

Metatech (AP) Inc.

Minutes for 2021 Annual Meeting of Shareholders

Meeting Time: 9:30 A.M. (Tuesday) July 20, 2021

Meeting Place: 4F, No. 128, Sec. 1, DaTong Rd., Xizhi Dist., New Taipei City 221, Taiwan (R.O.C.)(4F HuaMei Hall, FuShin Hotel)

Number of shares attended: The total number of shares issued by the Company was 58,016,045 shares, the total number of shares attended was 30,869,458 shares (among them, 2,888,298 shares, accounting for 4.98% of the total number of shares issued, participated in the voting by the electronic way), the number of shares attended accounted for 53.20% of the total number of shares issued, has reached the statutory number of meeting shares.

Attending directors:

Independent Director, Wang, Wen Zhu,

Director, Wang, Hui Jun,

Director, Hu Li San,

Director, Tang Hung De,

Other in attendance:

Lawyer, Chen, Yi Fei of Tsanya Law Firm,

Accountant, Xu, Ming Chuan of PricewaterhouseCoopers Taiwan,

Chairman: Director, Hu, Li San

Minutes taker: Xie, Xiu Min

Statement by the Chairman: (omitted)

A.Report matters

【Proposal 1】

Cause of action: Year 2020 business report submitted for approval.

Explanation: 1. Please refer to appendix 1 for Year 2020 Business Report.

The case was received and known by the Chairman for consultation with all shareholders.

【Proposal 2】

Cause of action: Year 2020 audited financial statements by the audit committee submitted for approval.

Explanation: 1. Our company's 2020 parent company only financial reports and consolidated financial statements have been audited by CPAs, and the audit committee has issued the audit report. Please refer to appendix 2 and appendix 3.

The case was received and known by the Chairman for consultation with all shareholders.

【Proposal 3】

Cause of action: Implementation of seasoned equity offering in 2017 submitted for approval.

Explanation: 1. Our company's seasoned equity offering in 2017 has been declared by Chin Guan Cheng Zi Letter No. 1060036940 issued by Financial Supervisory Commission on October 13th, 2017 and is effective and filed. With each share of NT\$36, new stocks of 14,000,000 shares were issued through capital increase by cash. A fund of NT\$504,000,000 was raised. The capital stock was collected in full on January 16th, 2018 and the trading in over-the-counter markets started on January 19th, 2018. In addition, the change of registration was approved and filed by Ching Shou Shan Zi Letter No. 10701010990 on January 29th, 2018. The paid-in capital after change was NT\$580,160,450.

2. By the request from the competent authority through relevant letters, the implementation of capital increase by cash in 2017 has been reported to the shareholders meeting. Please refer to appendix 4 for the implementation of capital increase by cash in 2017 up to the end of quarter 1 in 2021.

The case was received and known by the Chairman for consultation with all shareholders.

【Proposal 4】

Cause of action: Supplementing the implementation of the third domestic secured convertible corporate bonds issuance in 2018 submitted for approval.

- Explanation: 1. Our company's third domestic secured convertible corporate bonds issuance in 2018 has been declared by Chin Guan Cheng Fa Zi Letter No. 1070345294 issued by Financial Supervisory Commission on December 14th, 2018 and is effective and filed. There were 1,500 bonds issued with the denomination of each bond in NT\$100 thousand. The issuing price is 100%~101% of denomination for the maximum fund-raising of NT\$151,500 thousand in total. The capital stock was collected in full on January 7th, 2019 and the trading in over-the-counter markets started on January 9th, 2019.
2. According to the request from Financial Supervisory Commission on the Point 8 of Chin Guan Cheng Fa Zi Letter No. 1100335941 on April 14th, 2021, the implementation of third domestic secured convertible corporate bonds issuance in 2018 has been reported to the shareholders meeting. The capital has been used in full in the quarter 2 in 2020, and it was carried out declaration correction on April 9th, 2021. Please refer to appendix 5.

The case was received and known by the Chairman for consultation with all shareholders.

【Proposal 5】

Cause of action: Report of sound operational plan implementation of the company submitted for approval.

- Explanation: 1. According to the request from Financial Supervisory Commission on the Point 7 of Chin Guan Cheng Fa Zi Letter No. 1100335941 on April 14th, 2021, the implementation of sound operational plan in 2021 has been submitted to the board of director by quarter for further supervision as well as been reported to the shareholders meeting. Please refer to appendix 6.

The case was received and known by the Chairman for consultation with all shareholders.

【Proposal 6】

Cause of action: The private placement of cash increase to issue ordinary stocks has expired in 2020 and will not be continued; submitted for approval.

Explanation:1. In order to replenish operating capital and the demand of funds for future development as well as attract strategic investors, our company has approved by the shareholder meeting the private placement of cash increase to issue ordinary stocks within the limits of 8,000,000 shares on June 30th, 2020. It shall be handled in three separate times within one year after the resolution date of the shareholder meeting.

2. Due to the expiration, it was reported to the 16th session (May 14th, 2021) of the 8th board of directors meeting according to the regulations of private placement. The resolution from the board of directors was termination of the case.

The case was received and known by the Chairman for consultation with all shareholders.

B. Matters to be ratified

【Proposal 1】

Proposed by the board of directors

Cause of action: Submission of the 2020 business report, parent company only financial reports, and consolidated financial statements for adoption.

Explanation:1. Our company's 2020 business report, parent company only financial reports, and consolidated financial statements have been audited by CPAs, Ming-Chuan Hsu and Ping-Chun Chih, at PricewaterhouseCoopers Taiwan.

2. 2020 business report, parent company only financial reports, and consolidated financial statements have been approved by the resolution of the board of directors, audited by the audit committee, and issued an audit report. Please approve it according to the regulations.

3. Various reports for the case can be referred to appendix 1 and appendix 3.

Resolution:

Result after voting	% of the voting rights of shareholders attended
Approval votes: 30,471,659 rights (including electronic voting: 2,868,499 rights)	98.71%

Disapproval votes: 5,444 rights (including electronic voting: 5,444 rights)	0.02%
Invalid votes: 0 rights (including electronic voting: 0 rights)	0.00%
Abstention votes/no votes: 392,355 rights (including electronic voting: 14,355 rights)	1.27%

The case was approved after voting.

【Proposal 2】

Proposed by the board of directors

Cause of action: Adoption of the proposal 2020 “Covering of Losses” submitted for approval.

Explanation: 1. Our company’s net loss after tax in 2020 was NT (the same below) \$82,495,225 with the accumulated deficit of \$289,712,126. The reversal of capital surplus- additional paid-in capital in the fiscal year was \$289,712,126. The accumulated deficit to be covered by the end of period was \$0. The table of covering of losses is as below:

MetaTech (AP) Inc.
Table of covering losses in 2020

Unit: NT\$/dollar

Item	Amount	Remark
Accumulated deficit at the beginning of the period	(206,808,216)	
Addition: Net loss after tax in 2020	(82,495,225)	
Other comprehensive profit or loss in the current period	(408,685)	
Deficit to be covered of the period	(289,712,126)	
Addition: Capital surplus- additional paid-in capital	289,712,126	
Accumulated deficit to be covered by the end of the period	0	

Resolution:

Result after voting	% of the voting rights of shareholders attended
Approval votes: 30,471,633 rights (including electronic voting: 2,868,473 rights)	98.71%
Disapproval votes: 5,470 rights (including electronic voting: 5,470 rights)	0.02%
Invalid votes: 0 rights (including electronic voting: 0 rights)	0.00%
Abstention votes/no votes: 392,355 rights (including electronic voting: 14,355 rights)	1.27%

The case was approved after voting.

C. Matters to be discussed (I)

【Proposal 1】

Proposed by the board of directors

Cause of action: It is planned to revise part of provisions of “Articles of Incorporation” of the company and submitted for approval.

Explanation:1. In order to coordinate with the actual development of the company, it is planned to revise the provisions of Article 4 and Article 20 of the “Articles of Incorporation” of the company. The comparison table of the revised articles can be referred to appendix 5.

Resolution:

Result after voting	% of the voting rights of shareholders attended
Approval votes: 30,471,662 rights (including electronic voting: 2,868,502 rights)	98.71%

Disapproval votes: 5,446 rights (including electronic voting: 5,446 rights)	0.02%
Invalid votes: 0 rights (including electronic voting: 0 rights)	0.00%
Abstention votes/no votes: 392,350 rights (including electronic voting: 14,350 rights)	1.27%

The case was approved after voting.

D. Matters related to election

【Proposal 1】

Proposed by the board of directors

Cause of action: The election of the 9th board of directors (including independent directors) in the company; please carry out the election.

Explanation: 1. The term of service for the current directors (including independent directors) will be expired on June 24th, 2021. A re-election shall be carried out according to the Company Act.

2. According to the Articles of Incorporation of the company, 11 directors (including 3 independent directors) shall be elected. Current directors will be discharged after the shareholders meeting. The election of directors adopts the system of candidate nomination. New directors shall take up the post after the shareholders meeting. The term of office is three years from June 29th, 2021 to June 28th, 2024.

