
# Handbook for the 2020 Annual Meeting of Shareholders

***Meeting Time:***

9:00 A.M. (Tuesday) June 30, 2020

***Address:***

4F, No. 128, Sec. 1, DaTong Rd., Xizhi Dist., New Taipei City 221, Taiwan (R.O.C.)

(4F HuaMei Hall, FuShin Hotel)

MetaTech

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MetaTech (AP) Inc.
Procedure for the 2020 Annual Meeting of Shareholders

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7. Adjournment

## II. Meeting Agenda

Meeting time ： 9:00 A.M. (Tuesday) June 30, 2020
Address ： 221, 4F, No. 128, Sec. 1, DaTong Rd., Xizhi Dist., New Taipei City 221, Taiwan (R.O.C.) (4F HuaMei Hall, FuShin Hotel)

1．Management Presentation：

(A) 2019 Annual Business Report
(B) The Audit Committee reviewed the 2019 final accounts report
(C) 2017 cash capital increase implementation situation of the Company
(D) 2018 Report for the Company issued the third domestic secured convertible corporate bonds
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2．Proposals Matters：

(A) Recognize the 2019 Business Report, Individual Financial Statements and Consolidated Financial Statements
(B) 2019 Statements of Deficit Compensated

3．Discussion Matters：

(A) Proposal for lifting the Directors' non-compete of the Company
(B) Proposal for issuing common shares with a private capital increase

4．Other Matters and Questions and Motions

5．Adjournment

# III. Management Presentation (The Company Report)

【Report No. 1】

Proposal: 2019 Annual Business Report, please check.

Explanation: 1 . For the Company's 2019 Annual Business Report, please refer to page 12 to page 16 of Appendix I of this handbook.

2 . Please check.

【Report No. 2】

Proposal: Audit Committee’s Review Report on the 2019 Financial Statements, please check.

Explanation: 1 . The Company's 2019 annual financial statements and consolidated financial statements have been verified by the certified public accountant and issued by the Audit Committee. Please refer to page 17 of Appendix II and page 18 to page 40 of Appendix III of this handbook.

2 . Please check.

【Report No. 3】

Proposal: The 2017 Cash Capital Increase Implementation Situation, please check.

Explanation: 1 . The proposal for a cash injection of the Company in 2017 was submitted to the Financial Supervisory Committee on October 13, 2017, and the letter of the certificate which was issued by the Financial Supervisory Committee No. 1060036940 was effective on the case. At a total of NTD 36 per share, 14,000,000 new shares were issued in cash injection, and a total of NTD 504,000,000 was raised. The full amount of the shares was collected on January 16, 2018, and they were listed on the counter trading market on January 19, 2018. On the other hand, on January 29, 2018, the letter of certificate was approved by the letter No. 107010110990, and the amount of paid-up capital after the change was NTD580,160,450.

2 . According to the relevant correspondence of the competent authority, report the status of cash injection of the Company in 2017 to the shareholders' meeting. As of the first quarter of 2019, the 2017 cash capital increase implementation situation, please refer to page 41 to page 42 of Appendix IV of this handbook.

3 . Please check.

【Report No. 4】

Proposal: The Status of Issue of the third Domestic Secured Convertible Corporate Bonds in 2018, please check.

Explanation: 1 . The Company has issued the third domestic secured convertible corporate bond in 2018. The letter of the certificate which was issued by the Financial Supervisory Committee No. 1070345294 has been approved on December 14, 2018, was effective on the case. The number of issued shares is 1,500, and each denomination is NTD 100,000. The issue price is issued at 100%~101% of the face value. The total amount of the raised amount is NTD151,500,000. The full amount of the shares was collected on January 7, 2019, and was listed on the counter market on January 9, 2019.

2 . According to the relevant correspondence requirements of the competent authority, the status of the third domestic secured convertible corporate bonds issued in 2018 has to be reported to the shareholders' meeting.
As of the first quarter of 2019, the status of issue of the third domestic secured convertible corporate bonds in 2018, please refer to page 43 of Appendix V of this handbook.

3 . Please check.

【Report No. 5】

Proposal: Amendments to the Articles of Ethical Corporate Management Best Practice Principles of the Group, please check.

Explanation: 1 . In order to meet the needs of the Company's practical operation, the contents of the Group's Articles of ethical corporate management best practice principles have been amended, please refer to page 44 to page52 of Appendix VI of this handbook.

2. Please check

## IV. Proposals Matters

【Report No. 1】 Proposal for the board of directors

Proposal: The Company's 2019 Business Report, Individual Financial Statements and Consolidated Financial Statements have been submitted for confirmation.

Explanation:
1. The Company's 2019 Financial Statements and the Consolidated Financial Statements have been audited by the accountants, Xu Ming Chuan and Zhi Bing Jun of PricewaterhouseCoopers Taiwan.
2. The Company's 2019 Financial Statements and Consolidated Financial Statements have been approved by the Board of Directors and reviewed by the Audit Committee and issued the Review Report. They were submitted for recognition following the law.
3. Please refer to page 12 to page 16 of Appendix I and page 18 to page 40 of Appendix III of this handbook.
4. Please approve.

Resolution:

【Report No. 2】 Proposal for the board of directors

Proposal: Proposal for 2019 Deficit Compensation, please check.

Explanation:
1. The Company's net profit after tax of 2019 was NTD 92,695,002, the accumulated loss was NTD 206,808,216, and Statements of Deficit Compensated was as below:

MetaTech (AP) Inc.
2019 Deficit Compensation Statement

| Entry | Amount |
|---|---|
| The beginning of accumulated profit or loss | (114, 567, 429) |
| Net profit after tax of 2019 | (92, 695, 002) |
| Other comprehensive profit and loss for the current period | 454, 215 |
| Accumulated loss at the end of period | (206, 808, 216) |

Chairman: Hu Li San Manager: Tang Hung Te Account Manager: Chan Chih Tsung

2. Please approve.

Resolution:

# V. Discussion Matters

【Report No. 1】 Proposal for the board of directors

Proposal: Proposal for lifting the Directors' non-compete of the Company, please proceed to discuss.

Explanation: 1 . In accordance with the Article 209 of the Company Law, "A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval".

2 . Due consideration of the directors of the investment company or other business conduct and management of the same or similar to the Company's business scope of the company, to be proposed to the shareholders can agree to release the prohibition on individual directors of the Company from participation in competitive business until the expiration of the eighth term.

3 . For the directors of the Company, the details of the proposal of release the prohibition on directors of the Company from participation in competitive business are as follows:

| Elected title | Name | Company of part-time position/Position |
|---|---|---|
| Corporate Representative of Directors | Bei De Bi XiuInvestment Co., Ltd Representative: Wang, Hui Jun | • Independent Director of Standard Chem & Pharm CO., LTD.<br>• Independent Director of Lin BioScience, Inc.<br>• Representative of Up Cell Biomedical Inc.<br>• Visiting Chair Professor of Biomedical Translation Research Center, Academia Sinica |

| Elected title | Name | Company of part-time position/Position |
|---|---|---|
| Corporate Representative of Directors | National Development Fund, Executive Yuan Representative: He, Hong Neng | • Vice Chairman of Up Cell Biomedical Inc. |
| Corporate Representative of Directors | Dajun Investment Co., Ltd. Representative: Yang, Zhi Hui | • Executive Specialist of Up Cell Biomedical Inc. |

4 . Please approve.

Resolution:

【Report No. 2】 Proposal for the board of directors

Proposal: Proposal for issuing common shares with a private capital increase, please proceed to discuss.

