

**METATECH(AP) INC.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2022 AND 2021**

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

## 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, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of Metatech (AP) Inc. as at December 31, 2022 and 2021, 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company 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 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(16).

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', 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, and 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 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.

### **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 \$50,215 thousand and \$8,026 thousand, respectively, as at December 31, 2022. 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.

***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 Standards on Auditing of 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 Standards on Auditing of 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 28, 2023

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and 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, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 61,959	4	\$ 52,339	3
1136	Current financial assets at amortised cost	6(2) and 8	4,800	-	11,017	1
1150	Notes receivable, net	6(3)	971	-	603	-
1170	Accounts receivable, net	6(3)	117,747	7	138,635	8
1180	Accounts receivable - related parties	7	179	-	439	-
1200	Other receivables		2,417	-	6,577	-
1210	Other receivables - related parties	7	11,363	1	29,970	2
1220	Current income tax assets		18	-	-	-
130X	Inventories	6(4)	42,189	3	78,976	5
1410	Prepayments		6,981	-	5,743	-
1470	Other current assets		3	-	502	-
11XX	<b>Current Assets</b>		<u>248,627</u>	<u>15</u>	<u>324,801</u>	<u>19</u>
<b>Non-current assets</b>						
1550	Investments accounted for under equity method	6(5)	809,720	50	741,752	45
1600	Property, plant and equipment	6(6) and 8	190,897	12	200,199	12
1755	Right-of-use assets	6(7)	34,770	2	36,906	2
1780	Intangible assets	6(8)	262,327	16	270,130	16
1840	Deferred income tax assets	6(20)	81,890	5	91,482	6
1900	Other non-current assets		7,229	-	5,219	-
15XX	<b>Non-current assets</b>		<u>1,386,833</u>	<u>85</u>	<u>1,345,688</u>	<u>81</u>
1XXX	<b>Total assets</b>		<u>\$ 1,635,460</u>	<u>100</u>	<u>\$ 1,670,489</u>	<u>100</u>

(Continued)

METATECH(AP) INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(9) and 8	\$ 190,000	12	\$ 45,226	3
2130	Current contract liabilities	6(16)	1,878	-	36,849	2
2150	Notes payable		1,627	-	1,422	-
2170	Accounts payable		45,087	3	69,823	4
2180	Accounts payable - related parties	7	2,156	-	257	-
2200	Other payables		17,897	1	23,707	2
2220	Other payables - related parties	7	130	-	191	-
2280	Current lease liabilities		7,441	-	5,316	-
2320	Long-term liabilities, current portion	6(10)	-	-	146,200	9
2399	Other current liabilities, others		326	-	308	-
21XX	<b>Current Liabilities</b>		<u>266,542</u>	<u>16</u>	<u>329,299</u>	<u>20</u>
<b>Non-current liabilities</b>						
2570	Deferred income tax liabilities	6(20)	20,559	2	18,325	1
2580	Non-current lease liabilities		32,014	2	35,181	2
2600	Other non-current liabilities		1,530	-	330	-
25XX	<b>Non-current liabilities</b>		<u>54,103</u>	<u>4</u>	<u>53,836</u>	<u>3</u>
2XXX	<b>Total Liabilities</b>		<u>320,645</u>	<u>20</u>	<u>383,135</u>	<u>23</u>
<b>Equity</b>						
Share capital						
3110	Share capital - common stock	6(13)	681,726	42	681,116	41
Capital surplus						
3200	Capital surplus	6(14)	675,810	41	672,092	40
Retained earnings						
3350	Accumulated deficit	6(15)	( 35,320)	( 2)	( 24,663)	( 2)
Other equity interest						
3400	Other equity interest		( 7,401)	( 1)	( 41,191)	( 2)
3XXX	<b>Total equity</b>		<u>1,314,815</u>	<u>80</u>	<u>1,287,354</u>	<u>77</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant subsequent event						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,635,460</u>	<u>100</u>	<u>\$ 1,670,489</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, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except loss per share amount)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(16) and 7	\$ 592,493	100	\$ 708,308	100
5000	Operating costs	6(4)(18)(19) and 7	( 498,842)	( 84)	( 576,230)	( 82)
5950	Net operating margin		<u>93,651</u>	<u>16</u>	<u>132,078</u>	<u>18</u>
	Operating expenses	6(18)(19)				
6100	Selling expenses		( 64,471)	( 11)	( 74,491)	( 11)
6200	General and administrative expenses		( 38,475)	( 6)	( 45,312)	( 6)
6300	Research and development expenses		( 35,575)	( 6)	( 65,497)	( 9)
6000	Total operating expenses		( 138,521)	( 23)	( 185,300)	( 26)
6900	Operating loss		( 44,870)	( 7)	( 53,222)	( 8)
	Non-operating revenue and expenses					
7100	Interest income		461	-	181	-
7010	Other income		5,931	1	9,239	1
7020	Other gains and losses	6(17)	9,271	2	( 290)	-
7050	Finance costs		( 3,432)	( 1)	( 8,974)	( 1)
7070	Share of profit of associates and joint ventures accounted for using equity method, net		<u>23,974</u>	<u>4</u>	<u>32,903</u>	<u>5</u>
7000	Total non-operating revenue and expenses		<u>36,205</u>	<u>6</u>	<u>33,059</u>	<u>5</u>
7900	Loss before income tax		( 8,665)	( 1)	( 20,163)	( 3)
7950	Income tax expense	6(20)	( 3,102)	( 1)	( 3,956)	( 1)
8200	Loss for the year		<u>( \$ 11,767)</u>	<u>( 2)</u>	<u>( \$ 24,119)</u>	<u>( 4)</u>
	<b>Other comprehensive income (net)</b>					
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(11)	\$ 1,387	-	( \$ 680)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	( 277)	-	136	-
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss		<u>1,110</u>	<u>-</u>	<u>( 544)</u>	<u>-</u>
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		42,237	7	( 11,650)	( 2)
8399	Income tax relating to the components of other comprehensive income	6(20)	( 8,447)	( 1)	3,712	1
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss		<u>33,790</u>	<u>6</u>	<u>( 7,938)</u>	<u>( 1)</u>
8300	<b>Other comprehensive income (loss) for the year</b>		<u>\$ 34,900</u>	<u>6</u>	<u>( \$ 8,482)</u>	<u>( 1)</u>
8500	<b>Total comprehensive income (loss) for the year</b>		<u>\$ 23,133</u>	<u>4</u>	<u>( \$ 32,601)</u>	<u>( 5)</u>
	Basic loss per share	6(21)				
9750	Total basic loss per share		( \$ 0.17)		( \$ 0.40)	
9850	Total diluted loss per share		( \$ 0.17)		( \$ 0.40)	

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  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Surplus					Accumulated deficit	Financial statements translation differences of foreign operations	Total equity	
		Share capital - common stock	Additional paid-in capital	Changes in ownership interests in subsidiaries	Employee share options	Stock warrants				Others
<u>2021</u>										
Balance at January 1, 2021		\$ 580,160	\$ 601,205	\$ -	\$ 51,018	\$ 5,565	\$ 84	(\$ 289,712)	(\$ 33,253)	\$ 915,067
Loss for the year		-	-	-	-	-	-	( 24,119)	-	( 24,119)
Other comprehensive loss		-	-	-	-	-	-	( 544)	( 7,938)	( 8,482)
Total comprehensive loss		-	-	-	-	-	-	( 24,663)	( 7,938)	( 32,601)
Share-based payments	6(12)	-	993	-	2,995	-	-	-	-	3,988
Changes in the equity of the subsidiary based on the shareholding ratio		-	-	54	-	-	-	-	-	54
Capital surplus used to cover accumulated deficits	6(14)(15)	-	( 289,712)	-	-	-	-	289,712	-	-
Issuance of common stock	6(13)(14)	100,000	295,000	-	-	-	-	-	-	395,000
Exercise of employee stock options	6(13)(14)	350	2,435	-	( 739)	-	-	-	-	2,046
Conversion of convertible bonds to share common stock	6(13)(14)	606	3,335	-	-	( 141)	-	-	-	3,800
Balance at December 31, 2021		\$ 681,116	\$ 613,256	\$ 54	\$ 53,274	\$ 5,424	\$ 84	(\$ 24,663)	(\$ 41,191)	\$ 1,287,354
<u>Year 2021</u>										
Balance at January 1, 2022		\$ 681,116	\$ 613,256	\$ 54	\$ 53,274	\$ 5,424	\$ 84	(\$ 24,663)	(\$ 41,191)	\$ 1,287,354
Loss for the year		-	-	-	-	-	-	( 11,767)	-	( 11,767)
Other comprehensive income		-	-	-	-	-	-	1,110	33,790	34,900
Total comprehensive (loss) income		-	-	-	-	-	-	( 10,657)	33,790	23,133
Share-based payments	6(12)	-	-	257	721	-	-	-	-	978
Exercise of employee stock options	6(13)(14)	610	3,895	-	( 1,155)	-	-	-	-	3,350
Expired employee stock warrants		-	-	-	( 5,584)	-	5,584	-	-	-
Balance at December 31, 2022		\$ 681,726	\$ 617,151	\$ 311	\$ 47,256	\$ 5,424	\$ 5,668	(\$ 35,320)	(\$ 7,401)	\$ 1,314,815

