



Stock Code : 6643

M31 Technology Corporation

2023 ANNUAL REPORT

Annual report is available at
Market Observation Post System: <https://mops.twse.com.tw> and
M31 website: <https://www.m31tech.com>

Published on April 10, 2024

Notice to Readers

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.

1. Spokesperson

Name : Silvia Su

Title : Executive Assistant to CEO

Tel : (03)560-1866

E-mail : ir@m31tech.com

2. Acting Spokesperson

Name : Gavin Ge

Title : Vice President

Tel : (03)560-1866

E-mail : ir@m31tech.com

3. M31 Address and Tel Number

Address : 9F., No. 8, Taiyuan 2nd St., Zhubei City, Hsinchu County, 302, Taiwan (R.O.C.)

Tel : (03)560-1866

4. Stock Transfer Agent

Name : SinoPac Securities, Register & Transfer Agency Department

Address : 3F, No.17, Boai Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

Tel : (02)2381-6288

Website : <https://www.sinotrade.com.tw>

5. Independent Auditor

Accounting Firm : Deloitte & Touche

Auditors : Mei-Chen Tsai and Yu-Feng Huang

Address : 6F, Allied Association Industries No. 2, Zhanye 1st Rd., Hsinchu Science Park East
Dist., Hsinchu, Taiwan (R.O.C.)

Tel : (03) 578-0899

Website : <https://www.deloitte.com.tw>

6. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: N/A

7. M31 Technology Corporation Website : <https://www.m31tech.com>

Table of Contents

I. Letter to Shareholders.....	1
II. Company Profile	8
2.1 Date of Incorporation	8
2.2 Corporate Milestones	8
III. Corporate Governance Report.....	14
3.1 Organization.....	14
3.2 Directors, Supervisors, President, Vice President and Management Team.....	17
3.3 Implementation of Corporate Governance.....	32
3.4 Information on CPA’s Fees.....	65
3.5 Replacement of CPA.....	65
3.6 The Chairman, President, or Chief Financial or accounting manager of the Company who has worked in the firm of the CPA or its affiliated companies within the most recent year.	65
3.7 Changes in Shareholding and Shares Pledged by the Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More	66
3.8 Information on shareholders among the top 10 by proportion of shareholding who are related parties to one another or spouse, kindred within the 2nd degree of kinship.....	67
3.9 Quantity of shareholdings of the same investee by the Company and Directors, Managerial Officers, and direct or indirect subsidiaries in proportion to the combined holdings of all, and combined to calculate the proportion of overall shareholding.....	68
IV. Capital Overview	69
4.1 Capital and Shares.....	69
4.2 Status of Corporate Bonds	73
4.3 Status of preferred stocks	73
4.4 Status of GDR/ADR.....	73
4.5 Status of Employee Stock Options.....	73
4.6 Status of Restricted Employee Shares.....	73
4.7 Mergers and acquisitions or issuance of new shares by transfer of shares of other companies .	75
4.8 Implementation of capital utilization plan.	75
V. Business Overview	76
5.1 Business Activities	76
5.2 Market Outlook and Production and Sales Overview	91
5.3 Human resouces in the last two years	96
5.4 Environmental Protection Expenditure	97

5.5 Labor-Management Relations	97
5.6 Information Security Management	99
5.7 Major Contract	102
VI. Financial Information	104
6.1 Five-Year Financial Summary	104
6.2 Five-Year Financial Analysis.....	108
6.3 Audit Committee’s Review Report.....	111
6.4 Consolidated Financial Statements for the Years Ended December 31 2023, and Independent Auditors’ Report	112
6.5 Parent Company Only Financial Statements for the Years Ended December 31, 2023 and Independent Auditors’ Report.....	112
6.6 Disclosure of the Impact on Company’s Financial Status Due to Financial Difficulties	112
VII. Financial Status, Financial Performance, and Risk Management	113
7.1 Financial Status	113
7.2 Financial Performance	114
7.3 Cash Flow	115
7.4 Major Capital Expenditure Items	116
7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year	116
7.6 Analysis of Risk Management	116
7.7 Other Materiality	120
VIII. Special Disclosure	121
8.1 Summary of Affiliated Companies	121
8.2 Private placement securities for the most recent year and up to the date of printing of the annual report	123
8.3 Holdings or disposals of the Company's shares by affiliates for the most recent year and as of the date of the annual report.....	123
8.4 Supplementary Notes	123
8.5 Any Events Had Significant Impacts on Shareholders’ Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Act for the most recent year and as of the date of the annual report.....	123

Appendix I: Consolidated Financial Statements for the Year Ended December 31, 2023

Appendix II: Parent Company Only Financial Statements for the Year Ended December 31, 2023

I. Letter to Shareholders

Dear Shareholders,

In FY2023, despite the global semiconductor market downturn, with the collective efforts of all employees at M31 Technology Corporation (M31), the Company continued to focus on leading and differentiating in IP technology, resulting in the Company's full-year revenue and earnings per share (EPS) growth against the trend. Since M31's founding, the Company has achieved 12 consecutive years of record revenue and strong earnings growth. In FY2023, the consolidated operating revenue amounted to NT\$1.612 billion, with EPS of NT\$12.60. We sincerely thank all shareholders for their long-term support and trust in M31. All of our employees will continue to work hard to continuously generate favorable returns for all shareholders.

1. FY 2023 Operating Results

1.1 Business Plan Implementation Results

- (1) Operating revenue for the year was NT\$1,612,337 thousand, an annual growth of 18.54% compared to the operating revenue of NT\$1,360,165 thousand in 2022. The gross profit margin for both years was 100%; technical service revenue accounted for 83.52%, and royalty income accounted for 16.48% of the operating revenue in FY2023, with a slight decrease in royalty income compared to FY2022.
- (2) Net income after tax was NT\$435,170 thousand, with a net profit margin of 26.99%, an annual increase of 14.74% compared to the net income after tax of NT\$379,252 thousand in 2022, mainly due to the growth in operating revenues and the increase in the net foreign currency exchange gain; EPS for FY2023 was NT\$12.60.

1.2 Financial Budget: M31 did not prepare the annual financial projection for the year 2023.

1.3 Analysis of financial income and profitability

Item		Year		Difference
		FY2023	FY2022	
Financial Income and Expenses (NT\$ in Thousands)	Net cash generated from operating activities	241,341	651,573	(410,232)
	Net cash used in investing activities	332,001	(185,571)	517,572
	Net cash used in financing activities	(258,691)	(231,546)	(27,145)
Profitability (%)	Return on Assets	18.28	17.63	3.69%
	Return on Equity	22.20	22.04	0.73%
	Net income before tax as a percentage of paid-in capital	147.30	139.80	5.36%
	Net profit ratio	26.99	27.88	-3.19%
	Earnings per share (NT\$)	12.60	11.06	13.92%

Note: Earnings per share for FY2022 was retroactively adjusted for the effect of the 2013 gratis issue of stock dividends.

M31's financial income and expenses increased in FY2023 compared to FY2022, while profitability also grew compared to FY2022.

1.4 Research and Development

With continuous process miniaturization, chip design complexity, and rapid development of interface integration, M31's R&D this year will not only continue to keep pace with the evolution of advanced process technologies and develop highly competitive products, but also provide unique IP solutions and integration services to meet the needs of application design in different usage environments, expanding the penetration rate of M31's IP products in various chip design platforms to achieve better operational performance, and realizing a positive development cycle.

In 2023, M31 collaborated with foundries to enter the FinFET processes below 16nm for the first time and launched a series of Foundation IP products on the 12nm process platform, including Standard Cell Library, Memory Compiler, and General Purpose Input/Output Library (GPIO). As for mature processes of 28nm and above at foundries, we focused on diversifying into specialized processes, creating various Foundation IP products derived from logic processes, including high voltage (HV), embedded non-volatile memory (eNVM), and Bipolar-CMOS-DMOS (BCD) technologies. In addition, on specialized process platforms at various regional foundries, we have successfully introduced specialized processes such as 28nm HV and 40nm HV, effectively optimizing power consumption for OLED and LCD driver chip product designs. Furthermore, overseas foundries' BCD technology platforms have expanded the use of our 65nm to 150nm Foundation IP products, primarily used in power management chips, enhancing our technical leadership and differentiation advantages in mature processes. There have also been significant advancements in advanced process memory; the Flash Memory Interface ONFI I/O IP has completed 3nm/5nm designs, which provides a comprehensive solution to address the load and loss issues of high-speed and high-performance ONFI I/O data buses, and has already been adopted by first-tier U.S. manufacturers to aggressively expand our presence in the big data storage market for artificial intelligence (AI) and edge computing applications.

In the realm of high-speed interface IP, we have also closely collaborated with IC design companies to create greater value for the semiconductor industry. In 2023, we actively pursued the development of various standard transmission specifications, such as PCIe, USB, MIPI, etc., in the latest versions for advanced processes and have already completed the development of the 3nm eUSB2 PHY IP, which can be applied in mobile SoC designs. On the 5nm process, the USB4 PHY IP we've developed incorporates circuit technologies for low power consumption and power noise compensation to provide a low-risk solution for high-data-volume-transfer SoCs and maintains compatibility with previous generations of USB, making it easier for customers to integrate SoC applications that support Type-C USB4. Additionally, in terms of analog IP, we have also completed the development of DPLL IP in the 7nm advanced process. Overall, our core technologies in high-speed interface IP provide customers with comprehensive solutions at the physical layer (PHY), which can reduce the overall power consumption and space occupation by the chipset while upgrading the transmission interface. M31's R&D strength and technological competitiveness are demonstrated by the fact that we have been certified and adopted by professional organizations and international manufacturers, as well as its ability to be mass-produced.

In 2023, we have also made significant progress in IP integration services by providing a series of PHY and controller integration solutions, completing the integration of 6nm USB, 12nm PCIe, and 12nm MIPI PHY with controller subsystems. According to the high level of

development of this technology, integrated chips can meet all high-speed transmission interface standards and are widely applied in many consumer electronics products, reducing self-integration time for IC design customers and optimizing SoC power consumption and performance while reducing the cost. Consequently, IC design customers are able to prioritize the allocation of R&D resources to new products, focus on core business development, and strengthen competitiveness, which accelerates the product time-to-market.

In conclusion, we continued to follow the development pace of the foundries in 2023, investing in the development of low-power Foundation IP solutions tailored to the demands of the AIoT market on the 12nm process platform and entering the development of Foundation IP for advanced processes of 7nm and below. In terms of high-speed interface IP, the layout is becoming increasingly complete in pursuit of ultimate chip performance for high-end applications and meeting the needs of mature processes in special fields. Related products are being introduced into various application areas such as automotive electronics, 5G, AI, edge computing, network communication, cloud storage, Internet of Things (IoT), and wearable devices. At the same time, we continue to layout the latest advanced processes at 3nm and below, demonstrating our solid R&D capabilities.

2. Business Plan Outline for 2023

2.1 Current Year's Operating Policy

The emergence of the Silicon Intellectual Property (SIP) industry has led to the third industrial revolution in the global semiconductor industry, which has led to a highly specialized division of labor in the IC industry. In recent years, three major technological trends have emerged: first, the complete division of labor in the semiconductor industry chain, the significant increase in fabless IC design companies, system application vendors, cloud service providers, etc. are also entering the field of chip design, requiring significantly more IP; second, in the post-Moore's Law era, the development of the industry has changed from a single shrinking approach to meet the challenges of multi-dimensional innovation, heterogeneous integration and three-dimensional structure, which will play a key role; Third, the exponential growth of data, the speed of hardware innovation needs to keep up with the pace of software development to provide the necessary arithmetic acceleration, and as process technology continues to evolve, the pressure of the rapid complexity of IC functions, IC design companies will need more and more IP.

In this technological trend, with the development of global applications such as AI, 5G, high-performance computing (HPC), and automotive electronics, fast transmission speeds and low latency are creating a reliable network environment for the IoT. Once tens of billions of devices are connected to the network, the massive amount of data generated will require artificial intelligence to transform the data into meaningful information. Therefore, in the 5G + AI + IoT era of big data, in order to accelerate the efficiency of information processing and create more application value of data, "high-speed interface IP" that contributes to improving computing performance will undoubtedly become increasingly important. Furthermore, many countries have adopted vehicle electrification as one of the strategies for energy conservation and carbon reduction. Under the impetus of the policy, global electric vehicle sales reached 14.22 million units in 2023 according to market statistics, and it is projected to reach 33.8 million units by 2026, indicating a rapid growth in electric vehicle sales, which indicates that the sales of electric vehicles are growing rapidly, reflecting the significant business potential

in the automotive semiconductor sector. The automotive semiconductor market is expected to become a primary driver of semiconductor growth in the coming years. Automotive manufacturers have also pointed out that the silicon content of automotive semiconductors increases by 15% annually, meaning that electric vehicles will grow and thrive along with the semiconductor and ICT industries, and that more and more automotive electronics will rely on chips. It is estimated that with the strong demand for electric vehicles (EVs) and advanced driver-assistance systems (ADAS), the demand for semiconductors will remain robust in the long term, contributing to the steady growth in the adoption of automotive-related IPs. The geopolitical reshaping of the semiconductor supply chain has led foundries to expand their overseas presence, further boosting the demand for Foundation IP highly related to processes, which is becoming a crucial strategic commodity in the technological rivalry.

As the demand for advanced process Foundation IP from IC design companies and foundries continues to increase, we have established an overseas R&D center in India in 2023 in order to reserve more abundant R&D capabilities, which will focus on the R&D of advanced process Foundation IP solutions, and continue to recruit outstanding talents both at home and abroad. M31's operational strategy will be to continue to layout advanced processes in response to the expanding applications in the IP market, and to expand the IP market share by deepening strategic partnerships. In terms of automotive IP, despite the long certification period and high entry barrier for automotive products, M31 has successfully entered the automotive electronics supply chain and has been adopted by major global automotive electronics chip makers. Leveraging this strong advantage, M31 will continue to invest in the development and validation of automotive products. Meanwhile, amid the global awareness of the importance of local semiconductor wafer production, M31 has been actively cooperating with major global foundries and IC design houses to develop a wide range of Foundation IP and high-speed interface IP based on the latest wafer fabrication processes, providing high-value IP solutions for the global semiconductor industry. Despite the continuously raised baseline, M31's revenue outlook for 2024 continues to maintain the goal of positive growth.

2.2 Growth and Sales Expectation

The future of the semiconductor industry, driven by applications such as AI, 5G, HPC, and automotive applications, will be centered on the development trend of big data. According to the latest report of the research institutions, compared with the global semiconductor market size of US\$534 billion in 2023, which experienced a decline of 10.9%, the global semiconductor market is expected to rebound in 2024, with a growth rate of 16.8% annually, and the market size will reach US\$624 billion, which will propel Taiwan's semiconductor industry to new heights in 2024. The IP industry has continued its growth momentum from 2021, with a growth rate of 19.4%, and from 2020, with a growth rate of 16.7%. The market size of the IP industry is expected to grow from \$6.7 billion in 2022 to \$10 billion in 2025, with a compound annual growth rate (CAGR) of 16.7%. The CAGR of the top five high-speed interface IPs is even higher at 18%, reflecting the healthy development of this niche market. In the direction of R&D and sales, M31 continues to provide high-quality and diversified products and services towards the industry trend of high-frequency, high-speed, advanced processes, and leading-edge technologies. With a more comprehensive product portfolio, the Company will leverage its industry-leading customized R&D capabilities to

enhance product performance. It is expected that the overall sales quantity and amount in 2024 will surpass those in of 2023, driving revenue growth upwards continuously.

2.3 Production and Marketing

M31's primary markets are Mainland China, the United States, and Taiwan. However, the IP needs of customers in these three regions are slightly different.

Mainland China: Semiconductor is a national strategic industry, and with the strong support of many policies, China's IC design industry has risen rapidly in recent years, with a wide range of end products covering high, medium, and low-end applications and even in the development of advanced process products. This reflects that China has top IC design talents and capabilities, as well as strong demand for advanced processes and high-speed interface IP. In October 2022, the U.S. announced export restrictions on high-performance chips, systems, providers and advanced process semiconductor devices and products to China, prompting China to redirect significant funds into building capacity for mature processes, accelerating the development of the IC design industry ecosystem for 28nm and above. Under the policy of domestic substitution, China will increase its efforts to actively increase the self-sufficiency rate of IC products and boost the demand for foundation IP. In the process of establishing a fully independent semiconductor industry chain, China's semiconductor market share is expected to increase as Chinese companies clarify their goals and diversify their market positioning. Overall design and marketing strategies will adapt to the needs of end-product development, facilitating a comprehensive IP product layout.