Explanation: 1 . For the purpose of enriching working capital, future development capital demand and introducing strategic investors, the Company plans to conduct private cash capital increase and issuance of common shares in accordance with Article 43(6) of the Securities Exchange Act and the "Directions for Public Companies Conducting Private Placements of Securities", and to handle it three times within one year from the date of the resolution of the shareholders' meeting.

2 . The number of shares to be privately placed is NTD 10 per share within the limit of 8,000,000 common shares; the total amount of private placement is calculated according to the final private placement price.

3 . According to Article 43(6) of the Securities and Exchange Act and the "Directions for Public Companies Conducting Private Placements of Securities", the following provisions are made:

(1) The basis and rationality of private equity pricing:

The private equity price shall be calculated on the basis of not less than (1) one, three or five business days prior to the pricing date to calculate the simple arithmetic average of the closing price of common shares, deducting the rights of unpaid rights issue and dividends, and adding back the stock price after the capital reduction,

(2) or pricing The average closing price of ordinary shares for 30 business days before the deduction of the unpaid share rights ex-rights and dividends, and adding back the share price after the capital reduction, 20% of the higher benchmark price is set by the actual pricing day and the actual private equity price is not less than the number of resolutions decided by the shareholders' meeting. The authorized board of directors decides to decide on a specific person's situation in the future. The pricing of this private equity common stock is determined in accordance with the relevant regulations of the competent authority, and it is determined after taking into consideration factors such as the company's operating conditions and future prospects. The method for its preparation is still reasonable, and it will not have a significant impact on shareholders' rights.

(2) The selection method of private placement:

Selection method of the specific person: the objects of this private placement of common shares are those who meet the requirements of Article 43-6 of the Securities and Exchange Act and the relevant regulations. Currently, there are no agreed candidates.

(A) List of placees, such as insiders and relationships:

| Placees | Selection Method | Purpose | Relationships |
|---|---|---|---|
| Bei De Bi XiuInvestment Co., Ltd | In accordance with Article 43-6 of the Securities and Exchange Act | Consider their knowledge of the Company's operations and financial situation. | Corporate Director of the Company |
| Jun Investment International Co., Ltd | In accordance with Article 43-6 of the Securities and Exchange Act | Consider their knowledge of the Company's operations and financial situation. | Corporate Director of the Company |

| Corporate Placees | Major shareholders of corporate shareholders | | Relationships |
|---|---|---|---|
| | Name of shareholders | Shareholding ratio | |
| Bei De Bi XiuInvestment Co., Ltd | He, Rou Xian | 98.33% | Major shareholder |
| | Chen, Zong Ji | 1.67% | Representative |
| Bei De Bi XiuInvestment Co., Ltd | Wu, Zhen Long | 68.00% | Representative |
| | Wu, Jun Yi | 16.00% | Supervisor |
| | Wu, Yi Qi | 16.00% | Director |

(B) If the placees are strategic investors:

A. The way and purpose for selecting the placees: when strategic investors are introduced in this private placement, all management and financial resources necessary for the operation of the Company are considered, and the competitive advantage of the Company is enhanced.

B. Necessity: it is necessary to consider the transfer restrictions of private securities to ensure the long-term cooperation between the Company and strategic investors.

C. Expected benefits: the introduction of strategic investors and their funds can not only improve the financial structure of the Company and enrich the working capital and future development capital demand, to maintain and strengthen the market competitiveness, but also contribute positively to the Company's operation and shareholders' equity.

(3) The need for private placement and expected benefits:

(A) Reasons for not soliciting public offerings: The Company is not easy to grasp the actual financing market conditions, in order to enrich working capital, introduce strategic investors, and consider the characteristics of rapid and simple private equity, and the restrictions on the transfer of private equity securities can ensure long-term cooperation with strategic investors, strengthen the stability of the Company's operations, it will apply for private equity to increase capital.

(B) The use of capital for this private placement and its expected benefits: The purpose of allocating funds in three rounds of the private placement is to enrich the working capital and future development fund requirements. It is expected that the financial structure will be improved, the Company's financial operating risk will be reduced, and the need for future operations will be met.

It helps the Company's business growth and has positive and substantial benefits to the company's shareholders' equity.

(C) There was no major change in the operating rights in the previous year when the board of directors handled private equity, and after the introduction of a strategic investor in this private placement, no major changes in the operating rights will occur.

4. The rights and obligations of these private equity shares: the rights and obligations of the new shares issued in this private equity common equity case are the same as the original shares, but according to Article 43 of the Securities Exchange Act,

   The private equity ordinary shares shall not be freely transferred within three years after delivery, except in the specific circumstances as provided for in the ordinance. After three years from the date of delivery, the authorized board of directors may apply to the competent authority to apply for the listing of the private equity securities in accordance with relevant laws and regulations.

5. The main contents of these private equity shares include the actual amount of issuance, issuance conditions, project items, actual situations of private placements, and other outstanding issues, in addition to the pricing of private placements.

   In the event of amendments or amendments by the statute or required by the competent authority and based on the operational assessment or the objective environment, if any changes or amendments are required, it is proposed that the shareholders' meeting be authorized to authorize the board of directors to fully handle the matter.

6. Please approve.

Resolution:

# VI. Other Matters and Questions and Motions

VII. Appendix

1 . 2019 Business Report

2 . 2019 Audit Committee's Review Report

3 . 2019 Accountants' Review Report and Financial Statements

4 . 2017 Cash Capital Increase Implementation Situation

5 . 2018 The Implementation of the third Domestic Secured Convertible Corporate Bonds

6 . The Comparison Table of Amendments to the Articles of Ethical Corporate Management Best Practice Principles of the Group

7 . The Ethical Corporate Management Best Practice Principles (Before amendment)

8 . The Company Policy

9 . The Rules of Procedure in Shareholders' Meeting

10 . The Condition of Directors Holding Shares

11 . Other Instructions

Appendix I： 2019 Business Report

2019 Operating status report

I . 2019 business results

(A) 2019 Business Plan Implementation Results

In 2019, the consolidated revenue was NTD 1,412,575 thousand, a decrease of NTD 47,715 thousand compared with the year of 2018 NTD 1,460,290 thousand, down of 3.27%; the net profit after tax for 2019 is NTD 92,695 thousand, compared with the net loss after tax of NTD 57,744 thousand in 2018, and the net loss increased by NTD 34,951 thousand. The loss per share after tax was $1.60.

(B) Financial revenue and expenditure and profitability analysis

1 . In 2019, the consolidated revenue was NTD1,412,575 thousand. Compared with the same period of last year, the impact of the main trade war has been reduced and China's revenue has declined; The increase in operating expenses in 2019 compared with the same period of last year mainly affected the recognition of employee stock option expenses and the development of regenerative medicine to increase operating expenses in the current period, which increased the current loss.

2 . The relevant financial ratios are as follows:

| Entry | 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) |

The analysis and calculation formula of the financial ratio should be disclosed in the paragraph "Financial Analysis" of the 2019 Annual Report.

(C) 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 Sangu Biomedical Cell Preparation 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 Preparation 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.

