount filed/ assessed	Unrecognised		Expiry year	
		Unused amount	deferred tax assets		
2008	Assessed	\$ 35,455	\$ 35,455	2018	
2009	Assessed	41,776	41,776	2019	
2010	Assessed	18,341	18,341	2020	
2011	Assessed	14,982	14,982	2021	
2012	Assessed	17,232	5,170	2022	
2013	Assessed	15,876	4,763	2023	
2014	Assessed	12,959	3,888	2024	
2015	Assessed	21,087	6,326	2025	
2016	Assessed	42,849	12,855	2026	
2017	Filed	28,478	-	2027	
2018	Filed	85,947	-	2028	
		<u>\$ 334,982</u>	<u>\$ 143,556</u>		

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(22) Losses per share

	<u>Year ended December 31, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders	<u>(\$ 92,695)</u>	<u>58,016</u>	<u>(\$ 1.60)</u>

	<u>Year ended December 31, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders	<u>(\$ 57,744)</u>	<u>57,441</u>	<u>(\$ 1.01)</u>

For the year ended December 31, 2019, the employee stock options and convertible bonds issued by the Company were excluded from the calculation of diluted earnings per share since such options and bonds were anti-dilutive.

For the year ended December 31, 2018, the employee stock options issued by the Company were excluded from the calculation of diluted earnings per share since such options were anti-dilutive.

(23) Operating leases

Prior to 2019

The Company leases office and warehouse under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years. The Company recognised rental expenses of \$3,942 and \$7,534 for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under operating lease agreements are as follows:

	<u>December 31, 2018</u>
Not later than one year	\$ 8,690
Later than one year but not later than five years	21,073
Later than five years	24,713
	<u>\$ 54,476</u>



(24) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	\$ 28,885	\$ 98,867
Add: Opening balance of payable on equipment	5,237	-
Less: Ending balance of payable on equipment	( 56)	( 5,237)
Cash paid during the period	<u>\$ 34,066</u>	<u>\$ 93,630</u>

B. Investing activities with no cash flow effects:

	Years ended December 31,	
	2019	2018
Prepayments for business facilities transferred to property, plant and equipment	<u>\$ 31,788</u>	<u>\$ -</u>

(25) Changes in liabilities from financing activities

	2019			
	Short-term borrowings	Bonds payable	Lease liabilities	Liabilities from financing activities
At January 1	\$ 20,000	\$ -	\$ 53,434	\$ 73,434
Changes in cash flow from financing activities	-	147,712	( 11,348)	136,364
Changes in other non-cash items	-	( 2,851)	81,722	78,871
At December 31	<u>\$ 20,000</u>	<u>\$ 144,861</u>	<u>\$ 123,808</u>	<u>\$ 288,669</u>

	2018		
	Short-term borrowings	Bonds payable	Liabilities from financing activities
At January 1	\$ -	\$ -	\$ -
Changes in cash flow from financing activities	20,000	-	20,000
Changes in other non-cash items	-	-	-
At December 31	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>

## 7. Related Party Transactions

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
MetaTech Investment Holding Co., Ltd.	The Company's subsidiary
Chienhwa Travel Service Co., Ltd.	The Company's subsidiary
MTI Holding Co., Ltd.	The Company's second-tier subsidiary
MetaTech (S) Pte Ltd.	The Company's third-tier subsidiary
MetaTech Ltd.	The Company's third-tier subsidiary
MetaTech (Shenzhen) Ltd.	MetaTech Ltd.'s subsidiary

### (2) Significant related party transactions

#### A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
-Subsidiaries	<u>\$ 2,531</u>	<u>\$ 2,939</u>

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

#### B. Purchases

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchases of goods:		
-Subsidiaries	\$ 5,687	\$ 5,676
Purchases of services:		
-Subsidiaries	<u>348</u>	<u>173</u>
	<u>\$ 6,035</u>	<u>\$ 5,849</u>

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

#### C. Receivables from related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
-Subsidiaries	<u>\$ -</u>	<u>\$ 182</u>

Accounts receivable mainly arises from sale transactions. The accounts receivable is unsecured in nature and bear no interest.

#### D. Other receivables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
-Subsidiaries	\$ 22	\$ 8,095

Other receivables are mainly management services fees and loans granted to subsidiaries.

The Company provides management services to the subsidiaries. Management fees revenue is received periodically based on the terms determined in mutual agreement. Revenue received for the years ended December 31, 2019 and 2018 amounted to \$15,136 and \$15,781 was shown as deduction on 'operating expenses - general and administrative expenses' and 'other income', respectively.

#### E. Payables to related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
-Subsidiaries	\$ 239	\$ 415

#### F. Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
-Subsidiaries	\$ 151	\$ 124

Other payables refer to payables arising from freight prepaid by subsidiaries.

#### G. Endorsements and guarantees

The Company issued guarantee notes and provided endorsements and guarantees to related parties.

Details are as follows:

<u>Party being endorsed/ guaranteed</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries	\$ 24,990	\$ 25,358
	(USD 500 thousand and NTD 10,000 million)	(USD 500 thousand and NTD 10,000 million)

#### H. Others

The joint credit line of the Company and its third-tier subsidiary, MetaTech Ltd., for financial institution short-term secured borrowings was NTD 50 million in 2019, and NTD 45 million as of December 31, 2018. As of December 31, 2019 and 2018, the promissory notes amounting to NTD 60 million was issued to a bank as guarantee and the abovementioned joint credit line amounting to NTD 20 million and NTD 15 million was used, respectively.

#### (3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 12,677	\$ 12,789
Post-employment benefits	234	324
Share-based payment	2,721	1,146
	<u>\$ 15,632</u>	<u>\$ 14,259</u>

## 8. Pledged Assets

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	
Financial assets at amortised cost			
-Reserve account for demand deposits \$	3,191	\$ 5,262	Guarantee for limit on short-term borrowings
-Time deposits	9,013	4,800	Guarantee for customs, credit card and performance bond of lease agreements
Property, plant and equipment			
-Land	17,209	17,209	Guarantee for short-term credit line
-Buildings and structures	27,866	28,657	//
	<u>\$ 57,279</u>	<u>\$ 55,928</u>	

## 9. Significant Contingent Liabilities and Unrecognised Contract Commitments

### (1) Contingencies

None.

### (2) Commitments

- A. Please refer to Note 7(2)G and H for details of significant related party contingent liabilities and unrecognised contract commitments.
- B. As of December 31, 2019, the Company used credit line of bank borrowings amounting to \$5,000 as the performance bond for purchase agreements.
- C. As of December 31, 2019, the Company provided promissory notes amounting to \$10,000 and used credit line of bank borrowings amounting to \$10,000 as the performance bond for Taiwan Industry Innovation Platform Program promoted by the Ministry of Economic Affairs.
- D. The joint credit line of the Company for financial institution short-term secured borrowings was NTD 50 million and NTD 45 million as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the promissory notes amounting to NTD 60 million was issued to a bank as guarantee and the abovementioned joint credit line amounting to NTD 20 million and NTD 15 million was used, respectively.
- E. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	\$ -	\$ 8,800
Intangible assets (Note)	36,246	162,533
	<u>\$ 36,246</u>	<u>\$ 171,333</u>

Note: The Company entered into a start-up agreement of cell sheet regenerative medical cooperation with Japan CellSeed Inc. on December 21, 2016 with the consideration amounting to JPY 50 million for expanding biomedical research and development, business development, as well as promoting the Company's innovative transformation of regenerative medicine. The Board of Directors during its meeting on March 24, 2017 adopted a resolution to enter into a cooperation agreement of abovementioned cell sheet regenerative medicine with Japan CellSeed Inc., which was formally signed on April 24, 2017 with the consideration amounting to JPY 1.25 billion. As of December 31, 2019, the Company has paid JPY 1,168,674,913 in respect of the payment schedule for arrangement.

10. Significant Disaster Loss

None.

11. Significant events after the balance sheet date

None.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company may issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 132,109	\$ 278,446
Financial assets at amortised cost	12,204	10,062
Notes receivable	918	1,427
Accounts receivable	111,504	96,447
Other receivables	2,321	10,525
Guarantee deposits paid		
(shown as 'other non-current assets')	5,133	4,936
	<u>\$ 264,189</u>	<u>\$ 401,843</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 20,000	\$ 20,000
Notes payable	324	1,377
Accounts payable	79,517	70,890
Other payables	12,233	25,282
Guarantee deposits received (shown as 'other non-current liabilities')	30	30
Bonds payable	144,861	-
	<u>\$ 256,965</u>	<u>\$ 117,579</u>
Lease liability	<u>\$ 123,808</u>	<u>\$ -</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company 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 the Company's operating units to manage their foreign exchange risk against their functional currency.
- iii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). 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, 2019			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,727	29.980	\$ 111,735
JPY:NTD	51,567	0.2760	14,232
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	2,467	29.980	73,961

December 31, 2018			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,258	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

- v. The total exchange gain arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018, amounted to \$1,335 and \$7,127, respectively.

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

		Year ended December 31, 2019		
		Sensitivity analysis		
	Degree of variation	Effect on profit or loss before tax	Effect on other comprehensive income after tax	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 1,117	\$ -
	JPY:NTD	1%	142	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	740	\$ -
		Year ended December 31, 2018		
		Sensitivity analysis		
	Degree of variation	Effect on profit or loss before tax	Effect on other comprehensive income after tax	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 1,001	\$ -
	JPY:NTD	1%	745	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	523	\$ -

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and notes receivable based on the agreed terms, as well as the contract cash flows of financial assets at amortised cost.
- ii. The Company manages their credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only above investment grade are accepted. According to the credit policy, each local entity in company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality



of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables.

- iii. The Company 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 Company 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 Company classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.  
As of December 31, 2019 and 2018, the Company has no written-off financial assets that are still under recourse procedures.
- viii. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the loss allowance for accounts receivable. The Company's expected credit loss rate of not past due accounts receivable as of December 31, 2019 and 2018 is not material.
- ix. The Company did not recognise the amount of loss allowance for accounts receivable applying the simple approach since it was not material for the years ended December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
At January 1	\$ -	\$ 1,645
Reversal of impairment loss	-	( 1,645)
At December 31	<u>\$ -</u>	<u>\$ -</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 20,310	\$ -	\$ -
Notes payable	324	-	-
Accounts payable	79,517	-	-
Other payables	12,233	-	-
Guarantee deposits received (shown as 'other non-current liabilities')	30	-	-
Lease liability	13,674	41,731	83,007
Bonds payable	-	150,000	-

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 20,320	\$ -	\$ -
Notes payable	1,377	-	-
Accounts payable	70,890	-	-
Other payables	25,282	-	-
Guarantee deposits received (shown as 'other non-current liabilities')	30	-	-

(3) Fair value information

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

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

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

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

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

	Level 3	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Assets</b>		
<u>Recurring fair value</u>		
<u>measurements</u>		
Financial assets at fair value		
value through profit or loss		
or loss		
-Options embedded in convertible bonds	\$ <u>                    </u> -	\$ <u>                    </u> -

C. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
At January 1	\$                      -	\$                      -
Issued in the year	210	-
Valuation loss	(                      210)	-
At December 31	<u>\$                      -</u>	<u>\$                      -</u>

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

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

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

### 13. Supplementary Disclosures

#### (1) Significant transactions information

The disclosure information of investees is based on financial statements audited by independent accountants and the inter-company transactions are eliminated in the preparation of the consolidated financial statements. The following disclosure information is for reference only.

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative financial instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

#### (3) Information on investments in Mainland China

- A. Information on investees in the Mainland Area: Please refer to table 5.
- B. Significant transactions and their prices, payment terms and unrealised gains or losses, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 3.