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, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		( \$ 8,665 )	( \$ 20,163 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including right of use assets)	6(6)(7)(18)	26,089	28,389
Amortization expense	6(18)	8,262	8,476
Interest expense		3,432	6,382
Interest expense of bonds discount amortization		-	2,592
Interest income		461	181
Share of profit of associates and joint ventures accounted for using equity method		23,974	32,903
Share based compensation cost	6(12)	721	3,988
Loss on disposal of property, plant and equipment	6(6)	7	-
Gains arising from lease modifications		-	1,154
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		368	366
Accounts receivable		20,888	40,975
Accounts receivable - related parties		260	439
Other receivables		4,160	4,381
Other receivables - related parties		18,607	29,889
Inventories		36,787	33,985
Prepayments		1,238	310
Other current assets		500	30
Net defined benefit assets	6(11)	24	4
Changes in operating liabilities			
Contract liabilities		34,971	35,979
Notes payable		205	1,098
Accounts payable		24,736	1,050
Accounts payable - related parties		1,899	169
Other payables		7,376	7,046
Other payables - related parties		61	18
Provisions for liabilities - current		-	4,433
Other current liabilities		18	50
Cash inflow (outflow) generated from operations		20,009	73,492
Interest received		461	181
Interest paid		3,432	6,382
Interest taxes paid		19	8
Net cash flows from (used in) operating activities		17,019	79,685
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at amortised cost	6(2)	6,216	1,999
Acquisition of investments accounted for using equity method		1,500	299,000
Acquisition of property, plant and equipment	6(6)	6,603	3,912
Proceeds from disposal of property, plant and equipment	6(6)	1	-
Decrease (increase) in refundable deposits		534	4,111
Increase in prepayment for equipment		1,138	444
Increase in other non-current assets		22	477
Net cash flows used in investing activities		3,536	297,723
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings		863,697	674,460
Repayments of short-term borrowings		718,923	740,234
Repayments of corporate bonds payable		146,200	-
Repayment of principal portion of lease liabilities	6(7)	6,987	9,441
Increase in guarantee deposit received		1,200	-
Proceeds from issuance of shares	6(14)	-	395,000
Exercise of employee stock	6(13)(14)	3,350	2,046
Net cash flows (used in) from financing activities		3,863	321,831
Net increase (decrease) in cash and cash equivalents		9,620	55,577
Cash and cash equivalents at beginning of year	6(1)	52,339	107,916
Cash and cash equivalents at end of year	6(1)	\$ 61,959	\$ 52,339

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

METATECH(AP) INC.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

Metatech (AP) Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in September 1998. The Company is primarily engaged in wholesale and retail of electronic products and equipment as well as development and operation of biomedicine related business. The shares of the Company were officially listed on the Taipei Exchange on June 3, 2004 as approved by the Financial Supervisory Commission.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on March 28, 2023.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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



- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Defined benefit assets recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional

currency different from the presentation currency are translated into the presentation currency as follows:

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

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

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

fair value, and recognizes the gain or loss in profit or loss.

(7) Financial assets at amortised cost

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

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Inventories

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

(12) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost. The Company's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss arising through subsequent assessments.
- E. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are consistent with the policies adopted by the Company.
- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or

decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- I. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- L. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- M. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset,

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

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.  
The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

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

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

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying

amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise

the difference between remeasured lease liability in profit or loss.

(15) Intangible assets

A. The intangible assets are stated at cost.

B. The technical skills acquired from an external party are not yet available for use, and therefore are not amortised. It will be tested for impairment annually.

(16) Impairment of non-financial assets

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

B. The recoverable amounts of intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(17) Borrowings

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

(18) Notes and accounts payable

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

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

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related

transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(20) Convertible bonds payable

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

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

(21) Derecognition of financial liabilities

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

(22) Provisions

The Company's provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the



obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Termination benefits

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

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

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive

obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

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

(25) Income tax

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

date, unrecognised and recognised deferred tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Share capital

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

(27) Dividends

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

(28) Revenue recognition

Sales of goods

A The Company sells electronic products and equipment as an agent; and is engaged in the cell production business. Sales are recognised when control of the products has transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories was \$42,189.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 101	\$ 98
Checking accounts and demand deposits	40,361	52,241
Time deposits	21,497	-
	<u>\$ 61,959</u>	<u>\$ 52,339</u>

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

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

(2) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Restricted Current Assets	<u>\$ 4,800</u>	<u>\$ 11,017</u>

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

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest income	<u>\$ 46</u>	<u>\$ 73</u>

B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company were \$4,800 and \$11,017, respectively.

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

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Company's investments in certificates of deposit are financial

institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 971	\$ 603
Accounts receivable	\$ 117,747	\$ 138,635

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

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 104,978	\$ 962	\$ 127,452	\$ 338
Up to 30 days	12,574	9	8,791	265
31 to 90 days	195	-	2,392	-
	<u>\$ 117,747</u>	<u>\$ 971</u>	<u>\$ 138,635</u>	<u>\$ 603</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, and January 1, 2021, the balances of receivables (including notes receivable) from contracts with customers amounted to \$118,718, \$139,238 and \$97,897, respectively.

C. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were \$971 and \$603; \$117,747 and \$138,635, respectively.

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

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

(4) Inventories

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 10,323	(\$ 1,288)	\$ 9,035
Work in progress	1,715	-	1,715
Semi-finished goods	1,998	-	1,998
Finished goods	30	-	30
Merchandises	36,149	( 6,738)	29,411
	<u>\$ 50,215</u>	<u>(\$ 8,026)</u>	<u>\$ 42,189</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 10,936	(\$ 913)	\$ 10,023
Work in progress	12,154	-	12,154
Semi-finished goods	8,611	-	8,611
Finished goods	1,168	-	1,168
Merchandises	52,248	( 5,228)	47,020
	<u>\$ 85,117</u>	<u>(\$ 6,141)</u>	<u>\$ 78,976</u>

	Years ended December 31,	
	2022	2021
Cost of goods sold	\$ 496,915	\$ 573,193
Loss on decline in market value	1,885	2,956
Loss on disposal of assets	42	81
	<u>\$ 498,842</u>	<u>\$ 576,230</u>

(5) Investments accounted for using equity method

	December 31, 2022	December 31, 2021
Subsidiaries:		
MetaTech Investment Holding Co., Ltd.	\$ 505,114	\$ 424,689
LOCUS CELL CO., LTD	287,145	294,734
Chienhwa Travel Service Co., Ltd.	2,561	1,683
Subtotal	<u>\$ 794,820</u>	<u>\$ 721,106</u>
Associates:		
Up Cell Biomedical Inc.	14,900	20,646
Subtotal	<u>14,900</u>	<u>20,646</u>
	<u>\$ 809,720</u>	<u>\$ 741,752</u>

A. Subsidiaries

Details of the subsidiaries are provided in Note 4(3) in the Company's consolidated financial statements for the year ended December 31, 2022.