Appendix I：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 Asian 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

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

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　　Manager: Tang Hung Te　　Account Manager: Chan Chih Tsung

Appendix II：2019 Audit Committee's Review Report

# MetaTech (AP) Inc.
## Audit Committee's Review Report

The board of directors prepared the 2019 annual Company's individual financial statements and consolidated financial statements of the Company, they have been audited by the accountants Xu Ming Chuan and Zhi Bing Jun of PricewaterhouseCoopers Taiwan, and submitted a check report, and the audit committee completed checking the business report and the proposal of statements of deficit compensated, and considered that they are in line with the relevant laws and regulations of the Company Law, and are required to verify the report in accordance with Article 14-4 of the Securities Exchange Act and Article 219 of the Company Law.
Sincerely

MetaTech (AP) Inc.
2020 Annual Meeting of Shareholders
Audit Committee convener：Wu Rong Yi

March 27, 2020

Appendix III：2019 Accountants' Review Report and Financial Statements

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

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 AMOUNT | % | December 31, 2018 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 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 | **Current Assets** | | 298,247 | 21 | 434,375 | 36 |
| | **Non-current assets** | | | | | |
| 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 | **Non-current assets** | | 1,106,440 | 79 | 771,818 | 64 |
| 1XXX | **Total assets** | | $ 1,404,687 | 100 | $ 1,206,193 | 100 |

(Continued)

MetaTech

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 AMOUNT | % | December 31, 2018 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2100 | Short-term borrowings | | $ 20,000 | 1 | $ 20,000 | 2 |
| 2130 | Current contract liabilities | 6(17) | 124 | - | 156 | - |
| 2150 | Notes payable | | 324 | - | 1,377 | - |
| 2170 | Accounts payable | | 79,278 | 6 | 70,475 | 6 |
| 2180 | Accounts payable - related parties | 7 | 239 | - | 415 | - |
| 2200 | Other payables | | 12,082 | 1 | 25,158 | 2 |
| 2220 | Other payables - related parties | 7 | 151 | - | 124 | - |
| 2250 | Provisions for liabilities - current | 6(12) | 4,433 | - | 4,433 | - |
| 2280 | Current lease liabilities | | 11,806 | 1 | - | - |
| 2300 | Other current liabilities | | 770 | - | 430 | - |
| 21XX | **Current Liabilities** | | 129,207 | 9 | 122,568 | 10 |
| | **Non-current liabilities** | | | | | |
| 2530 | Corporate bonds payable | 6(10) | 144,861 | 10 | - | - |
| 2570 | Deferred income tax liabilities | 6(21) | 14,259 | 1 | 10,736 | 1 |
| 2580 | Non-current lease liabilities | | 112,002 | 8 | - | - |
| 2600 | Other non-current liabilities | | 30 | - | 30 | - |
| 25XX | **Non-current liabilities** | | 271,152 | 19 | 10,766 | 1 |
| 2XXX | **Total Liabilities** | | 400,359 | 28 | 133,334 | 11 |
| | **Share capital** | 6(14) | | | | |
| 3110 | Share capital - common stock | | 580,160 | 41 | 580,160 | 48 |
| | **Capital surplus** | 6(15) | | | | |
| 3200 | Capital surplus | | 649,086 | 47 | 618,263 | 51 |
| | **Retained earnings** | 6(16) | | | | |
| 3350 | Accumulated deficit | | ( 206,808) | ( 15) | ( 114,567) | ( 9) |
| | **Other equity interest** | | | | | |
| 3400 | Other equity interest | | ( 18,110) | ( 1) | ( 10,997) | ( 1) |
| 3XXX | **Total equity** | | 1,004,328 | 72 | 1,072,859 | 89 |
| | **Significant contingent liabilities and unrecognised contract commitments** | 9 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 1,404,687 | 100 | $ 1,206,193 | 100 |

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)

| | | | Year ended December 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | **Sales revenue** | 6(17) and 7 | $ 455,905 | 100 | $ 428,024 | 100 |
| 5000 | **Operating costs** | 6(4)(19) and 7 | ( 415,510) | ( 91) | ( 382,030) | ( 89) |
| 5950 | **Net operating margin** | | 40,395 | 9 | 45,994 | 11 |
| | **Operating expenses** | 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 | **Total operating expenses** | | ( 177,299) | ( 39) | ( 142,527) | ( 34) |
| 6900 | **Operating loss** | | ( 136,904) | ( 30) | ( 96,533) | ( 23) |
| | **Non-operating revenue and expenses** | | | | | |
| 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 | **Total non-operating revenue and expenses** | | 17,797 | 4 | 29,354 | 7 |
| 7900 | **Loss before income tax** | | ( 119,107) | ( 26) | ( 67,179) | ( 16) |
| 7950 | Income tax benefit | 6(21) | 26,412 | 6 | 9,435 | 2 |
| 8200 | **Loss for the year** | | ($ 92,695) | ( 20) | ($ 57,744) | ( 14) |
| | **Other comprehensive income (net)** | | | | | |
| | **Other comprehensive income** | | | | | |
| | **Components of other comprehensive income (loss) that will not be reclassified to profit or loss** | | | | | |
| 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 | **Components of other comprehensive income that will not be reclassified to profit or loss** | | 454 | - | ( 1,193) | - |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 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 | **Components of other comprehensive (loss) income that will be reclassified to profit or loss** | | ( 7,113) | ( 2) | 8,642 | 2 |
| 8300 | **Other comprehensive (loss) income for the year** | | ($ 6,659) | ( 2) | $ 7,449 | 2 |
| 8500 | **Total comprehensive loss for the year** | | ($ 99,354) | ( 22) | ($ 50,295) | ( 12) |
| | **Basic loss per share** | 6(22) | | | | |
| 9750 | **Total basic loss per share** | | ($ 1.60) | | ($ 1.01) | |
| 9850 | **Total diluted loss per share** | | ($ 1.60) | | ($ 1.01) | |

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)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2018 | | | | | | | | | |
| 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 | 6(14) | 140,000 | 364,000 | - | - | - | - | - | 504,000 |
| Share-based payments | 6(13) | - | 2,665 | 16,974 | - | - | - | - | 19,639 |
| Balance at December 31, 2018 | | $ 580,160 | $ 601,205 | $ 16,974 | $ - | $ 84 | ($ 114,567) | ($ 10,997) | $ 1,072,859 |
| 2019 | | | | | | | | | |
| 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 | 6(13) | - | - | 25,258 | - | - | - | - | 25,258 |
| Due to recognition of equity component of convertible bonds issued | 6(10) | - | - | - | 5,565 | - | - | - | 5,565 |
| Balance at December 31, 2019 | | $ 580,160 | $ 601,205 | $ 42,232 | $ 5,565 | $ 84 | ($ 206,808) | ($ 18,110) | $ 1,004,328 |

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)

| | Notes | Years ended December 31, 2019 | 2018 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 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) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| 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) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| 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.

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

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 AMOUNT | % | December 31, 2018 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current Assets** | | | | | |
| 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 | **Current Assets** | | 776,169 | 52 | 910,355 | 69 |
| | **Non-current assets** | | | | | |
| 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 | **Non-current assets** | | 729,368 | 48 | 400,233 | 31 |
| 1XXX | **Total assets** | | $ 1,505,537 | 100 | $ 1,310,588 | 100 |

(Continued)

MetaTech

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 AMOUNT | % | | December 31, 2018 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|
| | **Current Liabilities** | | | | | | | |
| 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 | **Current Liabilities** | | | 228,135 | 15 | | 226,993 | 17 |
| | **Non-current liabilities** | | | | | | | |
| 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 | **Non-current liabilities** | | | 273,074 | 18 | | 10,736 | 1 |
| 2XXX | **Total Liabilities** | | | 501,209 | 33 | | 237,729 | 18 |
| | **Equity attributable to owners of the parent** | | | | | | | |
| | **Share capital** | 6(13) | | | | | | |
| 3110 | Share capital - common stock | | | 580,160 | 39 | | 580,160 | 44 |
| | **Capital surplus** | 6(14) | | | | | | |
| 3200 | Capital surplus | | | 649,086 | 43 | | 618,263 | 48 |
| | **Retained earnings** | 6(15) | | | | | | |
| 3350 | Accumulated deficit | | ( | 206,808) | ( 14) | ( | 114,567) | ( 9) |
| | **Other equity** | | | | | | | |
| 3400 | Other equity interest | | ( | 18,110) | ( 1) | ( | 10,997) | ( 1) |
| 31XX | **Equity attributable to owners of the parent** | | | 1,004,328 | 67 | | 1,072,859 | 82 |
| 3XXX | **Total equity** | | | 1,004,328 | 67 | | 1,072,859 | 82 |
| | **Significant contingent liabilities and unrecognised contract commitments** | 9 | | | | | | |
| 3X2X | **Total liabilities and equity** | | $ | 1,505,537 | 100 | $ | 1,310,588 | 100 |