3. The list of candidates for the directors (including independent directors) in the company has been nominated by the board of directors. It has been reviewed and approved at the 16th session (May 14th, 2021) of the 8th board of directors meeting. The list of candidates is as below:

Result of the election:

Post	Name of the candidate	Educational background	Working experience	Current post	Shares held (unit: share)	Government agency or legal person represented (full name)	Other relevant information (enter "No" if none)	Has been taking the post of independent director for a consecutive three elections
Director	Representative of National Development Fund Executive Yuan,	PhD, Graduate Institute of Clinical Medicine,	Distinguished Professor, Department of Internal Medicine,	Superintendent of National Taiwan University Hospital	2,777,000 (possessed by National Development Fund,	National Development Fund, Executive Yuan	No	Not applicable

Ming-Hsien Wu	<p>College of Medicine National Taiwan University</p> <p>Doctor of Medicine, College of Medicine National Taiwan University</p>	<p>College of Medicine National Taiwan University</p> <p>Chairman & Deputy Secretary-General, The Gastroenterological Society of Taiwan</p> <p>Secretary-General, Taiwan Society of Internal Medicine</p> <p>Director & Executive Secretary, Taiwan Association of Hospital Medicine</p> <p>Deputy Superintendent of National Taiwan University Hospital, Director of Division of Internal Medicine, Director of Division of Gastroenterology, Director of Health Management Center, Attending Physician of Division of Internal Medicine, Chief Resident Doctor at Division of Internal Medicine</p> <p>Deputy Dean of College of Medicine, National Taiwan University & Director of</p>		Executive Yuan)			
---------------	---	---	--	-----------------	--	--	--

			Department of R&D, Head of Department of Medicine, Director of Department of General Medicine, Associate Professor, Assistant Professor					
Director	Representative of Jun Investment International Co., Ltd., Chun-I Wu	York University	President, Hua Yee Biotechnology Co., Ltd. Director & Supervisor, Jun Investment International Co., Ltd. Director, Jungroup Fashion Boutique Co., Ltd.	President, Hua Yee Biotechnology Co., Ltd. President, Edora Park Co., Ltd. Supervisor, Jun Investment International Co., Ltd. Director, Jungroup Fashion Boutique Co., Ltd.	5,450,000 (Jun Investment International Co., Ltd.)	Jun Investment International Co., Ltd.	No	Not applicable
Director	Representative of Jun Investment International Co., Ltd., Kuan-Ling Lai	PhD, Graduate School of Mechanical and Energy Engineering, Kun Shan University	General Manager & Director, Jun Investment International Co., Ltd. General Manager & Director, Hsin Yeong An Cable TV Co., Ltd. General Manager & Director, Ma Shen Kai Ruei Co., Ltd. General Manager & Director, Ta Yang Cable Television Co., Ltd.	General Manager & Director, Jun Investment International Co., Ltd. Director, Edora Park Co., Ltd. Supervisor, Jun Bao Construction Co., Ltd. Supervisor, Ma Shen Kai Ruei Co., Ltd. Director, He Tsao Charity Foundation Director, Li Wei Foundation Part-Time	5,450,000 (Jun Investment International Co., Ltd.)	Jun Investment International Co., Ltd.	No	Not applicable

				Assistant Professor, Kun Shan University				
Director	Representative of Da Jyun Capital Investment Corporation, Chih-Hui Yang	<p>PhD, College of Pharmacy, Kaohsiung Medical University</p> <p>Master, College of Pharmacy, Kaohsiung Medical University</p> <p>Bachelor, Department of Pharmacy, Kaohsiung Medical University</p>	<p>Head of Department of Biological Science & Technology, I-Shou University</p> <p>Associate Professor, Department of Biological Science & Technology, I-Shou University</p> <p>Chief of Planning and Promotion Section, Public Affairs Office, I-Shou University</p> <p>Assistant Professor, Department of Biological Science & Technology, I-Shou University</p> <p>Deputy Dean, College of Medicine, I-Shou University</p> <p>Professor, Department of Post Baccalaureate Medicine, College of Medicine, I-Shou University</p> <p>Honorary Director, Top Ten Outstanding Young Women Association</p>	<p>Director, Biochemical Technology Education Foundation</p> <p>Chairman, Biotechnology and Biochemical Engineering Society of Taiwan</p> <p>Chairman, Chinese Innovation and Invention Society</p> <p>Director, International Society of Biocatalysis and Agricultural Biotechnology</p> <p>Executive Assistant, Up Cell Biomedical Inc.</p>	<p>197,000 (possessed by Da Jyun Capital Investment Corporation)</p> <p>50,000 (possessed by Chih-Hui Yang)</p>	Da Jyun Capital Investment Corporation	No	Not applicable

			Professor, Department of Biological Science & Technology, I-Shou University					
Director	Representative of MetaTech Investment Holding Co., Ltd., Tsung-Chi Chen	Department of Communicati ons, Shih Hsin University	President, MetaTech Investment Holding Co., Ltd. President, Sun Dance Entertainment INTL CO. President, Speedlight Bear Image Production Co., Ltd. Director, Da Jyun Capital Investment Corporation	President, MetaTech Investment Holding Co., Ltd. President, Sun Dance Entertainment INTL CO. President, Speedlight Bear Image Production Co., Ltd. Director, Da Jyun Capital Investment Corporation	3,141,924 (possessed by MetaTech Investment Holding Co., Ltd.)	MetaTech Investment Holding Co., Ltd.	No	Not applicable
Director	Representative of MetaTech Investment Holding Co., Ltd., Hung-De Tang	Bachelor, Department of Business Administratio n, Fu Jen University	Supervisor, Taiyen Biotech Co., Ltd. President, Sun Dance Entertainment INTL CO. Manager, JihSun International Commercial Bank Director, Cheer Digiart Inc. Director, A Shine Biotech Corp.	Director, Da Jyun Capital Investment Corporation	3,141,924 (possessed by MetaTech Investment Holding Co., Ltd) 505,000 (possessed by Hung-De Tang)	MetaTech Investment Holding Co., Ltd	No	Not applicable
Director	Representative of MetaTech Investment Holding Co., Ltd., Rui-Chieh Chen	PhD, Graduate Institute of Biomedical Informatics, Taipei Medical University	Superintendent of Taipei Medical University Hopspital	Representativ e for Director of Eminent III Venture Capital Corporation	3,141,924 (possessed by MetaTech Investment Holding Co., Ltd.) 3,000 (possessed by the spouse of	MetaTech Investment Holding Co., Ltd.	No	Not applicable

					Rui-Chieh Chen)			
Director	Representative of MetaTech Investment Holding Co., Ltd., Hui-Chun Wang	PhD, Department of Chemistry, University of Illinois at Urbana-Champaign Master and Bachelor, Department of Chemistry, National Taiwan University	Visiting Professor, Biomedical Translation Research Center, Academia Sinica Distinguished Research Fellow & Director, Institute of Biological Chemistry, Academia Sinica Vice President, Academia Sinica	Independent Director, Standard Chem & Pharm CO., LTD. Independent Director, Lin BioScience Inc. President, Up Cell Biomedical Inc. Visiting Professor, Biomedical Translation Research Center, Academia Sinica	3,141,924 (possessed by MetaTech Investment Holding Co., Ltd.)	MetaTech Investment Holding Co., Ltd.	No	Not applicable
Independent director	Wen-Chu Wang	Bachelor, Department of Pharmacy, National Taiwan University	General Manager, Bio-Juvenate Biotechnology Co., Ltd. General Manager, Advanced International Biomedical Inc. Director of Business and Marketing Division, Purzer Pharmaceutical Co., Ltd. General Manager, Fresenius Kabi Taiwan Ltd. Consultant, Genuine Chemical Pharmaceutical Co., Ltd. General Manager, Division of	Supervisor, Jian Rui Biotechnology Company President, Sancai Pharmaceutical Co., Ltd.	0	No	Certificate of Pharmacist Examination in 1986 (Certificate No.: Yao Zi Di 13296)	

			<p>Western Drugs, Monsanto Company</p> <p>General Manager of Department, GlaxoSmithKline plc</p> <p>Manager, Department of Business and Marketing, Zuellig Pharma Inc.</p> <p>Product/Business Manager, SmithKline Beecham Inc.</p> <p>Business Supervisor, Boehringer-Ingelheim</p>					
Independent director	Shih-Chieh Yang	<p>Bachelor, Department of Economics, National Chung Hsing University</p> <p>Master, Department of Economics, Chinese Culture University</p>	<p>Assistant Manager, Secretarial & Legal Department, Taiwan Stock Exchange Corporation</p> <p>Lecture, Night Division, Private Fu Jen University</p> <p>Part-Time Lecture, Department of Economics, Night Division, Private Chinese Culture University</p> <p>Qualified Lecture, Private Fu Jen University</p>	Business Management Strategic Consultant, Jaou-Yang Co., Ltd.	0	No	Qualified Tax Affairs Personnel, 1978 National Junior Civil Service Examination (Certificate No.: 67 Chuna Pu Zi Di 305)	No
Independent director	Chun-Rong Chiu	PhD, Department of Economics, National Taiwan University	Head of Department of Economics, National Central University	Professor, Department of Economics, National Central University	0	No	No	No

			Deputy Dean of College of Management, National Central University					
			Principal of Takming University of Science and Technology & Dean of College of Finance					
			Associate Professor, Professor, Head of Department of Industrial Economy, Tamkang University					
			Vice President, Taiwan Institute of Economic Research					
			President, Foundation for Future Generation Taiwan					
			Independent Director, Taiwan Financial Holding Co., Ltd.					
			Vice Chairperson, National Development Council					
			Member, National Financial Stabilization Fund					

Election result:

Candidate			Voting rights			Election result
Category	ID	Name of the candidate	Electronic voting	Live voting	total	
Director	31246	Representative of Da Jyun	37,377	38,221,000	38,258,377	Yes

		Capital Investment Corporation, Chih-Hui Yang				
Director	22433	Representative of MetaTech Investment Holding Co., Ltd., Tsung-Chi Chen	140,442	34,781,000	34,921,442	Yes
Director	28132	Representative of Jun Investment International Co., Ltd., Chun-I Wu	35,205	34,632,164	34,667,369	Yes
Director	28132	Representative of Jun Investment International Co., Ltd., Kuan-Ling Lai	36,161	33,181,000	33,216,161	Yes
Director	22433	Representative of MetaTech Investment Holding Co., Ltd., Hung-De Tang	142,079	32,407,942	32,550,021	Yes
Independent director	19119	Wen-Chu Wang	35,267	32,370,000	32,405,267	Yes
Director	22433	Representative of MetaTech Investment Holding Co., Ltd., Rui-Chieh Chen	37,374	31,067,897	31,105,271	Yes
Director	29345	Representative of National Development Fund Executive Yuan, Ming-Hsien Wu	30,637,208	71,000	30,708,208	Yes
Director	22433	Representative of MetaTech Investment Holding Co., Ltd., Hui-Chun Wang	37,400	27,449,000	27,486,400	Yes
Independent director	H10163****	Shih-Chieh Yang	35,245	20,591,000	20,626,245	Yes
Independent director	T12085****	Chun-Rong Chiu	35,903	18,862,757	18,898,660	Yes

E. Matters to be discussed (II)

【Proposal 1】

Proposed by the board of directors

Cause of action: Cancelling the restrictions of competition prohibition on the new directors in our company; please approve.

Explanation: 1. It shall be handled according to Article 209 of Company Act, “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. In the consideration of the directors in our company invest in or run other business the same as or similar to the business scope of our company, it is proposed to the agreement of the shareholders meeting to lift the restrictions of competition prohibition on individual director until the expiration of the term of service for the 9th board of directors.