### 14. Operating Segment Information

None.

METATECH(AP) INC.  
CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

STATEMENT 1

Item	Description	Amount
Cash on hand		\$ 98
Demand deposits		-
- NTD		107,932
- Foreign currency	USD 325,253.06; conversion rate 1:29.980	9,751
	JPY 51,522,947; conversion rate 1:0.2760	14,221
	Others	12
Checking accounts		95
		<u>\$ 132,109</u>

METATECH(AP) INC.  
ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

STATEMENT 2

<u>Client Name</u>	<u>Amount</u>	<u>Note</u>
<u>Non-related parties</u>		
A	\$ 55,394	
D	8,127	
B	6,960	
Others	<u>41,023</u>	None of the balances of each remaining clients is greater than 5% of this account balance
	111,504	
Less: Allowance for bad debts	<u>-</u>	
	<u>\$ 111,504</u>	

METATECH(AP) INC.  
INVENTORIES  
DECEMBER 31, 2019  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 3

Item	Amount		Note
	Cost	Net Realisable Value	
Raw materials	\$ 2,756	\$ 2,756	Net realisable values are used as market value
Work in progress	197	197	Net realisable values are used as market value
Semi-finished goods	549	549	Net realisable values are used as market value
Finished goods	369	369	Net realisable values are used as market value
Merchandise	<u>30,570</u>	<u>31,088</u>	Net realisable values are used as market value
	34,441	<u>\$ 34,959</u>	
Less: Allowance for valuation loss on inventories	( 1,207)		
	<u>\$ 33,234</u>		

METATECH(AP) INC.  
CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
YEAR ENDED DECEMBER 31, 2019  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 4

Name	Beginning Balance		Addition		Decrease		Ending Balance			Net Assets Value			
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership	Amount	Unit Price	Total Amount	Collateral	Note
MetaTech Investment Holding Co., Ltd.	10,000,000	\$ 372,617	-	\$ 10,630	-	\$ -	10,000,000	100%	\$ 383,247	\$ 38.32	\$ 383,247	None	None
Chienhwa Travel Service Co., Ltd.	800	\$ 2,782	-	\$ 5	-	\$ -	800	100%	\$ 2,787	\$ 3,484	\$ 2,787	None	None

Note: Including investment profit or loss and effect from accumulated translation adjustment.



METATECH(AP) INC.  
CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
YEAR ENDED DECEMBER 31, 2019  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 5

Item	Beginning Balance	Addition	Decrease	Transfer (Note)	Ending Balance	Collateral	Note
Cost							
Land	\$ 17,209	\$ -	\$ -	\$ -	\$ 17,209	Fully pledged as collateral for credit line for short-term borrowings	
Buildings and structures	40,313	4,695	-	102,191	147,199	Partly pledged as collateral for credit line for short-term borrowings	
Machinery and equipment	14,013	14,413	-	29,002	57,428	None	
Transportation equipment	5,453	-	-	-	5,453	"	
Office equipment	19,697	4,225	( 442)	2,786	26,266	"	
Leasehold improvements	7,187	952	-	11,270	19,409	"	
Other equipment	1,626	476	( 41)	-	2,061	"	
Construction in progress	109,337	4,124	-	( 113,461)	-	"	
	<u>\$ 214,835</u>	<u>\$ 28,885</u>	<u>(\$ 483)</u>	<u>\$ 31,788</u>	<u>\$ 275,025</u>		
Accumulated depreciation							
Buildings and structures	(\$ 11,656)	(\$ 4,941)	\$ -	\$ -	(\$ 16,597)		
Machinery and equipment	( 2,753)	( 5,052)	-	-	( 7,805)		
Transportation equipment	( 1,150)	( 909)	-	-	( 2,059)		
Office equipment	( 16,286)	( 1,898)	442	-	( 17,742)		
Leasehold improvements	( 5,980)	( 1,599)	-	-	( 7,579)		
Other equipment	( 1,123)	( 326)	41	-	( 1,408)		
Construction in progress	-	-	-	-	-		
	<u>( 38,948)</u>	<u>(\$ 14,725)</u>	<u>\$ 483</u>	<u>\$ -</u>	<u>( 53,190)</u>		
	<u>\$ 175,887</u>				<u>\$ 221,835</u>		

Note: The testing of the Company's regenerative medicine laboratory and relevant machinery and equipment were completed for the year ended December 31, 2019, therefore, they were transferred from prepayments for business facilities (shown as other non-current assets).

METATECH(AP) INC.  
CHANGES IN RIGHT-OF-USE ASSETS  
YEAR ENDED DECEMBER 31, 2019  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 6

<u>Item</u>	<u>Beginning Balance</u>	<u>Adjustments on initial application</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Note</u>
Cost						
Land	\$ -	\$ -	\$ 71,648	\$ -	\$ 71,648	-
Buildings	-	51,753	10,074	-	61,827	-
Transportation equipment	-	1,681	-	-	1,681	-
	<u>\$ -</u>	<u>\$ 53,434</u>	<u>\$ 81,722</u>	<u>\$ -</u>	<u>\$ 135,156</u>	-
Accumulated depreciation						
Land	\$ -	\$ -	(\$ 3,010)	\$ -	(\$ 3,010)	
Buildings	-	-	( 9,348)	-	( 9,348)	
Transportation equipment	-	-	( 618)	-	( 618)	
	<u>-</u>	<u>\$ -</u>	<u>(\$ 12,976)</u>	<u>-</u>	<u>( 12,976)</u>	
	<u>\$ -</u>				<u>\$ 122,180</u>	

METATECH(AP) INC.  
SHORT-TERM BORROWINGS  
DECEMBER 31, 2019  
 (Expressed in thousands of New Taiwan dollars)

STATEMENT 7

<u>Nature</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of Interest Rate</u>	<u>Credit Line</u>	<u>Collateral</u>	<u>Note</u>
CTBC	Unsecured borrowings	<u>\$ 20,000</u>	2019/2/28-2020/2/29	1.55%	\$ 50,000	None	None

METATECH(AP) INC.  
ACCOUNTS PAYABLES  
DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

STATEMENT 8

<u>Client Name</u>	<u>Amount</u>	<u>Note</u>
A	\$ 68,984	
E	5,566	
Others	<u>4,728</u>	None of the balances of each remaining suppliers is greater than 5% of this account
	<u>\$ 79,278</u>	

METATECH(AP) INC.  
CORPORATE BONDS PAYABLE  
DECEMBER 31, 2019  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 9

Bonds Name	Trustee	Issuance Date	Payment Date	Coupon Rate	Amount			Unamortised Premiums (Discounts)	Carrying Amount	Repayment Term	Collateral
					Total Issuance Amount	Repayment Paid and Converted Amount	Ending Balance				
Third domestic secured convertible bonds	Taiwan Business Bank	2019.1.9	-	0.00%	\$ 150,000	\$ -	\$ 150,000	(\$ 5,139)	\$ 144,861	Please refer to Note 6(10)	Please refer to Note 6(10)

METATECH(AP) INC.  
OPERATING REVENUE  
DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

STATEMENT 10

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Connectors	\$ 426,839	
Consumer products	6,583	
Communications	20,914	
Others	89	
	<u>454,425</u>	
Less: Sales returns and discounts	( 786)	
Net sales revenue	453,639	
Other income	2,266	
Net operating revenue	<u>\$ 455,905</u>	

METATECH(AP) INC.  
OPERATING COSTS  
YEAR ENDED DECEMBER 31, 2019  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 11

Item	Amount	Note
Beginning raw materials		
Add: Raw materials purchased	\$ 5,930	
Semi-finished goods transferred into raw materials	248	
Finished goods transferred into raw materials	22	
Less: Ending raw materials	( 2,756)	
Cost of raw materials	( 33)	
Gain on physical inventory	( 1)	
Reclassified as expenses	( 2,455)	
Raw materials used	955	
Direct labor	634	
Manufacturing expense	6,003	
Total manufacturing cost	7,592	
Add: Beginning work in Progress	-	
Less: Ending work in Progress	( 197)	
Reclassified as expenses	( 257)	
Manufacturing cost	7,138	
Add: Beginning semi-finished goods	-	
Semi-finished goods purchased	1,100	
Less: Ending semi-finished goods	( 549)	
Reclassified as expenses	( 2,782)	
Gain on physical inventory	( 4)	
Semi-finished goods transferred into raw materials	( 248)	
Cost of semi-finished goods	( 505)	
Cost of finished goods	4,150	
Add: Beginning finished goods	-	
Less: Ending finished goods	( 369)	
Reclassified as expenses	( 3,759)	
Finished goods transferred into raw materials	( 22)	
Cost of goods manufactured and sold	-	
Beginning merchandise inventory	\$ 33,971	
Add: Net purchase for the year	400,908	
Less: Ending merchandise inventory	( 30,570)	
Reclassified as expenses	( 1,238)	
Cost of purchases and sales	403,071	
Add: Other operating costs	12,646	
Gain on reversal of decline in market value	( 207)	
Total operating costs	<u>\$ 415,510</u>	

METATECH(AP) INC.  
OPERATING EXPENSES  
DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

STATEMENT 12

<u>Item</u>	<u>Selling expenses</u>	<u>General and Administrative Expenses</u>	<u>Research and Development Expenses</u>	<u>Total</u>
1. Wages and salaries	\$ 28,989	\$ 44,592	\$ 14,432	88,013
2. Depreciation expense	2,739	1,514	17,632	21,885
3. Contracted research expense	-	-	5,986	5,986
4. Entertainment expense	1,962	3,674	108	5,744
5. Others (Note)	19,738	16,531	19,402	55,671
	<u>\$ 53,428</u>	<u>\$ 66,311</u>	<u>\$ 57,560</u>	<u>\$ 177,299</u>

Note: None of the balances of each remaining item is greater than 5% of this account balance.

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METATECH(AP) INC.  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION  
YEAR ENDED DECEMBER 31, 2019  
(Expressed in thousands of New Taiwan dollars)

STATEMENT 13

Function Nature	Year ended December 31, 2019			Year ended December 31, 2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ -	\$ 85,585	\$ 85,585	\$ -	\$ 68,972	\$ 68,972
Labour and health insurance fees	-	6,216	6,216	-	5,322	5,322
Pension costs	-	3,626	3,626	-	3,139	3,139
Directors' remuneration	-	2,428	2,428	-	1,945	1,945
Other personnel expenses	-	5,299	5,299	-	3,360	3,360
Depreciation expense	5,816	21,885	27,701	2,912	2,930	5,842
Amortisation expense	-	367	367	-	552	552

Note:

1. As at December 31, 2019 and 2018, the Company had 97 and 83 employees, including 9 and 7 non-employee directors, respectively.
2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information:
  - (1) Average employee benefit expense in current year was \$1,145 ((Total employee benefit expense in current year–Total directors' compensation in current year)/ (Number of employees in current year–Number of non-employee directors in current year)).  
Average employee benefit expense in previous year was \$1,063 ((Total employee benefit expense in previous year–Total directors' compensation in previous year)/ (Number of employees in previous year – Number of non-employee directors in previous year)).
  - (2) Average employee salaries in current year was \$973 (Total employee salaries in current year / (Number of employees in current year–Number of non-employee directors in current year)).  
Average employee salaries in previous year was \$908 (Total employee salaries in previous year / (Number of employees in previous year–Number of non-employee directors in previous year)).
  - (3) Adjustments of average employee salaries was 7% ((Average employee salaries in current year- Average employee salaries in previous year)/ Average employee salaries in previous year).