United States : The U.S. has taken steps to strengthen its control over semiconductor manufacturing technology and the R&D capabilities of advanced chips. Most of the customer IP demands have entered high-end applications such as mobile computing, AI, automotive electronics, high-end storage, cloud servers, etc. With the U.S. technological advantage and control capabilities in the global semiconductor industry, the newly developed process platforms are adding momentum to the demand for foundation IP. Marketing strategies focus on products and services related to advanced processes and high-speed computing transmission, assisting customers in fully leveraging the advantages of M31's advanced technology in power consumption, performance, and area to accelerate product differentiation and innovation.

Taiwan : The field of 3C electronic products is the main market for Taiwan IC design companies, requiring standard transmission specification IPs targeting applications such as automotive, IoT, fingerprint recognition, and wireless charging. In terms of foundries, besides cooperating with TSMC for the first time in 2023 on FinFET process platforms below 16nm, M31 has continued to work closely with TSMC on the development of Foundation IP on new special process platforms. There was a strong push for the application of HV processes in panel driver ICs, BCD processes in power management

ICs, and eFlash processes in microcontroller ICs, which are also important application markets for Taiwan-based IC design companies. Compared to Taiwan's consumer IC designers, mature process-related China IC companies will have access to more resources. In response to the intensified competition faced after China IC companies entered the market, as market share and profits gradually erode, Taiwan IC design companies must significantly shorten product development cycles and reduce product development costs by expanding the third-party licensing of standardized IP products to grasp the significant advantage of time-to-market. M31's main marketing strategy will continue to help Taiwan-based companies concentrate resources to maintain the core competitiveness of their products and further identify new product growth opportunities.

3. Future Development Strategies and External Competitive, Regulatory, and Overall Business Environment

Entering 2024, uncertainties persist in the overall economy and geopolitics. Since the onset of the US-China trade war, export bans, import tariffs, and investment restrictions have been imposed. With the continuous expansion of export control measures by the United States against China, M31 has adhered to a cautious selection attitude since the start of the US-China trade war, complying with all regulations and rigorously reviewing whether customers comply with relevant norms to ensure serving customers worldwide under lawful conditions. In the future, M31 will continue to closely monitor US regulatory measures to avoid geopolitical risks and safeguard the long-term interests of our shareholders and employees.

Meanwhile, M31 is committed to strengthening corporate governance and has been ranked in the top 5% of companies in the “Corporate Governance Evaluation” issued by the Taipei Exchange for two consecutive years, which recognizes the Company's long-standing commitment and effective implementation of corporate governance improvements. The Company also places great importance on the interests of all stakeholders. Through the operation of the Sustainable Development Committee, the Company internally promotes ESG sustainable development, including initiatives such as quality management, information security, automotive electronics, and environmental protection certifications. In 2024, it is expected that the Company will publish its first sustainability report for the first time to the public, which will disclose how the Company addresses key issues of concern to stakeholders, such as economic, environmental, social, and corporate governance matters, thereby enhancing the transparency of corporate information.

M31 has been honored with the “Best IP Partner” award from TSMC for six consecutive years, demonstrating its continuous advancement towards more advanced processes and showcasing the R&D capabilities that will lead the development in AI, 5G, HPC, and automotive fields with advanced process IP technology. Especially for the Company's physical IP products, keeping pace with the progress of foundry process technology is a key indicator of competitiveness and profitability. In the future, M31 will focus on developing a comprehensive IP layout in three major areas of process technology platforms. Firstly, targeting new blue ocean markets for high-speed computing applications with chips below 7nm (6nm/7nm, 5nm, 4nm, and 3nm); 12nm to 16nm serves as an important technological platform for mid-to-high-end consumer ICs; 22nm and 28nm represent cost-effective sweet

spots where many applications achieve optimal performance. With the introduction of a more complete IP portfolio, M31 will provide one-stop service and packaged sales for different IP products, integrating the IP platform created by different IP products. In terms of revenue performance, it will be able to synergize the multiplier effect and add to the overall M31's operational momentum.

Our main competitors are all large companies from Europe and America. In order to enhance our overall competitiveness, M31 is committed to continuously optimizing product specifications, differentiating product and service quality, expanding product lines and service offerings, and actively enhancing the Company's international brand image to cope with the competition and challenges posed by international giants. At the same time, we also adhere to the relevant laws and regulations of the TPEX, paying attention to the operational risks brought by interest rates and exchange rates, in order to maximize benefits for shareholders.

II. Company Profile

2.1 Date of Incorporation: Oct. 21, 2011

2.2 Corporate Milestones

<u>Year</u>	<u>Month</u>	<u>Milestones</u>
2011	Oct.	M31 Technology Corporation was incorporated.
2012	Mar.	Cash capital increased by NT\$40,000 thousand and paid-in capital increased to NT\$45,000 thousand
	Mar.	M31 released the most cost competitive Built-in-Clock USB 2.0 physical layer IP for USB flash drive and webcam applications.
	Apr.	Cash capital increased by NT\$60,680 thousand and paid-in capital increased to NT\$105,680 thousand.
	May	Cash capital increased by NT\$60,050 thousand and paid-in capital increased to NT\$165,730 thousand.
	May	M31 announces the most competitive USB 3.0 physical layer solution: best performance, lowest power consumption, and smallest area.
	Jun.	Cash capital increased by NT\$64,270 thousand and paid-in capital increased to NT\$230,000 thousand.
	Aug.	M31 and Evatronix propose USB 3.0 IP solutions certified by the USB-IF Association.
	Aug.	M31 BCK USB 2.0 obtained USB-IF association certification.
	Dec.	M31 becomes a member of TSMC Silicon Alliance.
2013	May	The M31 BCK USB 3.0 PHY certified by the USB-IF Association.
	Sep.	M31 Announces MIPI M-PHY Passes TSMC IP Validation Center Program.
	Oct.	M31 Technology Corporation announces acquisition of ISO9001:2008 certification ensuring IP quality.
	Dec.	GUC and M31 Technology Bundle USB 3.0 Peripheral Device Controller and PHY IP.
2014	Jan.	M31 Presented 2013 Emerging IP Provider Award by TSMC.
	Feb.	M31 Technology USA, INC. subsidiary established.
	Feb.	M31 Technology Announces its USB 3.0 PHY Completed TSMC IP Validation.
	Apr.	M31 high density and low power IP solutions on TSMC 55nm embedded flash technology.
	Apr.	M31 participated in TSMC's 2014 North American Technology Conference to demonstrate "Art & Science" innovative silicon solutions.
	Jun.	Aviacomm adopts M31 MIPI M-PHY IP for 4G-LTE RF transceiver solutions for mobile devices.

<u>Year</u>	<u>Month</u>	<u>Milestones</u>
2014	Jun.	M31 and Andes Technology have worked together to create CPU-optimized solutions.
	Jul.	Innovative Logic Inc. and M31 Technology Introduce a USB-IF Certified Complete SuperSpeed USB 3.0 IP Solution.
	Jul.	M31 was selected by EE Times as one of the "World's 60 Most Noteworthy Start-ups".
	Sep.	M31 received the "Best Innovative IP Vendor" award from SMIC.
2015	Jan.	PLDA and M31 Techology Combine PCIe 3.0 Controller and PHY for a Complete, Reliable ASIC Design Solution.
	Jan.	Mobiveil, Inc. and M31 Technology Announce A Compliant PCI Express® PHY and Controller Solution.
	Jan.	M31 Receives “Customers’ Choice Award” from TSMC OIP Forum 2014.
	Feb.	M31 Adopts Cadence Verification IP to Achieve 2.5X Faster Verification.
	Mar.	Offers Low-Voltage and Low-Power Physical IP Solutions for TSMC 55ULP Technology Targeting IoT Applications.
	May	Announces Partnership with AST Aiming for Israel’s Semiconductor Industry.
	May	M31 Technology Announces Low-power Focused Collaboration with Imagination Technologies.
	Sep.	With Ultimate Craftsmanship, M31 Develops IP Solutions for IoT.
	Sep.	Innovative Aesthetics of Art and Science, M31 Technology Displays the “Roaming in the Cloud” IPs.
	Dec.	SMIC and M31 introduce differentiated IP solutions for Various Storage Controller Applications.
2016	Jan.	Innovative Logic Inc. and M31 Technology Introduce a USB-IF Certified Complete SuperSpeed USB 3.0/2.0 Dual Role IP Solution.
	Mar.	M31 Technology Announces Its Release of TSMC’s 28HPC+ ULL SRAM Compilers for the Intelligent Device Market.
	May	M31 Technology Develops a Complete Set of New-Generation High-Performance USB IP solutions.
	Jun.	PLDA and M31 Announce a compliant PCI Express® 3.0 Solution Including PLDA’s XpressRICH3 PCIe Controller and M31’s PHY IP for the TSMC 28HPC+ Process Node at 8 GT/s.
	Sep.	Cash capital increased by NT\$18,400 thousand and paid-in capital increased to NT\$248,400 thousand.
	Sep.	M31 Technology Develops Complete MIPI PHY Solution Targeting Mobile Device Market.

<u>Year</u>	<u>Month</u>	<u>Milestones</u>
2016	Oct.	M31 Receives TSMC's 2016 Partner of the Year Award for Specialty Technology IP.
2017	Jan.	The employee stock options converted into shares of NT\$37,210 thousand and the paid-in capital increased to NT\$285,610 thousand.
	Mar.	M31 Deploys a Full Range of IP for TSMC 16nm FFC Process.
	Jun.	The employee stock options converted into shares of NT\$790 thousand and the paid-in capital increased to NT\$286,400 thousand.
	Jun.	M31 approved the shares for public offering.
	Sep.	M31 approved to list on the emerging stock market.
	Oct.	M31 Technology and Corigine have launched the world's first USB-IF certified 28 nm Superspeed+ USB 3.1 Gen 2 IP Solution.
	Nov.	M31 Technology's "Optimization Design Flow for High-speed SoC Circuits" Won the Innovation Technology Award from Small Business Innovation Research (SBIR) Development Program of Ministry of Economic Affairs.
2018	Feb.	M31 and Innovative Logic USB 3.1 Gen 2 IP got Certification from USB-IF.
	Mar.	M31 and Macroblock work together to deploy the global LED driver IC market.
	Apr.	M31 Deploys the Full Range of IP for TSMC 22nm ULP/ULL Process.
	Jun.	M31 Receives ISO 26262 Development Process Certification and Enters Advanced Automotive Electronics Market.
	Sep.	M31 MIPI M-PHY is certified with ASIL-B safety level of ISO 26262 to provide safe and reliable automotive SoC design.
	Oct.	M31 diversified TSMC 28HPC+ ULL Memory Compilers empower more flexible SoC design architecture.
	Oct.	M31 receives TSMC's 2018 Partner of the Year Award for Specialty Process IP.
	Nov.	M31 AIoE leads IPs into the new era of deep intelligence applications.
2019	Jan.	M31 approved to be listed on the stock exchange.
	Feb.	Cash capital increased by NT\$26,780 thousand and paid-in capital increased to NT\$313,180 thousand.
	Apr.	M31 develops SRAM compilers on TSMC's 28nm embedded Flash process providing High Performance and Low Power solutions.
	May	Efinix® and M31 partner to address demand for emerging AI Edge computing requirements.
	Jun.	ASPEED adopts M31 Technology MIPI D-PHY IP to provide global 360-degree imaging SoC solution.

<u>Year</u>	<u>Month</u>	<u>Milestones</u>
2019	Sep.	InnoGrit adopts M31's PCIe 4.0/3.0 and ONFI 4.1 I/O for AI Storage chips.
	Sep.	M31 Develops Optimized IP Solutions on Multiple TSMC Specialty Processes.
	Oct.	M31 Won TSMC's 2019 Partner of the Year Award for Specialty Process IP.
	Oct.	M31 Memory Compiler and GPIO are certified with ASIL-D safety level of ISO 26262.
	Dec.	All M31 Automotive IP Products Received ISO 26262 Certifications.
	Dec.	M31 Hsiao-Ping Lin, Chairman and CEO, won the "Manager Excellence Award" award.
2020	Jan.	M31 Wins Customers' Choice Award at TSMC Open Innovation Platform® (OIP) Ecosystem Forum.
	Jul.	M31 Completes the Comprehensive Physical IP Platform on TSMC 22nm Process.
	Oct.	M31 receives 2020 TSMC OIP Partner of the Year Award for Specialty Process IP.
2021	Jan.	M31 launches IP integration services.
	Jan.	The M31 IP is introduced into TSMC's high voltage process at 28nm.
	Jan.	The M31 develops PCIe 5.0 PHY IP and ONFI 5.0 I/O IPs.
	Jan.	The new CEO of M31 is succeeded by executive VP, Yuan-Hsun Chang.
	Feb.	M31 provides TSMC's 7nm/12nm MIPI C/D-combo PHY IP solutions.
	Mar.	M31 completes the USB3.2 Gen2x2 PHY IP with silicon-proven.
	Mar.	M31 is awarded the Financial Times (FT) "Top 500 Asia-Pacific High-growth Companies in 2021."
	Apr.	M31 develops TSMC's 5nm/7nm eUSB physical layer IP.
	Jun.	M31 deploys a new generation of USB4.0 PHY IP solution.
	Jun.	M31 builds a full range of Foundation IP for TSMC's new 55nm BCD process technology platform.
	Jul.	M31 layout USB PHY full series IP ISO-26262 security certification.
	Aug.	M31 has developed the Memory IP of TSMC's 28nm HV process technology platform.
	Sep.	M31 completes silicon verification (silicon-proven) of 22nm MIPI C/D-PHY IP.
	Oct.	M31 has developed TSMC's 5nm eUSB2 IP.
	Oct.	M31 employee restricted shares increased the capital by NT\$2,880,000 and the paid-in capital increased to NT\$316,060,000.
Oct.	M31 builds the Global Foundry 28nm HV process technology Foundation IP.	