3. The details of lifting the competition prohibition on the directors

in our company as shown in the table below:

Elected post	Name	Concurrent position in other company
Director	National Development Fund, Executive Yuan	Genovate Biotechnology Co., LTD. Taiwan Biotech Co., Ltd. ScinoPharm Taiwan, Ltd. Taiwan Flower Biotechnology Co., Ltd. United Biomedical Inc. Adimmune Corporation TaiGen Biopharmaceuticals Holdings Limited PharmaEssentia Corp. PharmaEngine Inc. TaiAn Technologies Corporation TaiMed Biologics EirGenix, Inc. Apex Medical Corp. Intech Biopharm Ltd. Point Robotics Meditech Inc.
Legal representative of the director	Representative of National Development Fund, Executive Yuan: Ming-Hsien Wu	Superintendent, National Taiwan University Hospital
Director	Jun Investment International Co., Ltd.	Corporate Director, Ma Shen Kai Ruei Co., Ltd. Edora Park Co., Ltd. Junbao Construction Co., Ltd. Corporate Director, Cleanaway Company Limited
Legal representative of the director	Representative of Jun Investment International Co., Ltd.: Chun-I Wu	President, Hua Yee Biotechnology Co., Ltd. President, Edora Park Co., Ltd. Supervisor, Jun Investment International Co., Ltd. Director, Jungroup Fashion Boutique Co., Ltd.
Legal representative of the director	Representative of Jun Investment International Co., Ltd.: Kuan-Ling Lai	General Manager & Director, Jun Investment International Co., Ltd. Director, Edora Park Co., Ltd. Supervisor, Jungroup Fashion Boutique Co., Ltd. Supervisor, Ma Shen Kai Ruei Co., Ltd. Director, Hecao Charity Foundation Director, Liwei Foundation Part-Time Assistant Professor, Kun Shan University

Director	Da Jyun Capital Investment Corporation	Sun Dance Entertainment INTL CO.
Legal representative of the director	Da Jyun Capital Investment Corporation Representative: Chih-Hui Yang	Director, Biochemical Technology Education Foundation Chairman, Biotechnology and Biochemical Engineering Society of Taiwan Chairman, Chinese Innovation and Invention Society Director, International Society of Biocatalysis and Agricultural Biotechnology Executive Assistant, Up Cell Biomedical Inc. Full-Time Professor, Department of Biological Science & Technology, I-Shou University
Legal representative of the director	Representative of MetaTech Investment Holding Co., Ltd., Tsung-Chi Chen	President, MetaTech Investment Holding Co., Ltd. President, Sun Dance Entertainment INTL CO. President, Speedlight Bear Image Production Co., Ltd. Director, Da Jyun Capital Investment Corporation
Legal representative of the director	Representative of MetaTech Investment Holding Co., Ltd., Hung-De Tang	Director, Da Jyun Capital Investment Corporation
Legal representative of the director	Representative of MetaTech Investment Holding Co., Ltd., Rui-Chieh Chen	Representative for Director of Eminent III Venture Capital Corporation
Legal representative of the director	Representative of MetaTech Investment Holding Co., Ltd., Hui-Chun Wang	Independent Director, Standard Chem & Pharm CO., LTD. Independent Director, Lin BioScience Inc. President, Up Cell Biomedical Inc. Visiting Professor, Biomedical Translation Research Center, Academia Sinica
Independent director	Wen-Chu Wang	Supervisor, Jian Rui Biotechnology Company President, Sancai Pharmaceutical Co., Ltd.

Independent director	Shih-Chieh Yang	Business Management Strategic Consultant, Jaou-Yang Co., Ltd.
Independent director	Chun-Rong Chiu	Professor, Department of Economics, National Central University

Resolution:

Result after voting	% of the voting rights of shareholders attended
Approval votes: 30,468,216 rights (including electronic voting: 2,865,056 rights)	98.70%
Disapproval votes: 8,566 rights (including electronic voting: 8,566 rights)	0.03%
Invalid votes: 0 rights (including electronic voting: 0 rights)	0.00%
Abstention votes/no votes: 392,676 rights (including electronic voting: 14,676 rights)	1.27%

The case was approved after voting.

V. Other Matters and Questions and Motions: None.

VI. Adjournment: After the Chairman inquired that there was no other provisional motion from the shareholders attended, the Chairman announced the adjournment of the meeting.

Chairman: Hu Li San

Minutes taker: Xie, Xiu Min

Appendix 1: Year 2020 Business Report

Year 2020 Operational Status Report

I. Business performance in 2020

(1) Implementation result of business plans in 2020

The consolidated revenue in 2020 was NT (the same below) \$1,576,079 thousand, and it increased \$163,504 thousand compared to \$1,412,575 thousand in 2019 with an increase rate of 11.57%. The net loss after tax in 2020 was \$82,495 thousand, and it decreased \$10,200 thousand compared to the net loss after tax in 2019 of \$92,695 thousand. The deficit per share after tax was \$1.42.

(2) Financial income and expenditure as well as profitability analysis

1. The consolidated revenue in 2020 was NT\$1,576,079 thousand, and it was increased due to the impact of coronavirus epidemic. Working from home adopts by each country or remote teaching as well as the growth of data centers in U.S. and in China affects the increasing demand of end customers on relevant servers. The operating expense in 2020 was reduced compared to the same period in the previous year. It was mainly because of the reduction of operating expense caused by the reduced expense of employee stock option of the period so that the deficit of the period is reduced.

2. Relevant financial ratios are as below:

Item	2020	2019
Current ratio (%)	244.84	340.22
Quick ratio (%)	215.26	298.62
Debt ratio (%)	38.83	33.29
Ratio of long-term capital to property, plant and equipment (%)	559.75	574.37
Equity return ratio (%)	(8.60)	(8.93)
Ratio of operating loss to capital stock (%)	(13.83)	(19.94)
Ratio of loss before tax to capital stock (%)	(15.89)	(20.47)
Net loss ratio (%)	(5.23)	(6.56)
Loss per share (dollar) after retrospection	(1.42)	(1.60)

The analysis of financial ratios and the formula for calculation can be referred to the disclosure on the session of “financial analysis” in 2020 Annual Report.

(3) Overview of the company's technologies and its research and development

1. Department of Electronics

- a) Reinforcing the replacement of old models with new models on product mix, continuing working with the international key manufacturers and for product agency, and marketing electronic components of fiber-optical generation and products of lead-edge technologies to satisfy demands from customers.
- b) Providing customers complete design combination to save their R&D expense as well as enhance our service standard, strengthen the relationship between our company and customers, and sustain the business growth of the company.

2. Department of Biomedicine

- a) Introduction of the source of technology: MetaTech (AP) Inc. transferred “esophagus regenerative medical technology” to CellSeed Inc. in Japan in 2017 to develop epithelial cell sheet products on esophageal mucosa to be applied on patients with esophageal cancer for the recovery after endoscopic submucosal dissection (ESD). It can avoid the symptoms of esophageal stricture effectively. Currently, the phase III clinical trial has completed the treatment of the first case successfully at E-Da Hospital on February 4th, 2021. National Taiwan University Hospital also completed clinical site initiation visit (SIV) on March 13th, 2021 and is able to receive patients. In addition, in order to speed up schedule of receiving patients to ensure smooth clinical trial, MetaTech called the doctors at Division of Endoscopy, Division of Gastroenterology, and Division of Digestive System in the domestic main hospitals on January 24th, 2021 to establish Taiwan Esophageal Research Alliance. The main purpose is to refer proper patients to the hospitals that execute esophageal clinical trial under the assistance of doctors.
- b) Cartilage cell sheet: Up to the end of March in 2021, MetaTech has proposed the application of autologous cartilage cell therapy technique program in accordance with “Administrative Regulation on Special Medical Instruments and Inspection Techniques” to E-Da Hospital, Kaohsiung Veterans General Hospital, Taipei Medical University Hospital, Hualien Tzu Chi Hospital, and Changhua Christian Hospital. It was reviewed and approved by TFDA one after another. E-Da Hospital completed the inclusion of 20 patients in 2020 (17 of them completed transplantation in the same year) and has completed the transplantation for 9 patients in quarter 1 in 2021. Hualien Tzu Chi Hospital completed one case in September 2020. MetaTech added applications to Tri-Service

General Hospital, Minsheng Hospital, Shin Kong Hospital, and Tungs' Taichung MetroHarbor Hospital in 2020. In 2021, it is scheduled to propose applications to Kaohsiung Chang-Gung Memorial Hospital, Taipei Veterans General Hospital, and Chi Mei Hospital. Therefore, it is expected that applications to at least 12 hospitals will be approved by the end of 2021 with more than 50 doctors cooperating with the treatment. Meanwhile, MetaTech also starts to expand the storage of allogeneic chondrocytes, the development of therapy, and the application of trial in 2021.

- c) Self-developed autologous fibroblasts transplantation technology: We have obtained two Taiwan invention patents of “a manufacturing method of microcell sheet” (invention No. I693283) and “cell spheres with high proliferative activity and 3D structure, its manufacturing method, and purpose” (application No. 108131893) in succession. The technology follows “Administrative Regulation on Special Medical Instruments and Inspection Techniques” to propose the application of cell therapy program to be applied on the refilling and repairing of skin defects, including wrinkles, cavity, and scar. The applications of cooperation with E-Da Hospital and Changhua Christian Hospital have been approved on July 29th, 2020 and January 10th, 2021, respectively. Moreover, it is scheduled to propose cell therapy applications to Hualien Tzu Chi Hospital, Taiwan Adventist Hospital, and Keelung Chang Gung Hospital by the end of 2021. Not only working hard on treatment, MetaTech also develops the storage of fibroblasts so that users can directly unfreeze the current cells for further treatment instead of retrieving tissues again.
- d) The launch of the cell preparation center: The biological testing laboratory in our company is a lab certified by Taiwan Accreditation Foundation (TAF) (certification No. 3691). The certification category/ item of the testing areas includes 1) environmental protection/ microbial plate count; 2) biotechnology/ mycoplasma testing; 3) biotechnology/ Gram stain; 4) biotechnology/ sterility test-direct vaccination; 5) biotechnology/ sterility test- microfiltration membrane filter; and 6) biotechnology/ endotoxin test. The certified lab is maintained and operated by the quality control center in our company and will promote businesses related to quality control externally in the future to increase the revenue of the company. In addition, the cell preparation center in our company has approved by Ministry of Health and Welfare in Taiwan as the cell processing unit (CPU) of cell treatment technology and passed the inspection of cell products manufacturing unit for clinical trial. It meets relevant regulations in Good

Tissue Practice (GTP) and has currently started case-receiving for clinical trial and the execution of cell therapy.