**METATECH (AP) INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REPORT OF INDEPENDENT ACCOUNTANTS**  
**DECEMBER 31, 2019 AND 2018**

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

METATECH (AP) INC. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. If relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

METATECH (AP) INC.

Hu Li San, Chairman

March 27, 2020

## 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, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, “Financial Supervisory Commission Order No. Financial-Supervisory-Securities-Auditing-1090360805 of February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and ROC GAAS for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. 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 warehouse operating revenue cut-off**

##### Description

For a description of accounting policy on revenue recognition, please refer to Note 4(29). For critical judgements in applying accounting policies, please refer to Note 5(1). For details of operating revenue, please refer to Note 6(16).

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

### How our audit addressed the matter:

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

1. Based on our understanding of the Company's business and industry, we assessed the reasonableness of warehouse operating revenue recognition policies and procedures and confirmed that these were consistently applied in the financial statements.
2. Understand the warehouses' process of collection, management and shipping, assessed and tested relevant internal controls, including randomly checking the product name, quantity and amount in the reports provided by hub custodian were in agreement with pick-up details and information on sales vouchers and confirmed that revenue from inventory movement are recognised in the correct reporting periods.
3. Performed cut-off tests on warehouse operating sales transactions that took place shortly before and after the balance sheet date, including verifying pick-up details provided by hub custodian are in agreement with the product name and quantity of inventory movement records and sales revenue amount, and are recognised in the correct reporting periods.
4. Performed confirmation for stock quantities at the warehouse and verified it against the system and accounting records.

### **Realisability of deferred tax assets**

#### Description

For a description of the accounting policy on income tax, please refer to Note 4(26); for accounting estimates and assumption uncertainty in relation to income tax, please refer to Note 5(2); and for details of income tax, please refer to Note 6(20).

The Group's deferred tax assets amounted to \$74,542 thousand as at December 31, 2019. The evaluation of the realisability of deferred tax assets involved the future operation plan which was proposed by management to determine whether there is sufficient taxable income, including the estimated

assumptions in forecasting market demand, economic conditions, revenue growth rate and cost considerations, etc. Since the abovementioned assumptions involved critical accounting judgement made by management, and has a high degree of uncertainty, we determined the realisability of deferred income tax assets as a key audit matter.

How our audit addressed the matter:

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

1. Obtained an understanding of the Group's operation and industry nature, evaluated the reasonableness of future operation plan which was proposed by management, including preparation working flow of operation plan and assessed the operation plan whether it is consistent with the content which was approved by the management.
2. Inquired with management on the content of operation plan and assessed the performance intention and ability.
3. Examined the assumptions used by the management on future operation plan in determining the growth in revenue, cost and expense, compared the assumptions with historical data and information of economic and industry forecasting and further assessed the reasonableness of estimated future realisable taxable income.
4. Assessed the sensitivity analysis that was performed by management under different estimated net income completion percentage and confirmed that management has taken into account the effects of estimate uncertainty on future taxable income properly.

**Valuation of allowance for inventory valuation losses**

Description

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



The Group's inventories and allowance for inventory valuation losses amounted to \$100,889 thousand and \$12,330 thousand, respectively, as at December 31, 2019. The Group is an agent of semiconductor components which is primarily engaged in sales of niche products and agent of consumer products, communications and connectors. As the agent products are in a small-volume, large-variety production, facing highly competitive nature of the market price and having a short life cycle, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group recognises inventories at the lower of cost and net realisable value. The assessment of the allowance for inventory valuation losses, including the identification of obsolete inventory and determination of net realisable value, often involves subjective judgement and a high degree of uncertainty. Considering the material effect of inventory and its allowance for valuation losses on the consolidated financial statements, we determined the valuation of allowance for inventory valuation losses as a key audit matter.

#### How our audit addressed the matter

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

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

***Other matter – 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, 2019 and 2018.

***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, 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 27, 2020

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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**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current Assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 364,039	24	\$ 494,329	38
1136	Current financial assets at amortised cost	6(2) and 8	12,204	1	10,062	1
1150	Notes receivable, net	6(3)	2,684	-	3,587	-
1170	Accounts receivable, net	6(3)	297,460	20	276,160	21
1200	Other receivables		2,310	-	2,470	-
1220	Current income tax assets		1,593	-	1,016	-
130X	Inventories	6(4)	88,559	6	116,769	9
1410	Prepayments		6,347	1	5,085	-
1470	Other current assets		973	-	877	-
11XX	<b>Current Assets</b>		<u>776,169</u>	<u>52</u>	<u>910,355</u>	<u>69</u>
<b>Non-current assets</b>						
1510	Non-current financial assets at fair value through profit or loss	6(9)	-	-	-	-
1600	Property, plant and equipment	6(5) and 8	222,399	15	177,016	14
1755	Right-of-use assets	6(6)	127,694	8	-	-
1780	Intangible assets	6(8)	258,627	17	136,975	11
1840	Deferred income tax assets	6(20)	74,542	5	42,943	3
1900	Other non-current assets	6(5)(7)(10)(23)	46,106	3	43,299	3
15XX	<b>Non-current assets</b>		<u>729,368</u>	<u>48</u>	<u>400,233</u>	<u>31</u>
1XXX	<b>Total assets</b>		<u>\$ 1,505,537</u>	<u>100</u>	<u>\$ 1,310,588</u>	<u>100</u>

(Continued)

**METATECH (AP) INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
<b>Current Liabilities</b>						
2100	Short-term borrowings		\$ 20,000	1	\$ 20,000	2
2130	Current contract liabilities	6(16)	3,135	-	3,461	-
2150	Notes payable		590	-	2,022	-
2170	Accounts payable		162,483	11	162,441	12
2200	Other payables		20,890	2	33,989	3
2230	Current income tax liabilities	6(20)	-	-	-	-
2250	Provisions for liabilities - current	6(11)	4,433	-	4,433	-
2280	Current lease liabilities		15,585	1	-	-
2300	Other current liabilities		1,019	-	647	-
21XX	<b>Current Liabilities</b>		<u>228,135</u>	<u>15</u>	<u>226,993</u>	<u>17</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(9)	144,861	10	-	-
2570	Deferred income tax liabilities	6(20)	14,259	1	10,736	1
2580	Non-current lease liabilities		113,954	7	-	-
25XX	<b>Non-current liabilities</b>		<u>273,074</u>	<u>18</u>	<u>10,736</u>	<u>1</u>
2XXX	<b>Total Liabilities</b>		<u>501,209</u>	<u>33</u>	<u>237,729</u>	<u>18</u>
<b>Equity attributable to owners of the parent</b>						
<b>Share capital</b>						
3110	Share capital - common stock	6(13)	580,160	39	580,160	44
<b>Capital surplus</b>						
3200	Capital surplus	6(14)	649,086	43	618,263	48
<b>Retained earnings</b>						
3350	Accumulated deficit	6(15)	( 206,808)	( 14)	( 114,567)	( 9)
<b>Other equity</b>						
3400	Other equity interest		( 18,110)	( 1)	( 10,997)	( 1)
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,004,328</u>	<u>67</u>	<u>1,072,859</u>	<u>82</u>
3XXX	<b>Total equity</b>		<u>1,004,328</u>	<u>67</u>	<u>1,072,859</u>	<u>82</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,505,537</u>	<u>100</u>	<u>\$ 1,310,588</u>	<u>100</u>

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

**METATECH (AP) INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars, except loss per share)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	<b>Sales revenue</b>	6(16) and 14	\$ 1,412,575	100	\$ 1,460,290	100
5000	<b>Operating costs</b>	6(4)(18)(19)	( 1,270,835)	( 90)	( 1,310,257)	( 90)
5950	<b>Net operating margin</b>		<u>141,740</u>	<u>10</u>	<u>150,033</u>	<u>10</u>
	<b>Operating expenses</b>	6(10)(18)(19)				
6100	Selling expenses		( 108,428)	( 8)	( 114,815)	( 8)
6200	General and administrative expenses		( 91,612)	( 6)	( 79,741)	( 5)
6300	Research and development expenses		( 57,560)	( 4)	( 38,143)	( 3)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	<u>174</u>	<u>-</u>	<u>1,009</u>	<u>-</u>
6000	<b>Total operating expenses</b>		( 257,426)	( 18)	( 231,690)	( 16)
6900	<b>Operating loss</b>		( 115,686)	( 8)	( 81,657)	( 6)
	<b>Non-operating revenue and expenses</b>					
7010	Other income		1,444	-	9,709	1
7020	Other gains and losses	6(17)	102	-	6,480	-
7050	Finance costs		( 4,633)	( 1)	( 44)	-
7000	<b>Total non-operating revenue and expenses</b>		( 3,087)	( 1)	16,145	1
7900	<b>Loss before income tax</b>		( 118,773)	( 9)	( 65,512)	( 5)
7950	Income tax benefit	6(20)	<u>26,078</u>	<u>2</u>	<u>7,768</u>	<u>1</u>
8200	<b>Loss for the year</b>		<u>( \$ 92,695)</u>	<u>( 7)</u>	<u>( \$ 57,744)</u>	<u>( 4)</u>
	<b>Other comprehensive income (net)</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(10)	\$ 568	-	( \$ 1,671)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	( 114)	-	478	-
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>		<u>454</u>	<u>-</u>	<u>( 1,193)</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		( 8,891)	-	10,042	1
8399	Income tax relating to the components of other comprehensive income	6(20)	<u>1,778</u>	<u>-</u>	<u>( 1,400)</u>	<u>-</u>
8360	<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>		( 7,113)	-	8,642	1
8300	<b>Total other comprehensive loss for the year</b>		( \$ 6,659)	-	\$ 7,449	1
8500	<b>Total comprehensive loss for the year</b>		<u>( \$ 99,354)</u>	<u>( 7)</u>	<u>( \$ 50,295)</u>	<u>( 3)</u>
	<b>Loss attributable to:</b>					
8610	Owners of the parent		( \$ 92,695)	( 7)	( \$ 57,744)	( 4)
	<b>Other comprehensive loss attributable to:</b>					
8710	Owners of the parent		( \$ 99,354)	( 7)	( \$ 50,295)	( 3)
	<b>Basic loss per share</b>	6(21)				
9750	<b>Total basic loss per share</b>		( \$ 1.60)		( \$ 1.01)	
9850	<b>Total diluted loss per share</b>		( \$ 1.60)		( \$ 1.01)	

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

**METATECH (AP) INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent							
		Capital Surplus							
Notes	Share capital - common stock	Additional paid-in capital	Employee stock warrants	Stock warrants	Others	Accumulated deficit	Financial statements translation differences of foreign operations	Total equity	
<b>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) income	-	-	-	-	-	( 1,193)	8,642	7,449
	Total comprehensive (loss) income	-	-	-	-	-	( 58,937)	8,642	( 50,295)
	Issuance of shares	140,000	364,000	-	-	-	-	-	504,000
	Share-based payments	-	2,665	16,974	-	-	-	-	19,639
	Balance at 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>
<b>2019</b>									
	Balance at January 1, 2019	\$ 580,160	\$ 601,205	\$ 16,974	\$ -	\$ 84	(\$ 114,567)	(\$ 10,997)	\$ 1,072,859
	Loss for the year	-	-	-	-	-	( 92,695)	-	( 92,695)
	Other comprehensive (loss) income	-	-	-	-	-	454	( 7,113)	( 6,659)
	Total comprehensive loss	-	-	-	-	-	( 92,241)	( 7,113)	( 99,354)
	Share-based payments	-	-	25,258	-	-	-	-	25,258
	Due to recognition of equity component of convertible bonds issued	-	-	-	5,565	-	-	-	5,565
	Balance at December 31, 2019	<u>\$ 580,160</u>	<u>\$ 601,205</u>	<u>\$ 42,232</u>	<u>\$ 5,565</u>	<u>\$ 84</u>	<u>(\$ 206,808)</u>	<u>(\$ 18,110)</u>	<u>\$ 1,004,328</u>