## B. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2022	December 31, 2021		
Up Cell Biomedical Inc.	Taiwan	25.38%	25.38%	Note	Equity method

Note: The Company serves as a legal person director of Up Cell Biomedical Inc. and was elected as the Chairman of the company.

(b) The summarised financial information of the associates that are material to the Group is as follows:

### Balance sheet

	Up Cell Biomedical Inc.	
	December 31, 2022	December 31, 2021
Current assets	\$ 35,317	\$ 49,004
Non-current assets	26,784	37,930
Current liabilities	( 2,192)	( 3,397)
Non-current liabilities	( 1,224)	( 2,211)
Total net assets	\$ 58,685	\$ 81,326
Share in associate's net assets	\$ 14,900	\$ 20,646

### Statement of comprehensive income

	Up Cell Biomedical Inc.	
	Years ended December 31,	
	2022	2021
Revenue	\$ -	\$ -
Loss for the period from continuing operations	( 22,641)	( 26,677)
Loss for the period from discontinued operations	-	-
Other comprehensive income, net o tax	-	-
Total comprehensive loss	(\$ 22,641)	(\$ 26,677)
Dividends received from associates	\$ -	\$ -

(6) Property, plant and equipment

	2022							
	Land	Buildings and structures	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
At January 1								
Cost	\$ 17,209	\$ 147,199	\$ 66,724	\$ 5,453	\$ 28,482	\$ 12,222	\$ 2,121	\$ 279,410
Accumulated depreciation	-	( 28,366)	( 20,256)	( 3,877)	( 22,155)	( 2,840)	( 1,717)	( 79,211)
	<u>\$ 17,209</u>	<u>\$ 118,833</u>	<u>\$ 46,468</u>	<u>\$ 1,576</u>	<u>\$ 6,327</u>	<u>\$ 9,382</u>	<u>\$ 404</u>	<u>\$ 200,199</u>
Opening net book amount as at January 1	\$ 17,209	\$ 118,833	\$ 46,468	\$ 1,576	\$ 6,327	\$ 9,382	\$ 404	\$ 200,199
Additions	-	-	5,923	-	816	1,429	-	8,168
Disposal	-	-	545	-	-	-	-	545
Transfer	-	-	-	-	( 8)	-	-	( 8)
Depreciation charge	-	( 5,885)	( 7,044)	( 909)	( 2,530)	( 1,581)	( 58)	( 18,007)
Closing net book amount as at December 31	<u>\$ 17,209</u>	<u>\$ 112,948</u>	<u>\$ 45,892</u>	<u>\$ 667</u>	<u>\$ 4,605</u>	<u>\$ 9,230</u>	<u>\$ 346</u>	<u>\$ 190,897</u>
At December 31								
Cost	\$ 17,209	\$ 118,833	\$ 52,936	\$ 1,576	\$ 7,135	\$ 10,811	\$ 404	\$ 208,904
Accumulated depreciation	-	( 5,885)	( 7,044)	( 909)	( 2,530)	( 1,581)	( 58)	( 18,007)
	<u>\$ 17,209</u>	<u>\$ 112,948</u>	<u>\$ 45,892</u>	<u>\$ 667</u>	<u>\$ 4,605</u>	<u>\$ 9,230</u>	<u>\$ 346</u>	<u>\$ 190,897</u>
	2021							
	Land	Buildings and structures	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
At January 1								
Cost	\$ 17,209	\$ 147,199	\$ 62,273	\$ 5,453	\$ 27,735	\$ 19,409	\$ 2,121	\$ 281,399
Accumulated depreciation	-	( 22,481)	( 13,311)	( 2,968)	( 19,932)	( 8,803)	( 1,660)	( 69,155)
	<u>\$ 17,209</u>	<u>\$ 124,718</u>	<u>\$ 48,962</u>	<u>\$ 2,485</u>	<u>\$ 7,803</u>	<u>\$ 10,606</u>	<u>\$ 461</u>	<u>\$ 212,244</u>
Opening net book amount as at January 1	\$ 17,209	\$ 124,718	\$ 48,962	\$ 2,485	\$ 7,803	\$ 10,606	\$ 461	\$ 212,244
Additions	-	-	3,062	-	1,056	-	-	4,118
Disposal	-	-	1,389	-	-	-	-	1,389
Depreciation charge	-	( 5,885)	( 6,945)	( 909)	( 2,532)	( 1,224)	( 57)	( 17,552)
Closing net book amount as at December 31	<u>\$ 17,209</u>	<u>\$ 118,833</u>	<u>\$ 46,468</u>	<u>\$ 1,576</u>	<u>\$ 6,327</u>	<u>\$ 9,382</u>	<u>\$ 404</u>	<u>\$ 200,199</u>
At December 31								
Cost	\$ 17,209	\$ 147,199	\$ 66,724	\$ 5,453	\$ 28,482	\$ 12,222	\$ 2,121	\$ 279,410
Accumulated depreciation	-	( 28,366)	( 20,256)	( 3,877)	( 22,155)	( 2,840)	( 1,717)	( 79,211)
	<u>\$ 17,209</u>	<u>\$ 118,833</u>	<u>\$ 46,468</u>	<u>\$ 1,576</u>	<u>\$ 6,327</u>	<u>\$ 9,382</u>	<u>\$ 404</u>	<u>\$ 200,199</u>

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



(7) Leasing arrangements - lessee

- A. The Company leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise of laboratories, parking spaces and some office premises. Low-value assets comprise of printers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 33,527	\$ 36,621
Transportation equipment	1,243	285
	<u>\$ 34,770</u>	<u>\$ 36,906</u>

  

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ -	\$ 1,869
Buildings	7,736	8,630
Transportation equipment	346	338
	<u>\$ 8,082</u>	<u>\$ 10,837</u>

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets amounted to \$5,946 and \$341, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 650	\$ 1,294
Expense on short-term lease contracts	515	1,008
Expense on leases of low-value assets	95	95

- F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$8,247 and \$11,838, respectively.

(8) Intangible assets

	<u>2022</u>	<u>2021</u>
	Technical skills (Notes 1 and 2)	Technical skills (Notes 1 and 2)
At January 1		
Cost	\$ 277,933	\$ 277,933
Accumulated amortisation	( 7,803)	-
	<u>\$ 270,130</u>	<u>\$ 277,933</u>
Opening net book amount as at January 1	\$ 270,130	\$ 277,933
Amortisation charge	( 7,803)	( 7,803)
Closing net book amount as at December 31	<u>\$ 262,327</u>	<u>\$ 270,130</u>
At December 31		
Cost	\$ 277,933	\$ 277,933
Accumulated amortisation	( 15,606)	( 7,803)
	<u>\$ 262,327</u>	<u>\$ 270,130</u>

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

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

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 60,000	1.73%~1.95%	None
Bank secured borrowings	<u>130,000</u>	1.85%~2.115%	Note 8
	<u>\$ 190,000</u>		
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 27,266	1.32%~1.35%	None
Bank secured borrowings	<u>18,000</u>	1.35%	Note 8
	<u>\$ 45,266</u>		

(10) Bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bonds payable	\$ -	\$ 150,000
Less: Conversion of convertible bonds to share common stock	-	( 3,800)
Less: Discount on bonds payable	-	-
	-	146,200
Less: Current portion or exercise of put options	-	( 146,200)
	<u>\$ -</u>	<u>\$ -</u>

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

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

shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue (April 10, 2019) to 40 days before the maturity date (November 30, 2021), or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

(f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

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

C. As of December 31, 2022, the face value of this convertible corporate bond of \$3,800 has been converted into ordinary 60,603 shares of common stock. The Company adjusted the price from September 27, 2021 to 62.7 yuan.