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

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

| | | | Year ended December 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | **Sales revenue** | 6(16) and 14 | $ 1,412,575 | 100 | $ 1,460,290 | 100 |
| 5000 | **Operating costs** | 6(4)(18)(19) | (1,270,835) | (90) | (1,310,257) | (90) |
| 5950 | **Net operating margin** | | 141,740 | 10 | 150,033 | 10 |
| | **Operating expenses** | 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) | 174 | - | 1,009 | - |
| 6000 | **Total operating expenses** | | (257,426) | (18) | (231,690) | (16) |
| 6900 | **Operating loss** | | (115,686) | (8) | (81,657) | (6) |
| | **Non-operating revenue and expenses** | | | | | |
| 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 | **Total non-operating revenue and expenses** | | (3,087) | (1) | 16,145 | 1 |
| 7900 | **Loss before income tax** | | (118,773) | (9) | (65,512) | (5) |
| 7950 | Income tax benefit | 6(20) | 26,078 | 2 | 7,768 | 1 |
| 8200 | **Loss for the year** | | ($ 92,695) | (7) | ($ 57,744) | (4) |
| | **Other comprehensive income (net)** | | | | | |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| 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 | **Components of other comprehensive income that will not be reclassified to profit or loss** | | 454 | - | (1,193) | - |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 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) | 1,778 | - | (1,400) | - |
| 8360 | **Components of other comprehensive (loss) income that will be reclassified to profit or loss** | | (7,113) | - | 8,642 | 1 |
| 8300 | **Total other comprehensive loss for the year** | | ($ 6,659) | - | $ 7,449 | 1 |
| 8500 | **Total comprehensive loss for the year** | | ($ 99,354) | (7) | ($ 50,295) | (3) |
| | **Loss attributable to:** | | | | | |
| 8610 | Owners of the parent | | ($ 92,695) | (7) | ($ 57,744) | (4) |
| | **Other comprehensive loss attributable to:** | | | | | |
| 8710 | Owners of the parent | | ($ 99,354) | (7) | ($ 50,295) | (3) |
| | **Basic loss per share** | 6(21) | | | | |
| 9750 | **Total basic loss per share** | | ($ 1.60) | | ($ 1.01) | |
| 9850 | **Total diluted loss per share** | | ($ 1.60) | | ($ 1.01) | |

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

MetaTech

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 |
| 2018 | | | | | | | | | |
| 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 | 6(13) | 140,000 | 364,000 | - | - | - | - | - | 504,000 |
| Share-based payments | 6(12) | - | 2,665 | 16,974 | - | - | - | - | 19,639 |
| Balance at December 31, 2018 | | $ 580,160 | $ 601,205 | $ 16,974 | $ - | $ 84 | ($ 114,567) | ($ 10,997) | $ 1,072,859 |
| 2019 | | | | | | | | | |
| 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 | 6(12) | - | - | 25,258 | - | - | - | - | 25,258 |
| Due to recognition of equity component of convertible bonds issued | 6(9) | - | - | - | 5,565 | - | - | - | 5,565 |
| Balance at December 31, 2019 | | $ 580,160 | $ 601,205 | $ 42,232 | $ 5,565 | $ 84 | ($ 206,808) | ($ 18,110) | $ 1,004,328 |

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

MetaTech

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 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 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 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| 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 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| 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

Appendix IV：2017 Cash Capital Increase Implementation Situation of the Company

Metatech (AP) Inc.
2017 Cash Capital Increase Implementation Situation

| Project | Implementation Situation | | As of the first quarter of 2020 | Reasons for advance or backward progress and improvement plans |
|---|---|---|---|---|
| CellSeed Premium | Amount expended | Expected | 338,350 | This plan requires that esophageal repair products and knee cartilage products be able to produce benefits, and the plan has not been completed as of the first quarter of 2020. Therefore, no benefits have been generated and 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 assessed and the construction and utilization of the building The area may not be enough, so the company's board of directors leased the Farglory U-TOWN factory office building and moved the laboratory construction to a new site. After reviewing the relevant contracts and the minutes of the company's board of directors, the laboratory construction increased by 9,880 thousand yuan After the main department's new site, the use area is about 306 pings, an increase of 62 pings (25.41%) compared with the original site's use area of about 244 pings, an increase of $9,350,000. In addition, in order to make the laboratory operation smoother, part of the engineering design was changed, so the increase of $530,000. The above-mentioned total of $9,880,000 was paid by the Company with its own funds, and there should be no major abnormal. |
| | | Actual | 44,880 | |
| | Execution progress (%) | Expected | 100.00% | |
| | | Actual | 128.22% | |
| Equipment | Amount expended | Expected | 55,000 | The main reason is that some instruments have yet to be finalized before the purchase, so the completion time of the plan is behind schedule, and the actual progress has reached 96.04%, and there should be no major abnormal. |
| | | Actual | 52,823 | |
| | Execution | Expected | 100.00% | |

| Project | Implementation Situation | | As of the first quarter of 2019 | Reasons for advance or backward progress and improvement plans |
|---|---|---|---|---|
| Clinical trial expense | Amount expended | Expected | 65,538 | The actual payment progress is behind the original schedule, mainly because the review progress of the competent authority is longer than expected and the laws and regulations of cell therapy continue to evolve, resulting in the backward schedule compared with the original schedule, which is reasonable after evaluation. 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. E-Da Hospital, E-Da Healthcare Group and E-Da Cancer Hospital, E-Da Healthcare Group will perform this test. The Company will submit to NDA (New Drug Inspection Registration) depending on the results of the test report; In addition, in the knee cartilage plan, the Company cooperated with E-DA hospital, and E-DA hospital applied to the Ministry of health and welfare for the implementation plan of cell therapy on June 17, 2019 in accordance with the "The management measures for the implementation or use of specific medical technology inspection and medical instruments". The Company has received the approval of Metatech (AP) from Ministry of health and welfare on December 18, 2019 Inc. - the agreed place of the cell preparation center is in accordance with the GTP, and it is approved to carry out the technology of autograft chondrocyte transplantation for knee cartilage defect in E-DA hospital, E-DA healthcare group. |
| | | Actual | 8,440 | |
| | Execution progress (%) | Expected | 98.87% | |
| | | Actual | 12.73% | |
| Laboratory maintenance expense | Amount expended | Expected | 30,160 | It was estimated that the progress was backward, mainly because the construction progress of the laboratory was slightly delayed, so the subsequent payment of laboratory maintenance expense was also delayed. After evaluation, the reason for the backward payment schedule is reasonable. However, the laboratory has been trial production at the end of 2018, and the amount of laboratory maintenance expense in the early stage is relatively low. After the Company continues to put into R & D and production, the laboratory maintenance expense will increase phase by phase. |
| | | Actual | 16,789 | |
| | Execution progress (%) | Expected | 92.34% | |
| | | Actual | 51.40% | |
| Total | Amount expended | Expected | 524,048 | As for the implementation of cash capital increase in 2018 up to the first quarter of 2020, the reason for the backwardness is not that it will affect the overall progress, and there should be no major abnormal. |
| | | Actual | 454,426 | |
| | Execution progress (%) | Expected | 95.88% | |
| | | Actual | 83.14% | |

Appendix V：2018 The Implementation of the third Domestic Secured Convertible Corporate Bonds

Metatech (AP) Inc.