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



**METATECH (AP) INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		( \$ 118,773 )	( \$ 65,512 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including right of use assets)	6(5)(6)(18)	33,653	6,324
Amortization expense	6(18)	377	601
Expected credit gain	12(2)	( 174 )	( 1,009 )
Net loss on financial assets at fair value through profit or loss	6(17)	210	-
Interest expense		2,130	44
Interest expense of bonds discount amortization		2,503	-
Interest income		( 1,165 )	( 760 )
Share based compensation cost	6(12)	25,258	19,639
Loss on disposal of property, plant and equipment	6(5)(17)	239	24
Unrealized foreign exchange loss (gain)		2,852	( 2,811 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		903	287
Accounts receivable		( 21,115 )	( 26,654 )
Other receivables		160	10,397
Prepayments		( 1,262 )	( 2,348 )
Inventories		28,210	( 11,553 )
Other current assets		( 96 )	( 72 )
Net defined benefit assets	6(10)	( 20 )	( 47 )
Changes in operating liabilities			
Contract liabilities		( 326 )	( 946 )
Notes payable		( 1,432 )	( 1,600 )
Accounts payable		42	17,416
Other payables		( 7,918 )	( 14,457 )
Other current liabilities		372	( 1,893 )
Cash (outflow) inflow generated from operations		( 55,372 )	( 10,492 )
Interest received		1,165	760
Interest paid		( 2,130 )	( 44 )
Interest taxes paid		( 943 )	( 5,230 )
Net cash flows (used in) from operating activities		( 57,280 )	( 5,978 )
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment	6(5)(23)	( 34,158 )	( 94,076 )
Increase in refundable deposits		( 106 )	( 226 )
Acquisition of financial assets at amortised cost	6(2)	( 2,142 )	( 2,108 )
Increase in other non current assets		( 34,278 )	( 32,137 )
Acquisition of intangible assets	6(8)	( 121,652 )	( 123,115 )
Net cash flows used in investing activities		( 192,336 )	( 251,662 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short term borrowings	6(24)	35,000	40,000
Repayments of short term borrowings	6(24)	( 35,000 )	( 20,000 )
Proceeds from issuance of convertible bonds	6(24)	147,712	-
Repayment of principal portion of lease liabilities	6(6)(24)	( 16,669 )	-
Proceeds from issuance of shares	6(13)	-	504,000
Decrease in other non-current liabilities	6(24)	-	( 3 )
Net cash flows from financing activities		131,043	523,997
Effect of exchange rate changes on cash and cash equivalents		( 11,717 )	( 12,853 )
Net (decrease) increase in cash and cash equivalents		( 130,290 )	291,166
Cash and cash equivalents at beginning of year	6(1)	494,329	203,163
Cash and cash equivalents at end of year	6(1)	\$ 364,039	\$ 494,329

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, 2019 AND 2018

(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 wholesale and retail of electronic materials and equipment as well as development and operation of biomedicine related business. The shares of the Company were officially listed on the Taipei Exchange on June 3, 2004 as approved by the Financial Supervisory Commission.

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

These consolidated financial statements were reported to the Board of Directors on March 27, 2020.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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’

A. 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.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by \$64,774, increased ‘lease liability’ by \$64,774 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

(d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 1.60% to 3.94%.

E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	63,481
Less: Low-value assets	(	67)
Add: Adjustments as a result of a different treatment of extension and termination options		5,299
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019		68,713
Incremental borrowing interest rate at the date of initial application		1.60% ~ 3.94%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	64,774

(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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 9, IAS 39 and IFRS7 , ‘Interest rate benchmark reform’	January 1, 2020

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

- (b) Defined benefit assets recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- (3) Basis of consolidation
- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
  - (d) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

**B. Subsidiaries included in the consolidated financial statements:**

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2019	December 31, 2018	
The Company	MetaTech Investment Holding Co., Ltd. (MetaTech Investment)	Investment holding and reinvestment business	100	100	Note
"	Chienhwa Travel Service Co., Ltd.	Travel business	100	100	"
MetaTech Investment	MTI HoldingCo., Ltd.(MTI Holding)	Investment holding and reinvestment business	100	100	"
MTI Holding	MetaTech (S) Pte Ltd.(MetaTech(S))	Wholesale and retail of electronic materials	100	100	"
"	MetaTech Ltd.	Wholesale and retail of electronic materials	100	100	"
MetaTech Ltd.	MetaTech (Shenzhen) Ltd.(MetaTech (SZ))	Wholesale and retail of electronic materials	100	100	"

Note : The information included in these consolidated financial statements as at December 31, 2019 and 2018 is based on the audited financial statements of each company.

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

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

E. Significant restrictions:

Cash and short-term deposits of \$14,575 deposited in mainland China are under local foreign exchange control which restricts the capital to be remitted outside the borders (except for normal dividend distribution).

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

**(4) Foreign currency translation**

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

**A. Foreign currency transactions and balances**

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

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

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

#### B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

#### (5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

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



for lifetime ECLs.

(11) Derecognition of financial assets

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

(12) Inventories

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

(13) Property, plant and equipment

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

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

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

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

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

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

Effective 2019

(Using the modified retrospective approach)

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

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

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

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

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Operating leases (lessee)

Prior to 2019

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.

(16) Intangible assets

Technical skills

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

(17) Impairment of non-financial assets

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

impairment had not been recognised.

- B. The recoverable amounts of goodwill and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

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

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of goods and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Convertible bonds payable

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

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

loss’.

- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to ‘finance costs’ over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in ‘capital surplus—share options’ at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘capital surplus—share options’.

(22) Derecognition of financial liabilities

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

(23) Provisions

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

C. Termination benefits

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

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

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

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value

of the equity instruments granted shall reflect the impact of market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

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

(27) Share capital

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

(28) Dividends

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

(29) Revenue recognition

A. Sales of goods

- (a) The Group sells electronic products and equipment as an agent. Sales are recognised when control of the products has transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

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

(30) Operating segments

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

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

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

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

#### Revenue recognition on a net/gross basis

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

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

- (a) The Group is primarily responsible for the provision of goods or services;
- (b) The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer; and
- (c) The Group has discretion in establishing prices for the goods or services.

### (2) Critical accounting estimates and assumptions

#### A. Realisability of deferred tax assets

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

As of December 31, 2019, the Group recognised deferred tax assets amounting to \$74,542.

#### 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, 2019, the carrying amount of inventories was \$88,559.

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 285	\$ 420
Checking accounts and demand deposits	333,212	493,909
Time deposits	<u>30,542</u>	<u>-</u>
	<u>\$ 364,039</u>	<u>\$ 494,329</u>

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

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

### (2) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Time deposits maturing in excess of three months	\$ 9,013	\$ 4,800
Reserve account for demand deposits	<u>3,191</u>	<u>5,262</u>
	<u>\$ 12,204</u>	<u>\$ 10,062</u>

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

	<u>2019</u>	<u>2018</u>
Interest income	\$ 84	\$ 57

B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$12,204 and \$10,062, respectively.

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

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

### (3) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ <u>2,684</u>	\$ <u>3,587</u>
Accounts receivable	\$ 297,936	\$ 276,821
Less: Allowance for bad debts	( <u>476</u> )	( <u>661</u> )
	<u>\$ 297,460</u>	<u>\$ 276,160</u>

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

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 251,533	\$ 2,684	\$ 223,723	\$ 3,587
Up to 30 days	44,319	-	39,581	-
31 to 90 days	1,691	-	8,664	-
Over 90 days	393	-	4,853	-
	<u>\$ 297,936</u>	<u>\$ 2,684</u>	<u>\$ 276,821</u>	<u>\$ 3,587</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$307,349.

C. As of December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$2,684 and \$3,587; \$297,460 and \$276,160, respectively.

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

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

(4) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,756	\$ -	\$ 2,756
Work in progress	197	-	197
Semi-finished goods	549	-	549
Finished goods	369	-	369
Merchandises	97,018	( 12,330)	84,688
	<u>\$ 100,889</u>	<u>(\$ 12,330)</u>	<u>\$ 88,559</u>
	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Merchandises	<u>\$ 132,983</u>	<u>(\$ 16,124)</u>	<u>\$ 116,769</u>

	2019	2018
Cost of goods sold	\$ 1,274,490	\$ 1,306,450
(Gain on reversal of) loss on decline in market value	( 3,590)	3,795
Others	( 65)	12
	<u>\$ 1,270,835</u>	<u>\$ 1,310,257</u>

The Group reversed from a previous inventory write-down because inventories with decline in market value and obsolete and slow-moving inventories were actively sold by the Group for the year ended December 31, 2019.

(5) Property, plant and equipment

	2019								
	Land	Buildings and structures	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress (Note 1)	Total
At January 1									
Cost	\$ 17,209	\$ 40,313	\$ 14,013	\$ 6,247	\$ 31,071	\$ 12,903	\$ 1,626	\$ 109,337	\$ 232,719
Accumulated depreciation	-	( 11,656)	( 2,753)	( 1,905)	( 27,247)	( 11,019)	( 1,123)	-	( 55,703)
	<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>\$ 177,016</u>
Opening net book amount as at January 1	\$ 17,209	\$ 28,657	\$ 11,260	\$ 4,342	\$ 3,824	\$ 1,884	\$ 503	\$ 109,337	\$ 177,016
Additions	-	4,695	14,413	-	4,316	952	476	4,124	28,976
Disposals	-	-	-	-	( 26)	( 213)	-	-	( 239)
Transfers (Note 2)	-	102,191	29,002	-	2,786	11,270	-	113,461	31,788
Depreciation charge	-	( 4,941)	( 5,052)	( 909)	( 2,040)	( 1,863)	( 326)	-	( 15,131)
Net exchange differences	-	-	-	( 1)	( 8)	( 2)	-	-	( 11)
Closing net book amount as at December 31	<u>\$ 17,209</u>	<u>\$ 130,602</u>	<u>\$ 49,623</u>	<u>\$ 3,432</u>	<u>\$ 8,852</u>	<u>\$ 12,028</u>	<u>\$ 653</u>	<u>\$ -</u>	<u>\$ 222,399</u>
At December 31	\$ 17,209	\$ 147,199	\$ 57,428	\$ 6,217	\$ 33,997	\$ 21,562	\$ 2,061	\$ -	\$ 285,673
Cost	-	( 16,597)	( 7,805)	( 2,785)	( 25,145)	( 9,534)	( 1,408)	-	( 63,274)
Accumulated depreciation	<u>\$ 17,209</u>	<u>\$ 130,602</u>	<u>\$ 49,623</u>	<u>\$ 3,432</u>	<u>\$ 8,852</u>	<u>\$ 12,028</u>	<u>\$ 653</u>	<u>\$ -</u>	<u>\$ 222,399</u>
	2018								
	Land	Buildings and structures	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress (Note 1)	Total
At January 1									
Cost	\$ 17,209	\$ 40,313	\$ 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>
Opening net book amount as at January 1	\$ 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	99,314
Disposals	-	-	-	-	( 24)	-	-	-	( 24)
Depreciation charge	-	( 790)	( 1,416)	( 876)	( 1,004)	( 1,937)	( 301)	-	( 6,324)
Net exchange differences	-	-	-	( 1)	5	15	-	-	19
Closing net book amount as at December 31	<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>\$ 177,016</u>
At December 31	\$ 17,209	\$ 40,313	\$ 14,013	\$ 6,247	\$ 31,071	\$ 12,903	\$ 1,626	\$ 109,337	\$ 232,719
Accumulated depreciation	-	( 11,656)	( 2,753)	( 1,905)	( 27,247)	( 11,019)	( 1,123)	-	( 55,703)
	<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>\$ 177,016</u>

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

expenditure contracted for at the balance sheet date but not yet incurred is provided in Note 9(2)E.