D. The Company has paid off the conversion company with cash of \$146,200 on January 20, 2022.

#### (11) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. However, the Company ceased to contribute to the labor pension reserve from March 2009 to March 2021 after receiving the approval from the New Taipei City Government. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 8,509	\$ 9,028
Fair value of plan assets	( 10,893)	( 10,043)
Net defined benefit asset (shown as ‘Other non-current assets’)	<u>(\$ 2,384)</u>	<u>(\$ 1,015)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset</u>
<u>2022</u>			
At January 1	\$ 9,028	(\$ 10,043)	(\$ 1,015)
Interest expense (income)	<u>83</u>	<u>( 65)</u>	<u>18</u>
	<u>9,111</u>	<u>( 10,108)</u>	<u>( 997)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 785)	( 785)
Change in financial assumptions	( 224)	-	( 224)
Experience adjustments	<u>( 378)</u>	<u>-</u>	<u>( 378)</u>
	<u>( 602)</u>	<u>( 785)</u>	<u>( 1,387)</u>
At December 31	<u>\$ 8,509</u>	<u>(\$ 10,893)</u>	<u>(\$ 2,384)</u>
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset</u>
<u>2021</u>			
At January 1	\$ 8,170	(\$ 9,867)	(\$ 1,697)
Interest expense (income)	<u>81</u>	<u>( 79)</u>	<u>2</u>
	<u>8,251</u>	<u>( 9,946)</u>	<u>( 1,695)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 97)	( 97)
Change in financial assumptions	81	-	81
Experience adjustments	<u>696</u>	<u>-</u>	<u>696</u>
	<u>777</u>	<u>( 97)</u>	<u>680</u>
At December 31	<u>\$ 9,028</u>	<u>(\$ 10,043)</u>	<u>(\$ 1,015)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company’s defined benefit pension plan in accordance with the Fund’s annual investment and utilisation plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labour Retirement Fund” (Article 6: The scope of utilisation for the Fund includes deposit in

domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2022	2021
Discount rate	1.15%	0.65%
Future salary increases	2.25%	2.25%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience of the improved Taiwan annuity table. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 109)	\$ 112	\$ 458	(\$ 421)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 135)	\$ 138	\$ 560	(\$ 516)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$0.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 7.8 years.

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

Within 1 year	\$	6,187
1-2 year(s)		761
2-5 years		253
	<u>\$</u>	<u>7,201</u>

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

(b) For the aforementioned pension plan, the Company recognised pension costs of \$3,924 and \$4,040 for the years ended December 31, 2022 and 2021, respectively.

(12) Share-based payment

A. For the years ended December 31, 2022 and 2021, the Company’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options	2018.04.02	2,280 thousand shares	6 years	2 ~ 5 years’ service
Employee stock options	2018.05.14	1,297 thousand shares	6 years	2 ~ 5 years’ service
Employee stock options	2018.11.15	423 thousand shares	6 years	2 ~ 5 years’ service
Cash capital increase reserved for employee preemption	2021.09.27	247 thousand shares	NA	NA

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

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

	<u>2022</u>		<u>2021</u>	
	<u>No. of options</u>	<u>Weighted-average exercise price (in dollars)</u>	<u>No. of options</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at January 1	2,586,000	\$ 57.94	2,909,000	\$ 58.40
Options exercised	( 61,000)	54.90	( 35,000)	58.48
Options expired	( 249,000)	57.53	( 288,000)	56.49
Options outstanding at December 31	<u>2,276,000</u>	58.07	<u>2,586,000</u>	57.94
Options exercisable at December 31	<u>1,702,200</u>	58.08	<u>1,422,300</u>	57.94

C. The weighted average price of options exercised in 2022 and 2021 were \$54.90 and \$58.48, respectively on the exercise day.

D. For the years ended December 31, 2022 and 2021, the range of exercise prices of stock options outstanding was \$54.50~\$58.60 (in dollars); the weighted-average remaining contractual

period were 1.30 years and 2.32 years, respectively.

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

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee stock options	2018.04.02	58.5	58.5	44.54~46.90%(Note)	4 ~ 5.5 years	-	0.64~0.76%	20.61~24.70
Employee stock options	2018.05.14	59.2	59.2	44.25~47.03%(Note)	4 ~ 5.5 years	-	0.67~0.76%	20.76~25.07
Employee stock options	2018.11.15	55.0	55.0	40.56~48.61%(Note)	4 ~ 5.5 years	-	0.73~0.83%	17.88~24.44

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

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

	Years ended December 31,	
	2022	2021
Equity-settled	\$ 721	\$ 3,988

#### (13) Share capital

- A. As of December 31, 2022, the Company's authorised capital was \$2,000,000, consisting of 200 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$681,726, consisting of 68,173 thousand shares outstanding, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2022	2021
	No. of shares	No. of shares
At January 1	68,111,648	58,016,045
Employee stock options exercised	61,000	35,000
Cash capital increase	-	10,000,000
Conversion of convertible bonds to share common stock	-	60,603
At December 31	\$ 68,172,648	\$ 68,111,648

- B. On August 11, 2020, the Company increased its capital by issuing 10,000,000 shares, with a par value of \$10 per share, and an issue price of \$39.5 through board resolution. The date of the capital increase was set on September 27, 2021. The above capital increase was registered.

- C. In December, 2021, the Company converted the convertible bonds into 60,603 ordinary shares.

#### (14) Capital surplus

- A. Pursuant to Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the



Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

- B. The information regarding capital surplus - share options and employee share options is provided in Notes 6(12) and (13).
- C. On July 20, 2021, capital surplus used to cover accumulated deficit amounting to \$289,712 had been approved by the Financial Supervisory Commission and registered.

(15) Accumulated deficits to be covered

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remaining earnings along with unappropriated earnings of prior years will be retained or distributed as proposed by the Board of Directors and resolved by the shareholders. Regarding the bonus distributed to the shareholders, cash dividends shall account for at least 30% of the total distribution and the remainder is distributed in shares.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The Company incurred accumulated deficit for the years ended December 31, 2021 and 2020, and thus had no earnings for distribution. On June 29, 2022 and July 20, 2021, the shareholders approved the deficit compensation of 2021 and 2020, respectively.

(16) Operating revenue

- A. Disaggregation of revenue from contracts with customers  
The Company derives revenue from the transfer of goods and services over time and at a point in time in the following departments:

	Year ended December 31, 2022		
	Electronics	Biomedicine	Total
Total segment revenue	\$ 545,557	\$ 46,936	\$ 592,493
Timing of revenue recognition			
At a point in time	\$ 545,557	\$ 46,903	\$ 592,460
Over time	-	33	33
	\$ 545,557	\$ 46,936	\$ 592,493

	Year ended December 31, 2021		
	Electronics	Biomedicine	Total
Total segment revenue	\$ 507,369	\$ 200,939	\$ 708,308
Timing of revenue recognition			
At a point in time	\$ 507,369	\$ 200,912	\$ 708,281
Over time	-	27	27
	\$ 507,369	\$ 200,939	\$ 708,308

#### B. Contract liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities:			
Advance sales receipts	\$ 1,878	\$ 36,849	\$ 869

##### (a) Significant changes in contract liabilities

None.

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

	Years ended December 31,	
	2022	2021
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Advance sales receipts	\$ 36,131	\$ 141

#### (17) Other gains and losses

	Years ended December 31,	
	2022	2021
Net currency exchange gains	\$ 9,278	\$ 402
Losses on disposals of property, plant and equipment	( 7)	-
Gains arising from lease modifications	-	1,154
Other losses	-	( 1,846)
	\$ 9,271	(\$ 290)

(18) Expenses by nature

Function Nature	Years ended December 31,					
	2022			2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense	\$ 13,384	\$ 77,133	\$ 90,517	\$ 2,751	\$ 90,681	\$ 93,432
Depreciation expense	16,643	9,446	26,089	4,032	24,357	28,389
Amortisation expense	7,803	459	8,262	7,803	673	8,476

(19) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 72,916	\$ 71,182
Employee stock options	721	3,988
Labour and health insurance fees	7,434	7,553
Pension costs	3,942	4,042
Directors' remuneration	2,460	2,650
Other personnel expenses	3,044	4,017
	<u>\$ 90,517</u>	<u>\$ 93,432</u>

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

B. As of December 31, 2022 and 2021, no employees' compensation and directors' remuneration were accrued due to accumulated deficit of the Company.