2018 The Implementation of the third Domestic Secured Convertible Corporate Bonds

<table>
<tr><td rowspan="4">Total</td><td rowspan="2">Amount expended</td><td>Expected</td><td>151,500</td><td rowspan="4">The third domestic secured convertible corporate bonds raised NTD 151,500,000, has been fully invested in the first half of 2019 to enrich operational capital, in response to the electronic sector operating growth of operational capital needs, and to raise funds to replace the bank financing, in addition to increasing long-term capital stability, strengthen the flexible capital scheduling capacity and improve the financial structure, and can save the Company's interest expense, improve the competitiveness of the Company’s operation. Overall, the Company issued the third domestic secured convertible corporate bonds in 2018 to enrich the benefits of operational capital should be revealed.</td></tr>
<tr><td>Actual</td><td>151,500</td></tr>
<tr><td rowspan="2">Execution progress (%)</td><td>Expected</td><td>100.00%</td></tr>
<tr><td>Actual</td><td>100.00%</td></tr>
</table>

Appendix VI：Amendments to the Articles of ethical corporate management best practice principles of the Group

Metatech (AP) Inc.

Amendments to the Articles of ethical corporate management best practice principles of the Group

| Amended article | The original article | Description |
|---|---|---|
| 4. Prohibit dishonest behavior<br>4.1.When engaging in commercial activities, directors, managers, employees, and mandataries of the Compnay or persons having substantial control over the Company ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits. | Art. 4 Prohibit dishonest behavior<br>1. When engaging in commercial activities, directors, supervisors, managers, employees, and mandataries of the Compnay or persons having substantial control over the Company ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits. | All articles are changed to Arabic numerals. At the same time, supervisors deleted. |
| 7. Policy<br>The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith, which shall be approved by the board of directors, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development. | Art. 7 Policy<br>The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development. | "shall be approved by the board of directors" added |
| 9 Prevent the scope of the program<br>9.1 The Company shall establish an assessment mechanism for the risk of dishonest conduct, regularly analyze and evaluate business activities with a high risk of dishonesty within the scope of business, and regularly review the suitability and effectiveness of the prevention program.<br>9.2 The Company may consider the standards or guidelines common at home and abroad to set up | Art. 9 Prevent the scope of the program<br>1. When establishing the prevention programs, the Company shall analyze which business activities within their business scope which are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.<br>2. The prevention programs adopted by the Company shall at least include preventive measures against the following: | "assessment mechanism and regularly review" added<br><br>"consider the standards or guidelines common at home and abroad" added |

| | | |
|---|---|---|
| preventive plans, at least to cover the following acts of preventive measures: | | |
| 10. Commitment and implementation<br>10.1. The company shall require the directors and senior management to issue a statement of compliance with the good faith operation policy, and require the employees to comply with the good faith operation policy under the conditions of employment.<br>10.2.The Company and its respective business group shall clearly specify the ethical corporate management policies in their rules, external documents, and the Company's website, and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, shall carry out the policies in internal management and in commercial activities.<br>10.3. The Company shall make documented information and keep it properly for the honest operation policy, statement, commitment and implementation of Article 10.1. and Article 10.2. | Art. 10 Commitment and implementation<br>The Company and its respective business group shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities. | 10.1 added<br>10.3 added<br><br>Amendments to the existing provisions 10.2. and added the Company's website requirements. |
| 12. Prohibition any briberies<br>When conducting business, the Company and their directors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders. | Art. 12 Prohibition any briberies<br>When conducting business, the Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders. | Supervisors deleted. |
| 13. Prohibit the provision of illegal political contributions<br>When directly or indirectly offering a donation to political parties or organizations or individuals participating in political | Art. 13 Prohibit the provision of illegal political contributions<br>When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and their directors, | Supervisors deleted. |

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| activities, the Company and their directors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages. | supervisors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages. | |
| 14. Prohibit improper charitable donations or sponsorships<br>When making or offering donations and sponsorship, the Company and their directors, managers, employees , mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery. | Art. 14 Prohibit improper charitable donations or sponsorships<br>When making or offering donations and sponsorship, the Company and their directors, supervisors, managers, employees , mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery. | Supervisors deleted. |
| 15. Prohibit unreasonable gifts, entertainment or other improper benefits<br>The Company and their directors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions. | Art. 15 Prohibit unreasonable gifts, entertainment or other improper benefits<br>The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions. | Supervisors deleted. |
| 16. No infringement of intellectual property rights<br>The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior | Art. 16 No infringement of intellectual property rights<br>The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder. | Supervisors deleted. |

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| consent of the intellectual property rights holder. | | |
| 18. Prevent products or services from damaging stakeholders<br>In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and their directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately. | Art. 18 Prevent products or services from damaging stakeholders<br>In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately. | Supervisors deleted. |
| 19. Organization and responsibility<br>19.1. The directors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies. | Art. 19 Organization and responsibility<br>1. The directors, supervisors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.<br>2. To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the board of directors and responsible for establishing and | 19.2 added<br>19.2.2. added |

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| 19.2 To achieve sound ethical corporate management, the Company shall establish a dedicated unit and allocate sufficient resources and competent personnel that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis (at least once a year):<br>19.2.2.Regularly to analyze and evaluate the risk of dishonesty within the business scope, and on the basis of which adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business. | supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis:<br>B. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business. | |
| 20. Business Executive and the Law following<br>The Company and their directors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business. | Art. 20 Business Executive and the Law following<br>The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business. | Supervisors deleted. |
| 21. Avoidance of interest<br>21.1. The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company. | Art. 21 Avoidance of interest<br>1. The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company.<br>2. When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, supervisors, | Supervisors deleted. |

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| 21.2. When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, managers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse him from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.<br>21.3. The Company's directors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person. | managers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse him from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.<br>3. The Company's directors, supervisors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person. | |
| 22. Accounting and internal control<br>22.2. The Company's internal audit unit shall, in accordance with the results of the risk assessment of dishonest conduct, draw up relevant audit plans, including audit objects, scope, items, frequency, etc., and audit the compliance of the system prevention plan referred to in the preceding paragraph, and may appoint an accountant to carry out the audit, and may, if necessary, appoint a professional to assist.<br>22.3. The verification results of the preceding paragraph shall be | Art. 22 Accounting and internal control<br>2. The internal audit unit of the Company shall periodically examine the company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary. | 22.2 added<br>22.3 added |

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| notified to the senior management and the responsible unit for integrity management, and an audit report shall be prepared and submitted to the board of directors. | | |
| 23.Operating procedures and behavior guidelines<br>The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters: | Art. 23 Operating procedures and behavior guidelines<br>The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, supervisors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters: | Supervisors deleted. |
| 24. Education and training and assessment<br>24.2. The Company shall periodically organize training and awareness programs for directors, managers, employees, mandataries, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. | Art. 24 Education and training and assessment<br>2. The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, mandataries, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. | Supervisors deleted. |
| 25. Prosecution system<br>25.1.2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.<br>25.1.3. After the completion of the | Art. 25 Prosecution system<br>B. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.<br>C. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.<br>D. Confidentiality of the identity of whistle-blowers and the content of reported cases. | Supervisors deleted.<br><br>25.1.3. added<br><br>25.1.5.added |

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| investigation of the reported case, the subsequent measures shall be taken according to the seriousness of the case, and if necessary, they shall be reported to the competent authority or transferred to the judicial organ for investigation.<br>25.1.4. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.<br>25.1.5. Confidentiality of the identity of whistle-blowers and the content of reported cases and allow anonymous whistleblowing.<br>25.1.6. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.<br>25.1.7. Whistle-blowing incentive<br>25.2. When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form. | E. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.<br>F. Whistle-blowing incentive measures.<br>2. When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form. | |
| 28. Review and rectification of credit management policies and measures<br>The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management. | Art. 28 Review and rectification of credit management policies and measures<br>The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management. | Supervisors deleted. |

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| 29. Implementation and revision<br>29.1. The Principles shall be implemented after the board of directors grants the approval, and shall be submitted to the audit committee and the shareholders' meeting. The same procedure shall be followed when the principles have been amended. | Art. 29 Implementation and revision<br>1. The Principles shall be implemented after the board of directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.<br>3. The Principles that has established an audit committee, the provisions regarding supervisors in these Principles shall apply mutatis mutandis to the audit committee. | Supervisors deleted.<br>And paragraph 3 deleted. |

Appendix VII：The ethical corporate management best practice principles (Before amendment)

Metatech (AP) Inc.