- e) Aiming at smart health and the market of precision health, MetaTech (AP) Inc. and ASUS Life Corporation will work together on the research and development of “medical DataBank application and model development related to immunity to implement the service on the testing and storage of immune cells. It will be combined with ASUS AI technology at the same time to facilitate the development of precision health in the future.
- f) In order to promote regenerative medicine in Taiwan to the world and grab an important position for our biomedicine industry in global medical industrial chain, MetaTech (AP) Inc. plans to establish a joint venture, Le Jia Regenerative Technology Co., Ltd, with Taiwan Hitachi Asia Pacific Co., Ltd. that represents Hitachi Group in Japan. The investment plan has been reviewed and approved at the 89th sessions of meeting of National Development Fund, Executive Yuan on December 30th, 2020. It was agreed to participate in the investment of Jia Regenerative Technology Co., Ltd. for NT\$280 million with NT\$10 per share. We can see clearly the recognition to the investment and the supporting attitude for biomedicine industry in Taiwan moving towards the world from the government.

II. General information of operating plans in 2021

(1) Business policy

1. Department of Electronics:

- a) Electronic component distributors focused on high added-value and niche products.
- b) Rooted in Taiwan and develop the marketing networks in Mainland China, Southeast Asia, and India; combining the resources in Mainland China and Association of Southeast Asian Nations to create multiplied profits and value.
- c) Continuous adjustment to expand the niche and provide customers even more complete solutions.
- d) Seeking customers in blue ocean markets for the existing product lines and enhancing customer satisfaction at the same time in order to become working partners with long-term relationship. Actively introducing components related to internet of things to the existing sales channels to pursue sustainable growth in business.
- e) Actively recruiting and cultivating talents and enhancing technical support and product application capability.
- f) Providing differential service and technical integration to satisfy customers' demands in order to achieve profit maximization.

2. Department of Biomedicine:

- a) Continue increasing the number of cooperative hospitals and doctors for cell therapy program on the defect of knee articular cartilage by autologous knee cartilage cells sheet transplantation based on “Administrative Regulation on Special Medical Instruments and Inspection Techniques” in order to increase business performance of the main product in Department of Biomedicine.
- b) Speeding up the promotion of the number of cooperative hospitals and doctors for cell therapy program on refilling and repairing skin defects, including wrinkles, cavity, and scar by autologous fibroblast transplantation base on “Administrative Regulation on Special Medical Instruments and Inspection Techniques” in order to increase the business performance of the secondary product in Department of Biomedicine.
- c) Following up the progress of case-receiving for clinical trial on esophageal cell sheet regularly to ensure the product can be launched in the predetermined schedule.
- d) Developing the business of cell storage service, including immune cells and skin fibroblasts to expand the revenue for Department of Biomedicine.
- e) Developing allogeneic chondrocytes to be used on knee cartilage cell sheet transplantation therapy in one-time surgery as well as complete the clinical trial required by the competent authority to ensure the success in new drug inspection and registration for the product.

(2) Important production and marketing policies

1. Department of Electronics:

Strengthening the promotion of product application in the high-end markets of cloud market (server, storage equipment, high-end commercial switch), wireless communications (router, 5G hub), industrial control (industrial switch, railway communication equipment), medical equipment, vehicle electronics (electronic equipment for electric cars), market of tool, machine, and equipment, and market of semiconductor test equipment.

Due to the impact of coronavirus, suppliers are facing insufficient raw materials in the second half of the year. The delivery of the goods is expected to be 4-8 weeks longer. The overall goods-pulling speed and response from downstream customers will slow down due to the longer delivery date and the shortage of labor returning to work.

Under the pandemic of coronavirus, the original manufacturer increases costs and selling prices on certain customers to enhance product profits under the epidemic situation. In addition, we request the downstream

customers to place order in advance to avoid the shortage of raw material and further prevent the reduction of company revenue caused by material shortage.

2. Department of Biomedicine:

Department of Biomedicine will actively work with the main hospitals in the north, middle, and south of Taiwan. Currently, the applications of cell therapy based on “Administrative Regulation on Special Medical Instruments and Inspection Techniques” have been approved with E-Da Hospital, Kaohsiung Veterans General Hospital, Changhua Christian Hospital, Hualien Tzu Chi Hospital, and Taipei Medical University Hospital. In the future, we will continue applying cell therapy on knee cartilage cells and fibroblasts with other hospitals according to “Administrative Regulation on Special Medical Instruments and Inspection Techniques” to increase company’s revenue. Moreover, Department of Biomedicine also plans to work with Taipei Medical University Hospital for the business of immune cell storage service and the application of autologous immune cell therapy based on “Administrative Regulation on Special Medical Instruments and Inspection Techniques” to expand company’s revenue and enhance business performance.

In facing the changes and challenges in the domestic and overseas environment, we hope all of our shareholders to share opinions with us at any time and continue trusting and supporting our company. We firmly believe the business in the company will be able to grow steadily under the multiple operations and efforts in the future to create better revenue for the company and share the business performance with our shareholders, customers, and employees.

At last, we would like to thank all the shareholders to support, trust and encourage the company.

Wish everyone a good health and all the best,

President: Li-San Hu

Manager: Hung-De Tang

Accounting Supervisor: Chih-Tsung Chan

Appendix 2: Year 2020 Audit Report by Audit Committee

MetaTech (AP) Inc.

Audit Committee Audit Report

The parent company only financial reports and consolidated financial statements for the company in 2020 submitted to the board of directors have been audited and certified by CPAs, Ming-Chuan Hsu and Ping-Chun Chih, at PricewaterhouseCoopers Taiwan. The documents along with business report and proposal of appropriation of profit or loss were reviewed and verified by the audit committee and confirmed no discrepancy. A report was prepared according to the provisions of Article 14-4, Securities and Exchange Act and Article 219,, Company Act for review and approval.

To

Ordinary Shareholders Meeting of the company in 2021

MetaTech (AP) Inc.

Convenor of Audit Committee: Rong-Yi Wu

March 26th, 2021

METATECH(AP) INC.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS'
REPORT
DECEMBER 31, 2020 AND 2019

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying parent company only balance sheets of Metatech (AP) Inc. (the “Company”) as at December 31, 2020 and 2019, 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, based on our audits and the report of other auditors (please refer to the *Other matter* section), 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, 2020 and 2019, 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 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China for the year ended December 31, 2020; we conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Financial Supervisory Commission Letter No. 1090360805 of February 25, 2020 and generally accepted auditing standards in the Republic of China for the year ended December 31, 2019. Our responsibilities under those standards are further described in the independent auditors’ responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public

Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional 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(28). 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 assets. Revenue is recognised when the Company transfers promised goods to customers and the performance obligation is satisfied. The Company's warehouses are located in Shanghai, a consignee obtains control of the assets when a consignee picks up the goods, but the timing of asset transfer is not fixed and management recognise revenue based on the reports of inventory movement provided by the hub custodians. As the

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

How our audit addressed the matter:

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

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

Realisability of deferred tax assets

Description

For a description of the accounting policy on income tax, please refer to Note 4(25); 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 \$88,798 thousand as at December 31, 2020. 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. Discussed with management the content of future operation plan, financial forecasting and assessed the performance intention and ability.
3. Reviewed the assumptions used by the management in determining the growth rate of revenue, cost estimation, and further assessed the reasonableness of estimated future realisable taxable income.

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 \$48,176 thousand and \$3,185 thousand, respectively, as at December 31, 2020. 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 and assessed the individual assessment used

by the management, including confirming that the inventory movement is within the appropriate age range.

4. Reviewed the appropriateness of the estimation basis for the evaluation of net realisable value, randomly checked supporting documents of product sales and purchases and recalculated and evaluated the reasonableness of allowance for inventory valuation losses.

Other matter – Reference to the reports of other auditors

We did not audit the financial statements of certain investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$27,417 thousand and NT\$0 thousand, constituting 2% and 0% of the total assets as at December 31, 2020 and 2019, respectively, and the comprehensive loss recognized from associates and joint ventures accounted for under the equity method amounted to NT\$5,583 thousand and NT\$0 thousand, constituting 6% and 0% of the total comprehensive income for the years then ended, respectively.

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.

Auditors' 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 the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 auditors' 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 auditors' 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsu, Ming-Chuan

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 26, 2021

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 independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

METATECH(AP) INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 107,916	8	\$ 132,109	9
1136	Current financial assets at amortised cost	6(2) and 8	13,015	1	12,204	1
1150	Notes receivable, net	6(3)	237	-	918	-
1170	Accounts receivable, net	6(3)	97,660	7	111,504	8
1200	Other receivables		2,196	-	2,299	-
1210	Other receivables - related parties	7	81	-	22	-
1220	Current income tax assets		8	-	29	-
130X	Inventories	6(4)	44,991	3	33,234	2
1410	Prepayments		6,053	-	5,691	1
1470	Other current assets		473	-	237	-
11XX	Current Assets		<u>272,630</u>	<u>19</u>	<u>298,247</u>	<u>21</u>
Non-current assets						
1550	Investments accounted for under equity method	6(5)	421,445	30	386,034	28
1600	Property, plant and equipment	6(6) and 8	212,244	15	221,835	16
1755	Right-of-use assets	6(7)	120,868	9	122,180	9
1780	Intangible assets	6(9)	277,933	20	258,627	18
1840	Deferred income tax assets	6(21)	88,798	6	74,542	5
1900	Other non-current assets	6(6)(8)(12)(23)	11,146	1	43,222	3
15XX	Non-current assets		<u>1,132,434</u>	<u>81</u>	<u>1,106,440</u>	<u>79</u>
1XXX	Total assets		<u>\$ 1,405,064</u>	<u>100</u>	<u>\$ 1,404,687</u>	<u>100</u>

(Continued)