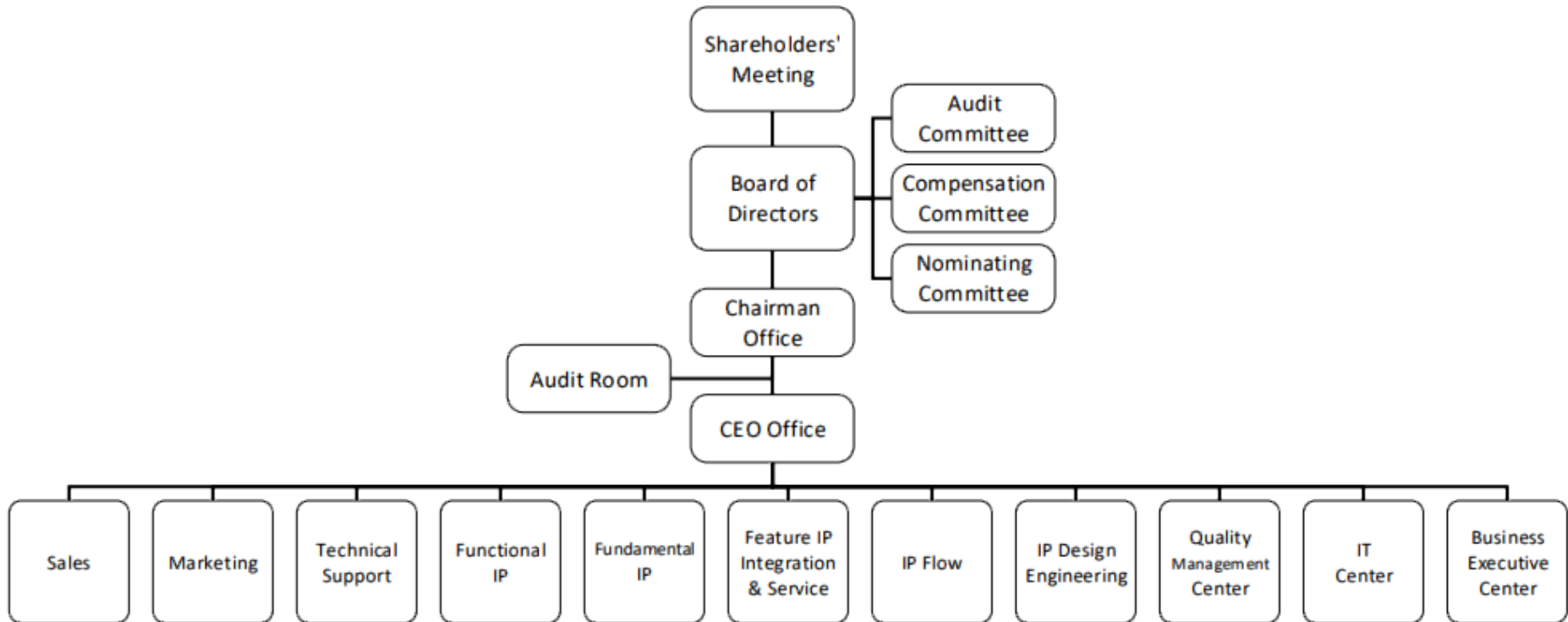
<u>Year</u>	<u>Month</u>	<u>Milestones</u>	
2021	Oct.	M31 builds a full range of Foundation IP for HHGrace 55nm eFlash process technology.	
	Oct.	M31 builds a full range of fundamental IP for TSMC's 90nm BCD process technology platform.	
	Oct.	M31 develops TSMC's 12nm FFC process technology platform Cache Memory IP	
	Oct.	M31 Receives 2021 TSMC "OIP Partner of the Year" Award	
	Nov.	M31 has completed 7nm USB3.2gen2 PHY IP, PCIe3.0 PHY IP, and 10G Serdes IP with silicon-proven.	
	Nov.	M31 has developed TSMC's 12nm FFC process technology platform ONFI 5.0 I/O IP and GPIO with Fail-Safe mode.	
	Nov.	M31 deploys an optimized design kit for the core implementation of the Arm AI processor with a 22nm process.	
	Dec.	M31 has completed the development of the PCIe3.0 x4 IP and 12-bit ADC IP of the Samsung 14nm LPP process.	
	Dec.	M31 Technology Launches Optimized Design Kit for Arm® AI Processor Hardcore Implementation	
	2022	Feb.	M31 joins Intel's Foundry Services Accelerator Alliance to strengthen industry-leading IP solutions for SoC design.
		Mar.	M31 adopts Cadence cloud-based characterization solution to accelerate time-to-market by 5 times.
		Mar.	M31 has completed development of the 12FinFet Arm® Ethos™-U55 core processor.
Apr.		M31 has completed the development of 7nm MIPI CD-PHY TX/RX physical layer IP.	
Jun.		M31 has completed the ultra-low power 12nm PCIe5.0 high-speed interface IP with silicon-proven.	
Jun.		M31 ranked top 5% of the 8th Corporate Governance Evaluation.	
Jun.		M31 has completed the integration of 12nm USB/MIPI PHY+ controller subsystem.	
Jul.		M31 Taipei office is officially opened.	
Aug.		M31 USB PHY IP has obtained ISO 26262 ASIL B Ready certification from SGS-TÜV, a German certification authority.	
Sep.		M31 has completed the development of 3nm process eUSB2 IP.	
Oct.		M31 Receives 2022 TSMC "OIP Partner of the Year" Award	
Dec.		M31 has completed the development of 22nm ISP SoC IC implementation.	
Dec.	M31 has completed the development of 7nm SP Static Random Access Memory IP.		
Dec.	M31 has completed the development of 6/7nm ONFI V5.1 I/O IP.		

<u>Year</u>	<u>Month</u>	<u>Milestones</u>
2023	Feb.	M31 joins the “2023 TALENT, in Taiwan, Taiwan Talent Sustainability Action Alliance.”
	Apr.	M31 has completed the development of 5nm MIPI CD-PHY.
	May	M31 has completed the development of the N5P process ONFI-V5.2.
	Jun.	M31 has awarded the top 5% in the 9th Corporate Governance Evaluation.
	Aug.	M31 has completed the development of the N3E process eUSB2 IP.
	Aug.	M31 has recognized by Forbes Magazine as one of Asia's Top 200 Small and Medium-sized listed companies for 2023
	Aug.	M31 has completed the integration of the 12nm MIPI CDPHY-RX PHY+ controller subsystem.
	Sep.	M31 has completed the integration of the 12nm PCIe 4.0 PHY + controller subsystem.
	Sep.	M31's MIPI C/D PHY has obtained the ISO 26262 ASIL B Ready certification by the German certification body SGS-TÜV.
	Sep.	M31 received the 2023 TSMC "OIP Partner of the Year" award.
	Oct.	M31's Bangalore R&D Design Center in India has been officially established.
	Oct.	M31 has completed the integration of the 6nm USB 3.2 PHY+ controller subsystem.
	Oct.	M31 has completed the development of a 5nm USB4 PHY.
	Dec.	M31 has completed the development of N12e process Low-VDD Memory IP.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
Chairman Office	<ul style="list-style-type: none"> ■ To set the Group's business objectives and strategies. ■ Appoint key managers and supervise the development of each business.
Audit Office	<ul style="list-style-type: none"> ■ Establish and revise the internal control system. ■ Plan and execute the audit of internal control and follow up the improvement.
CEO Office	<ul style="list-style-type: none"> ■ Responsible for the planning, formulation, and supervision of the implementation of the Company's medium and long-term strategies, annual policies, and operational objectives. ■ Promote and supervise total quality management. ■ Control and management of operational risks.
Sales	<ul style="list-style-type: none"> ■ Preparation of business plan. ■ Business promotion and sales. ■ Establish and maintain customers' relationship. ■ Supervise the regular collection of accounts receivable; handle customer discounts, returns and customer complaints.
Marketing	<ul style="list-style-type: none"> ■ External relations such as media public relations (press releases, interview arrangements, advertising planning). ■ Responsible for industrial relations matters (company and product promotion design, trade show and product launch conference planning, external website planning). ■ Responsible for joint marketing activities with strategic partners.
Technical Support	<ul style="list-style-type: none"> ■ Provide technical services and support to customers. ■ Responsible for providing specifications and recommendations on technical parts of contracts. ■ Responsible for handling all customers' problems and tracking the timeliness and results. ■ Gather information about customers' mass production schedule and output.
Functional IP	<ul style="list-style-type: none"> ■ Develop annual product development plans for analog design and digital design, implement, review and track. ■ Formulation, revision and control of product standards and specifications. ■ Research, implementation and preparation of intellectual property/patents.
Fundamental IP	<ul style="list-style-type: none"> ■ Develop annual product development plans for memory and standard library design, implement, review and track. ■ Formulation, revision and control of product standards and specifications. ■ Research, implementation and preparation of intellectual property/patents.

Department	Functions
IP Flow	<ul style="list-style-type: none"> ■ Develop integrated service platform. ■ Collaborative development and support services for both Fundamental and Functional IP. ■ Integrated development and delivery of customer products.
Feature IP Integration & Service	<ul style="list-style-type: none"> ■ Design platform development and processor hardcore development as well as delivery and setup services. ■ Function IP and Controller setup and integration services.
IP Design Engineering	<ul style="list-style-type: none"> ■ Circuit design and layout design environment creation, development and support. ■ Maintenance of design data files and development of practical verification process. ■ ESD and PAD Ring verification and validation, SI/PI/EMI analysis and services, cell characterization and SPICE Model analysis services.
Quality Management Center	<ul style="list-style-type: none"> ■ To maintain the effective operation and continuous improvement of the quality management system in accordance with ISO international quality standards. ■ Manage all kinds of documents and contracts in accordance with company standards.
IT Center	<ul style="list-style-type: none"> ■ Planning, development and maintenance management of information system software and hardware.
Business Executive Center	<ul style="list-style-type: none"> ■ Contract preparation and review, IP management, legal counseling and legal matters handling ■ Execution of transaction contracts, including revenue management, accounts receivable collection, royalty management, etc. ■ Preparation and analysis of all accounting transactions and financial statements. ■ Manage the preparation and execution of annual budget. ■ Management of stock operations, arrangement and execution of stock transactions. ■ Control of financial funds. ■ Prepare and analyze the effectiveness of long and short-term investments. ■ Responsible for human resources strategy planning and implementation of policies for talent selection, employment, training and retention. ■ Planning and execution of administrative system and other related matters as assigned.

3.2 Directors, Supervisors, President, Vice President and Management Team

3.2.1 Directors and Supervisors

(1) Directors and Supervisors

3/31/2024 Unit: shares; %

Title	Nationality/ Place of Incorporation	Name	Gender / Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note		
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Shares	(%)	Title		Name	Relation
Chairman	R.O.C.	Huey-Ling Chen	Female / 61 to 65	5/24/2023	3 Years	8/5/2021	6,762,000	21.33	7,438,762	21.34	-	-	1,816,110	5.21	- Ph.D. in Information Engineering, Tsinghua University - M.S. in Computer Science, University of California, USA - B.S. in Information Engineering, National Taiwan University - Senior Soft Engineer, Cadence - Associate Professor, Minghsin University	- Chairman, Sirius Venture Ltd. - Chairman, Jui-Chun Investment Company Ltd.	-	-	-	-		
Director	R.O.C.	Yuan-Hsun Chang	Male / 41 to 45	5/24/2023	3 Years	5/18/2015	187,000	0.59	185,601	0.53	-	-	-	-	- M.S. in Electronic Engineering, National Chiao Tung University - B.S. in Electronic Engineering, National Chiao Tung University - R&D Manager, Faraday Technology Corporation	- CEO, M31 Technology Corporation - Chairman, M31 Technology USA, Inc. - Chairman, M31 Technology (Shanghai), Inc. - Chairman, M31 Technologies India Private Limited	-	-	-	-		
Director	R.O.C.	Li-Kuo Liu	Male / 56 to 60	5/24/2023	3 Years	6/28/2016	-	-	-	-	-	-	-	-	- M.S. in Electrical Engineering, State University of New York at Stony Brook, USA. - B.S. in Electrical Engineering, National Cheng Kung University - R&D VP, Faraday Technology Corporation	- Chairman/President, JMicon Technology Corp. - Chairman, JMicon International (SAMOA) Ltd. - Chairman, KaiKutech Inc. - Independent Director, C-Media Electronics Inc.	-	-	-	-		

Title	Nationality/ Place of Incorporation	Name	G e n d e r / A g e	Date Elected	T e r m	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			N o t e
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
Director	R.O.C.	Chun-Hao Lai	M a l e / 61 to 65	5/24/ 2023	3 Y e a r s	5/25/ 2023	-	-	-	-	-	-	-	-	- M.S. in Electrical Engineering, University of California, Santa Barbara, USA - B.S. in Electrical Engineering, National Taiwan University - President, Global Unichip Corp.	- Director, Giga Solution Tech. Co., Ltd. - Legal Representative, Ardentec Tech. - Chairman, Skymizer Taiwan Inc. - Independent Director, Silicon Optronics, Inc. - Independent Director, Andes Technology - Independent Director, TrueLight - Independent Director, FocalTech	-	-	-	-
Independent Director	R.O.C.	Jun- Ji Lin	M a l e / 61 to 65	5/24/ 2023	3 Y e a r s	8/18/ 2017	-	-	-	-	-	-	-	-	- M.S., in Chemistry, Tsinghua University - EMBA, National Taiwan University - B.S., in Chemistry, National Cheng Kung University - Executive VP, GUC - President, Xintec - President, VisEra Technology Ltd. - Senior Director, TSMC - Director, SG Biomedical - Director, PentaPro Materials	- Chairman, TEMIC - Chairman, Chi Chi Investment Co. - Director, Taiflex Scientific Co., Ltd. - Director, Stek co., Ltd. - Director, Shui Mu Investment Co., Ltd. - Director, TEN Incubation Corporation - Independent Director, Silicon Optronics Inc.	-	-	-	-
Independent Director	R.O.C.	Shih- Ying Huang	F e m a l e / 46 to 50	5/24/ 2023	3 Y e a r s	11/13/ 2018	-	-	-	-	-	-	-	-	- Ph.D. in Financial Management, School of Management, JINAN University, China - M.A. in Law, National Chengchi University - M.S., in Accounting, Chinese Culture University - B.S., in Accounting, Chinese Culture University - CPA, Partner, Diwan & Company - Independent Director, Uni Pharma Co., Ltd.	- CPA, Partner, Zhixin Co., CPAs - Independent Director, Alliance Material Co., Ltd. - Independent Director, Creative Sensor Inc.	-	-	-	-

Title	Nationality/ Place of Incorporation	Name	G e n d e r / A g e	Date Elected	T e r m	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			N o t e
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
Independent Director	R.O.C.	Cheng- Wen Wu	M a l e / 61 to 65	5/24/ 2023	3 Y e a r s	5/24/ 2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Major shareholders of the institutional shareholders : None.

(2) Disclosure of Professional Information of Directors and Supervisors and Independence of Independent Directors

Criteria Name	Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Huey-Ling Chen	Ms. Huey-Ling Chen holds a Ph.D. in Information Technology from Tsinghua University and worked as a senior software engineer at Cadence and taught at Minghsin University as an Associate Professor. She possesses professional knowledge in technology, finance, and business management.	Except for being the majority shareholder of the Company and the chairman of a subsidiary, there is no concern regarding any independence condition.	0
Yuan-Hsun Chang	Mr. Yuan-Hsun Chang holds a Master's degree in Electrical Engineering from National Chiao Tung University and was formerly the R&D manager at Faraday. He was the Vice President of R&D department when the Company was founded and later became the head of the business department to manage the sales and customer related operations. Currently, He serves as the President of the Company and possess professional knowledge in the industry and business management.	Except for being the President of the Company and the Chairman of three subsidiaries, there is no concern regarding any independence condition.	0
Li-Kuo Liu	Mr. Li-Kuo Liu holds a Master's degree in Electrical Engineering from the State University of New York. He was formerly the Vice President of R&D at Faraday and is currently the Chairman and President of JMicon and Chairman of KaiKutech Inc. He has extensive professional and management experience in the industry.	Before and after his election, Mr. Liu had no employment or personal relationship with the Company and does not hold any shares of the Company.	1
Chun-Hao Lai	Mr. Chun-Hao Lai holds a Master's degree in Electrical Engineering from the University of California, and was formerly the president of Global Unichip Corp. Currently, he is the chairman of Skymizer Taiwan and serves as an independent director of a number of companies. He has a professional background, management experience, and highly respected in the semiconductor industry.	Before and after his election, Mr. Liu had no employment or personal relationship with the Company and does not hold any shares of the Company.	4
Jun-Ji Lin	Mr. Jun-Ji Lin holds an M.S. in Applied Chemistry from Tsinghua University and an EMBA from the School of Management, National Taiwan University. He was formerly the Senior Director of TSMC, Executive Vice President of GUC, CEO of Xintec, CEO of VisEra Technology, and as a director or independent director of several companies. He is highly respected in the semiconductor industry.	Meets the independence criterias stipulated in Article 3, Paragraphs 1 to 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and does not hold any shares of the Company.	1

Criteria Name	Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Shih-Ying Huang	Ms. Shih-Ying Huang holds a Ph.D. in financial management from Jinan University, a master's degree in law from National Chengchi University and a master's degree in accounting from Chinese Culture University. She was formerly the CPA partner of Diwan & Company, and is currently the CPA partner of ZHIXIN CO., and is also an independent director of AMC and Creative Sensor Inc. She possesses professional knowledge in finance and law.	Meets the independence criterias stipulated in Article 3, Paragraphs 1 to 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and does not hold any shares of the Company.	2
Cheng-Wen Wu	Mr. Cheng-Wen Wu holds a Ph.D. and a M.S. in Electrical and Computer Engineering from the University of California, and has served as Vice Principal of Tsinghua University and National Cheng Kung University. Mr. Cheng-Wen Wu is currently the Principal of Southern Taiwan University of Science and Technology, and serves as the Senior Vice President and Chief Technology officer of the Industrial Technology Research Institute (ITRI), and is an independent director of Macronix and Global Unichip Corp. He is highly respected in both academia and the industrial sector.	Meets the independence criterias stipulated in Article 3, Paragraphs 1 to 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and does not hold any shares of the Company.	2

(3) Diversity and Independence of the Board of Directors

(3.1) Board Diversity: The "Corporate Governance Practice Principles" stipulates that the diversity of board composition should be taken into account. In addition to the fact that the number of directors who are also managers of the Company should not exceed one-third of the total number of directors, appropriate diversity guidelines should be formulated with respect to the Company's operation, business model and development needs, which should include but not limited to the following two major criteria:

(3.1.1) Basic criteria and values: gender, age, nationality and culture, etc.