Amendments to the Articles of ethical corporate management best practice principles of the Group

Art. 1 Purpose and basis

MetaTech Corporation Limited Company (The following called the Company) fulfill our corporate social responsibility initiatives and to promote social advancement for purposes of sustainable development, considering the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", the "Ethical Corporate Management Best Practice Principles" (hereafter referred to as "the Principles") has been formulated for the purpose of compliance.

Art. 2 The scope of application

In accordance with the Principles, adopt its own ethical corporate management best practice principles applicable to its subsidiaries, any foundation to which the TWSE/GTSM listed company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by such company.

Art. 3 The authority unit

The finance department of the Company is responsible for the formulation and maintenance of the Principles.

Art. 4 Prohibit dishonest behavior

1. When engaging in commercial activities, directors, supervisors, managers, employees, and mandataries of the Compnay or persons having substantial control over the Company ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.
2. Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.

Art. 5 Kinds of profits

"Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Art. 6 The Law following

The company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Art. 7 Policies

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.

Art. 8 Preventive programs

1. The Company shall in their own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operational procedures, guidelines, and training.
2. When establishing the prevention programs, the Company shall comply with relevant laws and regulations

of the territory where the companies and their business group are operating.
3. In the course of developing the prevention programs, the Company is advised to negotiate with staff, labor unions members, important trading counterparties, or other stakeholders.

Art. 9 Prevent the scope of the program
1. When establishing the prevention programs, the Company shall analyze which business activities within their business scope which are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.
2. The prevention programs adopted by the Company shall at least include preventive measures against the following:
A. Offering and acceptance of bribes.
B. Illegal political donations.
C. Improper charitable donations or sponsorship.
D. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
E. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
F. Engaging in unfair competitive practices.
G. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

Art. 10 Commitment and implementation
The Company and its respective business group shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

Art. 11 Integrity of business activities
1. The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.
2. Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.
3. When entering into contracts with their agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.

Art. 12 Prohibition any briberies
When conducting business, the Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Art. 13 Prohibit the provision of illegal political contributions
When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Art. 14 Prohibit improper charitable donations or sponsorships
When making or offering donations and sponsorship, the Company and their directors, supervisors, managers, employees , mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Art. 15 Prohibit unreasonable gifts, entertainment or other improper benefits
The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

Art. 16 No infringement of intellectual property rights
The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

Art. 17 Prohibit engaging in unfair competition
The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Art. 18 Prevent products or services from damaging stakeholders
In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.

Art. 19 Organization and responsibility
1. The directors, supervisors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.
2. To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis:
A. Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
B. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business.
C. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
D. Promoting and coordinating awareness and educational activities with respect to ethics policy.
E. Developing a whistle-blowing system and ensuring its operating effectiveness.
F. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Art. 20 Business Executive and the Law following
The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

Art. 21 Avoidance of interest
The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company.

When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, supervisors, managers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse him from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

The Company's directors, supervisors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Art. 22 Accounting and internal control
1. The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.
2. The internal audit unit of the Company shall periodically examine the company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

Art. 23 Operating procedures and behavior guidelines
The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, supervisors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:
1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
7. Handling procedures for violations of these Principles.
8. Disciplinary measures on offenders.

Art. 24 Education and training and assessment
1. The chairperson, general manager, or senior management of the Company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.
2. The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, mandataries, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.
3. The Company shall apply the policies of ethical corporate management when creating its employee

performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Art. 25 Prosecution system

1. The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:

A. An independent mailbox or hotline either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports.

B. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.

C. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.

D. Confidentiality of the identity of whistle-blowers and the content of reported cases.

E. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.

F. Whistle-blowing incentive measures.

2. When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form.

Art. 26 Disciplinary and appeals system

The Company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.

Art. 27 Information disclosure

The Company shall collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. They shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on their company websites, annual reports, and prospectuses, and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.

Art. 28 Review and rectification of credit management policies and measures

The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Art. 29 Implementation and revision

1. The Principles shall be implemented after the board of directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.

2. For the Company that has appointed any independent director, when the ethical corporate management best practice principles are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

3. The Principles that has established an audit committee, the provisions regarding supervisors in these

Principles shall apply mutatis mutandis to the audit committee.

Appendix VIII：The Company Policy

Metatech (AP) Inc.

The Company Policy

## Chapter I General Principle

Art. 1: In accordance with the provisions of the Company Law, we organized MetaTech (AP) Inc.

Art. 2: MetaTech (AP) Inc. engaged in the following businesses:

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| (1) | CC01080 | Electronic components manufacturing industry. |
| (2) | F119010 | Electronic materials wholesale industry. |
| (3) | F219010 | Electronic materials retailing industry. |
| (4) | I301010 | Information software services industry. |
| (5) | I301020 | Data processing services industry. |
| (6) | IG01010 | Biotechnology services industry. |
| (7) | IG02010 | Research and development services industry. |
| (8) | F108040 | Cosmetics wholesale industry. |
| (9) | F208040 | Cosmetics retailing industry |
| (10) | F102040 | Beverage wholesale industry. |
| (11) | F102170 | Food goods wholesale industry. |
| (12) | F203010 | Food goods beverage retailing industry. |
| (13) | F401010 | International trade industry. |
| (14) | I199990 | Consultation services industry. |
| (15) | IZ99990 | Business services industry. |
| (16) | I103060 | Management consultant industry. |
| (17) | CF01011 | Medical equipment manufacturing industry. |
| (18) | F108031 | Medical equipment wholesale industry. |
| (19) | F208031 | Medical equipment retailing industry. |
| (20) | C802100 | Cosmetics manufacturing industry. |
| (21) | C802110 | Cosmetics pigment manufacturing industry. |
| (22) | JE01010 | Renting and leasing industry. |
| (23) | F113030 | Precision instruments wholesale industry. |
| (24) | F208050 | The second type patent medicine retailing industry. |
| (25) | F213040 | Precision instruments retailing industry. |
| (26) | F399040 | No shop retailing industry. |
| (27) | F601010 | Intellectual property rights industry. |
| (28) | I301030 | Electronic information supply services industry. |
| (29) | IC01010 | Drug inspection industry. |
| (30) | F108021 | Medicine wholesale industry |
| (31) | F208021 | Medicine retail industry |
| (32) | C802041 | Medicine mmanufacturing industry |
| (33) | ZZ99999 | Except for permitting business, operating business which is not prohibited or restricted by Law. |

Art. 2.1: Due to the business relationship, the Company is approved by the Board of Directors for the "Endorsements/Guarantees", and the operation shall be conducted in accordance with the operating procedures of the Company's endorsement guarantees.