METATECH(AP) INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10) and 8	\$ 111,000	8	\$ 20,000	1
2130	Current contract liabilities	6(17)	869	-	124	-
2150	Notes payable		324	-	324	-
2170	Accounts payable		68,773	5	79,278	6
2180	Accounts payable - related parties	7	88	-	239	-
2200	Other payables		16,456	1	12,082	1
2220	Other payables - related parties	7	209	-	151	-
2250	Provisions for liabilities - current		4,433	-	4,433	-
2280	Current lease liabilities		12,807	1	11,806	1
2300	Other current liabilities		358	-	770	-
21XX	Current Liabilities		<u>215,317</u>	<u>15</u>	<u>129,207</u>	<u>9</u>
Non-current liabilities						
2530	Corporate bonds payable	6(11)	147,408	11	144,861	10
2570	Deferred income tax liabilities	6(21)	15,533	1	14,259	1
2580	Non-current lease liabilities		111,409	8	112,002	8
2600	Other non-current liabilities		330	-	30	-
25XX	Non-current liabilities		<u>274,680</u>	<u>20</u>	<u>271,152</u>	<u>19</u>
2XXX	Total Liabilities		<u>489,997</u>	<u>35</u>	<u>400,359</u>	<u>28</u>
Equity						
Share capital		6(14)				
3110	Share capital - common stock		580,160	41	580,160	41
Capital surplus		6(15)				
3200	Capital surplus		657,872	47	649,086	47
Retained earnings		6(16)				
3350	Accumulated deficit		(289,712)	(21)	(206,808)	(15)
Other equity interest						
3400	Other equity interest		(33,253)	(2)	(18,110)	(1)
3XXX	Total equity		<u>915,067</u>	<u>65</u>	<u>1,004,328</u>	<u>72</u>
Significant contingent liabilities and unrecognised contract commitments		9				
Significant subsequent event		11				
3X2X	Total liabilities and equity		<u>\$ 1,405,064</u>	<u>100</u>	<u>\$ 1,404,687</u>	<u>100</u>

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

METATECH(AP) INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except loss per share)

	Items	Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(17) and 7	\$ 630,986	100	\$ 455,905	100
5000	Operating costs	6(4)(19) and 7	(561,156)	(89)	(415,510)	(91)
5950	Net operating margin		69,830	11	40,395	9
	Operating expenses	6(19)(20)				
6100	Selling expenses		(59,181)	(9)	(53,428)	(12)
6200	General and administrative expenses		(53,641)	(9)	(66,311)	(14)
6300	Research and development expenses		(62,022)	(10)	(57,560)	(13)
6000	Total operating expenses		(174,844)	(28)	(177,299)	(39)
6900	Operating loss		(105,014)	(17)	(136,904)	(30)
	Non-operating revenue and expenses					
7100	Interest income		172	-	322	-
7010	Other income		1,273	-	1,190	-
7020	Other gains and losses	6(18)	(2,429)	-	1,114	-
7050	Finance costs		(5,931)	(1)	(4,355)	(1)
7070	Share of profit of associates and joint ventures accounted for using equity method, net		18,613	3	19,526	5
7000	Total non-operating revenue and expenses		11,698	2	17,797	4
7900	Loss before income tax		(93,316)	(15)	(119,107)	(26)
7950	Income tax benefit	6(21)	10,821	2	26,412	6
8200	Loss for the year		<u>(\$ 82,495)</u>	<u>(13)</u>	<u>(\$ 92,695)</u>	<u>(20)</u>
	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		(\$ 511)	-	\$ 568	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	102	-	(114)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(409)	-	454	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(17,202)	(3)	(8,891)	(2)
8399	Income tax relating to the components of other comprehensive income	6(21)	2,059	-	1,778	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(15,143)	(3)	(7,113)	(2)
8300	Other comprehensive loss for the year		<u>(\$ 15,552)</u>	<u>(3)</u>	<u>(\$ 6,659)</u>	<u>(2)</u>
8500	Total comprehensive loss for the year		<u>(\$ 98,047)</u>	<u>(16)</u>	<u>(\$ 99,354)</u>	<u>(22)</u>
	Basic loss per share	6(22)				
9750	Total basic loss per share		<u>(\$ 1.42)</u>		<u>(\$ 1.60)</u>	
9850	Total diluted loss per share		<u>(\$ 1.42)</u>		<u>(\$ 1.60)</u>	

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

METATECH(AP) INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		<u>Capital surplus</u>							
	<u>Notes</u>	<u>Share capital - common stock</u>	<u>Additional paid- in capital</u>	<u>Employee share options</u>	<u>Stock warrants</u>	<u>Others</u>	<u>Legal reserve</u>	<u>Financial statements translation differences of foreign operations</u>	<u>Total equity</u>
<u>2019</u>									
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(11)	-	-	-	5,565	-	-	-	5,565
Balance at December 31, 2019		<u>\$ 580,160</u>	<u>\$ 601,205</u>	<u>\$ 42,232</u>	<u>\$ 5,565</u>	<u>\$ 84</u>	<u>(\$ 206,808)</u>	<u>(\$ 18,110)</u>	<u>\$ 1,004,328</u>
<u>2020</u>									
Balance at January 1, 2020		\$ 580,160	\$ 601,205	\$ 42,232	\$ 5,565	\$ 84	(\$ 206,808)	(\$ 18,110)	\$ 1,004,328
Loss for the year		-	-	-	-	-	(82,495)	-	(82,495)
Other comprehensive loss		-	-	-	-	-	(409)	(15,143)	(15,552)
Total comprehensive loss		-	-	-	-	-	(82,904)	(15,143)	(98,047)
Share-based payments	6(13)	-	-	8,786	-	-	-	-	8,786
Balance at December 31, 2020		<u>\$ 580,160</u>	<u>\$ 601,205</u>	<u>\$ 51,018</u>	<u>\$ 5,565</u>	<u>\$ 84</u>	<u>(\$ 289,712)</u>	<u>(\$ 33,253)</u>	<u>\$ 915,067</u>

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

METATECH(AP) INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 93,316)	(\$ 119,107)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including right of use assets)	6(6)(7)(19)	31,043	27,701
Amortization expense	6(19)	642	367
Net loss on financial assets at fair value through profit or loss	6(18)	-	210
Interest expense		3,384	1,851
Interest expense of bonds discount amortization		2,547	2,503
Interest income		(172)	(322)
Share of profit of associates and joint ventures accounted for using equity method		(18,613)	(19,526)
Share based compensation cost	6(13)	8,786	25,258
Loss on disposal of property, plant and equipment	6(6)	315	-
Gains arising from lease modifications		(4)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		681	509
Accounts receivable		13,844	(15,239)
Accounts receivable - related parties		-	182
Other receivables		103	131
Other receivables - related parties		(59)	8,073
Inventories		(11,757)	(742)
Prepayments		(362)	(1,135)
Other current assets		(235)	161
Net defined benefit assets	6(12)	(22)	(20)
Changes in operating liabilities			
Contract liabilities		745	(32)
Notes payable		-	(1,053)
Accounts payable		(10,505)	8,803
Accounts payable - related parties		(151)	(176)
Other payables		4,351	(7,895)
Other payables - related parties		58	27
Other current liabilities		(412)	341
Cash outflow generated from operations		(69,109)	(89,130)
Interest received		172	322
Interest paid		(3,384)	(1,851)
Interest taxes paid		21	(7)
Net cash flows used in operating activities		(72,300)	(90,666)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost	6(2)	(812)	(2,142)
Acquisition in subsidiaries		(1,000)	-
Acquisition of property, plant and equipment	6(6)(23)	(7,686)	(34,066)
Proceeds from disposal of property, plant and equipment	6(6)	385	-
Acquisition of intangible assets	6(9)	(19,306)	(121,652)
Increase in refundable deposits		(107)	(197)
Increase in prepayment for equipment		(1,490)	-
Increase in other non current assets		(458)	(33,978)
Net cash flows used in investing activities		(30,474)	(192,035)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		318,000	35,000
Repayments of short-term borrowings		(227,000)	(35,000)
Proceeds from issuance of convertible bonds		-	147,712
Repayment of principal portion of lease liabilities	6(7)	(12,719)	(11,348)
Increase in guarantee deposit received		300	-
Net cash flows from financing activities		78,581	136,364
Net decrease in cash and cash equivalents		(24,193)	(146,337)
Cash and cash equivalents at beginning of year	6(1)	132,109	278,446
Cash and cash equivalents at end of year	6(1)	\$ 107,916	\$ 132,109

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

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019

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

METATECH (AP) INC. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, ” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. If relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

METATECH (AP) INC.

Hu Li San, Chairman

March 26 , 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of MetaTech (AP) Inc. and subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, 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 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China for the year ended December 31, 2020; we conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Financial Supervisory Commission Letter No. 1090360805 of February 25, 2020 and generally accepted auditing standards in the Republic of China for the year ended December 31, 2019. Our responsibilities under those standards are further described in the independent auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Appropriateness of warehouse operating revenue cut-off

Description

For a description of accounting policy on revenue recognition, please refer to Note 4(29). For details of operating revenue, please refer to Note 6(17).

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

How our audit addressed the matter:

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

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

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 Group's deferred tax assets amounted to \$88,798 thousand as at December 31, 2020. 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, 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. Discussed with management the content of future operation plan, financial forecasting and assessed the performance intention and ability.
3. Reviewed the assumptions used by the management in determining the growth rate of revenue, cost estimation, and further assessed the reasonableness of estimated future realisable taxable income.

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 \$95,759 thousand and \$12,019 thousand, respectively, as at December 31, 2020. The Group is an agent of semiconductor components which is primarily engaged in sales of niche products and agent of consumer products, communications and connectors. As the agent products are in a small-volume, large-variety production, facing highly competitive nature of the market price and having a short life cycle, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group recognises inventories

at the lower of cost and net realisable value. The assessment of the allowance for inventory valuation losses, including the identification of obsolete inventory and determination of net realisable value, often involves subjective judgement and a high degree of uncertainty. Considering the material effect of inventory and its allowance for valuation losses on the consolidated financial statements, we determined the valuation of allowance for inventory valuation losses as a key audit matter.

How our audit addressed the matter

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

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

Other matter – Reference to the reports of other auditors

We did not audit the financial statements of certain investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$27,417 thousand and NT\$0 thousand, constituting 2% and 0% of the consolidated total assets as at December 31, 2020 and 2019, respectively, and the comprehensive loss recognized from associates and joint ventures accounted for under the equity method amounted to NT\$5,583 thousand and NT\$0 thousand,

constituting 6% and 0% of the consolidated total comprehensive income for the years then ended, respectively.