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

(20) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ -	\$ -
Deferred tax:		
Origination and reversal of temporary differences	3,102	3,956
Impact of change in tax rate	-	-
Income tax expense	<u>\$ 3,102</u>	<u>\$ 3,956</u>

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

	Years ended December 31,	
	2022	2021
Currency translation differences	(\$ 8,447)	\$ 3,712
Remeasurement of defined benefit obligations	( 277)	136
	<u>(\$ 8,724)</u>	<u>\$ 3,848</u>

B. Reconciliation between income tax benefit and accounting profit

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	(\$ 1,733)	(\$ 4,032)
Expenses disallowed by tax regulation	14,214	15,286
Change in assessment of realisation of deferred tax assets	( 9,379)	( 7,298)
Income tax expense	<u>\$ 3,102</u>	<u>\$ 3,956</u>

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

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Allowance for valuation loss on inventories	\$ 1,244	\$ 369	\$ -	\$ 1,613
Unused compensated absences	240	-	-	240
Currency translation differences	9,596	-	( 8,447)	1,149
Remeasurement of benefit obligations	885	-	( 277)	608
Unrealised exchange loss	-	99	-	99
Others	149	( 149)	-	-
-Tax losses	79,368	( 1,187)	-	78,181
	<u>91,482</u>	<u>( 868)</u>	<u>( 8,724)</u>	<u>81,890</u>
Deferred tax liabilities:				
-Temporary differences:				
Gain on foreign long-term equity investment	( 18,079)	( 2,291)	-	( 20,370)
Unrealised exchange gain	( 57)	57	-	-
Book-tax difference on pensions	( 189)	-	-	( 189)
	<u>( 18,325)</u>	<u>( 2,234)</u>	<u>-</u>	<u>( 20,559)</u>
	<u>\$ 73,157</u>	<u>(\$ 3,102)</u>	<u>(\$ 8,724)</u>	<u>\$ 61,331</u>

	2021			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Deferred tax assets:				
- Temporary differences:				
Allowance for valuation loss on inventories	\$ 661	\$ 583	\$ -	\$ 1,244
Unused compensated absences	240	-	-	240
Currency translation differences	5,884	-	3,712	9,596
Remeasurement of benefit obligations	749	-	136	885
Unrealised exchange loss	28	( 28)	-	-
Book-tax difference on onerous contracts losses	1,164	( 1,164)	-	-
Others	149	-	-	149
-Tax losses	<u>79,923</u>	<u>( 555)</u>	<u>-</u>	<u>79,368</u>
	<u>88,798</u>	<u>( 1,164)</u>	<u>3,848</u>	<u>91,482</u>
Deferred tax liabilities:				
-Temporary differences:				
Gain on foreign long-term equity investment	( 15,344)	( 2,735)	-	( 18,079)
Unrealised exchange gain	-	( 57)	-	( 57)
Book-tax difference on pensions	<u>( 189)</u>	<u>-</u>	<u>-</u>	<u>( 189)</u>
	<u>( 15,533)</u>	<u>( 2,792)</u>	<u>-</u>	<u>( 18,325)</u>
	<u>\$ 73,265</u>	<u>(\$ 3,956)</u>	<u>\$ 3,848</u>	<u>\$ 73,157</u>

D. The Company's income tax returns through 2020 been assessed and approved by the Tax Authority.

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2022				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2013	Amount assessed	\$ 15,876	\$ 15,876	2023
2014	Amount assessed	12,959	12,959	2024
2015	Amount assessed	21,087	21,087	2025
2016	Amount assessed	42,849	42,849	2026
2017	Amount assessed	28,478	8,543	2027
2018	Amount assessed	82,217	24,665	2028
2019	Amount assessed	131,452	-	2029
2020	Amount assessed	104,225	-	2030
2021	Amount filed	46,415	-	2031
2022	Amount estimated	31,326	-	2032
		<u>\$ 516,884</u>	<u>\$ 125,979</u>	
December 31, 2021				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2012	Amount assessed	\$ 17,232	\$ 17,232	2022
2013	Amount assessed	15,876	15,876	2023
2014	Amount assessed	12,959	12,959	2024
2015	Amount assessed	21,087	21,087	2025
2016	Amount assessed	42,849	12,855	2026
2017	Amount assessed	28,478	8,543	2027
2018	Amount assessed	82,217	24,665	2028
2019	Amount assessed	131,452	-	2029
2020	Amount filed	104,225	-	2030
2021	Amount estimated	53,679	-	2031
		<u>\$ 510,054</u>	<u>\$ 113,217</u>	

(21) Losses per share

	<u>Year ended December 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders	(\$ <u>11,767</u> )	<u>68,172</u>	(\$ <u>0.17</u> )

	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders	(\$ <u>24,119</u> )	<u>60,646</u>	(\$ <u>0.40</u> )

For the year ended December 31, 2021, the employee stock options and convertible bonds issued by the Company were excluded from the calculation of diluted earnings per share since such options and bonds were anti-dilutive.

(22) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchase of property, plant and equipment	\$ 8,713	\$ 5,507
Add: Opening balance of payable on equipment	285	79
Less: Ending balance of payable on equipment	( 1,850)	( 285)
Less: Opening balance of prepayments on equipment	( 545)	( 1,389)
Cash paid during the period	<u>\$ 6,603</u>	<u>\$ 3,912</u>



B. Investing activities with no cash flow effects:

	Years ended December 31,	
	2022	2021
Prepayments for business facilities transferred to property, plant and equipment	\$ 545	\$ 1,389

(23) Changes in liabilities from financing activities

	2022				
	<u>Short-term borrowings</u>	<u>Bonds payable</u>	<u>Lease liabilities</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities</u>
At January 1	\$ 45,226	\$ 146,200	\$ 40,497	\$ 330	\$ 232,253
Changes in cash flow from financing activities	144,774	( 146,200)	( 6,987)	1,200	( 7,213)
Changes in other non-cash items	-	-	5,945	-	5,945
At December 31	<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ 39,455</u>	<u>\$ 1,530</u>	<u>\$ 230,985</u>

  

	2021				
	<u>Short-term borrowings</u>	<u>Bonds payable</u>	<u>Lease liabilities</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities</u>
At January 1	\$ 111,000	\$ 147,408	\$ 124,216	\$ 330	\$ 382,954
Changes in cash flow from financing activities	( 65,774)	-	( 9,441)	-	( 75,215)
Changes in other non-cash items	-	( 1,208)	( 74,278)	-	( 75,486)
At December 31	<u>\$ 45,226</u>	<u>\$ 146,200</u>	<u>\$ 40,497</u>	<u>\$ 330</u>	<u>\$ 232,253</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
MetaTech Investment Holding Co., Ltd.	The Company's subsidiary
Chienhwa Travel Service Co., Ltd.	The Company's subsidiary
LOCUS CELL CO., LTD.	The Company's subsidiary
MTI Holding Co., Ltd.	The Company's second-tier subsidiary
MetaTech (S) Pte Ltd.	The Company's third-tier subsidiary
MetaTech Ltd.	The Company's third-tier subsidiary
MetaTech (Shenzhen) Ltd.	MetaTech Ltd.'s subsidiary
Up Cell Biomedical Inc.	Investee company accounted for using the equity method

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2022	2021
Sales of goods:		
-Subsidiaries	\$ 1,856	\$ 3,921
-Associates	75	1,523
	<u>\$ 1,931</u>	<u>\$ 5,444</u>

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

B. Purchases

	Years ended December 31,	
	2022	2021
Purchases of goods:		
-Subsidiaries	\$ 6,142	\$ 5,227
Purchases of services:		
-Subsidiaries	-	49
	<u>\$ 6,142</u>	<u>\$ 5,276</u>

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

C. Receivables to related parties

	December 31, 2022	December 31, 2021
-Subsidiaries	<u>\$ 179</u>	<u>\$ 439</u>

Accounts receivable are mainly from transactions, they are unsecured, interest-free, with no provision for bad debts.

D. Other receivables

	December 31, 2022	December 31, 2021
-Subsidiaries	<u>\$ 11,363</u>	<u>\$ 29,970</u>

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

The Company provides management services to the subsidiaries. Management fees revenue is received periodically based on the terms determined in mutual agreement. Revenue received for the years ended December 31, 2022 and 2021 amounting to \$16,531 and \$19,675 was shown as deduction on 'operating expenses - general and administrative expenses' and 'other income', respectively.