Art. 2.2: When the Company needs to invest in other businesses due to its business needs, it will not be restricted by the over-40% of the paid in capital which is stipulated in Article 13 of the Company Law.

Art. 3: The Company set up its main office in New Taipei City, and set up branches both at domestic and abroad through the resolution of the board of directors if necessary.

## Chapter II Shares

Art. 4: The total capital of the Company is NTD 1 billion, divided into 100 million shares, and NTD 1 per share, among the total capital NTD 150 million is for the exercise of employee stock option certificates, unissued shares, the board of directors is authorized to issue by time.
The employee stock options vouchers of the issue price of the Company's shares which is lower than the closing price of the ordinary shares of the Company on the issue date, shall hold a general meeting of shareholders representing more than half of the total number of issued shares, and after the shareholders present at least two-thirds of the voting rights have agreed to issue.

Art. 5: The shares shall be registered and shall be signed or sealed by three or more of the directors and shall be issued upon approval by Law. In order to facilitate works of stock transactions shall merge to replace large denominated stocks from the request of Taiwan Depository & Clearing Corporation.
After the public offering of the Company's shares, the shares issued shall be exempted from printing of stocks by Law, but the stocks shall be registered in the institution of securities centralized depository business.

Art. 6: Changes in the register of shareholders' names shall be suspended within 60 days prior to the ordinary meeting of the shareholders, 30 days before the temporary meeting of shareholders or within 5 days before the date on which the Company decides to distribute dividends and bonus or other benefits.

## Chapter III Shareholders meeting

Art. 7: Shareholders’ meetings are two kinds, one is the ordinary meeting of the shareholders, and another is the temporary meeting of shareholders:

1. Shareholders' meeting is held once a year, and shall be convened by the board of directors legally within 6 months after the end of each fiscal year.
2. The temporary meeting of shareholders will be convened in necessary in accordance with relevant laws and ordinances.

Art. 8: When shareholders cannot attend the shareholders' meeting for some reasons, shall show the letter of authorization issued by the Company and indicate the scope of the authorization, signature or stamp to assign the agent to attend.

Art. 9: Each shareholder of the Company has one voting right, but matters of the provisions of Article 179 of the Company Law occur, the shares of the Company shall have no voting rights.

Art. 9.1: The Company convened a shareholders' meeting to adopt electronic voting as one of the ways in which shareholders of the Company exercised their voting rights, shareholders who exercise their voting rights electronically are deemed to be in person, so the relevant matters shall be handled in accordance with the provisions of the competent authority.

Art. 10: The resolution of the shareholders meeting, except other rules provided by the Company Law, the majority of the total number of issued shares of the Company shall be represented by the consent of the shareholders present at the meeting.

## Chapter IV Directors

Art. 11: The Company set 9 to 11 directors, three years, the number of directors in the preceding paragraph, the number of independent directors shall not be less than 2, and shall not be less than one-fifth of the number of directors, the election of directors adopts the nomination system of candidates according to Article 192-1 of the Company Law.
To be elected by the shareholders on the list of directors' candidates, and be eligible for re-election and must set a vice chairman. About the professional qualifications of independent directors, the shareholding and the part-time restrictions, the identification of independence, the nomination and other matters to be followed in accordance with the relevant provisions of the securities authority.

Art. 12: The Company set up the audit committee; it consists of all independent directors and supersedes supervisors. The number of audit committee, the term of office, the authority, the rules of procedure and resources the company should provide when exercising its powers, in accordance with the organization of the audit committee to make provisions.

Art. 13: About resolutions on major issues of the Company should be agreed by more than two-thirds of the directors attend and more than half of the attended directors.
The following are the major issues to be specifically resolved in accordance with this Article:

1. Change the proposal for the company policy.
2. Audit budget and final accounts.
3. Proposal for dissolution or merger of the Company with other companies.
4. Proposal for the appropriation of the surplus or the deficit compensated.
5. The approvals of endorsement on the behalf of the Company, acceptance, assurance and commitment.
6. The approvals of applying for financial institutions, guarantees, acceptance and other external advances and debt approval.
7. The approvals and revisions of contracts for the acquisition, transfer, grant and technical cooperation of special technologies and patents of his company or related institutions.
8. The proposal and approvals for capital increase or capital reduction of the Company.
9. The powers of according to the Company Law Article 202.
10. According to the provisions of Article 245, paragraph 5, of the Company Law and the first paragraph of Article 241.

The resolution of the board of directors on significant matters, its affiliation should be subjected to the resolution of the shareholders; the resolution of the board of directors shall be submitted to the shareholders and be implemented.

Art. 14: When the chairman of the board asks for leave or for any reason cannot exercise their powers, acting in accordance with Article 208 of the Company Law.

Art. 15: The remuneration of the directors is agreed upon by the board of directors at the usual level among peers.

Art. 15.1: The Company executes the business scope of its directors and managers within its term of office shall be responsible for the liability to purchase insurance of liability according to the Law.

## Chapter V Managers

Art. 16: According to the resolution of the board of directors, the Company may set up the president, general manager, general manager of business unit, vice general manager, and assistant manager, the appointment, dismissal and remuneration shall be governed by the provisions of Article 29 of the Company Law.

## Chapter VI Accounting

Art. 17: The Company should in the end of each fiscal year make the followings by the board of directors:

1. Business report.
2. Financial Statements.
3. Proposal for the appropriation of the surplus or the deficit compensated.

The tables will be held on the 30 day before the shareholders' ordinary meeting, and after sending the audit committee to check, submit shareholders' ordinary meeting and request recognition according to law.

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.

In the absence of accumulated losses, the Company shall distribute all or one of the dividends and dividends in accordance with the provisions of paragraph 5 of Article 245 of the Company Law, in the form of cash disbursement.

The cash disbursement is authorized by the board of directors with special resolutions and report to the shareholders meeting.

## Chapter VII Supplementary Articles

Art. 19: If the articles of association are not made, be handled according to the Company Law.

Art. 20: The constitution was entered into on September 3, 1998.
The first amendment was on September 16, 1998.
The second amendment was on November 28, 2001.
The third amendment was on June 28, 2002.
The fourth amendment was on June 10, 2003
The fifth amendment was on April 19, 2004
The sixth amendment was on June 9, 2006.
The seventh amendment was on June 13, 2007.
The eighth amendment was on June 13, 2008.
The ninth amendment was on June 19, 2009.
The tenth amendment was on June 21, 2013.
The eleventh amendment was on September 30, 2013.
The twelfth amendment was on June 27, 2014.
The thirteenth amendment was on June 30, 2015.
The fourteenth amendment was on June 29, 2016.
The fifteenth amendment was on June 20, 2017.
The sixteenth amendment was on June 25, 2018.
The seventeenth amendment was on June 17, 2019.

Appendix IX: The Rules of Procedure in Shareholders' Meeting

Metatech (AP) Inc.
The rules of procedure in shareholders' meeting

I. Except rules are stipulated by law in addition, the shareholders' meeting of the Company shall be run by these Rules.

II. Shareholders (or agents) attend the meeting should do check-in, check-in card to sign in place of attendance in accordance with the number of sign-in card, amount the number of votes in writing or by way of electronic transmission for calculating shareholders’ rights of the attendance.

III. On behalf of shareholders of more than half of the total number of issued shares attend; the chairman announces the meeting started. If the meeting time is still less than the quorum, the chairman may declare the extension, extended by two times and the total extension may not exceed a minimum of one hour. When the number of shareholders present does not constitute the quorum prescribed in the preceding article, but those present represent one-third or more of the total number of issued shares, they shall be regulated by Article 175 of the Company Law (a tentative resolution may be passed by a majority of those present). Before the meeting is completed, if the number of shares represented by the shareholders present at the meeting is sufficient, the chairman will have to make a tentative resolution. In accordance with Article 174 of the Company Law, it shall be re-submitted to the meeting for voting.