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

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

(6) Leasing arrangements - lessee

Effective 2019 (Using the modified retrospective approach)

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

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

	<u>December 31, 2019</u>	<u>2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 68,638	\$ 3,010
Buildings	57,993	14,894
Transportation equipment	1,063	618
	<u>\$ 127,694</u>	<u>\$ 18,522</u>

C. For the year ended December 31, 2019, the additions to right-of-use assets was \$81,722.

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

	<u>2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 2,045
Expense on short-term lease contracts	138
Expense on leases of low-value assets	48

E. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$18,900.

(7) Other non-current assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Prepayments	\$ 33,000	\$ 31,788
Guarantee deposits paid	6,718	6,612
Others	6,388	4,899
	<u>\$ 46,106</u>	<u>\$ 43,299</u>

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

Prepayments for the year ended December 31, 2018 refer to the prepayments for the lab machinery and equipment.

(8) Intangible assets

	<u>2019</u>
	<u>Technical skills</u> <u>(Notes 1 and 2)</u>
At January 1	
Cost	\$ 136,975
Accumulated amortisation	-
	<u>\$ 136,975</u>
Opening net book amount as at January 1	\$ 136,975
Additions - acquired separately	121,652
Closing net book amount as at December 31	<u>\$ 258,627</u>
At December 31	
Cost	\$ 258,627
Accumulated amortisation	-
	<u>\$ 258,627</u>
	<u>2018</u>
	<u>Technical skills</u> <u>(Notes 1 and 2)</u>
At January 1	
Cost	\$ 13,860
Accumulated amortisation	-
	<u>\$ 13,860</u>
Opening net book amount as at January 1	\$ 13,860
Additions - acquired separately	123,115
Closing net book amount as at December 31	<u>\$ 136,975</u>
At December 31	
Cost	\$ 136,975
Accumulated amortisation	-
	<u>\$ 136,975</u>

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

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

(9) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds payable	\$ 150,000	\$ -
Less: Discount on bonds payable	( 5,139)	-
	<u>\$ 144,861</u>	<u>\$ -</u>

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

- (a) The Company issued \$150 million, 0%, the third domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (January 9, 2019 ~ January 9, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on January 9, 2019.
- (b) The Company commissioned the Taiwan Business Bank Co., Ltd. to offer a guarantee for its convertible bonds. The guarantee duration is from the date that the borrowing amounts of the convertible bonds are fully collected to the date that the principal, interests and subordinated liabilities of the bonds are fully repaid. Except for the principal, the guarantee also covers interests and all subordinated liabilities, including the delay interest and all payments required to be made in accordance with the terms of bonds issuance and conversion when exercising the early redemption of the bonds by the issuing companies or foreign issuers.
- (c) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue (April 10, 2019) to the maturity date (January 9, 2022), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (d) The conversion price of the bonds, which was NTD 63.30 (in dollars) at the issuance, is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the reset conversion price shall not be less than 80% of the conversion price set on the issue date.
- (e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue (April 10, 2019) to 40 days before the maturity date (November 30, 2021), or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
- (f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations

attached to the bonds are also extinguished.

B. Regarding the issuance of the third convertible bonds, the equity conversion options amounting to \$5,565 were separated from the liability component and were recognised in ‘capital surplus - share options’ in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets at fair value through profit or loss - non-current’ in net amount of \$0 as of December 31, 2019 in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 1.75%.

(10) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. However, the Group ceased to contribute to the labor pension reserve from March 2009 to March 2020 after receiving the approval from the New Taipei City Government. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 7,298	\$ 7,474
Fair value of plan assets	( 9,484)	( 9,072)
Net defined benefit liability	<u>(\$ 2,186)</u>	<u>(\$ 1,598)</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 7,474	(\$ 9,072)	(\$ 1,598)
Interest (expense) income	<u>93</u>	<u>( 113)</u>	<u>( 20)</u>
	<u>7,567</u>	<u>( 9,185)</u>	<u>( 1,618)</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	( 299)	( 299)
Change in financial assumptions	147	-	147
Experience adjustments	<u>( 416)</u>	<u>-</u>	<u>( 416)</u>
	<u>( 269)</u>	<u>( 299)</u>	<u>( 568)</u>
Balance at December 31	<u>\$ 7,298</u>	<u>(\$ 9,484)</u>	<u>(\$ 2,186)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<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>

(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, 2019 and 2018 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, 2019	Year ended December 31, 2018
Discount rate	<u>1.00%</u>	<u>1.25%</u>
Future salary increases	<u>2.25%</u>	<u>2.25%</u>

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:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	( <u>147</u> )	<u>150</u>	<u>612</u>	( <u>563</u> )
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	( <u>166</u> )	<u>172</u>	<u>702</u>	( <u>639</u> )

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, 2020 amount to \$0.

(g) As of December 31, 2019, the weighted average duration of the retirement plan is 9.3 years.

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

2-5 years	2,430
Over 5 years	216
	<u>\$ 2,646</u>

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The employee retirement plans of MetaTech(S) and MetaTech Ltd. were based on the defined contribution plan in accordance with the relevant regulations applied by the local government.
- (c) MetaTech(SZ) has a defined contribution plan. Monthly contribution to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The abovementioned contribution percentage for the years ended December 31, 2019 and 2018 both were 13%. Other than the monthly contributions, the Group has no further obligations.
- (d) For the aforementioned pension plan, the Group recognised pension costs of \$5,816 and \$5,449 for the years ended December 31, 2019 and 2018, respectively.

(11) Current provisions

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current provisions	\$ 4,433	\$ 4,433

The Group signed a sales and purchase agreement with TBMS INTERNATIONAL CORPORATION and agrees to purchase equipment totaling \$33,050 before December 31, 2016. The Group has to pay 20% of the unpurchased amount as penalty for breach of contract if the purchase are cancelled. The unpurchased amount of the agreement was \$29,090 and hence the Group recognised provisions of \$4,433 in accordance with the agreement. As of March 27, 2020, the amount of compensation was still under negotiation by both parties.

(12) Share-based payment

- A. For the years ended December 31, 2019 and 2018, the Group’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee preemption	2018.01.02	329 thousand shares	NA	Vested immediately
Employee stock options	2018.04.02	2,280 thousand shares	6 years	2 ~ 5 years' service
Employee stock options	2018.05.14	1,297 thousand shares	6 years	2 ~ 5 years' service
Employee stock options	2018.11.15	423 thousand shares	6 years	2 ~ 5 years' service

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

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

	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	4,000,000	\$ 58.36	-	\$ -
Options granted	-	-	4,329,000	56.66
Options exercised	-	-	(329,000)	36.00
Options outstanding at December 31	<u>4,000,000</u>	<u>58.36</u>	<u>4,000,000</u>	<u>58.36</u>
Options exercisable at December 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

C. The Group did not have any options exercised for the year ended December 31, 2019. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2018 was \$46.90 (in dollars).

D. For the years ended December 31, 2019 and 2018, the range of exercise prices of stock options outstanding was \$55.00~\$59.20 and \$55.00~\$59.20 (in dollars), respectively; the weighted-average remaining contractual period was 4.36 years and 5.36 years, respectively.

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

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Cash capital increase reserved for employee preemption	2018.01.02	\$ 44.1	\$ 36.0	27.39% (Note 1)	2018.01.02~2018.01.10	-	0.28%	\$ 8.10
Employee stock options	2018.04.02	58.5	58.5	44.54~46.90% (Note 2)	4 ~ 5.5 years	0.64~0.76%	0.64~0.76%	20.61~24.70
Employee stock options	2018.05.14	59.2	59.2	44.25~47.03% (Note 2)	4 ~ 5.5 years	0.67~0.76%	0.67~0.76%	20.76~25.07
Employee stock options	2018.11.15	55.0	55.0	40.56~48.61% (Note 2)	4 ~ 5.5 years	0.73~0.83%	0.73~0.83%	17.88~24.44

Note 1: The expected price volatility is estimated based on the average annualised standard deviation by using the daily rates of returns over the period from January 2, 2018, the grant date, back to July 3, 2017 as the hypothesised value.

Note 2: The expected price volatility is estimated based on the annualised standard deviation by reference to the historical daily rate of returns of the Company (code: 3224) over the length of period approximating to the expected option life.

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

	<u>2019</u>	<u>2018</u>
Equity-settled	\$ 25,258	\$ 19,639

(13) Share capital

A. As of December 31, 2019, the Company's authorised capital was \$1,000,000, consisting of 100 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$580,160, consisting of 58,016 thousand shares outstanding, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding are as follows:

Expressed in thousands of shares

	<u>2019</u>	<u>2018</u>
At January 1	58,016	44,016
Cash capital increase	-	14,000
At December 31	<u>58,016</u>	<u>58,016</u>

B. On March 24, 2017, the Board of Directors of the Company resolved to increase its capital by issuing 14 million shares with a par value of \$10 (in dollars) per share and a premium issuance price of NTD 36 (in dollars) per share. The Company is expecting to raise \$504 million. The capital increase was approved by the Financial Supervisory Commission Jin-Guan-Zheng-Fa-Zi Letter No.1060036940 on October 13, 2017 and the date of the capital increase was set on January 16, 2018 as approved by the Board of Directors on December 11, 2017.

C. On December 11, 2017, the Board of Directors of the Company approved to issue employee stock options of 4,000 units, and each unit represents the rights to subscribe 1,000 common shares. The issuance has been approved by the Financial Supervisory Commission Jin-Guan-Zheng-Fa-Zi Letter No.1060051040 on January 8, 2018.

(14) Capital surplus

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

B. The information regarding capital surplus - share options and employee share options is provided in Notes 6(9) and (12).

(15) Accumulated deficits to be covered

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining

amount shall be set aside as legal reserve. The remaining earnings along with unappropriated earnings of prior years will be retained or distributed as proposed by the Board of Directors and resolved by the shareholders. Regarding the bonus distributed to the shareholders, cash dividends shall account for at least 30% of the total distribution and the remainder is distributed in shares.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The Group incurred accumulated deficit for the years ended December 31, 2018 and 2017, and thus had no earnings for distribution. On June 17, 2019 and June 25, 2018, the shareholders approved the deficit compensation of 2018 and 2017, respectively.
- E. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(19).