E. Payables to related parties

	December 31, 2022	December 31, 2021
-Subsidiaries	<u>\$ 2,156</u>	<u>\$ 257</u>

F. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
-Subsidiaries	\$ 25	\$ 91
-Associates	105	100
	<u>\$ 130</u>	<u>\$ 191</u>

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

G. Non-operating revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Other income		
-Subsidiaries	<u>\$ 4,413</u>	<u>\$ 3,112</u>

(i) The other income from subsidiaries arise mainly from prepaid freight.

(ii) The other income from related parties arise mainly from rental contracts which are made from 2019 to 2020. Rents are paid at the end of the month.

H. Loans to /from related parties

Loans to related subsidiaries

(i) Outstanding balance:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
MetaTech (S) Pte Ltd.	\$ -	\$ 19,376
	(USD 1000 thousand)	(USD 700 thousand)

(ii) Interest income

	<u>2022</u>	<u>2021</u>
MetaTech (S) Pte Ltd.	\$ 137	\$ 40

I. Endorsements and guarantees

The Company issued guarantee notes and provided endorsements and guarantees to related parties. Details are as follows:

<u>Party being endorsed/ guaranteed</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
MetaTech Ltd.	\$ 15,355	\$ 13,840
	(USD 500 thousand)	(USD 500 thousand)

J. Others

The joint credit line of the Company and its third-tier subsidiary, MetaTech Ltd., for financial institution short-term secured borrowings was NTD 85,000 million in 2022 and 2021. As of December 31, 2022 and 2021, the promissory notes amounting to NTD 85,000 million was issued to a bank as guarantee and the abovementioned joint credit line amounting to NTD 60,000 million and NTD 27,197 million was used, respectively.

(3) Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 8,783	\$ 11,242
Post-employment benefits	101	151
Share-based payments	786	869
	<u>\$ 9,670</u>	<u>\$ 12,262</u>

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Financial assets at amortised cost			
-Reserve account for demand deposits	\$ 4,800	\$ 11,017	Guarantee for customs, credit card and performance bond of lease agreements
Property, plant and equipment			
-Land	17,209	17,209	Guarantee for short-term credit line
-Buildings and structures	25,495	26,286	"
	<u>\$ 47,504</u>	<u>\$ 54,512</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. Please refer to Note 7(2)G and H for details of significant related party contingent liabilities and unrecognised contract commitments.

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

	December 31, 2022	December 31, 2021
Intangible assets (Note)	<u>\$ 13,028</u>	<u>\$ 13,482</u>

Note: The Company entered into a start-up agreement of cell sheet regenerative medical cooperation with Japan CellSeed Inc. on December 21, 2016 with the consideration amounting to JPY 50 million for expanding biomedical research and development, business development, as well as promoting the Company's innovative transformation of regenerative medicine. The Board of Directors during its meeting on March 24, 2017 adopted a resolution to enter into a cooperation agreement of abovementioned cell sheet regenerative medicine with Japan CellSeed Inc., which was formally signed on April 24, 2017 with the consideration amounting to JPY 1.25 billion. As of December 31, 2022, the

Company has paid JPY 1,243,942,865 in respect of the payment schedule for arrangement.

10. Significant Disaster Loss

None.

11. Significant events after the balance sheet date

None.

12. Others

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 61,959	\$ 52,339
Financial assets at amortised cost	4,800	11,017
Notes receivable	971	603
Accounts receivable	117,926	139,074
Other receivables	13,780	36,547
Guarantee deposits paid (shown as 'other non-current assets')	1,664	1,130
	<u>\$ 201,100</u>	<u>\$ 240,710</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 190,000	\$ 45,226
Notes payable	1,627	1,422
Accounts payable	47,243	70,080
Other payables	18,027	23,898
Guarantee deposits received (shown as 'other non-current liabilities')	1,530	330
Bonds payable	-	146,200
	<u>\$ 258,427</u>	<u>\$ 287,156</u>
Lease liability	<u>\$ 39,455</u>	<u>\$ 40,497</u>

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department (Company treasury) under

policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require the Company's operating units to manage their foreign exchange risk against their functional currency.
- iii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 5,242	30.710	\$ 160,982
JPY:NTD	1,844	0.2324	429
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,374	30.710	\$ 42,196

				December 31, 2021			
				Foreign currency amount		Book value	
				(In thousands)	Exchange rate	(NTD)	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
				\$	5,146	27.680	\$ 142,441
					3,816	0.2405	918
<u>Financial liabilities</u>							
<u>Monetary items</u>							
					2,460	27.680	68,093

- v. The total exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$9,278 and \$402, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

				Year ended December 31, 2022		
				Sensitivity analysis		
				Degree of variation	Effect on profit or loss before tax	Effect on other comprehensive income after tax
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
				1%	\$ 1,610	\$ -
				1%	4	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
				1%	422	\$ -

	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss before tax	Effect on other comprehensive income after tax
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 1,424	\$ -
JPY:NTD	1%	9	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	681	\$ -

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and notes receivable based on the agreed terms, as well as the contract cash flows of financial assets at amortised cost.
- ii. The Company manages their credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only above investment grade are accepted. According to the credit policy, each local entity in company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management . The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables.
- iii. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;



- (ii) Default or delinquency in interest or principal repayments;
  - (iii) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- As of December 31, 2022 and 2021, the Company has no written-off financial assets that are still under recourse procedures.
- viii. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the loss allowance for accounts receivable. The Company's expected credit loss rate of not past due accounts receivable as of December 31, 2022 and 2021 is not material.
- ix. The Company did not recognise the amount of loss allowance for accounts receivable applying the simple approach since it was not material for the years ended December 31, 2022 and 2021.
- (c) Liquidity risk
- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
  - ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2022	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 191,357	\$ -	\$ -
Notes payable	1,627	-	-
Accounts payable (including related parties)	47,243	-	-
Other payables(including related parties)	18,027	-	-
Guarantee deposits received (shown as 'other non-current liabilities')	1,530	-	-
Lease liability	8,011	30,586	2,507

Non-derivative financial liabilities:

December 31, 2021	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 45,437	\$ -	\$ -
Notes payable	1,422	-	-
Accounts payable (including related parties)	70,080	-	-
Other payables(including related parties)	23,898	-	-
Guarantee deposits received (shown as 'other non-current liabilities')	330	-	-
Lease liability	5,915	26,800	9,943
Bonds payable	146,200	-	-

(3) Fair value information

A. The Company has determined that the book value of financial assets and liabilities that does not use fair value is approximate to fair value, including cash and cash equivalents, financial assets at amortised cost, notes receivables, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable , accounts payables and other payables.

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

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

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

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

- C. The Company did not have any options exercised for the years ended December 31, 2022 and 2021
- D. There is no the movement of Level 3 for the years ended December 31, 2022 and 2021.
- E. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

### 13. Supplementary Disclosures

#### (1) Significant transactions information

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

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

#### (2) Information on investees

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

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

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

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Operating Segment Information

None.

Metatech (AP) Inc.  
Loans to others  
Year ended December 31, 2022

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Metatech (AP) Inc.	MetaTech (S) Pte Ltd.	Other receivables	Y	\$ 32,215	\$ 30,710	\$ -	3.70%	Short-term financing	\$ -	Operations	\$ -	-	\$ -	\$ 262,963	\$ 525,926	Notes 3 and 5
1	MTI Holding Co., Ltd.	MetaTech Ltd.	Other receivables	Y	32,215	30,710	-	6.76%	Short-term financing	-	Operations	-	-	-	404,091	505,114	Notes 4 and 5
1	MTI Holding Co., Ltd.	MetaTech (S) Pte Ltd.	Other receivables	Y	64,430	61,420	30,710	3.70%	Short-term financing	-	Operations	-	-	-	404,091	505,114	Notes 4 and 5

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: According to the Company's "Regulations for Provision of Loans", the interest rate of loans to others should be no less than the average interest rate of the Company's short-term funds borrowed from financial institutions at that time.