(3.1.2) Expertise and skills: Professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

Board members should generally possess the knowledge, skills and qualities necessary to carry out their duties. In order to achieve the desired objectives of corporate governance, the Board as a whole should possess the following competencies:

- A. Business judgment skills
- B. Accounting and financial analysis skills
- C. Business management skills

- D. Risk management skills
- E. Industry knowledge
- F. International market perspective
- G. Leadership skills
- H. Decision-making ability

The Company's 7 board members have professional backgrounds including 5 in the industry, 1 in academia and 1 in accounting, with expertise in management, leadership, industry knowledge, academia and finance. Among them, 14.29% are employees and 42.86% are independent directors. The Company places emphasis on the gender distribution of its board members, with a target of at least one female director, of which there are currently 2 female directors, accounting for 28.57%. In terms of age distribution, the target for young and young adult directors is to have at least one or more seats, and currently the Company has 2 young adult directors, accounting for 28.57%, as summarized in the table below:

Diversified Core Items		Composition						Professional Background				Industry Experience and Competence				
Title	Name	Nationality	Gender	Employee	Age		Independent Directors Tenure		Technoogy	Management	Accounting/ Legal	Academics	Accounting/ Finance	Leadership/ Decision Making	IT/ Industry Knowledge	Operations/ Risk Management
					Below 50	Above 50	≤ 3 Terms	> 3 Terms								
Chairman	Huey-Ling Chen	R.O.C.	Female			V			V	V		V	V	V	V	V
Director	Yuan-Hsun Chang	R.O.C.	Male	V	V				V	V		V	V	V	V	V
Director	Li-Kuo Liu	R.O.C.	Male			V			V	V		V	V	V	V	V
Director	Chun-Hao Lai	R.O.C.	Male			V			V	V		V	V	V	V	V
Independent Director	Jun-Ji Lin	R.O.C.	Male			V	V		V	V	V	V	V	V	V	V
Independent Director	Shih-Ying Huang	R.O.C.	Female		V		V			V	V	V	V	V	V	V
Independent Director	Cheng-Wen Wu	R.O.C.	Male			V	V		V	V		V	V	V	V	V

(3.2) Board Independence: The Board of Directors of the Company consists of 7 members, of which 3 are independent directors accounting for 42.86% of the Board of Directors, and none of the directors are related to each other as spouses or relatives within the second degree of kinship. Only the Chairman, Huey-Ling Chen, and the Director/ President, Yuan-Hsun Chang, hold shares of the Company and are also in charge of the subsidiaries. None of the other directors is a manager or holds shares of the Company and did not have any business dealings with the Company prior to their appointment as directors of the Company, therefore, the Board of Directors of the Company is independent.

3.2.2 President, Vice President and Management Team

3/31/2024 Unit: Shares; %

Title	Nationality	Name	Gender	Inauguration Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Yuan-Hsun Chang	Male	1/1/2021	185,601	0.53	-	-	-	-	- M.S. in Electronic Engineering, National Chiao Tung University - B.S. in Electronic Engineering, National Chiao Tung University - R&D Manager, Faraday Technology Corporation	- Chairman M31 Technology USA, INC. - Chairman, M31 Technology (Shanghai), Inc.M31 Technologies - Chairman, India Private Limited	-	-	-	-
Vice President of Fundamental IP	R.O.C.	Patrick Lien	Male	02/11/2019	22,102	0.06	-	-	-	-	- Ph.D., in Telecommunications Engineering, National Chiao Tung University - B.S., in Electronic Physics, National Chiao Tung University - Senior Engineer, Faraday Technology - R&D Engineer, UMC - Product Engineer, TSMC	- Director/President, M31 Technologies India Private Limited	-	-	-	-
Vice President of Functional IP	R.O.C.	Jerome Hung	Male	03/01/2023	1,000	0.00	-	-	-	-	- M.S. in Electrical Engineering, National Taiwan University - B.S. in Electrical Engineering, National Taiwan University - Head of Business Unit, M31 Technology Corporation - R&D Manager, MediaTek Inc. - R&D Engineer, Realtek Semiconductor Corp.	None	-	-	-	-
Vice President of Sales	R.O.C.	Gavin Ge	Male	03/01/2023	2,510	0.00	-	-	-	-	- B.S. in Electronic Engineering, Fu Jen Catholic University - Director of Asian and European Sales Division, M31 Technology Corporation - Head of Asia-Europe Sales Division, Faraday Technology Corporation - Deputy Technical Manager, Huikei Enterprise Co., Ltd.	- Supervisor, M31 Technology (Shanghai), Inc.	-	-	-	-

Title	Nationality	Name	Gender	Inauguration Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Associate Vice President of Functional IP	R.O.C.	Danny Huang	Male	12/21/2023	50,600	0.14	-	-	-	-	- M.S. in Electrical Engineering and Control, National Yang Ming Chiao Tung University - B.S. in Electronics Engineering, National Taipei University of Technology - Director, M31 Technology Corp. - R&D Engineer, Faraday Technology	None	-	-	-	-
Vice President of Business Executive Center and Corporate Governance Officer	R.O.C.	Grace Liu	Female	1/1/2021	18,400	0.05	-	-	-	-	- Master of Laws, University of Minnesota, USA - Bachelor of Law, Chung Hsing University - Chief Legal Officer, M31 TECHNOLOGY, INC. - Deputy Director, IROC CO., LTD - Deputy Director, Faraday Technology - Chief Legal Office/ Special Assistant to President, Advantest Taiwan Inc.	- Director, M31 Technology USA, INC.	-	-	-	-
Finance Manager	R.O.C.	Sally Lo	Female	03/04/2019	-	-	-	-	-	-	- B.S. in Accounting, National Cheng Kung University - Finance Manager, Incentia Design Systems Corp. - Manager, Vtron - Accounting Lead, Mustek System Inc. - Deputy Manager, Deloitte & Touche	None	-	-	-	-

3.2.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

(1) Remuneration of Directors

12/31/2023 Unit : NT\$ thousands ; %

Title	Name	Remuneration								Amount and Ratio of Total Remuneration (A+B+C+D) to Net Income (NT\$ thousand / %)		Relevant Remuneration Received by Directors Who are Also Employees						Amount and Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (NT\$ thousand / %)		Remuneration Paid to Directors from Non-consolidated Affiliates or Parent Company		
		Base Compensation (A)		Severance Pay(B)		Directors Compensation (C) (Note 1)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation(G)						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
Chairman	Huey-Ling Chen	4,009	4,009	-	-	800	800	14	14	4,823	4,823	-	-	-	-	-	-	-	-	4,823	4,823	-
Director	Yuan-Hsun Chang	-	-	-	-	800	800	14	14	814	814	6,886	6,886	108	108	-	-	-	-	7,808	7,808	-
Director	Li-Kuo Liu	-	-	-	-	800	800	10	10	810	810	-	-	-	-	-	-	-	-	810	810	-
Director	Chun-Hao Lai (Note 2)	-	-	-	-	487	487	6	6	493	493	-	-	-	-	-	-	-	-	493	493	-
Director	Tsung-Hsi Ko (Note2)	-	-	-	-	313	313	4	4	317	317	-	-	-	-	-	-	-	-	317	317	-
Independent Director	Jun-Ji Lin	-	-	-	-	800	800	8	8	808	808	-	-	-	-	-	-	-	-	808	808	-
Independent Director	Shih-Ying Huang	-	-	-	-	800	800	12	12	812	812	-	-	-	-	-	-	-	-	812	812	-
Independent Director	Cheng-Wen Wu (Note 2)	-	-	-	-	487	487	2	2	489	489	-	-	-	-	-	-	-	-	489	489	-
Independent Director	Ching-Te Chuang (Note 2)	-	-	-	-	313	313	-	-	313	313	-	-	-	-	-	-	-	-	313	313	-

- Please describe the policy, system, standards and structure for the remuneration of independent directors, and the relevance to the amount of remuneration based on the responsibilities, risks, and time commitment: The remuneration of independent directors shall be set at no more than 1.5% of the Company's profits in accordance with Article 23 of the Company's Articles of Incorporation. If the Company makes a profit in its annual accounts, the remuneration of the Company's directors shall be approved by the Board of Directors after consideration by the Remuneration Committee based on the results of the Company's operations and the evaluation of individual directors.

2. In addition to the above table, the remuneration received by the Company's directors for services rendered to all companies in the financial statements (e.g., serving as consultants to non-employees) in the most recent year: None.

Note 1: This column represents the remuneration of directors approved by the Board of Directors on February 27, 2024.

Note 2: Director Chun-Hao Lai and Independent Director Cheng-WenWu were newly elected on May 24, 2023; Director Tsung-Hsi Ko and Independent Director Ching-Te Chuang stepped down from office on May 24, 2023.

Directors' Remuneration Range Table

Remuneration Range	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements (H)	The Company	Companies in the consolidated financial statements (I)
Under NT1,000,000	Yuan-Hsun Chang, Li-Kuo Liu, Jun-Ji Lin, Shih-Ying Huang, Chun-Hao Lai, Cheng-Wen Wu, Tsung-Hsi Ko, Ching-Te Chuang	Yuan-Hsun Chang, Li-Kuo Liu, Jun-Ji Lin, Shih-Ying Huang, Chun-Hao Lai, Cheng-Wen Wu, Tsung-Hsi Ko, Ching-Te Chuang	Li-Kuo Liu, Jun-Ji Lin, Shih-Ying Huang, Chun-Hao Lai, Cheng-Wen Wu, Tsung-Hsi Ko, Ching-Te Chuang	Li-Kuo Liu, Jun-Ji Lin, Shih-Ying Huang, Chun-Hao Lai, Cheng-Wen Wu, Tsung-Hsi Ko, Ching-Te Chuang
NT\$1,000,000–NT\$1,999,999	-	-	-	-
NT\$2,000,000–NT\$3,499,999	-	-	-	-
NT\$3,500,000–NT\$4,999,999	Huey-Ling Chen	Huey-Ling Chen	Huey-Ling Chen	Huey-Ling Chen
NT\$5,000,000–NT\$9,999,999	-	-	Yuan-Hsun Chang	Yuan-Hsun Chang
NT\$10,000,000–NT\$14,999,999	-	-	-	-
NT\$15,000,000–NT\$29,999,999	-	-	-	-
NT\$30,000,000–NT\$49,999,999	-	-	-	-
NT\$50,000,000–NT\$99,999,999	-	-	-	-
NT\$100,000,000 or above	-	-	-	-
Total	9 People	9 People	9 People	9 People

Note : The information is dated December 31, 2023.

(2) Remuneration of Supervisors : N/A.

(3) Remuneration of the President and Vice Presidents

12/31/2023 Unit : NT\$ thousands ; %

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Remuneration Paid to the President and Vice Presidents From Non-consolidated Affiliates or Parent Company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated Financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Yuan-Hsun Chang	16,440	16,440	648	648	15,639	15,639	-	-	-	-	7.52	7.52	-
Vice President of Fundamental IP	Patrick Lien													
Vice President of Functional IP	Jerome Hung (Note)													
Vice President of Sales	Gavin Ge (Note)													
Associate Vice President of Functional IP	Danny Huang (Note)													
Vice President of Business Executive Center and Corporate Governance Officer	Grace Liu													

Note : Vice President Jerome Hung and Gavin Ge were newly appointed on March 1, 2023; Associate Vice President Danny Huang was newly appointed on December 21, 2023.

President and Vice Presidents Remuneration Range Table

Remuneration Range	Name of President and Vice Presidents	
	The Company	Companies in the Consolidated Financial Statements (E)
Under NT\$1,000,000	-	-
NT\$1,000,000–NT\$1,999,999	-	-
NT\$2,000,000–NT\$3,499,999	-	-
NT\$3,500,000–NT\$4,999,999	Gavin Ge	Gavin Ge
NT\$5,000,000–NT\$9,999,999	Yuan-Hsun Chang, Patrick Lien, Grace Liu, Jerome Hung, Danny Huang	Yuan-Hsun Chang, Patrick Lien, Grace Liu, Jerome Hung, Danny Huang
NT\$10,000,000–NT\$14,999,999	-	-
NT\$15,000,000–NT\$29,999,999	-	-
NT\$30,000,000–NT\$49,999,999	-	-
NT\$50,000,000–NT\$99,999,999	-	-
NT\$ 100,000,000 and above	-	-
Total	6 People	6 People

(4) Employee Compensation to Executive Officers

12/31/2023 Unit : NT\$ thousands

Title		Name	Employee Compensation - in Stock	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Yuan-Hsun Chang	0	0	0	0.00%
	Vice President of Fundamental IP	Patrick Lien				
	Vice President of Functional IP	Jerome Hung				
	Vice President of Sales	Gavin Ge				
	Associate Vice President of Functional IP	Danny Huang				
	Vice President of Business Executive Center and Corporate Governance Officer	Grace Liu				
	Finance Manager	Sally Lo				

Note: The Board of Directors resolved on February 27, 2024 to allocate Directors' Remuneration and Employees' Compensation.

3.2.4 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

- (1) The ratio of total Remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, President and Vice Presidents of the Company, to the net income.

12/31/2023 ; Unit: %

Item \ Year	2022		2023	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	3.44	3.44	3.83	3.83
President, Vice Presidents, and Associate Vice President	3.85	3.85	7.52	7.52

Note 1: The remuneration paid by the Company is the same as the Remuneration paid by all companies in the consolidated financial statements.

Note 2: As the President of the Company is a Director, the Remuneration of Directors includes the Remuneration received by Employees.

- (2) The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

(2.1) Principles of remuneration for directors and supervisors

The remuneration policy of the Company's directors is in accordance with the Company's Articles of Incorporation. The remuneration of the Company's directors is based on their participation in the Company's operations and the value of their contributions, and is determined by the Board of Directors' meeting with reference to industry standards.

The Company's Articles of Incorporation also stipulate that the remuneration of the criteria Company's directors shall be no more than 1.5% of the Company's profit. In the event that the Company makes a profit in its annual accounts, the remuneration of the Company's directors will be based on the results of the Company's operations and individual directors' evaluations, which will be reviewed by the Remuneration Committee and approved by the Board of Directors. In 2023, the results of both the Board of Directors (including the questionnaire for external evaluation) and the directors' self-assessment scored 90% or more, i.e., "exceeded the standard," therefore, the directors' remuneration was distributed in accordance with the profitability of the Company during the period of service, please refer to pages 25 to 26 of this annual report.

The following is a list of the items evaluated by the directors and rated on a 5-level scale

Assessment Items
A. Knowing the Company's goals and missions
Directors have a solid understanding of the Company's core values (mission, vision, culture and other concepts)
B. Awareness of Directors' Duties
Directors are fully aware of the legal obligations of directors
C. Involvement in the operation of the Company
Actual attendance of directors at board meetings (excluding attendance by proxy)
Directors devote sufficient time to board-related matters
Directors contribute effectively at board meetings, such as making specific recommendations on motions, etc.
D. Internal Relationship Management and Communication
The directors and the CPA have had sufficient communication and interactions.
E. Professional and Continuing Education of Directors
The directors have the required expertise to make decisions on the board of directors.

(2.2) Remuneration for President and Vice Presidents (Level)

The appointment, dismissal and compensation of the President and Vice President (including AVP) shall be in accordance with the Company's regulations. The remuneration standards are determined by the human resources department in accordance with the relevant rules of the Company's personnel performance appraisal, individual performance and contribution to the Company's overall

operations, and with reference to market peer group standards, after review by the Remuneration Committee and approval by the Board of Directors.

The performance of the President is evaluated based on the achievement of the Company's overall annual goals, including the achievement of the Company's consolidated revenue, net profit after tax, development of new products and technologies, systematic process management, customer satisfaction, market competitiveness, talent cultivation, stakeholder satisfaction, and participation in sustainable management, etc., calculated based on the weighted average number of shares held.

The performance of Vice Presidents and Associate Vice Presidents is evaluated based on the achievement of their annual goals, including the departmental goal achievement rate, departmental management, establishment of systems, talent development, and participation in implementing company culture and sustainable management, calculated based on the weighted average number of shares held.

In order to implement the concept of sustainable management and achieve the goal of sustainable management, the Company has added the sustainable development indicators as part of the performance objectives for executive managers in 2024, so as to motivate executive managers to achieve the sustainable performance results, and to link with the salary and remuneration policy to achieve the vision of sustainable management.

Incorporate ESG items into executive managers' annual performance evaluations, as follows:

- (1) Target : Executive managers of the Company
- (2) ESG measurement indicators
 - ✓ Green Products and Technologies: R&D of high-efficiency and low-energy-consumption products and technologies, encouragement of innovation and patent applications.
 - ✓ Risk Management: Monitor the Company's risk management systems and processes, strengthen information security management and protection of trade secrets, and convene regular risk management committee meetings.
 - ✓ Climate Adaptation: Monitoring and certification of greenhouse gas emissions, preparing sustainability reports to disclose sustainable development information.
 - ✓ Friendly Workplace: Talent recruitment, development and retention measures, promoting DEI (diversity, equality, and inclusion), and encouraging social participation.
- (3) Evaluation Method: In accordance with the Company's performance evaluation process, executive managers will be rewarded according to their performance on the annual performance evaluation indicators (including ESG measures indicators).