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, 2020 and 2019.

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

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

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

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

Auditors’ responsibilities for the audit of the consolidated financial statements

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

to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope

and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Hsu, Ming-Chuan

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 26, 2021

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

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

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
Current Assets					
1100	Cash and cash equivalents	\$ 367,577	25	\$ 364,039	24
1136	Current financial assets at amortised cost	13,015	1	12,204	1
1150	Notes receivable, net	237	-	2,684	-
1170	Accounts receivable, net	273,946	18	297,460	20
1200	Other receivables	2,197	-	2,310	-
1220	Current income tax assets	8	-	1,593	-
130X	Inventories	83,740	6	88,559	6
1410	Prepayments	6,629	-	6,347	1
1470	Other current assets	692	-	973	-
11XX	Current Assets	<u>748,041</u>	<u>50</u>	<u>776,169</u>	<u>52</u>
Non-current assets					
1550	Investments accounted for using the equity method	27,417	2	-	-
1600	Property, plant and equipment	212,680	14	222,399	15
1755	Right-of-use assets	125,601	8	127,694	8
1780	Intangible assets	277,933	19	258,627	17
1840	Deferred income tax assets	88,798	6	74,542	5
1900	Other non-current assets	15,521	1	46,106	3
15XX	Non-current assets	<u>747,950</u>	<u>50</u>	<u>729,368</u>	<u>48</u>
1XXX	Total assets	<u>\$ 1,495,991</u>	<u>100</u>	<u>\$ 1,505,537</u>	<u>100</u>

(Continued)

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current Liabilities						
2100	Short-term borrowings	6(10) and 8	\$ 111,000	8	\$ 20,000	1
2130	Current contract liabilities	6(17)	9,484	1	3,135	-
2150	Notes payable		324	-	590	-
2170	Accounts payable		133,547	9	162,483	11
2200	Other payables		28,805	2	20,890	2
2230	Current income tax liabilities	6(21)	197	-	-	-
2250	Provisions for liabilities - current		4,433	-	4,433	-
2280	Current lease liabilities		17,002	1	15,585	1
2300	Other current liabilities		733	-	1,019	-
21XX	Current Liabilities		<u>305,525</u>	<u>21</u>	<u>228,135</u>	<u>15</u>
Non-current liabilities						
2530	Corporate bonds payable	6(11)	147,408	10	144,861	10
2570	Deferred income tax liabilities	6(21)	15,533	1	14,259	1
2580	Non-current lease liabilities		112,158	7	113,954	7
2600	Other non-current liabilities		300	-	-	-
25XX	Non-current liabilities		<u>275,399</u>	<u>18</u>	<u>273,074</u>	<u>18</u>
2XXX	Total Liabilities		<u>580,924</u>	<u>39</u>	<u>501,209</u>	<u>33</u>
Equity						
Equity attributable to owners of the parent						
Share capital						
3110	Share capital - common stock	6(14)	580,160	39	580,160	39
Capital surplus						
3200	Capital surplus	6(15)	657,872	43	649,086	43
Retained earnings						
3350	Accumulated deficit	6(16)	(289,712)	(19)	(206,808)	(14)
Other equity						
3400	Other equity interest		(33,253)	(2)	(18,110)	(1)
31XX	Equity attributable to owners of the parent		<u>915,067</u>	<u>61</u>	<u>1,004,328</u>	<u>67</u>
3XXX	Total equity		<u>915,067</u>	<u>61</u>	<u>1,004,328</u>	<u>67</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 1,495,991</u>	<u>100</u>	<u>\$ 1,505,537</u>	<u>100</u>

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

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except loss per share)

Items	Notes	Year ended December 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(17) and 14	\$ 1,576,079	100	\$ 1,412,575	100
5000	Operating costs	6(4)(19)(20)	(1,405,385)	(89)	(1,270,835)	(90)
5950	Net operating margin		170,694	11	141,740	10
	Operating expenses	6(12)(19)(20)				
6100	Selling expenses		(110,535)	(7)	(108,428)	(8)
6200	General and administrative expenses		(78,418)	(5)	(91,612)	(6)
6300	Research and development expenses		(62,022)	(4)	(57,560)	(4)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	16	-	174	-
6000	Total operating expenses		(250,959)	(16)	(257,426)	(18)
6900	Operating loss		(80,265)	(5)	(115,686)	(8)
	Non-operating revenue and expenses					
7100	Interest income		508	-	1,165	-
7010	Other income	7	3,008	-	279	-
7020	Other gains and losses	6(18)	(3,997)	-	102	-
7050	Finance costs		(5,846)	(1)	(4,633)	(1)
7060	Share of loss of associates and joint ventures accounted for using the equity method		(5,583)	-	-	-
7000	Total non-operating revenue and expenses		(11,910)	(1)	(3,087)	(1)
7900	Loss before income tax		(92,175)	(6)	(118,773)	(9)
7950	Income tax benefit	6(21)	9,680	1	26,078	2
8200	Loss for the year		(\$ 82,495)	(5)	(\$ 92,695)	(7)
	Other comprehensive income (net)					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(12)	(\$ 511)	-	\$ 568	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	102	-	(114)	-
8310	Components of other comprehensive (loss) income that will not be reclassified to profit or loss		(409)	-	454	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(17,202)	(1)	(8,891)	-
8399	Income tax relating to the components of other comprehensive income	6(21)	2,059	-	1,778	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(15,143)	(1)	(7,113)	-
8300	Total other comprehensive loss for the year		(\$ 15,552)	(1)	(\$ 6,659)	-
8500	Total comprehensive loss for the year		(\$ 98,047)	(6)	(\$ 99,354)	(7)
	Loss attributable to:					
8610	Owners of the parent		(\$ 82,495)	(5)	(\$ 92,695)	(7)
	Other comprehensive loss attributable to:					
8710	Owners of the parent		(\$ 98,047)	(6)	(\$ 99,354)	(7)
	Basic loss per share	6(22)				
9750	Total basic loss per share		(\$ 1.42)		(\$ 1.60)	
9850	Total diluted loss per share		(\$ 1.42)		(\$ 1.60)	

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

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(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	
2019									
	\$	\$	\$	\$	\$	(\$	(\$	\$	
	580,160	601,205	16,974	-	84	114,567)	10,997)	1,072,859	
	-	-	-	-	-	(92,695)	-	(92,695)	
	-	-	-	-	-	454	(7,113)	(6,659)	
	-	-	-	-	-	(92,241)	(7,113)	(99,354)	
6(13)	-	-	25,258	-	-	-	-	25,258	
	-	-	-	5,565	-	-	-	5,565	
	\$	\$	\$	\$	\$	(\$	(\$	\$	
	580,160	601,205	42,232	5,565	84	206,808)	18,110)	1,004,328	
2020									
	\$	\$	\$	\$	\$	(\$	(\$	\$	
	580,160	601,205	42,232	5,565	84	206,808)	18,110)	1,004,328	
	-	-	-	-	-	(82,495)	-	(82,495)	
	-	-	-	-	-	(409)	(15,143)	(15,552)	
	-	-	-	-	-	(82,904)	(15,143)	(98,047)	
6(13)	-	-	8,786	-	-	-	-	8,786	
	\$	\$	\$	\$	\$	(\$	(\$	\$	
	580,160	601,205	51,018	5,565	84	289,712)	33,253)	915,067	

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

METATECH (AP) INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 92,175)	(\$ 118,773)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including right-of-use assets)	6(6)(7)(19)	36,600	33,653
Amortization expense	6(19)	642	377
Expected credit loss	12(2)	(16)	(174)
Net loss on financial assets at fair value through profit or loss	6(18)	-	210
Interest expense		3,299	2,130
Interest expense of bonds discount amortization		2,547	2,503
Interest income		(508)	(1,165)
Share-based compensation cost	6(13)	8,786	25,258
Share of loss of associates and joint ventures accounted for using the equity method		5,583	-
Loss on disposal of property, plant and equipment	6(6)(18)	315	239
Gains arising from lease modifications	6(18)	(4)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		2,447	903
Accounts receivable		23,554	(21,115)
Other receivables		113	160
Prepayments		(282)	(1,262)
Inventories		4,819	28,210
Other current assets		281	(96)
Net defined benefit assets	6(12)	(22)	(20)
Changes in operating liabilities			
Contract liabilities		6,349	(326)
Notes payable		(266)	(1,432)
Accounts payable		(28,936)	(42)
Other payables		7,892	(7,918)
Other current liabilities		(286)	372
Cash outflow generated from operations		(19,268)	(58,224)
Interest received		508	1,165
Interest paid		(3,299)	(2,130)
Interest taxes received (paid)		631	(943)
Net cash flows used in operating activities		(21,428)	(60,132)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost	6(2)	(811)	(2,142)
Acquisition of property, plant and equipment	6(6)(23)	(7,847)	(34,158)
Proceeds from disposal of property, plant and equipment	6(6)	385	-
Increase in guarantee deposit received		(1,613)	(106)
Increase in prepayment for equipment		(1,490)	-
Acquisition of intangible assets	6(9)	(19,306)	(121,652)
Increase in other non-current assets		(443)	(34,278)
Net cash flows used in investing activities		(31,125)	(192,336)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(24)	318,000	35,000
Repayments of short-term borrowings	6(24)	(227,000)	(35,000)
Proceeds from issuance of convertible bonds	6(24)	-	147,712
Repayment of principal portion of lease liabilities	6(7)(24)	(18,008)	(16,669)
Increase in guarantee deposit received		300	-
Net cash flows from financing activities		73,292	131,043
Effect of exchange rate changes on cash and cash equivalents		(17,201)	(8,865)
Net increase (decrease) in cash and cash equivalents		3,538	(130,290)
Cash and cash equivalents at beginning of year	6(1)	364,039	494,329
Cash and cash equivalents at end of year	6(1)	\$ 367,577	\$ 364,039

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

Appendix 4: Implementation of Seasoned Equity Offering in 2017

MetaTech (AP) Inc.