Note 3: According to the Company's "Regulations for Provision of Loans", the Company's ceiling on total loans granted to others are as follows:

A. For business transactions, the accumulated loan amount is the transaction amount.

B. For short-term financing, the total amount is lower than 40% of the creditor's net assets.

C. The limit on total loans to the same party is 20% of the Company's net assets.

Note 4: According to the subsidiary's "Regulations for Provision of Loans", the subsidiary's ceiling on total loans granted to others are as follows:

A. For business transactions, the accumulated loan amount is the transaction amount.

B. For short-term financing, the total amount is lower than 100% of the creditor's net assets.

C. The limit on total loans to the same party is 80% of the subsidiary's net assets.

The subsidiary's ceiling on total loans granted to related parties, which its 100% voting shares directly or indirectly held by the parent Company and to the same party is 100% and 80% of the subsidiary's net assets, respectively.

Note 5: The current period ending balance was translated into TWD at the exchange rate at the balance sheet date (1USD:30.71TWD).

Metatech (AP) Inc.  
 Provision of endorsements and guarantees to others  
 Year ended December 31, 2022

Table 2

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	Metatech (AP) Inc.	MetaTech Ltd.	The Company's third-tier subsidiary	\$ 657,408	\$ 16,108	\$ 15,355	\$ 15,355	\$ -	1.17	\$ 1,314,815	Y	N	N	Notes 2,3 and 6

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: According to the Company's "Regulations for Provision of Endorsements and Guarantees", the Company's limit on endorsements/guarantees provided for a single party is 50% of the Company's net assets.

Note 3: According to the Company's "Regulations for Provision of Endorsements and Guarantees", the Company's limit on total endorsements/guarantees is 100% of the Company's net assets.

Note 4: The current period ending balance was translated into TWD at the exchange rate at the balance sheet date (1USD:30.71TWD).

## Metatech (AP) Inc.

## Significant inter-company transactions during the reporting periods

Year ended December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Metatech (AP) Inc.	MetaTech Ltd.	1	Other receivables	\$ 8,658	Administrative service fees and advance payment, 90 days after monthly billing	0%
1	MIT Holding Co., Ltd.	MetaTech (S) Pte Ltd.	3	Other receivables	31,138	short-term capital financing and interest receivables	1%
2	MetaTech (S) Pte Ltd.	MetaTech (Shenzhen) Ltd.	3	Sales revenue	21,903	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	1%
2	"	"	3	Service revenue	28,332	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	2%
2	MetaTech (S) Pte Ltd.	Metatech (AP) Inc.	2	Sales revenue	5,916	Prices are determined according to the gross profits in mutual agreement, 90 days after monthly billing	0%

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

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

Metatech (AP) Inc.  
Information on investees  
Year ended December 31, 2022

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Metatech (AP) Inc.	MetaTech Investment Holding Co., Ltd.	British Virgin Islands	Investment holding and reinvestment business	\$ 333,065	\$ 333,065	10,000,000	100	\$ 505,114	\$ 38,188	\$ 38,188	Subsidiary
Metatech (AP) Inc.	Chienhwa Travel Service Co., Ltd.	Taiwan	Travel business	4,900	4,900	950	100	2,561	( 622)	( 622)	Subsidiary
Metatech (AP) Inc.	Up Cell Biomedical Inc.	Taiwan	Cell sheet development and medical production	33,000	33,000	3,300,000	25.38	14,900	( 22,641)	( 5,746)	Investee accounted for using the equity method
Metatech (AP) Inc.	Locus Cell Co., Ltd.	Taiwan	Cell therapy phase available product and commissioned to Manufacturing Services	300,000	300,000	30,000,000	15	287,145	( 53,478)	( 7,846)	Subsidiary
MetaTech Investment Holding Co., Ltd.	MTI Holding Co., Ltd.	Samoa	Investment holding and reinvestment business	333,065	333,065	10,000,000	100	505,114	38,188	38,188	Sub-subsidiary
MTI Holding Co., Ltd.	MetaTech (S) Pte Ltd.	Singapore	Wholesale and retail of electronic materials	82,259	82,259	3,800,000	100	147,220	8,101	8,101	Third-tier subsidiary
MTI Holding Co., Ltd.	MetaTech Ltd.	Hong Kong	Wholesale and retail of electronic materials	199,170	199,170	46,000,000	100	290,406	29,040	29,040	Third-tier subsidiary



Metatech (AP) Inc.  
Information on investments in Mainland China  
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MetaTech (Shenzhen) Ltd.	Wholesale and retail of electronic materials	\$ 80,608	Through investing in an existing company in the third areas, which then invested in the investee in Mainland China	\$ 80,608	\$ -	\$ -	\$ 80,608	\$ 12,171	\$ -	\$ 12,171	\$ 60,385	\$ -	Notes 1,2 and 3

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Celling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
Metatech (AP) Inc.	\$ 80,608	\$ 81,529	\$ 1,764,854

Note 1: Through investing in the subsidiary, MetaTech Investment Holding Co, Ltd in the third areas by cash and reinvesting by its second-tier subsidiary, MetaTech Ltd. The investments were approved by the Investment Commission of the Ministry of Economic Affairs.

Note 2: The amount of investment income (loss) recognised is the amount recognised in the financial statements of the investee that were audited by R.O.C parent company's CPA.

Note 3: Paid-in capital and investment amount are translated into TWD at exchange rate at the balance sheet date (1USD:30.71 TWD).

Note 4: According to the MOEA Regulation No. 09704604680, "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area", announced on August 29, 2008, limit on accumulated amount of investment in Mainland China is the higher of 60% of net assets and consolidated net assets.

Metatech (AP) Inc. and Subsidiaries  
Major shareholders information  
December 31, 2022

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Name of major shareholders	Name of shares held	Shares	Ownership (%)
Zhen Long, Wu		7,570,319	11.10%
JUN INVESTMENT INTERNATIONAL CO., LTD.		3,601,516	5.28%

METATECH(AP) INC.  
CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 1

Item	Description	Amount
Cash on hand		\$ 101
Demand deposits		
- NTD		6,956
- Foreign currency	USD 1,035,694.97; conversion rate 1:30.71	31,806
	JPY 1,800,171; conversion rate 1:0.2324	418
	Others	13
Time deposits		
- Foreign currency	USD 700,000; conversion rate 1:30.71	21,497
Checking accounts		1,168
		<u>\$ 61,959</u>

METATECH(AP) INC.  
ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 2

Client Name	Amount	Note
<u>Non-related parties</u>		
B	\$ 18,657	
D	13,502	
A	11,815	
E	7,059	
C	6,567	
Others	60,147	None of the balances of each remaining clients is greater than 5% of this account balance
	<u>117,747</u>	
Less: Allowance for bad debts	-	
	<u>\$ 117,747</u>	

METATECH(AP) INC.  
INVENTORIES  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 3

Item	Amount		Note
	Cost	Net Realisable Value	
Raw materials	\$ 10,323	\$ 11,001	Net realisable values are used as market value
Work in progress	1,715	1,715	Net realisable values are used as market value
Semi-finished goods	1,998	2,017	Net realisable values are used as market value
Finished goods	30	30	Net realisable values are used as market value
Merchandise			Net realisable values are used as market value
	36,149	42,117	
	50,215	\$ 56,880	
Less: Allowance for valuation loss on inventories	( 8,026)		
	\$ 42,189		

METATECH(AP) INC.  
CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

Name	Beginning Balance		Addition		Decrease (Note)		Ending Balance			Net Assets Value			
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership	Amount	Unit Price	Total Amount	Collateral	Note
MetaTech Investment	10,000,000	\$ 424,689	-	\$ 80,425	-	\$ -	10,000,000	100%	\$ 505,114	\$ 50.51	\$ 505,114	None	None
Holding Co., Ltd.													
Chienhwa Travel Service Co., Ltd.	800	\$ 1,683	150	\$ 1,500	-	(\$ 622)	950	100%	\$ 2,561	\$ 2.696	\$ 2,561	None	None
Up Cell Biomedical Inc.	3,300,000	\$ 20,646	-	\$ -	-	(\$ 5,746)	3,300,000	25.38%	\$ 14,900	\$ 4.52	\$ 14,900	None	None
LOCUS CELL CO., LTD.	30,000,000	\$ 294,734	-	\$ 257	-	(\$ 7,846)	30,000,000	15%	\$ 287,145	\$ 9.57	\$ 287,145	None	None