(16) Operating revenue

	2019	2018
Revenue from contracts with customers	\$ 1,409,374	\$ 1,456,669
Others	3,201	3,621
	<u>\$ 1,412,575</u>	<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:

	2019						
	Hong Kong and Mainland China	Southeast Asia	Taiwan		Others	Write-offs	Total
			Electronics	Biomedicine			
Total segment revenue	\$ 656,480	\$ 355,433	\$ 453,639	\$ 2,266	\$ 1,283	(\$ 56,526)	\$ 1,412,575
Inter-segment revenue	( 49,766)	( 3,881)	( 2,531)	-	( 348)	56,526	-
Revenue from external customer contracts	<u>\$ 606,714</u>	<u>\$ 351,552</u>	<u>\$ 451,108</u>	<u>\$ 2,266</u>	<u>\$ 935</u>	<u>\$ -</u>	<u>\$ 1,412,575</u>
Timing of revenue recognition							
At a point in time	\$ 606,714	\$ 351,552	\$ 451,108	\$ 1,627	\$ 935	\$ -	\$ 1,411,936
Over time	-	-	-	639	-	-	639
	<u>\$ 606,714</u>	<u>\$ 351,552</u>	<u>\$ 451,108</u>	<u>\$ 2,266</u>	<u>\$ 935</u>	<u>\$ -</u>	<u>\$ 1,412,575</u>

	2018						
	Hong Kong and	Southeast	Taiwan			Write-offs	Total
	Mainland China	Asia	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 contracts	\$ 695,661	\$ 338,614	\$ 422,394	\$ 2,691	\$ 930	\$ -	\$ 1,460,290
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
	\$ 695,661	\$ 338,614	\$ 422,394	\$ 2,691	\$ 930	\$ -	\$ 1,460,290

## B. Contract liabilities

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

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities:			
Advance sales receipts	\$ 3,135	\$ 3,461	\$ 4,407

### (a) Significant changes in contract liabilities

None.

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

	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	\$ 1,852	\$ 4,210

### (17) Other gains and losses

	2019	2018
Losses on disposals of property, plant and equipment	(\$ 239)	(\$ 24)
Net currency exchange gains	562	6,504
Losses on financial assets at fair value through profit or loss	( 210)	-
Other losses	( 11)	-
	\$ 102	\$ 6,480

(18) Expenses by nature

Function Nature	Year ended December 31,					
	2019			2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense	\$ -	\$ 136,568	\$ 136,568	\$ -	123,900	\$ 123,900
Depreciation Expense	5,816	27,837	33,653	2,912	3,412	6,324
Amortisation Expense	-	377	377	-	601	601

(19) Employee benefit expense

	2019	2018
Wages and salaries	\$ 92,226	\$ 87,753
Employee stock options	25,258	19,639
Labour and health insurance fees	6,665	5,718
Pension costs	5,796	5,402
Other personnel expenses	6,623	5,388
	<u>\$ 136,568</u>	<u>\$ 123,900</u>

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

B. As of December 31, 2019 and 2018, no employees' compensation and directors' remuneration were accrued due to accumulated deficit of the Company.

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

(20) Income tax

A. Income tax benefit

(a) Components of income tax benefit:

	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the year	\$ 1,058	\$ 1,762
Prior year income tax overestimation	( 724)	( 95)
Total current tax	<u>334</u>	<u>1,667</u>
Deferred tax:		
Origination and reversal of temporary	( 26,412)	( 5,912)
Impact of change in tax rate	<u>-</u>	<u>( 3,523)</u>
Income tax benefit	<u>(\$ 26,078)</u>	<u>(\$ 7,768)</u>

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

	<u>2019</u>	<u>2018</u>
Currency translation differences	\$ 1,778	(\$ 2,008)
Remeasurement of defined benefit obligations	( 114)	428
Impact of change in tax rate	<u>-</u>	<u>658</u>
	<u>\$ 1,664</u>	<u>(\$ 922)</u>

B. Reconciliation between income tax benefit and accounting profit

	<u>2019</u>	<u>2018</u>
Tax calculated based on loss before tax and statutory tax rate (note)	(\$ 21,934)	(\$ 11,259)
Expenses disallowed by tax regulation	1,669	( 412)
Change in assessment of realisation of deferred tax assets	( 5,089)	7,521
Prior year income tax overestimation	( 724)	( 95)
Impact of change in tax rate	<u>-</u>	<u>( 3,523)</u>
Income tax benefit	<u>(\$ 26,078)</u>	<u>(\$ 7,768)</u>

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

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



	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
– Temporary differences:				
Loss on inventory	\$ 297	(\$ 55)	\$ -	\$ 242
Adjustment to unused paid annual leave	240	-	-	240
Currency translation differences	2,047	-	1,778	3,825
Remeasurement of defined benefit obligations	761	-	(114)	647
Onerous contracts provision	1,164	-	-	1,164
Lease liability	-	326	-	326
Others	149	-	-	149
– Tax losses	<u>38,285</u>	<u>29,664</u>	<u>-</u>	<u>67,949</u>
Subtotal	<u>42,943</u>	<u>29,935</u>	<u>1,664</u>	<u>74,542</u>
Deferred tax liabilities:				
– Temporary differences:				
Share of profit or loss of associates and joint ventures accounted for using equity method	( 9,958)	( 3,904)	-	( 13,862)
Unrealised exchange gain	( 589)	381	-	( 208)
Pension	( 189)	-	-	( 189)
Subtotal	<u>( 10,736)</u>	<u>( 3,523)</u>	<u>-</u>	<u>( 14,259)</u>
Total	<u>\$ 32,207</u>	<u>\$ 26,412</u>	<u>\$ 1,664</u>	<u>\$ 60,283</u>

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
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
Onerous contracts provision	989	175	-	1,164
Others	-	149	-	149
– Tax losses	<u>24,440</u>	<u>13,845</u>	<u>-</u>	<u>38,285</u>
Subtotal	<u>30,209</u>	<u>13,656</u>	<u>( 922)</u>	<u>42,943</u>
Deferred tax liabilities:				
– Temporary differences:				
Share of profit or loss of associates and joint ventures accounted for using equity method	( 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>

D. The Company's income tax returns through 2017 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, 2019

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
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	-	2025
2016	Amount assessed	42,849	-	2026
2017	Amount assessed	28,478	-	2027
2018	Amount filed	82,217	-	2028
2019	Amount estimated	132,870	-	2029
		<u>\$ 428,667</u>	<u>\$ 88,920</u>	

## 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 filed	28,478	-	2027
2018	Amount estimated	85,947	-	2028
		<u>\$ 334,982</u>	<u>\$ 143,556</u>	

K. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(21) Losses per share

	2019		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders of the parent	<u>(\$ 92,695)</u>	<u>\$ 58,016</u>	<u>(\$ 1.60)</u>

	2018		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders of the parent	<u>(\$ 57,744)</u>	<u>\$ 57,441</u>	<u>(\$ 1.01)</u>

For the year ended December 31, 2019, the employee stock options and convertible bonds issued by the Group were excluded from the calculation of diluted earnings per share since such options and bonds were anti-dilutive.

For the year ended December 31, 2018, the employee stock options issued by the Group were excluded from the calculation of diluted earnings per share since such options were anti-dilutive.

(22) Operating leases

Prior to 2019

The Group leases office and warehouse under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years. The Group recognised rental expense of \$10,356 for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under operating lease agreements are as follows:

	<u>December 31, 2018</u>
Not later than one year	\$ 13,821
Later than one year but not later than five years	24,947
Later than five years	24,713
	<u>\$ 63,481</u>

(23) Supplemental cash flow information

1. Investing activities with partial cash payments:

	2019	2018
Purchase of property, plant and equipment	\$ 28,976	\$ 99,314
Add: Opening balance of payable on equipment	5,238	-
Less: Ending balance of payable on equipment	( 56)	( 5,238)
Cash paid during the period	<u>\$ 34,158</u>	<u>\$ 94,076</u>

2. Financing activities with no cash flow effects

	2019	2018
Prepayments for equipment being converted to property, plant and equipment	<u>\$ 31,788</u>	<u>\$ -</u>

(24) Changes in liabilities from financing activities

	2019			
	Short-term borrowings	Bonds payable	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 20,000	\$ -	\$ 64,774	\$ 84,774
Changes in cash flow from financing activities	-	147,712	( 16,669)	131,043
Impact of changes in foreign exchange rate	-	-	( 169)	( 169)
Changes in other non-cash items	-	( 2,851)	81,603	78,752
At December 31	<u>\$ 20,000</u>	<u>\$ 144,861</u>	<u>\$ 129,539</u>	<u>\$ 294,400</u>

	2018			
	Short-term borrowings	Bonds payable	Liabilities from financing activities-gross	
At January 1	\$ -	\$ -	\$ -	
Changes in cash flow from financing activities	20,000	-	20,000	
Impact of changes in foreign exchange rate	-	-	-	
Changes in other non-cash items	-	-	-	
At December 31	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	

7. Related Party Transactions

(1) Names of related parties and relationship

None.

(2) Key management compensation

	2019	2018
Salaries and other short-term employee benefits	\$ 15,270	\$ 15,371
Post-employment benefits	502	592
Share-based payment	2,855	2,105
	<u>\$ 18,627</u>	<u>\$ 18,068</u>

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2019	December 31, 2018	
Financial assets at amortised			
-Reserve account for demand deposits	\$ 3,191	\$ 5,262	Guarantee for limit on short-term borrowings
-Time deposits	9,013	4,800	Guarantee for customs, credit card and performance bond of lease agreements
Property, plant and equipment			
-Land	17,209	17,209	Guarantee for short-term credit line
-Buildings and structures	27,866	28,657	"
	<u>\$ 57,279</u>	<u>\$ 55,928</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

- A. As of December 31, 2019, the Company used credit line of bank borrowings amounting to \$5,000 as the performance bond for purchase agreements.
- B. As of December 31, 2019, the Company provided promissory note amounting to \$10,000 and used credit line of bank borrowings amounting to \$10,000 as the performance bond for Taiwan Industry Innovation Platform Program promoted by the Ministry of Economic Affairs.
- C. As of December 31, 2019 and 2018, guaranteed notes as well as endorsements and guarantees amounting to \$24,990 (NTD 10 million and USD 500 thousand) and \$25,358 (NTD 10 million and USD 500 thousand), respectively, were issued for subsidiaries' borrowings.
- D. The joint credit line of the Group for financial institution short-term secured borrowings was NTD 50 million as of December 31, 2019 and NTD 45 million as of December 31, 2018. As of December 31, 2019 and 2018, the promissory notes amounting to NTD 60 million was issued to a bank as guarantee and the abovementioned joint credit line amounting to NTD 20 million and NTD 15 million was used, respectively.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	\$ -	\$ 8,800
Intangible assets	<u>36,246</u>	<u>162,533</u>
	<u>\$ 36,246</u>	<u>\$ 171,333</u>

Note: The Company entered into a start-up agreement of cell sheet regenerative medical cooperation with Japan CellSeed Inc. on December 21, 2016 with the consideration amounting to JPY 50 million for expanding biomedical research and development, business development, as well as promoting the Company's innovative transformation of regenerative medicine. The Board of Directors during its meeting on March 24, 2017 adopted a resolution to enter into a cooperation agreement of abovementioned cell sheet regenerative medicine with Japan CellSeed Inc., which was formally signed on April 24, 2017 with the consideration amounting to JPY 1.25 billion. As of December 31, 2019, the Company has paid JPY 1,168,674,913 in respect of the payment schedule for arrangement.

10. Significant Disaster Loss

None.

11. Significant events after the balance sheet date

None.

12. Others

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 364,039	\$ 494,329
Financial assets at amortised cost	12,204	10,062
Notes receivable	2,684	3,587
Accounts receivable	297,460	276,160
Other receivables	2,310	2,470
Guarantee deposits paid (shown as 'other non-current assets')	6,718	6,612
	<u>\$ 685,415</u>	<u>\$ 793,220</u>
	December 31, 2019	December 31, 2018
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 20,000	\$ 20,000
Notes payable	590	2,022
Accounts payable	162,483	162,441
Other payables	20,890	33,989
Bonds payable	144,861	-
	<u>\$ 348,824</u>	<u>\$ 218,452</u>
Lease liability	<u>\$ 129,539</u>	<u>\$ -</u>

## B. Financial risk management policies

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

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Exchange rate risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- iv. The Group's businesses involve some non-functional currency operations (the Company's



functional currency: NTD; other certain subsidiaries' functional currency: HKD and SGD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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

December 31, 2018			
	Foreign currency amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional 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

- v. The total exchange gain arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018, amounted to \$562 and \$6,504, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		2019		
		Sensitivity analysis		
	Degree of variation	Effect on profit or loss before tax		Effect on other comprehensive income after tax
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 1,117	\$	-
USD:HKD	1%	2,106		-
JPY:NTD	1%	142		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	740	\$	-
USD:HKD	1%	639		-
		2018		
		Sensitivity analysis		
	Degree of variation	Effect on profit or loss before tax		Effect on other comprehensive income after tax
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 1,001	\$	-
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		-

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and notes receivable based on the agreed terms, as well as the contract cash flows of financial assets at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only above investment grade are accepted. According to the credit policy, each local entity in company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality

of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables.

- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) Default or delinquency in interest or principal repayments;
  - (iii) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.
- vii. As of December 31, 2019 and 2018, the Group has no written-off financial assets that are still under recourse procedures.
- viii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the loss allowance for accounts receivable. The Group's expected credit loss rate of not past due accounts receivable as of December 31, 2019 and 2018 is not material.
- ix. The Group did not recognised the amount of loss allowance for accounts receivable applied the simple approach since it was not material for the years ended December 31, 2019 and 2018.

	2019	2018
At January 1	\$ 661	\$ 1,657
Reversal of impairment loss	( 174)	( 1,009)
Effect of exchange rate changes	( 11)	13
At December 31	\$ 476	\$ 661

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity

requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

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

Non-derivative financial liabilities

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

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 20,320	\$ -	\$ -
Notes payable	2,022	-	-
Accounts payable	162,441	-	-
Other payables	33,989	-	-

(3) Fair value information

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

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

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

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

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

		Level 3	
		December 31, 2019	December 31, 2018
<b>Assets</b>			
<u>Recurring fair value measurements</u>			
Financial assets at fair value			
value through profit or loss or loss			
-Options embedded in convertible bonds	\$	-	\$ -

C. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019	2018
At January 1	\$ -	\$ -
Issued in the period	210	-
Valuation loss	( 210)	-
At December 31	\$ -	\$ -

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

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

### 13. Supplementary Disclosures

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative financial instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

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

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 3.

14. Operating Segment Information

(1) General information

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

(2) Measurement of segment information

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

(3) Segment Information

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

	2019						
	Hong Kong and	Southeast	Taiwan		Others	Write-offs	Total
	Mainland China	Asia	Electronics	Biomedicine			
Revenue from external customers	\$ 606,714	\$ 351,552	\$ 451,108	\$ 2,266	\$ 935	\$ -	\$ 1,412,575
Inter-segment revenue	49,766	3,881	2,531	-	348	( 56,526)	-
Total segment revenue	\$ 656,480	\$ 355,433	\$ 453,639	\$ 2,266	\$ 1,283	(\$ 56,526)	\$ 1,412,575
Segment income (loss)	\$ 16,209	\$ 4,307	(\$ 44,119)	(\$ 92,785)	(\$ 476)	\$ 1,178	(\$ 115,686)
Depreciation and amortisation	\$ 4,908	\$ 1,053	\$ 2,081	\$ 25,988	\$ -	\$ -	\$ 34,030

The adoption of IFRS 16, 'Leases', had the following impact on the segment information in 2019.

	Hong Kong and	Southeast	Taiwan		Others	Total
	Mainland China	Asia	Electronics	Biomedicine		
Depreciation expense increased	\$ 4,547	\$ 999	\$ 618	\$ 12,358	\$ -	\$ 18,522

	2018						
	Hong Kong and	Southeast	Taiwan		Others	Write-offs	Total
	Mainland China	Asia	Electronics	Biomedicine			
Revenue from external customers	\$ 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>

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

(4) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2019 and 2018 is provided as follows:

	2019	2018
Reportable segments loss	(\$ 115,686)	(\$ 81,657)
Other income	1,444	9,709
Other gains and losses	102	6,480
Finance costs	( 4,633)	( 44)
Loss before tax from continuing operations	<u>(\$ 118,773)</u>	<u>(\$ 65,512)</u>

(5) Information on products and services

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

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Hongkong and China	\$ 606,714	\$ 5,583	\$ 695,661	\$ 1,050
Taiwan	454,309	606,845	426,015	346,942
Singapore	351,552	494	338,614	89
Total	<u>\$ 1,412,575</u>	<u>\$ 612,922</u>	<u>\$ 1,460,290</u>	<u>\$ 348,081</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, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Metatech (AP) Inc.	Chienhwa Travel Service Co., Ltd.	Other receivables	Y	\$ 2,000	\$ -	\$ -	1.80%	Short-term financing	\$ -	Operations	\$ -	-	\$ -	\$ 200,866	\$ 401,731	Note 3
1	MTI Holding Co., Ltd.	Metatech (AP) Inc.	Other receivables	Y	63,200	59,960	-	3.35%	Short-term financing	-	Operations	-	-	-	306,598	383,247	Notes 4 and 5
1	MTI Holding Co., Ltd.	MetaTech Ltd.	Other receivables	Y	31,600	29,980	-	4.32%	Short-term financing	-	Operations	-	-	-	306,598	383,247	Notes 4 and 5
1	MTI Holding Co., Ltd.	MetaTech (S) Pte Ltd.	Other receivables	Y	15,800	-	-	3.94%	Short-term financing	-	Operations	-	-	-	306,598	383,247	Notes 4 and 5

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

(1)The Company is '0'.

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

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

Note 3: According to the Company's "Regulations for Provision of Loans", the Company's ceiling on total loans granted to others are as follows:

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

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

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

Note 4: According to the subsidiary's "Regulations for Provision of Loans", the subsidiary's ceiling on total loans granted to others are as follows:

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

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

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

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

Note 5: The current period ending balance was translated into TWD at the exchange rate at the balance sheet date (1USD:29.98TWD).



Metatech (AP) Inc. and Subsidiaries  
 Provision of endorsements and guarantees to others  
 For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	Metatech (AP) Inc.	MetaTech Ltd.	The Company's third-tier subsidiary	\$ 502,164	\$ 15,800	\$ 14,990	\$ -	\$ -	1.49	\$ 1,004,328	Y	N	N	Notes 2,3 and 4
0	Metatech (AP) Inc.	MetaTech (Shenzhen) Ltd.	The Company's third-tier subsidiary	502,164	10,000	10,000	-	-	1.00	1,004,328	Y	N	Y	Notes 2 and 3
1	MetaTech Ltd.	Metatech (AP) Inc.	Parent company	99,566	50,000	50,000	5,000	-	25.11	199,132	N	Y	N	Notes 2 and 4

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

(1)The Company is '0'.

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

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

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

Note 4: The current period ending balance was translated into TWD at the exchange rate at the balance sheet date (1USD:29.98TWD).

Metatech (AP) Inc. and Subsidiaries  
 Significant inter-company transactions during the reporting periods  
 For the year ended December 31, 2019

Table 3

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Number	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Metatech (AP) Inc.	MetaTech Ltd.	1	Sales revenue	\$ 440	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
0	"	"	1	Service revenue	1,121	Administrative service fees and payment on behalf of others, 90 days after monthly billing	-
0	"	MetaTech (S) Pte Ltd.	1	Sales revenue	2,091	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
0	"	Chienhwa Travel Service Co., Ltd.	1	Rental revenue	57	Prices are determined according to the amount in mutual agreement	-
0	"	MTI Holding Co., Ltd.	1	Other receivables	22	Advance payment, 90 days after monthly billing	-
1	MetaTech (S) Pte Ltd.	Metatech (AP) Inc.	2	Sales revenue	207	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
1	"	MetaTech Ltd.	3	Sales revenue	3,674	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
1	"	"	3	Accounts receivable	453	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
2	MetaTech Ltd.	Metatech (AP) Inc.	2	Sales revenue	5,480	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
2	"	"	2	Accounts receivable	239	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
2	"	MetaTech (S) Pte Ltd.	3	Sales revenue	44,286	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	3%
2	"	"	3	Accounts receivable	11,635	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
2	"	MetaTech (Shenzhen) Ltd.	3	Sales revenue	24,203	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	2%
2	"	"	3	Accounts receivable	4,038	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	-
2	"	"	3	Other receivables	68	Advance payment, 90 days after monthly billing	-
2	"	"	3	Service revenue	23,099	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	2%
2	"	"	3	Other payables	12,492	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	1%
3	Chienhwa Travel Service Co., Ltd.	Metatech (AP) Inc.	2	Service revenue	348	Services rendered terms and the credit term are the same with third parties	-
4	"	"	3	Other receivables	151	Advance payment, 30 days after monthly billing	-

Number	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
3	Chienhwa Travel Service Co., Ltd.	Metatech (AP) Inc.	2	Guarantee deposits	30	Securities deposits are determined according to the amount in mutual agreement	-

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

Metatech (AP) Inc. and Subsidiaries  
Information on investees  
For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Metatech (AP) Inc.	MetaTech Investment Holding Co., Ltd.	British Virgin Islands	Investment holding and reinvestment business	\$ 333,065	\$ 333,065	10,000,000	100	\$ 383,247	\$ 19,521	\$ 19,521	Subsidiary
Metatech (AP) Inc.	Chienhwa Travel Service Co., Ltd.	Taiwan	Travel business	3,400	3,400	800	100	2,787	5	5	Subsidiary
MetaTech Investment Holding Co., Ltd.	MTI Holding Co., Ltd.	Samoa	Investment holding and reinvestment business	333,065	333,065	10,000,000	100	383,247	19,521	19,521	Sub-subsidiary
MTI Holding Co., Ltd.	MetaTech (S) Pte Ltd.	Singapore	Wholesale and retail of electronic materials	82,259	82,259	3,800,000	100	120,198	4,241	4,241	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	199,132	15,048	15,048	Third-tier subsidiary

Metatech (AP) Inc. and Subsidiaries  
Information on investments in Mainland China  
For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MetaTech (Shenzhen) Ltd.	Wholesale and retail of electronic materials	\$ 78,715	Through investing in an existing company in the third areas, which then invested in the investee in Mainland China	\$ 78,715	\$ -	\$ -	\$ 78,715	\$ 5,025	100	\$ 5,025	\$ 24,511	\$ -	Notes 1,2 and 3

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Celling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
Metatech (AP) Inc.	\$ 78,715	\$ 79,614	\$ 602,597

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

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

Note 3: Paid-in capital and investment amount are translated into TWD at exchange rate at the balance sheet date (1USD:29.98 TWD).

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

## **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: NT\$ thousand

Items	Year	2019	2018	Difference	
				Amount	%
Current assets		776,169	910,355	(134,186)	(14.74%)
Real estate, plant and equipment		222,399	177,016	45,383	25.64%
Other assets		506,969	223,217	283,752	127.12%
<b>Total assets</b>		<b>1,505,537</b>	<b>1,310,588</b>	<b>194,949</b>	<b>14.87%</b>
Current liabilities		228,135	226,993	1,142	0.50%
Non- Current liabilities		273,074	10,736	262,338	2443.54%
<b>Total liabilities</b>		<b>501,209</b>	<b>237,729</b>	<b>263,480</b>	<b>110.83%</b>
Share capital		580,160	580,160	0	0.00%
Capital reserve		649,086	618,263	30,823	4.99%
Reserve surplus		(206,808)	(114,567)	(92,241)	80.51%
Other equity		(18,110)	(10,997)	(7,113)	64.68%
<b>Total shareholders' equity</b>		<b>1,004,328</b>	<b>1,072,859</b>	<b>(68,531)</b>	<b>(6.39%)</b>

#### (2) Analysis of changes explained:

1. The increase in real estate, plant and equipment in 2019 was mainly due to the acquisition of equipment and equipment related expenses in 2019.
2. In 2019, 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; The IFRS16 lease standard recognizes the right-of-use asset.
3. The increase in non-current liabilities in 2019 was mainly due to the issuance of secured convertible corporate bonds and the recognition of lease liabilities under the IFRS16 lease standard.
4. The increase of deficit to be covered in 2019 is mainly due to the increase of operating expenses for the investment in regenerative medicine.
5. The decrease in other interests in 2019 is the exchange difference converted from the financial statements of the main foreign operating institutions.