Implementation of Seasoned Equity Offering in 2017

Unit: NT\$ Thousand

Item planned	State of implementation		Up to quarter 1 in 2021	Cause of ahead of or behind schedule and improvement plans
CellSeed royalty	Expenditure	Estimated	357,600	The plan will only show the beneficial results when the programs of esophageal repairing and knee cartilage repairing are launched. However, the progress of reviewing and examination from the competent authority is longer than expectation due to the review of lab construction and adjustment of manufacturing venue. It causes the delay of the benefits. Until the end of quarter 1 in 2021, knee cartilage repairing program has started to generate revenue. Esophageal repairing program has started its benefit generation due to the delay of examination progress done by the competent authority plus the impact of coronavirus epidemic on the progress of experiment.
		Actual	345,273	
	Implementation progress (%)	Estimated	100%	
		Actual	96.55%	
Establishment of lab	Expenditure	Estimated	35,000	The progress of actual payment was over the original schedule due to it was planned to build a cell sheet manufacturing center lab at the current location (Far East World Center) of the company but found it might not be sufficient for the purpose because of the limitation of building structure and area when evaluating the operational growth in the future. Therefore, the board of the directors in the company approved to rent Farglory U-TOWN factory and office building and move the construction of lab to the new address. After reviewing relevant contracts and the minutes of the board of directors meeting in the company, the expense on the construction of lab increased \$9,880 thousand mainly because the area in the new site is around 1011.636 square meters. It is 204.972 square meters (25.41%) more than the area in the original site of 806.664 square meters so that the expense increased \$9,350 thousand. In addition, part of the engineering design was changed to ensure the smoother lab operation, and it caused an increase of \$530 thousand. The above expenses of \$9,880 thousand in total were paid by the equity fund of the company. Therefore, there is no significant exception.
		Actual	44,880	
	Implementation progress (%)	Estimated	100.00%	
		Actual	128.22%	
Purchasing instrument and equipment	Expenditure	Estimated	55,000	The plan will only show the beneficial results when the programs of esophageal repairing and knee cartilage repairing are launched. However, the progress of reviewing and examination from the competent authority is longer
		Actual	54,953	
	Implementation	Estimated	100.00%	

Item planned	State of implementation		Up to quarter 1 in 2021	Cause of ahead of or behind schedule and improvement plans
	progress (%)	Actual	99.91%	than expectation due to the review of lab construction and adjustment of manufacturing venue. It causes the delay of the benefits. Until the end of quarter 1 in 2021, knee cartilage repairing program has started to generate revenue. Esophageal repairing program has started its benefit generation due to the delay of examination progress done by the competent authority plus the impact of coronavirus epidemic on the progress of experiment.
Expense of clinical trial	Expenditure	Estimated	66,288	The fund-raising plan expects to use NT\$66,288 thousand on the expense of clinical trial. By the end of the quarter 1 in 2021, the estimated accumulated expenditure was \$66,288 thousand and the actual accumulated expenditure was \$13,053 thousand while the actual accumulated implementation program was 19.69%. The actual payment progress was behind the estimated progress was due to the examination schedule from the competent authority was longer than expectation as well as the continuous changing regulations on cell therapy. It is why the estimated progress was delayed, but the reasons are reasonable after evaluation. The expense of clinical trial in the company is used on esophageal repairing and knee cartilage repairing programs. In terms of esophageal repairing program, our company has submitted IND application to TFDA and obtained the response from TFDA on February 13 th , 2019 to agree in principle the implementation of the trial. Following that, TFDA sent a letter to further explain the agreement on the trial to be implemented at
		Actual	13,053	
	Implementation progress (%)	Estimated	100%	

Item planned	State of implementation		Up to quarter 1 in 2021	Cause of ahead of or behind schedule and improvement plans
		Actual	19.69%	National Taiwan University Hospital, E-Da Hospital, and E-Da Cancer Hospital. However, due to the pandemic of coronavirus in 2020, the original plan of entrusting CellSeed Company in Japan to produce cell sheets was not workable. As a response to the emergency, the production of cell sheet was completed at the cell preparation center in our company as well as carried out relevant validation before submitting the application to TFDA for the change of manufacturing site. It was approved by TFDA with a formal letter and filed the change. Next is to get positive results on the trial report in our company before submitting for NDA(new drug inspection and registration). Besides, for knee cartilage program, our company works with E-Da Hospital and has obtained approval from Ministry of Health and Welfare on December 18 th , 2019 that E-Da Hospital is the appointed venue by the cell preparation center in MetaTech (AP) Inc. followed “Administrative Regulation on Special Medical Instruments and Inspection Techniques”. It meets the regulations of Good Tissue Practice (GTP) and is approved to execute the technology of transplantation of autologous cartilage cells for the defect of knee articular cartilage at E-Da Hospital. The revenue started in May 2020. Therefore, the unused fund of \$28,181 thousand for knee articular cartilage has been adjusted as replenishing operating capital to enhance the business performance of the company. There is no significant exception.
Lab maintenance fee	Expenditure	Estimated	32,660	The fund-raising plan is estimated to use NT\$32,660 thousand on the expense of lab maintenance. By the end of the quarter 1 in 2021, the estimated accumulated expenditure was \$32,660 thousand and the actual accumulated expenditure was \$33,296 thousand while the actual accumulated implementation progress was 101.94%. The construction of the lab has been completed and carried out acceptance inspection. There is no significant exception.
		Actual	33,296	
	Implementation progress (%)	Estimated	100%	
		Actual	101.94%	
Total	Expenditure	Estimated	546,548	In terms of the implementation state of capital increase by cash in 2018 by the end of the quarter 11 in 2021, the cause of delay does not have impact on the overall progress. There is no significant exception involved after evaluation.
		Actual	491,455	
	Implementation progress (%)	Estimated	100%	
		Actual	89.92%	

Appendix 5: Supplementing the implementation of the third domestic secured convertible corporate bonds issuance in 2018

Regarding raising and issuing convertible corporate bonds in 2018 for stock-up of new agency:

- (1) According to the information supplemented by your company, U.S. has started to impose 10% tariff on computer motherboard, desktop computer, laptop, mobile phone, and tablet exported from China in September 2018. After checking the information on Bureau of Foreign Trade website, U.S. has forecasted to increase the tariff from 10% to 25% on above products from January 1st, 2019. Your company submitted the application for fund-raising in October 2018 and confirmed that Luxshare and Singatron have the right of agency on the application. The case was declared and valid on December 14th, 2018. Your company should be able to forecast the impact on the products of new agency by U.S.-China trade war. Please explain the failure of evaluating the impact on the new agency caused by above event in the beginning as well as the responding measures taken. Why does your company fail to consider correcting the purpose of fund-raising when submitting the application?

Response from the company:

According to Bureau of Foreign Trade website, the policies of tariff adjustment after September 2018 are as below:

Date	Description
2018.09.17	Office of the United States Trade Representative announced the third tax checklist on September 17 th at Eastern Time Zone. There were 5,745 products in total (less than 6,031 products published on July 10 th) involving with the import value of around US\$200 billion that U.S. imports from China. 10% of tariff will be imposed on the products on the list with the country of origin as China from September 24 th . In addition, the imposed tariff on above products will be increased from 10% to 25% from January 1 st , 2019.
2018.12.14	Office of the United States Trade Representative modified the date of tariff increase for the list of US\$200 billion of the original increase from 10% to 25% on January 2019 to the revised date from March 2 nd in the same year.
2019.02.28	Office of the United States Trade Representative published the draft of Federal Register on February 28 th , 2019 and announced the delay of 25% tariff adjustment to the

	US\$200 billion to China. The tariff maintains at 10%.
2019.03.05	U.S. published Federal Register on March 5 th , 2019 and confirmed the imposed tariff of US\$200 billion to China continue maintaining at 10% until further notice.
2019.05.08	Office of the United States Trade Representative published the content of Federal Register to be issued on May 9 th , 2019 that the tariff on products from China involving the US\$200 billion will be increased from 10% to 25% on May 10 th .

When our company submitted the application of CB in October 2018, there was a forecast in September 2018 that the tariff rate would be increased to 25% on the list of US\$200 billion on January 1st, 2019. However, it was a forecast of increase but both parties were still under negotiation in the real practice. Therefore, our company believed there was still space for a turnaround of tariff increase to 25% in the atmosphere at that moment when submitting the application in 2018. There was no concern of it being implemented and effective immediately so that we did not evaluate the impact on new agency caused by the tariff increase to 25%. Besides, after China and U.S. met in Argentina on December 1st, 2018, U.S. announced on December 14th, 2018 that the tariff would not be increased to 25% on January 1st, 2019 instead it would be increased from March 2nd, 2019. By February 28th, 2019, it was announced that the implementation of tariff increase would be delayed and would be published the time separately. Until May 5th, 2019, it was formally announced that the adjustment to 25% would be implemented. Therefore, our company believed there was no need to modify the purpose of fund raising when the CB proposal was declared and valid on December 14th, 2018 due to U.S. has already announced to postpone the implementation of the tariff increase then.

- (2) According to the utilization of capital increase published on your quarter report, the funds have been used up in full in the quarter 2 of 2019. However, the supplemented information stated that the additional revenue used on the original customers at Department of Electronics was mainly increased in 2020. Please explain the actual purpose of the fund raising in detail.

Explanation from the company:

Our company disclosed in the prospectus of CB proposal in 2018 that funds raised was to be used for replenishing the operating capital. Other than planning to use it on the new agency in Department of Electronics and the demand of stock-up for original agency, it would also be used for the expenses related to salary and operating cost in Department of Electronics and logistics unit.

The \$151,500 thousand for CB proposal in our company in 2018 was invested to replenish the operating capital when the fund was collected in full on January 7th, 2019. Reviewing it from the actual cash income and expenditure in Department of Electronics, it was the sum of salary for employees in Department of Electronics and logistics unit as well as the operating costs in Department of Electronics. The total amount of salary for employees in Department of Electronics and logistics unit and its operating costs in 2019 to the end of April in 2020 was \$152,510 thousand with the salary for employees in Department of Electronics and logistics unit and operating costs at Department of Electronic were \$57,045 thousand and \$95,465 thousand, respectively. The implementation of fund raised for CB proposal in 2018 has been used up completely, and it was actually used in Department of Electronics. In addition, due to the order transfer caused by China-U.S. trade, time for production line adjustment by customers transferring back to manufacture in Taiwan is required. The actual order-transfer benefits mainly appeared in 2020; therefore, the business revenue in Department of Electronics in 2020 grew hugely than that in 2019. Our company has contacted our certified accountants to issue the opinion letter according to Article 9-1-7 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The updated information was input to Market Observation Post on April 9th, 2021 as “quarterly report of fund application” for the fund-raising plan.