(2.3) Business performance and future risks

The Company's compensation policy is based on the individual's ability, contributions to the Company, accomplishment of goals and performance, and is

positively correlated with the operating performance and is calculated based on the number of weights. In addition, the Company has a certain degree of control over future risks, and the compensation policy has a certain correlation with future risks. The overall compensation package consists of base salary, bonuses and employee compensation. The base salary is evaluated in accordance with the competitive market situation and the Company's policy for the position held by the employee; the bonus and employee compensation are determined in relation to the employee, the achievement of departmental goals and the Company's operating performance.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 7(A) meetings of the Board of Directors were held in 2023. The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Huey-Ling Chen	7	0	100.00%	
Director	Yuan-Hsun Chang	7	0	100.00%	
Director	Li-Kuo Liu	7	0	100.00%	
Director	Chun-Hao Lai	5	0	100.00%	5/24/2023 Newly elected
Director	Tsung-Hsi Ko	2	0	100.00%	5/24/2023 Stepped down
Independent Director	Jun-Ji Lin	6	1	85.71%	
Independent Director	Shih-Ying Huang	7	0	100.00%	
Independent Director	Cheng-Wen Wu	5	0	100.00%	5/24/2023 Newly elected
Independent Director	Ching-Te Chuang	2	0	100.00%	5/24/2023 Stepped down

Other matters to be recorded:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified:
 - (1) Matters listed in Article 14-3 of the Securities and Exchange Act: The Company has established an audit committee and the provisions of Article 14-3 of the Securities and Exchange Act are not applicable. For a description of the matters listed in Article 14-5 of the Securities and Exchange Act, please refer to the operation of the Audit Committee on pages 37 to 39 of this annual report.
 - (2) Other than the preceding matters, other matters resolved by the Board of Directors with the objection or reservation of the independent directors having records or written statements: None

2. Any recusal of Directors due to conflicts of interests shall include the name of the director, the content of the motion, the reason for the recusal and the participation in the vote:

Board Meeting Date (Term)	Content of Proposal and Subsequent Handling
Feb. 23, 2023 The 17 th Session of the 4 th Term	<p>1. Distribution of director remuneration and employee compensation for 2022</p> <p>2. Nomination of candidates for directors (including independent directors)</p> <p>3. Release of the non-competition restrictions for newly elected directors</p> <p>4. Review of managerial officers' remuneration for 2023</p> <p>5. Review of independent directors' remuneration for 2023</p> <p>Resolution:</p> <p>1: Each director, due to his or her own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. This proposal was approved by other attending directors without any objection.</p> <p>2&3: Chairman Huey-Ling Chen, Directors Yuan-Hsun Chang and Li-Kuo Liu, Independent Director Jun-Ji Lin and Shih-Ying Huang, due to their own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. This proposal was approved by other attending directors without any objection.</p> <p>4: Chairman Huey-Ling Chen, Directors Yuan-Hsun Chang, Tsung-Hsi Ko and Li-Kuo Liu, due to their own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. After the acting chairperson, Independent Director Jun-Ji Lin, in consultation with the other attending independent directors, this proposal was approved without any objections.</p> <p>5: Independent Director Jun-Ji Lin, Ching-Te Chuang and Shih-Ying Huang, due to their own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. After the chairperson in consultation with the other attending directors, this proposal was approved without any objections.</p>
Dec. 21, 2023 The 5 th Session of the 5 th Term	<p>1. Review the year-end bonus of managerial officers for 2023.</p> <p>Resolution: Chairman Huey-Ling Chen, Directors Yuan-Hsun Chang, due to their own conflicts of interest, recused themselves from discussion and voting. After the acting chairperson, Independent Director Cheng-Wen Wu, in consultation with the other attending directors, this proposal was approved without any objections</p>
Feb. 27, 2024 The 6 th Session of the 5 th Term	<p>1. Distribution of director remuneration and employee compensation for 2023</p> <p>2. Review the remuneration of directors and independent directors for 2022</p> <p>3. Review the remuneration of managerial officers for 2023</p> <p>Resolution:</p> <p>1&2: Each director, due to his or her own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. This proposal was approved by other attending directors without any objection.</p> <p>3: Chairman Huey-Ling Chen, Directors Yuan-Hsun Chang, due to their own conflicts of interest, recused themselves from discussion and voting. After the acting chairperson, Independent Director Jun-Ji Lin, in consultation with the other attending directors, this proposal was approved without any objections.</p>

3. The implementation of the evaluation by the board of directors

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content	Result
Performed once a year	01/01/2023 to 12/31/2023	Board of Directors	Internal Self-Assessment by the Board of Directors	Board of Directors' Evaluation Items. 1. Involvement in the operation of the Company 2. Enhancement of the quality of board decisions. 3. Composition and structure of the board of directors. 4. Directors' election and continuing education 5. Internal control	99.68%
Performed once a year	01/01/2023 to 12/31/2023	Individual Board Members	Self-Assessment by Board members	Board Member Evaluation Items. 1. Understanding of the Company's objectives and tasks 2. Awareness of directors' responsibilities 3. Involvement in the operation of the Company 4. Internal relationship management and communication 5. Professional and continuing education 6. Internal control	99.13%
Performed once a year	01/01/2023 to 12/31/2023	Audit Committee	Internal Self-Assessment of Audit Committee	Audit Committee Evaluation Items. 1. Involvement in the Company's operation 2. Awareness of the Audit Committee's responsibilities 3. Enhancement of the quality of the Audit Committee's decision making 4. Composition and election of Audit Committee members 5. Internal control	100.00%
Performed once a year	01/01/2023 to 12/31/2023	Remuneration Committee	Internal Self-Assessment of Remuneration Committee	Remuneration Committee Evaluation Items. 1. Involvement in company operations 2. Awareness of the Remuneration Committee's responsibilities 3. Enhancement of the quality of Remuneration Committee's decision making 4. Composition and election of Remuneration Committee members 5. Internal control	99.60%

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content	Result
Performed once a year	01/01/2023 to 12/31/2023	Nomination Committee	Internal Self-Assessment of Nomination Committee	Nomination Committee Evaluation Items: 1. Involvement in the Company's operation 2. Awareness of the Nomination Committee 's responsibilities 3. Enhancement of the quality of the Nomination Committee 's decision making 4. Composition and election of Nomination Committee Members 5. Internal control	99.60%
Performed once every three years	01/01/2022 to 12/31/2023	Board of Directors	Independent external assessment institution, TIRI, conducted a self-assessment questionnaire and online interviews with directors.	Questionnaire Assessment Items: 1. Composition and professional development of the Board of directors 2. Quality of decision-making by the board of directors 3. Efficiency of board operations 4. Internal control and risk management 5. Degree of board's participation in corporate social responsibility	The assessment summary and recommendations are detailed on the Company's corporate website

In 2023, the performance evaluation results of the Board of Directors, the above-mentioned Committees and the members of the Board of Directors all scored more than 90%. All of them were "exceeding the standard", which means "effective operation" and were submitted to the Nomination Committee and the Board of Directors on February 27, 2024.

4. The targets of enhancing the competence of Board of Directors in current year and latest year (ex. establishing the Audit Committee, enhancing the information transparency etc.) and the assessment of execution:
- (1) In order to comply with the principle of corporate governance, the Company established an audit committee in 2017 to replace the supervisor, exercising the functions and powers stipulated in the Securities and Exchange Act, the Company Act and other laws and regulations.
 - (2) The Remuneration Committee had been established by the Company in 2017, who takes charge of assisting the Board of Directors in assessing and establish the salary and remuneration of Directors and managers periodically, and on a regular schedule review the performance assessment of Directors and managers and the remuneration policy, system, standards and structure.
 - (3) In 2021, the Company established a nominating committee to assist the Board of Directors in setting the qualification standards for directors and managers, constructing and developing the organizational structure and performance evaluation operations of the board of directors and members, formulating and regularly reviewing the director training plan and the manager succession plan, and amending the Corporate Governance Practice Principles.
 - (4) The Company's corporate website has set up a corporate sustainability section and an investor section to provide important information on the Company's finance, business and corporate governance, and has also established contact channels for stakeholders.

3.3.2 The operation of the Audit Committee or the participation of supervisors in the operation of the Board of Directors

(1) Audit Committee annual priorities and operations:

In 2023, 3 independent directors were elected, and the 3rd Audit Committee was formed by these 3 independent directors. The Committee shall meet at least once a quarter for the purpose of overseeing the following matters:

- (1.1) Fair representation of the Company's financial reports.
- (1.2) Evaluation and appointment / dismissal of the independence and performance of certified public accountant (CPA).
- (1.3) Effective Implementation of internal control system.
- (1.4) Compliance with relevant laws and regulations.
- (1.5) Control over the existence or potential risks of the Company.

● Main duties and responsibilities are as follows:

- (1) Establish or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- (2) Assessment of the effectiveness of the internal control system.
- (3) Establish or amend procedures for the acquisition or disposal of assets, derivative transactions, lending of funds to others, endorsement or guarantee of others in accordance with Article 36-1 of the Securities and Exchange Act.
- (4) Review of matters involving directors' own interests.
- (5) Audit significant asset or derivative transactions.
- (6) Audit significant loans, endorsements or guarantees of funds.
- (7) Audit the raising, issuance or private placement of equity securities.
- (8) Audit the appointment, dismissal or compensation of the CPA.
- (9) Audit the appointment or removal the supervisor of finance, accounting or internal Audit.
- (10) The annual financial statement (signed or stamped by the Chairman, manager, and accounting supervisor) and any quarterly financial statement are subject to approval by the CPA.
- (11) Other significant matters stipulated by the Company or competent authorities.

● In 2023, total of 6 meetings were held, with the following resolutions:

- (1) Audit the budget and operating plan for 2024.
- (2) Revision of internal control systems.
- (3) Assessment of the effectiveness of internal control system.
- (4) Audit authorization to acquisition/disposal of securities or - financial instruments transactions.
- (5) Audit the operation of cancellation of restricted employee shares.
- (6) Audit not to proceed with "The method of issuance of common shares by public offering or private placement for cash capital increase" approved in 2022.
- (7) Audit the issuance of employee stock options certificates for the year 2023 and related measures.
- (8) Audit the subsidiary's capital increase, capital change, name change, and relocation.
- (9) Audit the establishment of a subsidiary in India.

- (10) Audit the bank credit line.
- (11) Audit and evaluation of overdue accounts receivable for non-capital loans to others.
- (12) Audit the appointment, dismissal or compensation of the CPA.
- (13) Audit of the annual and quarterly financial statement subject to approval by the CPA.

In 2023, a total of 6 (A) Audit Committee meetings were held. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Convener (Independent Director)	Shih-Ying Huang	6	0	100.00%	
Member (Independent Director)	Jun-Ji Lin	5	1	83.33%	
Member (Independent Director)	Cheng-We n Wu	4	0	100.00%	5/24/2023 Newly elected
Member (Independent Director)	Ching-Te Chuang	2	0	100.00%	5/24/2023 Stepped down

Other matters to be recorded:

1. If the Audit Committee operates under any of the following circumstances, it shall state the date and period of the Audit Committee's meeting, the content of the motion, the content of the independent directors' dissenting opinions, reservations or major proposed items, the results of the Audit Committee's resolutions, and the Company's handling of the Audit Committee's opinions.

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Audit Committee's Meeting Date (Term)	Motion Contents	Resolution of the Audit Committee	Company's Handling of the Audit Committee's Opinion
Feb. 23, 2023 The 16 th Session of the 2 nd Term	<ol style="list-style-type: none"> 1. Financial statements and business report for 2022 2. Profit distribution for 2022 3. Issuance of new shares through capital increase by earnings for 2022 4. Statement of Internal Control System for 2022 5. Evaluation of the independence and suitability of the Company's CPA and appointment 6. Cancellation of restricted employee shares of capital reduction for the fourth quarter of 2022 7. Not to proceed with the "The method of issuance of common shares by public offering or private placement for cash capital increase" as approved at the 2022 General Shareholders Meeting. 8. Issuance of employee stock options certificates for the year 2023 9. Formulation of the "2023 Employee Stock Option Issuance and Subscription Method for 2023" 	Approved by all members of the Audit Committee without objection.	Approved without objection by all directors present on Feb. 23, 2023

Audit Committee's Meeting Date (Term)	Motion Contents	Resolution of the Audit Committee	Company's Handling of the Audit Committee's Opinion
May 03, 2023 The 17 th Session of the 2 nd Term	<ol style="list-style-type: none"> 1. Consolidated financial statements for the first quarter of 2023 2. Acquisition of monetary funds 3. Capital Increase in U.S. Subsidiary 4. Establishment of an Indian subsidiary 	Approved by all members of the Audit Committee without objection.	Approved without objection by all directors present on May 03, 2023.
Jun. 20, 2023 The 1st Session of the 3 rd Term	<ol style="list-style-type: none"> 1. Election of the Convener of the Audit Committee 2. Investment in sustainable financial instruments 	All members of the Audit Committee jointly elected Shih-Ying Huang as the Convener of the Audit Committee, and approve motion 2 without any objection.	<ol style="list-style-type: none"> 1. The convener of the audit committee shall be announced by the Company in accordance with the law. 2. Approved without objection by all directors present on Jun 20, 2023.
Aug. 03, 2023 The 2 nd Session of the 3 rd Term	<ol style="list-style-type: none"> 1. Consolidated financial statements for the second quarter of 2023 2. Cancellation of restricted employee shares of capital reduction for the second quarter of 2023 3. The Company's bank credit line 4. Amendments to the 2023 annual budget 5. Appointment of tax CPA for 2023 6. Authorization for Acquisition of securities 	Approved by all members of the Audit Committee without objection.	Approved without objection by all directors present on Aug 03, 2023.
Nov. 02, 2023 The 3 rd Session of the 3 rd Term	<ol style="list-style-type: none"> 1. Consolidated financial statements for the third quarter of 2023 2. Audit plan for 2024 3. Amendment of the internal control related regulations 4. Evaluation of overdue accounts receivable for non-capital loans to others 	Approved by all members of the Audit Committee without objection.	Approved without objection by all directors present on Nov. 02, 2023.
Dec. 21, 2023 The 4th Session of the 3 rd Term	<ol style="list-style-type: none"> 1. Budget and Operating Plan for 2024 2. Capital Change for Mainland China Subsidiary 3. Name Change and Relocation of Mainland China Subsidiary 	Approved by all members of the Audit Committee without objection.	Approved without objection by all directors present on Dec 21, 2023.

Audit Committee's Meeting Date (Term)	Motion Contents	Resolution of the Audit Committee	Company's Handling of the Audit Committee's Opinion
Feb. 27, 2024 The 5 th Session of the 3 rd Term	1. Financial statements and business report for 2023 2. Profit distribution for 2023 3. The Company proposed either cash capital increase issuance of common shares for participation in global depositary receipt issuance or domestic cash capital increase issuance of common shares. 4. Release of the non-competition restrictions for current directors (including independent directors) 5. Statement of Internal Control System for 2023 6. Evaluation of the independence and suitability of the Company's CPA and appointment 7. The cancellation of restricted employee shares of capital reduction for the fourth quarter of 2023 8. Authorization for Acquisition of securities	Approved by all members of the Audit Committee without objection.	Except for motions 2&3, which were resolved to be temporarily postponed by all directors present at the board meeting on February 27, 2024, all other motion items were passed without objection.
Mar. 06, 2024 The 6 th Session of the 3 rd Term	1. Profit distribution for 2023 2. Issuance of new shares through capital increase by earnings for 2023	Approved by all members of the Audit Committee without objection.	Approved without objection by all directors present on Mar. 06, 2024.