IV. The agenda of the shareholders 'meeting is set by the board of directors and distributed to the attending shareholders or shareholders' representatives. The meeting was processed in accordance with the procedures laid down by the agenda.
Except for the list of agenda, other proposals put forward by the shareholders or amendments or replacement to the original bill should be seconded by other shareholders, the proposer and seconders shall have more than 1% (inclusive) shares of the total number of issued ordinary shares. Not a bill, not to discuss or vote it.
Before the scheduled agenda (including the provisional bill) is not yet finished, the chairman shall not declare a meeting to be over directly.
If the chairman violated of the rules of procedure and declared the meeting to be over, to be able to attend more than half of the voting rights of shareholders agreed to elect a person as chairman, continue meeting. After the meeting is over, shareholders may not elect a chairman to resume their meeting at the original location or at another place.

V. The break time of the meeting will be fixed at the discretion of the chairman.

VI. When attending shareholders want to speak, they should fill in the statement of shareholders' account number and their names first, then the chairman will set the priority.

VII. When discussing a bill, it should be discussed in the order in which it is scheduled. If there is a violation of the procedure, the chairman should stop speaking.

VIII. The attending shareholders shall not speak for more than five minutes at a time, but may be prolonged by three minutes for the permission of the chairman. Speaking out of time or over the scope of the bill, the chairman shall cease them from speaking.

IX. In the same bill, each shareholder or corporation shall speak only by one representative (the corporation shall assign a multi-member representative to attend the shareholders meeting simultaneously, and only one representative shall speak), and his speech shall not exceed two times.

X. In discussing the bill, the chairman may declare the conclusion of the discussion at the discretion of the chairman, if necessary, end the discussion.

XI. The vote of the bill shall be approved by a majority of the shareholders who present the voting right, except special resolutions need to be followed in the Company Law.
When shareholders' meeting is held, the Company shall exercise its voting rights in writing or by way of electronic transmission (according to Article 177 of the Company Law, the first paragraph of the proviso shall be exercised to electronic transmission: The voting power at a shareholders' meeting may be exercised in writing or by way of electronic transmission.).
The method for exercising the voting right shall be described in the notice of shareholders' meeting to be given to the shareholders.
Shareholders who exercise their voting rights in writing or by way of electronic transmission shall be deemed to attend the shareholders' meeting in person. However, the incidental motion of this meeting and the amendment to the original motion shall be deemed as abstention. Therefore, the Company should avoid making any provisional motion and any amendment to the original motion.
In the preceding paragraph, a written or electronic exercise of voting rights shall mean that the company should be delivered to the company before two days of the starting of the shareholders' meeting. If there is any duplication of meaning, the first delivery shall be accepted. But the statement for a withdrawal of the meaning is not.
After shareholders exercise their voting rights in writing or by way of electronic transmission, if shareholders who hope to attend the shareholders' meeting in person, before two days of the starting of the shareholders' meeting ,they have to cancel the exercise of the voting rights in the preceding paragraph in the same manner as the exercise of voting rights. Those overdue withdrew of voting rights exercised in writing or by way of electronic transmission shall be accepted.
If voting rights are exercised in writing or by way of electronic transmission and the agents are represented at the shareholders' meeting by power of attorney, the agents will exercise the voting rights.
At the time of voting, shareholders shall vote by case on a case-by-case basis and after the total number of voting rights present at the shareholders 'meeting, shall be announced by the chairman or his designated officer on a case-by-case basis. On the day after the shareholders' meeting, the result of shareholder's consent, opposition and abdication shall be entered into the Market Observation Post System (MOPS).
When there is an amendment or replacement to the same bill, the chairman shall fix the order of voting on the original bill. If one of the cases has been passed, the other bills will be dismissed and not be voted again.
The scrutineers and counting officers of the voting bill are to be assigned by the chairman, but the scrutineers shall have the identity of the shareholder. Shareholders have one vote for each share.
When shareholders entrust an agent to attend the shareholders' meeting, except for the trust business or the stock agency approved by the securities authority, when one person is entrusted by more than two shareholders at the same time, the voting rights of its agents shall not exceed 3% of the total voting shares in issue, if more than its voting rights, the voting rights over it are not counted.
The works of voting of shareholders 'meeting or the election of the bill of counting votes shall be processed in the shareholders' meeting place openly. And should be announced the voting results after the completion of counting votes, including statistic weights, and make a record.

XII. The resolutions of the shareholders' meeting shall be made the journal, signed or sealed by the chairman, and shall be distributed to the shareholders within 20 days after the meeting. The production and distribution of the previous proceedings are made by the electronic transmission.

XIII. In case of force majeure during the meeting, the meeting shall be suspended and another meeting shall be held on another date.

XIV. The contents which are not stipulated in our methods must be processed with the Company Law and regulations of relevant laws.

XV. The methods shall be implemented after the approval of the shareholders meeting and the same shall apply when modifying.

Appendix X： The Condition of Directors Holding Shares

Metatech (AP) Inc.
The Condition of Directors Holding Shares

1. The minimum number of shares that all directors should hold
   The minimum number of shares that all directors should hold is 4,641,283 shares.

2. As of this shareholders'meeting will be held shareholders list of the number of shares on the transfer dat

| Title | Name | Stop the holdings of shares recorded in the shareholders' register on the transfer date | |
|---|---|---|---|
| | | Number of sharesholding | % Holding into several |
| Chairman | Be De Bi Xiu Investment Co., Ltd.<br>Representative: Hu, Li San | 3,141,924 | 5.42% |
| Director | Be De Bi Xiu Investment Co., Ltd.<br>Representative:<br>Tang, Hong De<br>Representative:<br>Wang, Hui Jun<br>Representative:<br>Chen, Rui Jie | 3,141,924 | 5.42% |
| Director | National Development Fund, Executive Yuan<br>Representative:<br>He, Hong Neng | 2,777,000 | 4.79% |
| Director | Jimmore International Co., Ltd.<br>Representative:<br>Wu, Zhen Long | 5,450,000 | 9.39% |
| Director | Dajun Investment Co., Ltd.<br>Representative:<br>Yang, Zhi Hui<br>Representative:<br>Zhao, Hong Zhang | 197,000 | 0.34% |
| Independent director | Wu Rong Yi | - | - |
| Independent director | Chen Rong Hua | - | - |
| Independent director | Wang Wen Zhu | - | - |
| All directors hold shares | | 11,565,924 | 19.94% |

Appendix XI： Other Instructions

The impact of the Company's issuance of bonus shares on the Company's business performance, earnings per share and shareholder return:
The Company did not allot out the issuance of bonus shares during the year and therefore does not apply.

Information on employee dividends and directors' compensation received by the board of directors:

1. The Company's 2019 profit and loss provision case was approved by the board of directors on March 27, 2020. The proposed employee bonus and director's compensation are as follows:

   a. Cash dividends for employees and stock dividends of NTD0.
   b. The directors and supervisors have paid NTD0.

2. If the board of directors proposes to distribute the employee's cash dividend, stock dividend and the amount of the director's compensation to the annual estimated amount of the recognized expenses, the difference, reason and treatment shall be disclosed:
   The board of directors' proposes to distribute the employee's cash dividend, stock dividend and director's compensation amount to NTD 0 and the recognition expense annual estimated amount to NTD 0, there is no difference.

三顧股份有限公司

METATECH ( AP ) INC.

Stock Code 3224