Statement of cash receipt and disbursement at Department of Electronics in 2019 and January to April 2020

Unit: NT\$ Thousand

Item	2019/1	2019/2	2019/3	2019/4	2019/5	2019/6	2019/7	2019/8	2019/9	2019/10	2019/11	2019/12	2020/1	2020/2	2020/3	2020/4	Total
Salary for employees in Department of Electronics and logistics unit	6,417	3,069	0	6,561	3,075	0	3,494	6,247	0	3,555	6,439	3,225	5,681	3,024	0	6,258	57,045
Operating costs at Department of Electronics	12,957	2,591	4,551	3,411	6,903	5,757	4,452	3,571	6,038	6,092	5,634	6,485	10,586	4,580	5,380	6,477	95,465
Total cash expenditure	19,374	5,660	4,551	9,972	9,978	5,757	7,946	9,818	6,038	9,647	12,073	9,710	16,267	7,604	5,380	12,735	152,510

Broker statement:

The company has provided the statement of cash receipt and disbursement at Department of Electronics in 2019 and January to April 2020, and we also obtained the opinion letter from the certified CPAs (refer to the attachment). After sampling for checking the subsidiary ledger and certificate of payment at the Department of Electronics in the company, there is no significant concern and doubt on the company capital used on salary and operating costs for Department of Electronics and logistics unit. The previous fund raised by the company was used up at the quarter 2 in 2020. Moreover, after reviewing the information on Market Observation Post, the “quarterly report of fund application” for the fund raising plan has been updated and entered on April 9th, 2021.

The state of fund expenditure and program implementation is shown in the table below:

Item	Implementation		2019	2019	2019	2019	2020	2020
			Q1	Q2	Q3	Q4	Q1	Q2
Replenishing operating capital	Expenditure	Estimated	151,500	0	0	0	0	0
		Actual	29,585	25,707	23,802	31,430	29,251	11,725
		Accumulated	29,585	55,292	79,094	110,524	139,775	151,500
	Implementation progress (%)	Estimated	100	0	0	0	0	0
		Actual	19.52	16.97	15.71	20.75	19.31	7.74
		Accumulated	19.52	36.49	52.20	72.95	92.26	100

Appendix 6: Report of sound operational plan implementation of the company

MetaTech (AP) Inc.

State of implementation of sound operational plan for 2020 capital increase in cash

According to letter No. Chin Guan Cheng Fa Zi Di 1100335941 issued by Financial Supervisory Commission on April 14th, 2021, the implementation of our Company's sound operational plan shall be reported to the board of directors quarterly for supervision and submitted the report to the shareholders meeting.

1. Implementation on Q1 in 2021:

Unit: NT\$ Thousand

Item of account	2021 Q1, Actual		2021 Q1, Forecast		Difference	Conversion Rate
	Amount	%	Amount	%		
Operating revenue	403,765	100	387,928	100	15,837	104%
Operating cost	(344,344)	(85)	(333,492)	(86)	10,852	103%
Gross profit	59,421	15	54,436	14	4,985	109%
Operating expense	(67,003)	(17)	(66,053)	(17)	950	101%
Net operating profit	(7,582)	(2)	(11,617)	(3)	4,035	135%
Non-operating income and expense	2,411	1	(4,641)	(1)	7,052	252%
Net loss after tax	(9,746)	(2)	(16,278)	(4)	6,532	140%

2. Explanation on the variance of implementation in Q1, 2021:

(1) Operating revenue:

Unit: NT\$ Thousand

Item	2021 Q1, Actual	2021 Q1, Forecast	Difference	Conversion Rate
Electronic products and other products	398,324	382,833	15,491	104%
Biomedical products	5,441	5,095	346	107%
Total	403,765	387,928	15,837	104%

Our Company's actual consolidated operating revenue in Q1, 2021 was \$403,765,000, and it increased \$15,837,000 compared to the estimated consolidated operating revenue of \$387,928,000 for Q1 in 2021. The overall conversion rate was 104%. The conversion rate for electronic products and biomedical products was 104% and 107% respectively. It was because the customers for medical equipment in the electronic department had higher demand in Q1 than prediction, and it was better than the estimated figure in the sound operational plan.

(2) Gross profit (loss):

Unit: NT\$ Thousand

Item	2021 Q1, Actual	2021 Q1, Forecast	Difference	Conversion Rate
Electronic products	59,512	54,939	4,573	108%
Biomedical products	(91)	(503)	412	182%
Total	59,421	54,436	4,985	109%

Our Company's actual consolidated gross profit in Q1, 2021 was \$59,421,000, and it increased \$4,985,000 compared to the estimated consolidated gross profit of \$54,436,000 for Q1 in 2021. The overall conversion rate was 109%. The gross loss in biomedical products was because of the low capacity in Q1 causing the amortization of the fixed cost higher; as a result, it created operating gross loss. The figure on the electronic products was better than the estimated in the sound operational plan because the demand of medical equipment customers increased and the enhancement of gross profit rate.

(3) Operating expense:

Our Company's actual consolidated operating expense in Q1, 2021 was \$67,003,000, and it increased \$950,000 compared to the estimated consolidated operating expense of \$66,053,000 for Q1 in 2021. The main reason was the advertisement fee for biomedical products was paid in full in Q1, the decreased recognition of employee stock option, and the delayed schedule of entrusted research fee for the expected R&D, causing difference.

(4) Net operating loss:

Our Company's actual consolidated net operating loss in Q1, 2021 was \$7,582,000, and it decreased \$4,035,000 compared to the estimated consolidated net operating loss of \$11,617,000 for Q1 in 2021. It was because the operating revenue was better than the prediction and enhancement of gross profit rate.

(5) Non-operating income and expense:

Our Company's actual consolidated non-operating net income in Q1, 2021 was \$2,411,000, and it increased \$7,052,000 compared to the estimated non-operating net expense of \$4,641,000 for Q1 in 2021. It was mainly because of the liability reserve listed on the account was not required to be recognized any more so that it was recognized as income in Q1 as well as the expected loss for Le Jia investment recognized was deferred.

(6) Net loss after tax:

Our Company's actual consolidated net loss after tax in Q1, 2021 was \$9,746,000, and it decreased \$6,532,000 compared to the estimated consolidated net loss after tax of \$16,278,000 for Q1 in 2021. It was mainly because the operating revenue was better than the prediction, the enhancement of operating gross profit rate, and the increased non-operating income.

Appendix 7: Comparison Table of Amended Articles of Incorporation

MetaTech (AP) Inc.

Comparison Table of Amended Articles of Incorporation

Article after revision	Article before revision	Description
<p>Article 4: The total capital in our company is NT\$2 billion. It is divided into 2 billion shares with NT\$10 for each share. Among them, NT\$0.3 billion is used for warrant exercised employee stock option. The unissued shares will be authorized to the board of directors for issuance in installments.</p> <p>The objects of granting employee stock option, the objects of granting new restricted employee shares, and the objects of new shares issuance by capital increase in cash reserved to employees shall include the employees of subsidiaries of the company meeting certain specific requirements. The conditions, granting methods, and purchasing methods are authorized to the board of directors for decision.</p> <p>When the company issues employee stock option with subscription price lower than the closing price for ordinary stocks issued by Japanese company, the shareholders meeting must be attended by shareholders holding more than half of shares issued. It can only be issued with more than 2/3 of attending shareholders who have the voting right.</p> <p>Our company can transfer the shares of the company to employees with the price lower than the average price of the actual repurchased shares. It should be reported to the latest shareholders meeting attended by shareholders holding more than half of shares issued and agreed by more than 2/3 of</p>	<p>Article 4: The total capital in our company is NT\$2 billion. It is divided into 2 billion shares with NT\$10 for each share. Among them, NT\$0.3 billion is used for warrant exercised employee stock option. The unissued shares will be authorized to the board of directors for issuance in installments.</p> <p>When the company issues employee stock option with subscription price lower than the closing price for ordinary stocks issued by Japanese company, the shareholders meeting must be attended by shareholders holding more than half of shares issued. It can only be issued with more than 2/3 of attending shareholders who have the voting right.</p> <p>Our company can transfer the shares of the company to employees with the price lower than the average price of the actual repurchased shares. It should be reported to the latest shareholders meeting attended by shareholders holding more than half of shares issued and agreed by more than 2/3 of attending shareholders with voting right before transfer.</p>	<p>The objects of granting employee stock option, the objects of granting new restricted employee shares, and the objects of new shares issuance by capital increase in cash reserved to employees shall include the employees of subsidiaries of the company meeting certain specific requirements. The conditions, granting methods, and purchasing methods are authorized to the board of directors for decision.</p>

<p>attending shareholders with voting right before transfer.</p>		
<p>Article 20: The Articles of Incorporation was established on September 3rd, 1998. The 1st revision was on September 16th, 1998. The 2nd revision was on November 28th, 2001. The 3rd revision was on June 28th, 2002. The 4th revision was on June 10th, 2003. The 5th revision was on April 19th, 2004. The 6th revision was on June 9th, 2006. The 7th revision was on June 13th, 2007. The 8th revision was on June 13th, 2008. The 9th revision was on June 19th, 2009. The 10th revision was on June 21st, 2013. The 11th revision was on September 30th, 2013. The 12th revision was on June 27th, 2014. The 13th revision was on June 30th, 2015. The 14th revision was on June 29th, 2016. The 15th revision was on June 20th, 2017. The 16th revision was on June 25th, 2018. The 17th revision was on June 17th, 2019. <u>The 18th revision was on June 29th, 2021.</u></p>	<p>Article 20: The Articles of Incorporation was established on September 3rd, 1998. The 1st revision was on September 16th, 1998. The 2nd revision was on November 28th, 2001. The 3rd revision was on June 28th, 2002. The 4th revision was on June 10th, 2003. The 5th revision was on April 19th, 2004. The 6th revision was on June 9th, 2006. The 7th revision was on June 13th, 2007. The 8th revision was on June 13th, 2008. The 9th revision was on June 19th, 2009. The 10th revision was on June 21st, 2013. The 11th revision was on September 30th, 2013. The 12th revision was on June 27th, 2014. The 13th revision was on June 30th, 2015. The 14th revision was on June 29th, 2016. The 15th revision was on June 20th, 2017. The 16th revision was on June 25th, 2018. The 17th revision was on June 17th, 2019.</p>	<p>Update of revision date</p>