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

2. Any recusal of Directors due to conflicts of interests, shall state the name of the independent director, the content of the motion, the reasons for the recusal and the circumstances under which he/she participated in the vote: None.
3. The communication situation between the independent directors and internal audit officer and CPA (shall include the communicated material matters, style and result in terms of financial, business status of the Company):

(1) 2023 communication between the independent directors and the supervisor of internal audit:

Date	Communication Method	Matters of communication, opinions of independent directors and follow-up actions
Feb. 23, 2023	The 16 th Session of the 2 nd Audit Committee Meeting	The audit supervisor reports the audit items and results for December 2022; the independent directors agreed with the contents of the report.
May 03, 2023	The 17 th Session of the 2 nd Audit Committee Meeting	The audit supervisor reports the audit items and results for the first quarter of 2022; the independent directors agreed with the contents of the report.
Jun. 20, 2023	The 1 st Session of the 3 rd Audit Committee Meeting	The audit supervisor reports the audit items and results for April to May, 2023; the independent directors agreed with the contents of the report.
Aug. 03, 2023	The 2 nd Session of the 3 rd Audit Committee Meeting	The audit supervisor reports the audit items and results for June 2023; the independent directors agreed with the contents of the report.
Nov. 02, 2023	The 3 rd Session of the 3 rd Audit Committee Meeting	The audit supervisor reports the audit items and results for the third quarter of 2023; the independent directors agreed with the contents of the report.
Dec. 21, 2023	The 4 th Session of the 3 rd Audit Committee Meeting	The audit supervisor reports the audit items and results for October to November 2023; the independent directors agreed with the contents of the report.

Date	Communication Method	Matters of communication, opinions of independent directors and follow-up actions
Nov. 02, 2023	Communication meeting between independent directors, internal audit officer and CPA	The independent directors and the supervisor of the internal audit identified areas of concern and requested the internal audit supervisor to consolidate reports on relevant control operations from relevant units.

(2) Communication between independent directors and CPA in 2023:

Date	Communication Method	Matters of communication, opinions of independent directors and follow-up actions
Feb. 23, 2023	The 16 th Session of the 2 nd Audit Committee Meeting	The CPA report on the financial statements for the year ended December 31, 2022 includes a description of key auditing matters, other communication matters, and the declaration of independence as well as an introduction to new regulations.
May 03, 2023	The 17 th Session of the 2 nd Audit Committee Meeting	The CPA reports on the results of the review of the consolidated financial statements as of and for the first quarter of 2023, other communication matters, declaration of independence, and explanation of the sustainable development action plan.
Aug. 03, 2023	The 2 nd Session of the 3 rd Audit Committee Meeting	The CPA reports on the results of the review of the consolidated financial statements as of and for the second quarter of 2023, as well as other communication matters and declaration of independence.
Nov. 02, 2023	The 3 rd Session of the 3 rd Audit Committee Meeting	The CPA reports on the results of the review of the consolidated financial statements as of and for the third quarter of 2023, other communication matters, declaration of independence, and significant risks and key audit matters.
Nov. 02, 2023	Communication meeting between independent directors and CPA	The CPA communicates significant risks to the Company.

(2) Supervisors' participation in the operation of the Board of Directors: N/A.

3.3.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Practice Principles for TWSE/TPEX Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
1. Does the Company establish and disclose the Corporate Governance Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	√		The Company has formulated its "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". The relevant content has been disclosed on the Company's website and in the Market Observation Post System after being approved by the board of directors.	No major difference
2. Equity structure and shareholders' equity				No major difference
(1) Has the Company instituted an internal procedure for handling suggestions, questions, disputes of the shareholders and legal actions, and comply with the procedure properly?	√		(1) The Company had formulated a "Corporate Governance Best-Practice Principles" with a spokesperson system and delegated specific person to take charge of shareholder services and handle the proposals submitted by shareholders, and further employed the legal counsel to assist replying and handling the legal inquiries from the shareholders.	
(2) Has the Company kept track on the major shareholders roster of the Company and the parties controlling these shareholders?	√		(2) The Company appoints a professional stock agent to update the register of shareholders and the list of substantial shareholders on a regular basis, so as to fully grasp the list of substantial shareholders who actually control the Company and the ultimate controllers of the substantial shareholders.	
(3) Has the Company established and implemented the risk control mechanism and firewall between the corporate headquarters and the affiliates?	√		(3) The business and financial transactions between the Company and its affiliates are governed by the relevant regulations of the competent authorities and are governed by written regulations.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
(4) Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	√		<p>(4) The Company has established the "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" and formulated written regulations in accordance with the relevant regulations of the competent authorities to effectively prohibit insiders from using undisclosed information in the market to trade securities.</p> <p>※The Company's Board of Directors' Meeting on December 21, 2023 reported on the ethical management of the Company for 2023, including the education and training of employees on ethical management and insider trading.</p> <p>※The Company's Board of Directors reported the insider trading announcement to the directors on November 2, 2023 and reminded the directors and managerial officers by email not to trade in the Company's shares for 30 days/ 15 days prior to the annual/quarterly financial report announcement.</p>	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Board established a diversity policy for the composition and specific management goals of its members and implemented it accordingly?</p>	√		<p>(1) The 7 board members of the Company have professional backgrounds including 5 in the industry, one in academia and one in accounting, with expertise in management, leadership, industry knowledge, academia, accounting and finance, etc. The percentage of directors who are employees is 14.29% and the percentage of independent directors is 42.86%.</p>	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
(2) Further to the establishment of the Compensation Committee and the Auditing Committee, has the Company voluntarily established other functional committees?	√		The Company pays attention to the gender distribution of its board members and aims to have at least one female director, of which there are currently two female directors, accounting for 28.57%. In terms of age distribution, the target is to have at least one young adult director, and the Company currently has two young adult directors, accounting for 28.57% of the total, Please refer to "Diversity of the Board of Directors" on page 21 to 22 of this annual report.	
(3) Has the Company established a methodology for evaluating the performance of its Board of Directors, performed evaluations on an annual basis, submitted the results of the performance evaluation to the Board, and used such as a reference for individual director remuneration and renomination?	√		(2) The Company set up a nomination committee on July 6, 2021 to increase the functions of corporate governance. (3) The Company has formulated the Board of Directors' performance evaluation method and its evaluation method. The performance evaluation of the Board of Directors and the members of the Board of Directors in 2023 was evaluated as "exceeded the standard", which is the result of "effective operation" and were reported to the Board of Directors and used as reference for individual directors' remuneration and nomination for reappointment. In 2023, the Taiwan Investor Relations Institute (TIRI) was commissioned to conduct an external evaluation of the Board of Directors, please refer to "Board of Directors Evaluation" on page 28 of this Annual Report.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
(4) Has the Company evaluated the independence of the commissioned CPA regularly?	√		(4) The Company's 2023 and 2024 evaluations and the appointment of CPA were approved by the Audit Committee and the Board of Directors on February 23, 2023 and February 27, 2024, respectively. The information related to the Audit Quality Indicators (AQIs) issued by CPAs is in accordance with the Company's evaluation criteria - AQIs Indicators, please refer to Note 1.	
4. Does the TWSE/TPEX Listed Company have an appropriate and appropriate number of corporate governance personnel, and has the Company designated a Corporate Governance Senior Officer to deal with corporate governance related affairs (including, but not limited to, providing directors and supervisors with information required for the execution of their duties; assisting directors and supervisors in complying with the laws and regulations; conducting board meeting and shareholders' meeting related matters; and preparing the minutes for board meetings and shareholders' meeting in accordance with the law, etc.)?	√		<p>The Company has an interdepartmental corporate governance working group responsible for corporate governance related matters. On May 4, 2021, Ms. Grace Liu, Vice President, was appointed as the Officer of Corporate Governance to coordinate corporate governance related matters, including.</p> <p>A. Handling matters related to the board of directors, each committee (composed of directors) and shareholders' meetings in accordance with the law</p> <p>B. Preparing minutes of board meetings and shareholders' meetings</p> <p>C. Assisting directors in their appointment and continuing education</p> <p>D. Providing information necessary for directors to perform their duties</p> <p>E. Assisting directors in complying with laws and regulations</p> <p>In 2023, the officer of corporate governance performed business as follows:</p>	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
			<p>A. Conducted 7 Board meetings, 6 Audit Committee meetings, 4 Salary and Compensation Committee meetings, 4 Nominating Committee meetings and the 2023 Annual General Shareholders' Meeting in accordance with the Chairman and committee conveners.</p> <p>B. Matters relating to the election of the fifth term directors.</p> <p>C. Provided directors with information on continuing education.</p> <p>D. Provided directors with information necessary for the execution of their duties.</p> <p>E. Provided directors with information on compliance with laws and regulations.</p> <p>F. Promptly handled requests from directors.</p> <p>Please refer to Table 2 for further continuing education details.</p>	
5. Has the Company established a communications channel and established a designated zone on its website for stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers), and has the Company properly responded to all CSR issues such stakeholders are concerned with?	√		The Company has a spokesperson and a proxy spokesperson to handle related matters, and has set up an ESG section on the corporate website with management objectives, identification, issues of concern, communication and contact information for stakeholders (including, customers, employees, suppliers, community groups, investor and government agencies) so that the Company can better understand the issues of concern to stakeholders and respond appropriately.	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
6. Has the Company appointed a professional shareholder services agent to deal with shareholder affairs?	✓		The Company has delegated a professional stockbroker, the "Brokerage Registry and Transfer Services Department of SinoPac Securities" to handle shareholder meetings and stock-related matters.	No major difference
7. Disclosures (1) Has the Company established a website for the disclosure of Company's financial and business, and corporate governance? (2) Has the Company adopted other means of disclosures (e.g., the installation of a website in English language, appointment of designated persons for the gathering and disclosure of information, the proper implementation of the spokesman system, and the minutes of the investor conference on record posted on the website)? (3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year? Does the Company announce and report the first, second, and third quarter financial reports and the monthly operating conditions well in advance of the required deadlines?	✓ ✓ ✓		(1) The Company has a corporate website to disclose both financial standings and the status of corporate governance. (2) The Company has established a spokesperson system and will disclose information about the Company's corporate presentation on the Company's corporate website and the "Market Observation Post System" in accordance with the regulations. (3) The financial statements for the year 2023 were announced and reported in February 2024, and the financial reports for the first, second and third quarters and the operations for each month were announced and reported by the prescribed deadline.	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices(including, but not limited to, employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, status of directors' continuing education, implementation of risk management policies and risk assessment criteria, implementation of customer related policies, and purchase of liability insurance for directors and supervisors by the Company)?	√		<p>A. In addition to the Employee Welfare Committee and the pension system, the Company also plans employee group insurance and arranges regular health checks for employees, and actively encourages employees to participate in various training courses.</p> <p>B. The Company has established various internal rules and regulations in accordance with the law to carry out various risk management and evaluation.</p> <p>C. The Company has purchased liability insurance for the directors.</p> <p>D. The directors' continuing education status is detailed in Table 1.</p> <p>E. The Company's corporate website has an ESG section, an investor section and a corporate governance section to provide important information.</p>	No major difference
9. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures: None.				

Note 1 : The following is a list of the indicators of the accountants evaluated in accordance with the AQIs for 2023, and the results of the evaluations were in line with the expectations.

<p>Aspect 1: Professionalism</p> <p>Indicator 1-1: Auditing Experience</p> <p>Indicator 1-2: Training Hours</p> <p>Indicator 1-3: Turnover Rate</p> <p>Indicator 1-4: Professional Support</p>	<p>Aspect 2: Quality control</p> <p>Indicator 2-1: Accountant's responsibility</p> <p>Indicator 2-2: Audit input</p> <p>Indicator 2-3: Engagement Quality Control Review (EQCR) status</p> <p>Indicator 2-4: Quality control support capability</p>	<p>Aspect 3: Independence</p> <p>Indicator 3-1: Non-audit services</p> <p>Indicator 3-2: Customer familiarity</p>	<p>Aspect 4: Supervision</p> <p>Indicator 4-1: External inspection deficiencies and disciplinary actions</p> <p>Indicator 4-2: Improvement letters from regulatory authorities</p>	<p>Aspect 5: Innovation</p> <p>Indicator 5-1: Innovative planning or initiatives</p>
--	---	---	--	--

Table 1: Directors' Training Status in 2023

Title	Name	Date	Organizer	Course Name	Training Hours
Chairman	Huey-Ling Chen	04/27/2023	Taipei Exchange	Listed Companies Sustainability Action Plan Advocacy Seminar	3
Chairman	Huey-Ling Chen	05/26/2023	Ministry of Environment	Green Chemistry Joint Sustainability Seminar and Symposium	3
Director	Yuan-Hsun Chang	12/12/2023	Taiwan Corporate Governance Association	Corporate Governance Summit-Creating New Sphere of Governance for the Elevating Value of Enterprises	6
Director	Li-Kuo Liu	03/17/2023	Taiwan Corporate Governance Association	Board Meetings: Common Board Meeting Mistakes for Listed Companies	3
Director	Li-Kuo Liu	10/04/2023	Taiwan Corporate Governance Association	How the Board of Directors Formulate ESG Sustainability Governance Strategies	3
Director	Chun-Hao Lai	07/31/2023	Taiwan Academy of Banking and Finance	Corporate Governance Forum	3
Director	Chun-Hao Lai	09/08/2023	Taiwan Corporate Governance Association	Legacy Project Launched - Employee reward plan and equity inheritance	3
Independent Director	Jun-Ji Lin	04/14/2023	Taiwan Corporate Governance Association	Legal Risks and Responses to Enterprise Investment and Financing - From the Viewpoint of Corporate Directors' Responsibilities	3
Independent Director	Jun-Ji Lin	05/12/2023	Taiwan Corporate Governance Association	Introduction of Global and Taiwan Tax Reform and How to Improve Corporate Tax Governance Under ESG Trends and Post Covid Environment	3
Independent Director	Shih-Ying Huang	04/27/2023	Taipei Exchange	TWSE/TPEX Sustainability Action Plan Advocacy Seminar	3
Independent Director	Shih-Ying Huang	05/26/2023	Ministry of Environment	Green Chemistry Joint Sustainability Seminar and Symposium	3
Independent Director	Cheng-Wen Wu	07/18/2023	Taiwan Corporate Governance Association	Practice of "Sustainability Report" under Corporate Governance 3.0 Policy	3
Independent Director	Cheng-Wen Wu	08/11/2023	Taiwan Corporate Governance Association	Roles and Responsibilities of the Board of Directors/Senior Management in ESG Governance	3

Table 2: Corporate Governance Officer Training Status in 2023

Title	Name	Date	Organizer	Course Name	Training Hours
Corporate Governance Officer	Grace Liu	08/21/2023	Taipei Exchange	Briefing session for insiders on stock ownership, Hsinchu	3
Corporate Governance Officer	Grace Liu	09/28/2023	Securities & Futures Institute	Opportunities and Challenges of Taiwan's Industrial Transformation under Geopolitics - PIM / NMI Exclusive Analysis	3
Corporate Governance Officer	Grace Liu	11/21/2023	TPMA Organization	Big Data Analysis and Corporate Governance	3
Corporate Governance Officer	Grace Liu	12/06/2023	Corporate Operating and Sustainable Development Association	M&A Strategies for Taiwan Businesses from the Perspective of Global Political and Economic Situation	3

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

(1) Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Name	Criteria	Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Convener (Independent Director)	Cheng-Wen Wu		Please refer to pages 20 to 22 of this annual report - Directors' Information	Please refer to pages 20 to 22 of this annual report - Directors' Information	2
Member (Independent Director)	Jun-Ji Lin		Same as above	Same as above	1
Member (Independent Director)	Shih-Ying Huang		Same as above	Same as above	2
Member (Director)	Li-Kuo Liu		Same as above	Same as above	1
Member (Director)	Chun-Hao Lai		Same as above	Same as above	4

(2) Operations of the Remuneration Committee

Scope of Remuneration Committee:

- Periodically review the organizational procedures of the Remuneration Committee and propose amendments.
- To establish and periodic review the performance evaluation standards and performance targets of directors and managers, and the policies, systems, standards and structures of compensation.
- Periodically evaluates the achievement of the performance goals for directors and managers, and sets the remuneration of directors and managers based on the evaluation results of the performance evaluation criteria.

The highlights of the work in 2023 are as follows:

- 2.1 Review remuneration of directors and employee compensation for 2022.
- 2.2 Audit of managerial officers' remuneration for 2023.
- 2.3 Review of the directors' remuneration (including independent directors) for 2023.
- 2.4 Review the Year-End Bonus of Managerial Officers for 2023.
- 2.5 Review of the remuneration for new managerial officers of the Company and subsidiaries.