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

METATECH(AP) INC.  
CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 5

Item	Beginning Balance	Addition	Decrease	Transfer	Ending Balance	Collateral	Note
Cost							
Land	\$ 17,209	\$ -	\$ -	\$ -	\$ 17,209	Fully pledged as collateral for credit line for short-term borrowings	
Buildings and structures	147,199	-	-	-	147,199	Partly pledged as collateral for credit line for short-term borrowings	
Machinery and equipment	66,724	5,923	-	545	73,192	None	
Transportation equipment	5,453	-	-	-	5,453	"	
Office equipment	28,482	816	( 434)	-	28,864	"	
Leasehold improvements	12,222	1,429	-	-	13,651	"	
Other equipment	2,121	-	( 158)	-	1,963	"	
	<u>\$ 279,410</u>	<u>\$ 8,168</u>	<u>(\$ 592)</u>	<u>\$ 545</u>	<u>\$ 287,531</u>		
Accumulated depreciation							
Buildings and structures	(\$ 28,366)	(\$ 5,885)	\$ -	\$ -	(\$ 34,251)		
Machinery and equipment	( 20,256)	( 7,044)	-	-	( 27,300)		
Transportation equipment	( 3,877)	( 909)	-	-	( 4,786)		
Office equipment	( 22,155)	( 2,530)	426	-	( 24,259)		
Leasehold improvements	( 2,840)	( 1,581)	-	-	( 4,421)		
Other equipment	( 1,717)	( 58)	158	-	( 1,617)		
	<u>( 79,211)</u>	<u>(\$ 18,007)</u>	<u>\$ 584</u>	<u>\$ -</u>	<u>( 96,634)</u>		
	<u>\$ 200,199</u>				<u>\$ 190,897</u>		

METATECH(AP) INC.  
SHORT-TERM BORROWINGS  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 6

Nature	Description	Ending Balance	Contract Period	Range of Interest Rate	Credit Line	Collateral	Note
		\$ 30,000	2022/01/20-2023/01/19	1.85%			
		10,000	2021/10/08-2023/01/04	1.73%			
CTBC Bank Co., Ltd.	Unsecured borrowings	8,000	2022/04/01-2023/03/30	1.95%	\$ 85,000	None	None
		7,000	2022/04/22-2023/01/19	1.89%			
		5,000	2022/06/28-2023/03/28	1.95%			
Taiwan Business Bank Co., Ltd.	Secured borrowings	23,000	2022/11/10-2023/02/10	1.99%	230,000	Property, plant and equipment	Note 8
		55,000	2022/11/30-2023/02/28	2.12%			
		7,000	2022/12/27-2023/06/27	1.975%			
Chang Hwa Bank	Secured borrowings	11,000	2022/12/30-2023/06/30	1.975%		Property, plant and equipment	
		14,000	2022/07/18-2023/01/18	1.85%	<u>98,000</u>		Note 8
		<u>20,000</u>	2022/10/07-2023/04/07	1.95%		Current financial assets at amortised cost	
		<u>\$ 190,000</u>			<u>\$ 413,000</u>		



METATECH(AP) INC.  
ACCOUNTS PAYABLE  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 7

<u>Client Name</u>	<u>Amount</u>	<u>Note</u>
A	\$ 36,968	
C	4,139	
Others		None of the balances of each remaining suppliers is greater than 5% of this account balance.
	3,980	
	<u>\$ 45,087</u>	

METATECH(AP) INC.  
OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 8

Item	Amount	Note
Connectors	\$ 516,373	
Consumer products	19,174	
Communications	13,681	
Biomedical products	49,191	
Others	-	
	<u>598,419</u>	
Less: Sales returns and discounts	( 5,926)	
Net operating revenue	<u>\$ 592,493</u>	

METATECH(AP) INC.  
OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 9

Item	Amount	Note
Beginning raw materials	\$ 10,936	
Add: Raw materials purchased	8,072	
Semi-finished goods transferred into raw materials	7,458	
Finished goods transferred into raw materials	555	
Less: Ending raw materials	( 10,323)	
Cost of raw materials	( 58)	
Reclassified as expenses	( 5,437)	
Raw materials used	11,203	
Direct labor	548	
Manufacturing expense	15,880	
Total manufacturing cost	27,631	
Add: Beginning work in Progress	12,154	
Less: Ending work in Progress	( 1,715)	
Reclassified as expenses	( 991)	
Manufacturing cost	37,079	
Add: Beginning semi-finished goods	8,611	
Semi-finished goods purchased	49	
Less: Ending semi-finished goods	( 1,998)	
Reclassified as expenses	( 1,160)	
Semi-finished goods transferred into raw materials	( 7,458)	
Cost of semi-finished goods	( 661)	
Cost of finished goods	34,462	
Add: Beginning finished goods	1,168	
Less: Ending finished goods	( 30)	
Reclassified as expenses	( 2,522)	
Finished goods transferred into raw materials	( 555)	
Cost of goods manufactured and sold	32,523	

METATECH(AP) INC.  
OPERATING COSTS (Cont.)  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 9

Beginning merchandise inventory	\$	52,248
Add: Net purchase for the year		399,787
Less: Ending merchandise inventory	(	36,149)
Loss on disposal of inventories	(	42)
Reclassified as expenses		569
Cost of purchases and sales		<u>416,413</u>
Add: Other operating costs		47,260
Cost of raw materials		58
Cost of semi-finished goods		661
Loss on disposal of inventories		42
Loss on reversal of decline in market value		1,885
Total operating costs	\$	<u><u>498,842</u></u>

METATECH(AP) INC.  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 10

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 35,132	
Advertising expense		4,218	
Depreciation expense		3,786	
Insurance expense		3,220	
Others (Note)		18,115	
		<u>\$ 64,471</u>	

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

METATECH(AP) INC.  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 11

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 15,680	
Entertainment expense		6,123	
Insurance expense		2,860	
Depreciation expense		2,118	
Others (Note)		11,694	
		<u>\$ 38,475</u>	

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

METATECH(AP) INC.  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 12

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 11,902	
Contracted research expenses		4,104	
Depreciation expense		3,542	
Others (Note)		16,027	
		<u>\$ 35,575</u>	

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

METATECH(AP) INC.  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 13

Function Nature	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 10,923	\$ 62,714	\$ 73,637	\$ 2,150	\$ 73,020	\$ 75,170
Labour and health insurance fees	1,263	6,171	7,434	328	7,225	7,553
Pension costs	605	3,337	3,942	121	3,921	4,042
Directors' remuneration	-	2,460	2,460	-	2,650	2,650
Other personnel expenses	593	2,451	3,044	152	3,865	4,017
Depreciation expense	16,643	9,446	26,089	4,032	24,357	28,389
Amortisation expense	7,803	459	8,262	7,803	673	8,476

Note:

1. As at December 31, 2022 and 2021, the Company had 105 and 105 employees, including 3 and 6 non-employee directors, respectively.
2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information:
  - (1) Average employee benefit expense in current year was \$863 ((Total employee benefit expense in current year–Total directors' compensation in current year)/ (Number of employees in current year–Number of non-employee directors in current year)).  
Average employee benefit expense in previous year was \$917 ((Total employee benefit expense in previous year–Total directors' compensation in previous year)/ (Number of employees in previous year – Number of non-employee directors in previous year)).
  - (2) Average employee salaries in current year was \$722 (Total employee salaries in current year / (Number of employees in current year–Number of non-employee directors in current year)).  
Average employee salaries in previous year was \$759 (Total employee salaries in previous year / (Number of employees in previous year–Number of non-employee directors in previous year)).
  - (3) Adjustments of average employee salaries was (4.9%) ((Average employee salaries in current year- Average employee salaries in previous year)/ Average employee salaries in previous year).
  - (4) The Company set up an audit committee, so there is no supervisor's remuneration for the years ended December 31, 2022 and 2021.