#### (3) Future 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	2019	2018	Increase (decrease) amount	Proportion of change (%)
Net operating income	1,412,575	1,460,290	(47,715)	(3.27%)
Operating cost	1,270,835	1,310,257	(39,422)	(3.01%)
Operating margin	141,740	150,033	(8,293)	(5.53%)
Operating expenses	257,426	231,690	25,736	11.11%
Net profit	(115,686)	(81,657)	(34,029)	41.67%
Non-operating income and expenses	(3,087)	16,145	(19,232)	(119.12%)
Pre-tax pure income	(118,773)	(65,512)	(53,261)	81.30%
Income tax (expense) benefits	26,078	7,768	18,310	235.71%
Net profit for the period	(92,695)	(57,744)	(34,951)	60.53%
Other interests	(6,659)	7,449	(14,108)	(189.39%)
Consolidated profit and loss for the current period	(99,354)	(50,295)	(49,059)	97.54%

#### I. Increase or decrease the proportion of analysis instructions:

1. The increase in operating expenses in 2019 was mainly due to the increase in operating expenses due to the introduction of regenerative medicine.
2. The decrease in non-operating income and expenditure in 2019 was mainly due to the impact of the appreciation of the United States dollar, the increase in interest expense was due to amortization of interest on corporate debt and lease liabilities, and the decrease in other income was due to special section grants for the 2018 year.
3. The increase in net loss before tax in 2019 is mainly due to the increase in operating expenses for investment in regenerative medicine.
4. The increase in income tax benefits in 2019 is mainly due to the deduction of losses.
5. The increase in net loss in the current period of 2019 was mainly due to the increase in operating expenses resulting from investment in regenerative medicine.
6. Other consolidated gains and losses for 2019 are mainly due to the conversion losses of the financial statements of foreign operating institutions for the current period.

#### II. Expected sales Overview:

In 2019, 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 2019, 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>2019</u>	<u>2018</u>	<u>Increase (decrease) proportion (%)</u>
Cash flow ratio (%)	(57,280)	5,978	(63,258)
Cash flow rate (%)	(192,336)	(251,662)	59,326
Cash reinvestment ratio (%)	131,043	523,997	(392,954)
Increase or decrease rate change description:			
1. Operating activities: The increase in net cash outflows from operating activities in 2019 is mainly due to the higher balance of accounts receivable in 2019 than in 2018.			
2. Investment activities: The decrease in net cash outflow from investment activities in 2019 is mainly due to the decrease in real estate, plant and equipment expenditure			
3. Fundraising activities: The decrease in net cash inflow from financing activities in 2019 is mainly due to the issuance of secured convertible corporate bonds in 2019 and the handling of cash replenishment in 2018.			

(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>
364,039	(27,803)	5,172	341,408	-	-

Analysis of changes in cash flow in 2019 is expected:

1. Business activities: The net cash outflow from operating activities is expected to be NTD 81,578 thousand.
2. Investment activities: It is expected to pay for the equipment.
3. Financing activities: It is mainly the repayment of lease principal.

(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 item</u>	<u>2019 (loss) benefit amount (NT\$ thousand)</u>	<u>Policy</u>	<u>Main reasons for profit or loss</u>	<u>Improvement plan</u>	<u>Investment plan for the coming year</u>
MetaTech Investment Holding Co., Ltd.	19,521	Overseas holding company	For an overseas holding company, the main interest is due to investment interests.	Not applicable	None
Jianhua Travel Agency Co., Ltd.	5	Integrate international medical guests to travel to Taiwan	The impact of poor international medical development	Not applicable	None
MTI Holding Co., Ltd.	19,521	Overseas holding company	As an overseas holding company, the interests are mainly due to investment interests	Not applicable	None
MetaTech ( S ) Pte Ltd.	4,241	Integrate group resources and expand overseas sales market	Expansion of new customer sources, adjustment of commodity structure, increase in gross profit and increase in revenue.	Not applicable	None
MetaTech Limited.	15,048	Integrate group resources and expand overseas sales market	Expansion of new customer sources, adjustment of commodity structure, increase in gross profit and increase in revenue.	Not applicable	None
MetaTech (SZ)	5,025	Integrate group resources and expand overseas sales market	Expansion of new customer sources, adjustment of commodity structure, increase in gross profit and increase in revenue.	Not applicable	None

## 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. **Administrative 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. **Management Information System 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	2019	2018	
Interest rate	Interest income	1,165	760	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	4,633	44	
Exchange rate changes	Exchange interest (loss)	562	6,504	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.
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(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 2019 and March 31, 2020 were NT\$ 74,990,000 and NT\$ 75,113,000.

(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. As of the first quarter of 2019, NT\$ 454,426 thousand has been used in this financing plan, and NT\$ 92,122 thousand is expected to be invested in the future to pay royalties, the construction of laboratories, the purchase of instruments and equipment, and the cost of clinical trials.

(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:

<b><u>Accounts receivable aging</u></b>	<b><u>More than 120 days</u></b>	<b><u>More than 180 days</u></b>	<b><u>More than 360 days</u></b>
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:

<b><u>Inventory age</u></b>	<b><u>91 days to 180 days</u></b>	<b><u>181 days to 360 days</u></b>	<b><u>361 days or more</u></b>
provision ratio	30%	50%	100%

## **VIII. Special disclosure**

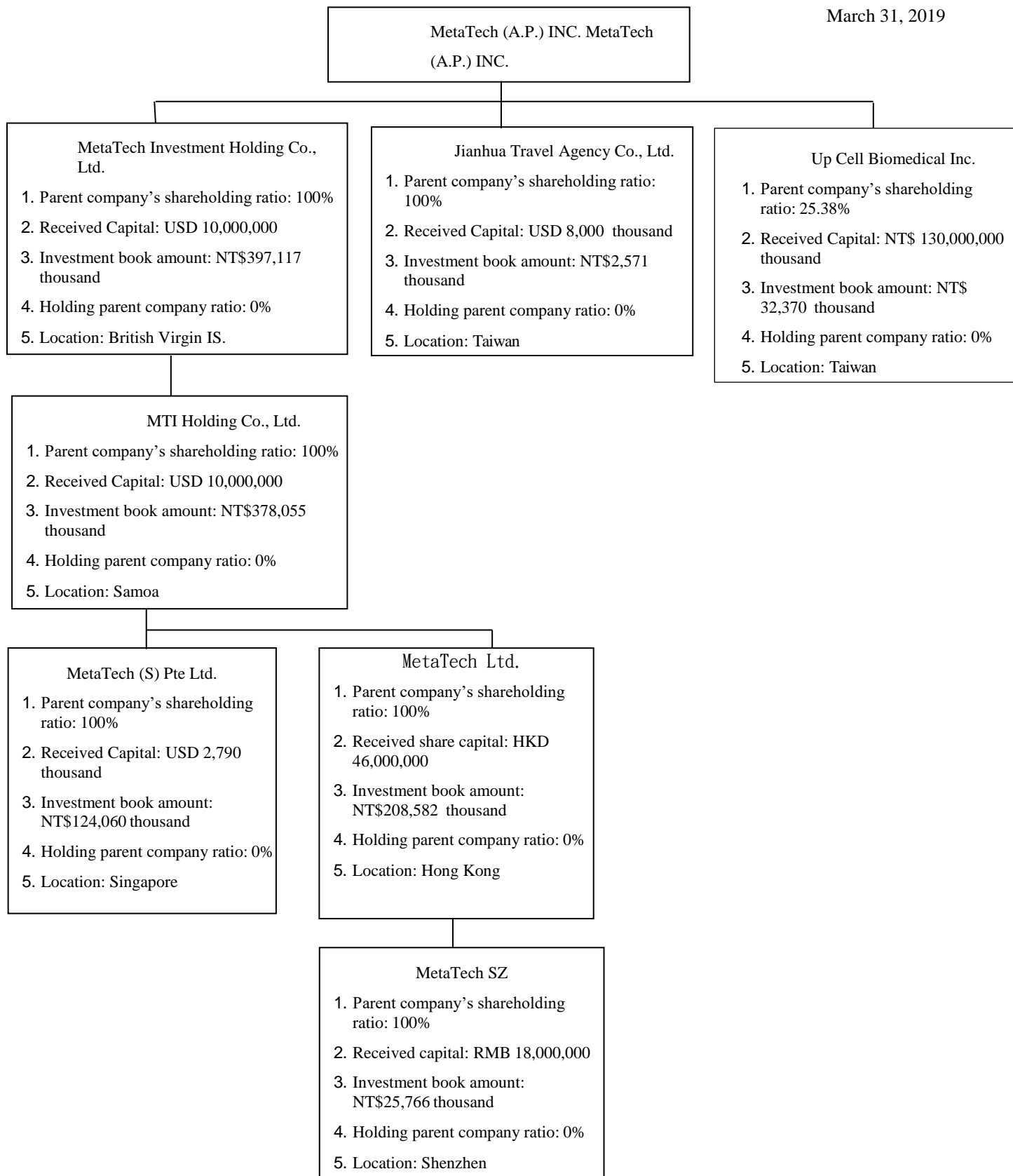
### **A. Affiliated companies**

#### **(A) Relationship Corporate Overview**

##### **1. Relationship corporate organizations overview**

##### **(1) Organization chart of relationship**

March 31, 2019



- (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.Box 957,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.Box 217,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
Up Cell Biomedical Inc.	2019.01	2F, No. 75, Sec. 1, Xintai 5th Road, Xizhi Dist., New Taipei City	NTD130,000,000	Biotechnology industry

### 3. Presumed to have the same shareholder control and affiliation information: Up Cell Biomedical Inc.

### 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%
Up Cell Biomedical Inc.	Chairman	Wang, Hui Jun	3,300,000	25.38

Note 1: On December 26, 2019, MetaTech Investment Holding Co., Ltd.'s representative was changed from Qiu, Jun Hua to Deng, An Zhi.

Note 2: The reassignment of MTI Holding Co., Ltd. from December 26, 2019 was changed from Qiu, Jun Hua to Deng, An Zhi.

Note 3: Up Cell Biomedical Inc. was established on 2020.01, and MetaTech legal representative Wang, Hui Jun was elected as chairman.

## 6. Relationship Business Operation Overview

### (1) Financial status and operating results of each related company:

December 31, 2019 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	383,247	0	383,247	0	0	19,521	1.95
MTI Holding Co., Ltd	USD10,000,000	383,247	0	383,247	0	0	19,521	1.95
MetaTech (S) Pte Ltd.	USD2,790,015	153,988	33,790	120,198	355,433	4,307	4,241	1.12
MetaTech Ltd.	HKD46,000,000	278,737	79,605	199,132	617,658	10,983	15,048	0.33
MetaTech (SZ)	RMB18,000,000	40,203	15,692	24,511	63,026	(17,874)	5,025	-
Jianhua Travel Agency Co., Ltd.	NTD8,000,000	2,456	669	1,787	1,283	(2)	5	0.01

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: None**
- 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**