(2.1) There are 5 members in the Remuneration Committee

(2.2) Term of office: May 24, 2023 to May 24, 2026. The most recent annual remuneration committee met 4 times (A) and the qualifications and attendance of the members are as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate(%)【B/A】	Remarks
Convener (Independent Director)	Cheng-Wen Wu	2	0	100.00%	5/24/2023 Newly appointed
Member (Independent Director)	Jun-Ji Lin	3	1	75.00%	
Member (Independent Director)	Shih-Ying Huang	4	0	100.00%	
Member (Director)	Li-Kuo Liu	2	0	100.00%	5/24/2023 Newly appointed
Member (Director)	Chun-Hao Lai	2	0	100.00%	5/24/2023 Newly appointed
Member (Independent Director)	Ching-Te Chuang	2	0	100.00%	5/24/2023 Stepped down

Other matters to be recorded:

1. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

Remuneration Committee Date (Session)	Content of Proposal and Subsequent Handling
Feb. 23, 2023 The 9 th Session of the 2 nd Term	1. Distribution of director remuneration and employee compensation for 2022 2. Review managerial officer remuneration for 2023 3. Review of independent director remuneration for 2023
	Resolution of the Remuneration Committee: 1: Each director, due to his or her own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. This proposal was approved by other attending directors without any objection. 2-3: The proposal was approved with all committee members present.
	The Company handling the resolution of the Remuneration Committee: (Resolution of the Board of Directors on Feb. 23, 2023) 1: Each director, due to his or her own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. This proposal was approved by other attending directors without any objection. 2: Chairman Huey-Ling Chen, Directors Yuan-Hsun Chang, Tsung-Hsi Ko and Li-Kuo Liu, due to their own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. After the acting chairperson, Independent Director Jun-Ji Lin, in consultation with the other attending independent directors, this proposal was approved without any objections. 3: Independent Director Jun-Ji Lin, Ching-Te Chuang and Shih-Ying Huang, due to their own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. After the chairperson in consultation with the other attending directors, this proposal was approved without any objections.
May 03, 2023 The 10 th Session of the 2 nd Term	1. The remuneration for new managerial officers of the Company and subsidiaries
	Resolution of the Remuneration Committee: The proposal was approved with all members present.
	The Company handling the resolution of the Remuneration Committee: (Resolution of the Board of Directors on May 03, 2023) After the chairperson in consultation with the other attending directors, this proposal was approved without any objections.
Aug 03, 2023 The 1 st Session of the 3 rd Term	1. Election of the Convener of the Remuneration Committee
	Remuneration Committee Resolution : All members present elected Cheng-Wen Wu, Independent Director, as Convener.
	The Company handling the resolution of the Remuneration Committee: Announcement based on declaration of election results.
Dec. 21, 2023 The 2 nd Session of the 3 rd Term	1. New managerial officers of the Company and subsidiaries. 2. Review the Year-End Bonus of Managerial Officers for 2023 3. Amendment of "Remuneration Committee Charter"
	1-3: The proposal was approved with all members present.
	The Company handling the resolution of the Remuneration Committee: (Resolution of the Board of Directors on Dec. 21, 2023) 1&3: After the chairperson in consultation with the other attending directors, this proposal was approved without any objections. 2: Chairman Huey-Ling Chen, Directors Yuan-Hsun Chang, due to their own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. After the acting chairperson, Independent Director Cheng-Wen Wu, in consultation with the other attending independent directors, this proposal was approved by the Remuneration Committee without any objections.

Remuneration Committee Date (Session)	Content of Proposal and Subsequent Handling
Feb. 27, 2024 The 3 rd Session of the 3 rd Term	<ol style="list-style-type: none"> 1. Distribution of director remuneration and employee compensation for 2023 2. Review of Directors' (including Independent Directors') Remuneration for 2024 3. Review of managerial officers remuneration for 2024 4. Review of subsidiary managerial officers remuneration for 2024
	<p>Resolution of the Remuneration Committee:</p> <p>1-2: The remuneration to directors and employees of other non-members of the Board was approved by all attending committee members. Each committee member, due to his or her own conflicts of interest (director's remuneration and compensation), recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. This proposal was approved by other committee members without any objection.</p> <p>3-4: After the chairperson in consultation with the other attending directors, this proposal was approved without any objections.</p>
	<p>The Company handling the resolution of the Remuneration Committee: (Resolution of the Board of Directors on Feb. 27, 2024)</p> <p>1: After the chairperson in consultation with the other attending directors, employee compensation was approved without any objections. Each director, due to his or her own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. Director remuneration was approved by other attending directors without any objection.</p> <p>2: Each director, due to his or her own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. This proposal was approved by other attending directors without any objection.</p> <p>3: Chairman Huey-Ling Chen, Directors Yuan-Hsun Chang, due to their own conflicts of interest, recused themselves from discussion and voting. After the acting chairperson, Independent Director Jun-Ji Lin, in consultation with the other attending directors, this proposal was approved without any objections.</p> <p>4: After the chairperson in consultation with the other attending directors, this proposal was approved without any objections.</p>

3.3.5 Information on Nomination Committee members and operations

(1) Qualifications and Responsibilities of Nomination Committee Members

The Nomination Committee shall consist of at least three directors elected by the Board of Directors, of which a majority of the independent directors shall participate.

Scope of Reference of the Nomination Committee:

- Define the standards for the professional knowledge, skills, experience, gender and other diverse backgrounds and independence required by board members and senior managers, and use them to find, audit and nominate candidates for directors and senior managers.
- Construct and develop the organizational structure of the board of directors and committees, conduct performance evaluation of the board of directors, committees, directors and senior managers, and evaluate the independence of independent directors.
- Formulate and regularly review the directors' continuing education plan and succession plans for directors and senior managers.
- Amend the Company's "Corporate Governance Practice Principles."

(2) The professional qualifications and experience of the nomination committee members and operations.

(2.1) There are 5 members of the Nominating Committee of the Company.

(2.2) The term of office of the current members: May 24, 2023 to May 24, 2026, the most recent annual nominating committee met 4 times (A), the professional qualifications and experience of members, attendance and discussion items are as follows:

Title	Name	Professional Qualifications and Experience	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Convener (Independent Director)	Jun-Ji Lin	Please refer to pages 20 to 22 of this annual report - Directors' Information	3	1	75.00%	
Member (Independent Director)	Shih-Ying Huang	Same as above	4	0	100.00%	
Convener (Independent Director)	Cheng-Wen Wu	Same as above	2	0	100.00%	5/24/2023 Newly elected
Convener (Director)	Li-Kuo Liu	Same as above	2	0	100.00%	5/24/2023 Newly elected
Convener (Director)	Chun-Hao Lai	Same as above	2	0	100.00%	5/24/2023 Newly elected
Member (Independent Director)	Ching-Te Chuang	Same as above	2	0	100.00%	5/24/2023 Stepped down

Other matters to be recorded:

Specify the date of the meeting of the main proposals of the Nomination Committee, the duration of the session, the contents of the proposals, the contents of the matters proposed or opposed by the members of the Nomination Committee, the results of the resolutions of the Nomination Committee and the Company's handling of the opinions of the Nomination Committee.

Nomination Committee Date (session)	Content of Proposal and Subsequent Handling
Feb. 23, 2023 The 5 th Session of the 1 st Term	<p>1. Nomination of candidates for directors (including independent directors)</p> <p>2. Appointment of managerial officers</p> <p>3. Appointment of managerial officers of U.S. subsidiary</p> <p>Nomination Committee Resolution:</p> <p>1: Independent Director Jun-Ji Lin and Shih-Ying Huang, due to their own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. This proposal was approved by other attending directors without any objection.</p> <p>2-3: The proposal was approved with all committee members present without objections.</p> <p>The Company's Handling of Resolutions of the Nomination Committee : (Resolution of the Board of Directors on 02/23/2023)</p> <p>1: Chairman Huey-Ling Chen, Directors Yuan-Hsun Chang and Li-Kuo Liu, Independent Director Jun-Ji Lin and Shih-Ying Huang, due to their own conflicts of interest, recused themselves from the meeting in accordance with the law and did not participate in the discussion or voting. This proposal was approved by other attending directors without any objection.</p> <p>2-3: After the chairperson in consultation with the other attending directors, this proposal was approved without any objections.</p>

Nomination Committee Date (session)	Content of Proposal and Subsequent Handling
May 03, 2023 The 6 th Session of the 1 st Term	1. Appointment of managerial officers of U.S. subsidiary
	Nomination Committee Resolutions: The proposal was approved with all ommittee members present without objections.
	The Company's Handling of Resolutions of the Nomination Committee : (Resolution of the Board of Directors on 05/03/2023) After the chairperson in consultation with the other attending directors, this proposal was approved without any objections.
Aug. 03, 2023 The 1 st Session of the 2 nd Term	1. Election of the convener of the Nomination Committee 2. Appointment of Board of Director and Managerial Officers for Indian Subsidiary
	Nomination Committee Resolutions: 1: All members present elected Jun-Ji Lin, Independent Director, as Convener. 2: The proposal was approved with all Committee members present.
	The Company's Handling of Resolutions of the Nomination Committee : 1: Announcement based on declaration of election results. 2: After the chairperson in consultation with the other attending directors, this proposal was approved without any objections on Aug. 03, 2023 at board of directors meeting.
Dec. 21, 2023 The 2 nd Session of the 2 nd Term	1. Annual Performance Evaluation Procedure for Directors, Board Committees, and Committees for 2023 2. Managerial officers appointment 3. Change in Directors of the Indian Subsidiary 4. Amendment of "Corporate Governance Practice Principles" 5. Amendment of "Performance Evaluation Regulations for the Board of Directors and Managerial Officers"
	Nomination Committee Resolutions: The proposal was approved with all ommittee members present without objections.
	The Company's Handling of Resolutions of the Nomination Committee : (Resolution of the Board of Directors on 12/21/2023) 1: The Head of Corporate Governance coordinates the performance evaluation of the Directors, the Board of Directors (including external evaluation) and each of the committees, and reports to the Nominating Committee and the Board of Directors on 2/27/2024. 2-5: The proposal was approved with all members present without objections.
Feb. 27, 2024 The 3 rd Session of the 2 nd Term	1. Formulation of a director's continuing education program
	Nomination Committee Resolutions: The proposal was approved with all ommittee members present without objections.
	The Company's Handling of Resolutions of the Nomination Committee : (Resolution of the Board of Directors on 2/27/2024) 1: After the chairperson in consultation with the other attending directors, this proposal was approved without any objections.

3.3.6 Implementation of Sustainable Development Promotion and Deviations from "the Sustainable Development Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Sustainable Development Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Explanation	
1. Has the Company established a governance structure to promote sustainable development, and set up a dedicated (or non-dedicated) unit to promote sustainable development, relevant affairs of which are handled by senior managerial officer under the Board's authorization and supervision?	√		<p>The Company has set up an interdepartmental Sustainable Development Group, which is coordinated by the Head of Corporate Governance, to actively fulfill its commitments to society, employees and shareholders, and to implement information disclosure and transparency, and to report annually to the Board of Directors on the status of implementation.</p> <p>On December 27, 2022, the Board of Directors approved the 2023 Sustainability Development Plan, which includes the identification of significant issues related to stakeholders, preparation of sustainability reports, annual plans for greenhouse gas monitoring, establishment of a new ESG website, risk management, and intellectual property performance reports.</p> <p>And on December 21, 2023, the Board approved the Sustainability Development Plan for 2024 and reviewed the execution status of the Sustainability Development Plan for 2023 (please refer to the evaluation Item 7), and received the review and guidance from directors, achieving annual goals in core cultural promotion, legal advocacy and training, internal control and prevention operations, and implementation of reporting mechanisms.</p>	No major difference
2. Did the Company conduct risk assessment of environmental, social and corporate governance issues for its operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	√		<p>The Company's Risk Control Committee, operates in accordance with the established "Risk Control and Management Procedures", whereby risk issues are regularly evaluated and reviewed by each department, and the Risk Control Committee reports the evaluation results and discusses major risk issues and solutions.</p> <p>The Company regularly evaluates the risks of environmental, social and corporate governance issues related to the Company's operations based on the materiality principle (see the Company's corporate website for risk assessment and management strategies), and there is no risk of material impact to the Company. Therefore, the Company expects to evaluate the relevant factors annually for control reference and report significant risks to the Audit Committee and the Board of Directors on a regular basis.</p> <p>On August 3, 2023, the Company's Board of Directors reported on the information and implementation of risk management and information security for 2023.</p>	No major difference

Evaluation Item	Implementation Status			Deviations from "the Sustainable Development Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
<p>3. Environmental Issues</p> <p>(1) Has the Company established an appropriate environmental management system in accordance with its industrial characteristics?</p> <p>(2) Has the Company made effort to enhance the resources efficient use and used regenerated materials to mitigate the impact on the environment?</p> <p>(3) Has the Company assessed the potential current and future risks and opportunities from climate change for the Company, and has the Company taken measures to address climaterelated issues?</p> <p>(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total volume of waste materials for the past two years, and has the Company formulated policies for greenhouse gas reduction, water use reduction, and other waste management?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company is in the IC design service industry, and its main business is IP licensing, which has no physical products and is a non-polluting business; therefore, no environmental management system verification has been conducted.</p> <p>(2) The Company complies with relevant environmental protection laws and regulations, monitors the temperature of air conditioners on a regular basis, and implements the concept of energy conservation and carbon reduction. The Company also have a contract with a legal cleaning company to clean and recycle resource waste on a daily basis in order to implement the sustainable management policy of environmental protection and resource reuse.</p> <p>(3) The Company assesses the potential risks and opportunities of climate change for businesses, and takes measures to address climate related issues, as described on the Company's corporate website.</p> <p>(4) The company has formulated relevant environmental protection policies and as calculated greenhouse gas emissions, water consumption and total waste weight in the past 1 to 2 years. Please refer to the Company's corporate website for details. It is also expected that ISO 14064 validation and certification will be completed in 2024.</p>	No major difference
<p>4. Social issues</p> <p>(1) Has the Company established related management policy and procedure in accordance with applicable legal rules and international conventions on human rights?</p> <p>(2) Has the Company established and implemented reasonable employee benefit measures (including compensation, leave, and other benefits), and are operational performance and results appropriately reflected in employee compensation?</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company protects employee rights in accordance with the United Nations Universal Declaration of Human Rights to establishes work rules, Complaint and Report Procedures, workplace sexual harassment prevention measures, complaint and disciplinary measures, and other related management policies and procedures in accordance with the Labor Standards Law and related labor laws and regulations to protect the legitimate rights and interests of employees.</p> <p>(2) The Company has established a reasonable salary and compensation policy and a clear system of rewards and penalties. Annual salary adjustments, year-end bonuses, employee compensation and performance bonuses are based on the Company's operating conditions, individual employee and departmental performance, and other relevant factors to determine the amount of bonuses to be distributed.</p>	No major difference

Evaluation Item	Implementation Status			Deviations from "the Sustainable Development Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
(3) Has the Company provided a safe and health work environment for the employees, and provided education on labor safety and health regularly?	✓		(3) The Company regularly promotes and implements labor safety and health measures for its employees and conducts regular inspections of the working environment, as described on page 98-99 of this annual report.	
(4) Has the Company established the training program for the effective planning of career development for the employees?	✓		(4) The Company arranges on-the-job training from time to time according to the needs of employees and work. For details, please refer to page 97 of this annual report and the Company's corporate website.	
(5) Does the Company comply with laws, regulations, and international standards when managing customer health and safety, customer privacy, and marketing and labeling of products and services and relevant issues? Has the Company established a policy and complaint procedure to protect consumer rights?	✓		(5) The Company has established procedures for handling customer complaints and a customer-oriented quality system to assess customer satisfaction with the Company's products and services to achieve the goal of sustainable business operation.	
(6) Has the Company established a supplier management policy that requires suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights issues? Has the Company established an implementation method for such?	✓		(6) The Company is committed to ethical management, ethical behavior and sustainable development. To ensure that our supply chain is consistent with our values, we have formulated a supplier management policy. Through a rigorously implementation of the supplier management system, we emphasize supplier fulfillment in the areas of ethics, environmental protection, workplace safety, respect for labor rights, and other core values. Since 2020, we have required new suppliers to sign a "Supplier Commitment Letter." During the evaluation stage of new suppliers, our company requests them to provide relevant information and also requires them to comply with the laws and regulations of their respective countries and regions. Each year, we conduct comprehensive performance evaluations of new suppliers or suppliers who have already passed the qualification standards based on the 'Supplier Evaluation Assessment Form. In 2023, we evaluated 17 suppliers whose procurement amounts exceeded specific thresholds, demonstrating that they met our company's standards and expectations in sustainable operations, quality management, timely delivery, and reasonable pricing.	
5. Does the Company refer to internationally standards / guidelines in the preparation of its reports, such as Sustainability Report, that disclose non-financial information? Has the Company obtained a third-party verification or assurance opinion on previously-disclosed reports?		✓	The Company has prepared the 2023 Sustainability Report, and expect to obtain third-party verification by May 2024.	No major difference

Evaluation Item	Implementation Status			Deviations from "the Sustainable Development Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
6. If the Company has its own sustainable development practice principles formulated in accordance with the "Corporate Sustainable Development Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between its operations and the said principles: The Company has formulated the "Sustainable Development Practice Principles." and its actual operation does not significantly differ from the established principles.				
7. Other important information to facilitate better understanding of the Company's corporate social responsibility practices :				
<ul style="list-style-type: none"> ➤ Through regular domestic and international corporate seminars, promptly disclose issues relevant to investors and engage in effective communication with them. ➤ Continuously improving product energy efficiency and reducing product power consumption. ➤ Donations and supplies to social welfare organizations and participate in social welfare activities: <ul style="list-style-type: none"> Feb. 2023 Raised a total of NT\$382,643 for the "Turkey Disaster Relief Donation" with colleagues. Mar. 2023 Called for 23 colleagues participated as the volunteer team in the Syin-Lu Social Welfare Foundation's 10th annual "Good Day" charity walking event. Mar. 2023 Participated in the Weekly Magazine's nationwide high school reading charity event and made a donation of NT\$100,000. Apr. 2023 Donated 90 new and used books to the Eslite Culture and Arts Foundation. Aug. 2023 Sixteen colleagues served as the volunteer team for the "Syin-Lu Social Welfare Foundation" Graduation Ceremony. Aug. 2023 Together with our colleagues, purchased a total of NT\$220,000 worth of charity materials and donated them to the "Huashan Social Welfare Foundation" and "Genesis Social Welfare Foundation Hsinchu Branch" Oct. 2023 Donated NT\$130,000 to sponsor "2023 Warm Winter Children's Fair" event organized by "Hsinchu Family Support Center", and joined colleagues in subscribing to heartwarming gifts. Nov. 2023 Invited colleagues and their family members to participate in the "ADA Charity Christmas Run", and the organizer donated the registration fee of NT\$64,120 to the " Kid's Book House" and "Grass Book House" Dec. 2023 Subscribed to the Syin-Lu Social Welfare Foundation's Christmas gifts for children in early intervention and invited the Foundation to organize a charity sales event and donate the profit back to the "Syin-Lu Social Welfare Foundation". Mar. 2023 – Dec. 2023 A total of 51 volunteers worked as community volunteers for the Syin-Lu Social Welfare Foundation for a total of 153 hours. ➤ To respond to environmental protection, the Company encourages employees to use electronic documents whenever possible instead of paper, and to reuse blank sides of waste paper. Additionally, the Company has been actively involved in other social responsibilities and public welfare initiatives, providing timely support to the community. ➤ Campus industry-academia exchange seminars: The Company's senior managers give lectures at various universities to help students understand the IP industry, which will be helpful for their future career planning. For more details, please refer to our corporate website. 				

3.3.7 Implementation of Ethical Corporate Management and Deviations from "the Ethical Corporate Management Practice Principles for TWSE/TPEX Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Has the Company established an ethical corporate management policy that has been approved by the Board of Directors, and clearly stated the ethical corporate management policy and practices, as well as the commitment of the Board of Directors and the top management to actively implementing the management in the Articles of Incorporation and external documents?</p> <p>(2) Has the Company established a mechanism to assess unethical conduct risks? Does that Company regularly analyze and evaluate the business activities within its scope of business that have a higher risk of unethical conduct? Has the Company accordingly formulated a plan to prevent unethical conduct, covering a t a minimum the preventive measures for the acts mentioned in Article 7-2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Whether the Company has stipulated the operating procedures, conduct guidelines, disciplinary actions against violations as well as grievance system in the plan to prevent unethical conducts, implemented the execution thereof, and regularly reviewed and revised the aforementioned plan?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has established "Ethical Management Principles" approved by the Board of Directors to implement the Ethical Management Policy, which is publicly disclosed on the corporate website and the Market Observation Post System (MOPS), and all managerial officers and employees are required to comply with this code of conduct in any of the activities they engage in.</p> <p>(2) In the "Ethical Management Principles", has specific rules and regulations that specify the preventive measures for business activities with higher risk of unethical conduct, and internal audit teams regularly review the risk of unethical conduct and various internal control operations. The Company has also established the "Complaint and Reporting Procedures" to encourage internal and external personnel to report unethical or misconduct in order to implement ethical management and to ensure the legitimate rights and interests of the whistleblower and the other parties.</p> <p>(3) The Company has established the "Ethical Management Principles", "Work Rules" and "Complaint and Reporting Procedures" to specifically regulate the matters to which the employees should pay attention when performing business. The Company has also established rules for employee rewards and punishments to discipline employees for unethical behavior and provide a channel for employees to file complaints and handle opinions of employees who consider unfair and unreasonable treatment.</p>	No major difference
<p>2. The Materialization of Ethical Management</p> <p>(1) Has the Company evaluated the record on ethical practices of its counterparties, and has specified the clause of business ethic in the agreements binding the Company and its counterparties?</p>	<p>✓</p>		<p>(1) Prior to the transaction, the Company conducts credit operations for the counter-parties in accordance with the internal control regulations and understands through various channels whether the counter-parties have engaged in dishonest transactions.</p>	No major difference

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
(2) Has the Company established a dedicated (concurrently) unit under the Board of Directors to promote ethical corporate management, and to report to the Board of Directors on a regular basis (at least once a year) regarding ethical corporate management policies and plans, in order to prevent unethical conduct and to monitor their implementation?	✓		(2) The Company's Board of Directors has approved the amendment of the "Ethical Corporate Management Practice Principles" as its policy on ethical management, and has set up an ethical management unit to promote ethical corporate management activities, and regularly reports to the Board of Directors on the Company's ethical management and the annual promotion plan approved by the Board of Directors. On December 27, 2022, the Board of Directors approved the annual plan for ethical management, and on February 21, 2023, the Board of Directors approved the annual plan for ethical management in 2024 and reported on the status of ethical management in 2023, including core culture, education and training, internal control and preventive operations, and reporting status. No complaints or reports of ethical misconduct were received.	
(3) Has the Company mapped out the policy for the avoidance of the conflict of interest and has provided suitable channels for such purpose, and properly pursued the policy?	✓		(3) The Company has established the "Complaint and Reporting Procedures" to implement the policy of preventing conflict of interest and provide appropriate channels for all employees to explain whether they have potential conflict of interest with the Company. In the rules of procedure or committee organization, it is explicitly stated that the participants are required to recuse themselves from the relevant operations in accordance with the law and to implement them due to their own interests.	
(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management? Has the internal auditing unit prepared an audit plan based on the assessment results for unethical conduct risks, and checked compliance with the unethical conduct prevention plan accordingly, or appointed a CPA to conduct the audit?	✓		(4) In order to implement ethical management, the Company has established and effectively implemented an accounting system and internal control system, and the internal auditors prepare an audit plan based on the assessment results of the risk of unethical behavior and check the compliance with the plan. 2023 audit items were audited with respect to the contents and implementation of the "Ethical Corporate Management Practice Principles" and there were no deficiencies.	
(5) Has the Company organized internal and external training on ethical management?	✓		(5) The company promotes and enables employees to clearly understand the Company's ethical management philosophy and guidelines through various channels. In 2023, important regulations related to ethical management and insider trading were compiled and promoted through the Company's intranet, online reading and testing methods were used to train a total of 249 people for a total of 124.5 hours.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
<p>3. The reporting system of the Company in action</p> <p>(1) Has the Company established a reporting and reward system and the channels for facilitating the report on unethical practices, and has appointed designated personnel to handle the subject of reporting?</p> <p>(2) Has the Company created a standard procedure for the investigation of reported matters, follow-up measures to be taken after the completion of the investigation, and relevant confidentiality mechanisms?</p> <p>(3) Has the Company taken protection measures to protect the informant from improper treatment after reporting on unethical practices?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has established the "Complaint and Reporting Procedures", which specify rewards and punishments, complaints, disciplinary system, reporting channels, and dedicated personnel to receive complaints.</p> <p>(2) The Company has established the "Complaint and Reporting Procedures", which specify the standard operating procedures for investigation, the follow-up measures to be taken after the completion of the investigation and the related confidentiality mechanism.</p> <p>(3) The Company has stipulated in the "Complaint and Reporting Procedures" that the Company shall adopt absolute confidentiality and undertake to protect the whistleblower from improper treatment as a result of the complaint.</p>	No major difference
<p>4. Enhancing Information Disclosure</p> <p>(1) Has the Company disclosed the content of Ethical Corporate Management Best Practice Principles and the result at its official website and MOPS?</p>	<p>✓</p>		<p>The Company's corporate website and the MOPS announce the contents of the Company's "Ethical Management Principles" and disclose the contents and implementation of the Ethical Corporate Management Practice Principles in the Company's annual report and corporate website.</p>	No major difference
<p>5. If the Company has established performance of good-faith management best practice principles based on "Ethical Corporate Management Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and their implementation: No major difference</p>				
<p>6. Other important information for the understanding of the Company's ethical management status: The Company will always pay attention to the development of domestic and international regulations related to ethical management, and encourage directors, managers and employees to make suggestions to review and improve the Company's policies and measures to promote ethical management in order to enhance the effectiveness of the implementation of the Company's ethical management.</p>				

3.3.8 Corporate Governance Guidelines and Regulations

Company's Governance Practices Principles and related regulations can be found on the Market Observation Post System (<https://mops.twse.com.tw>) or on the Company's corporate website (<https://www.m31tech.com>).

3.3.9 Other important information enhancing understanding of the state of the Company's corporate governance

The Company's corporate governance Practices Principles can be found on the Market Observation Post System or the Company's corporate website.

3.3.10 Internal Control System Execution Status

(1) Statement of Internal Control System

M31 Technology Corporation

Statement of Internal Control System

Feb. 27, 2024

Based on the results of the self-assessment, the Company's internal control system for the year 2023 is stated as follows:

1. M31's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and M31 takes immediate remedial actions in response to any identified deficiencies.
3. M31 evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. M31 has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, M31 believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of M31's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement was approved by the Board of Directors at its meeting held on February 27, 2024. Of the seven directors present, none held an opposing view and the rest agreed to the contents of this statement and hereby declare.

M31 Technology Corporation

Chairman: Huey-Ling Chen

President: Yuan-Hsun Chang

(2) If CPA was engaged to conduct a special audit of internal control system, provide its audit report: None.

3.3.11 For the most recent year and as of the printing date of the annual report, the Company and its internal personnel were punished by law, the Company punished its internal personnel for violating the provisions of the internal control system, and the major deficiencies and improvements: None.

3.3.12 Major Resolutions of Shareholders' Meeting and Board Meetings

(1) Major Resolutions of Shareholders' Meeting on May 24, 2023

Major Resolutions	Status of Execution
(1) Recognized the Business Report and Financial Statements of 2022	(1) Declared in accordance with the law.
(2) Recognized the Proposal for Profit Distribution of 2022	(2) The allocation has been made in accordance with the resolution, and July 19, 2023 has been set as the distribution date and the cash dividends will be paid on Aug. 16, 2023.
(3) Issuance of new shares through capital increase by earnings for 2022	(3) According to the resolution, 7/19/2023 has been set as the base date for distribution and 8/16/2023 for dividend payment.
(4) Election of the fifth term of directors (including independent directors)	(4) Declaration of notice and registration of changes in accordance with the election results.
(5) Release of the non-competition restrictions for newly elected directors	(5) Approved by resolution to remove directors from competition.

(2) Major Resolutions of Board Meetings

Date / Term	Approval of Major Resolutions
Feb. 23, 2023 The 17 th Session of the 4 th Term (1 st in 2023)	(1) Distribution of director remuneration and employee compensation for 2022 (2) Financial statements and business report for 2022 (3) Profit distribution for 2022 (4) Issuance of new shares through capital increase by earnings for 2022 (5) General re-election of directors (including independent directors) (6) Nomination of candidates for directors (including independent directors) (7) Release of the non-competition restrictions for newly elected directors (8) Convening of the 2023 General Shareholders Meeting (9) Statement of Internal Control System for 2022 (10) Evaluation of the independence and suitability of the Company's CPA and appointment (11) Cancellation of restricted employee shares of capital reduction for the fourth quarter of 2022 (12) Not to proceed with the "The method of issuance of common shares by public offering or private placement for cash capital increase" as approved at the 2022 General Shareholders Meeting. (13) Review of managerial officer remuneration for 2023 (14) Review of independent director remuneration for 2023 (15) Issuance of employee stock options in 2023 (16) Formulation of the "2023 Employee Stock Option Issuance and Subscription Method for 2023" (17) Greenhouse gas monitoring and inspection timeline plan of subsidiaries (18) Appointment of managerial officers (19) Appointment of Directors and managerial officers of U.S. Subsidiaries

Date / Term	Approval of Major Resolutions
May 03, 2023 The 18 th Session of the 4 th Term (2 nd in 2023)	(1) Consolidated financial statements for the first quarter of 2023 (2) Acquisition of monetary funds (3) Capital Increase of U.S. Subsidiary (4) Establishment of an Indian subsidiary (5) Appointment of managerial officers of U.S. subsidiary (6) New managerial officers remuneration of the Company and subsidiaries for 2023
May 24, 2023 The 1st Session of the 5th Term (3rd in 2023)	(1) Election of Chairman (2) Appointment of remuneration committee members (3) Election of Nominating Committee
June 20, 2023 The 2nd Session of the 5th Term (4th in 2023)	(1) Formulation of the ex-rights date for capital increase by earnings (2) Investment in sustainable financial instruments (3) Appointment of Remuneration Committee
Aug. 3, 2023 The 3rd Session of the 5th Term (5th in 2023)	(1) Consolidated financial statements for the second quarter of 2023 (2) The cancellation of restricted employee shares of capital reduction for the second quarter of 2023 (3) Bank credit line (4) Budget amendment for 2023 (5) Appointment of CPA income tax return for 2023 (6) Authorization for acquisition of securities (7) Appointment of Board of Director and Managerial Officers for Indian Subsidiary (8) Removal of Noncompete Clause for Managerial Officers
Nov. 02, 2023 The 4 th Session of the 5 th Term (6 th in 2023)	(1) Consolidated financial statements for the third quarter of 2023 (2) Audit plan for 2024 (3) Amendment of Internal Control Related Regulations (4) Evaluation of overdue accounts receivable for non-capital loans to others
Dec. 21, 2023 The 5 th Session of the 5 th Term (7 th in 2023)	(1) Budget and Operating Plan for 2024 (2) Appointment of Managerial Officers (3) Change in Directors of the Indian Subsidiary (4) Amendment of “Corporate Governance Practice Principles” (5) Amendment of “Performance Evaluation Regulations for the Board of Directors and Managerial Officers” (6) Amendment of “Remuneration Committee Charter” (7) Review the year-end bonus of managerial officers for 2023 (8) Ethical corporate management plan for 2024 (9) Sustainable development plan for 2024 (10) Capital change of Mainland China subsidiary (11) Name change and relocation of Mainland China subsidiary

Date / Term	Approval of Major Resolutions
Feb. 27, 2024 The 6 th Session of the 5 th Term (1 st in 2024)	(1) Distribution of director remuneration and employee compensation for 2023 (2) Financial statements and business report for 2023 (3) Release of the non-competition restrictions for current directors (including independent directors) (4) Statement of Internal Control System for 2023 (5) Evaluation of the independence and suitability of the Company's CPA and appointment (6) Cancellation of restricted employee shares of capital reduction for the fourth quarter of 2023 (7) Authorization for Acquisition of securities (8) Review of Directors' (including Independent Directors') Remuneration for 2024 (9) Review of managerial officers remuneration for 2024 (10) Review of M31 managerial officers remuneration for 2024
Mar. 06, 2024 The 7 th Session of the 5 th Term (2 nd in 2024)	(1) Profit distribution for 2023 (2) Issuance of new shares through capital increase by earnings for 2023 (3) Convening of the 2024 General Shareholders Meeting

3.3.13 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors : None.

3.3.14 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D : None.

3.4 Information on CPA's Fees

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remark
Deloitte & Touche	Mei-Chen Tsai	01/01/2023 to 12/31/2023	1,755	659	2,414	—
	Yu-Feng Huang					

Non-audit public services: 2023 tax certificate NT\$400,000 + 2023 Q1~Q4XBRL totaling NT\$40,000 + 2022 annual report review NT\$30,000 + 2022 non-executive compensation NT\$20,000 + 2021 unappropriated earnings real investment offset NT\$20,000 + travel and printing NT\$89,000 + 2023 public statement review and issuance of case review form for the issuance of employee stock options NT\$60,000.

3.4.1 If there is a change in the accounting firm and the audit fee paid in the year of change is reduced compared to the audit fee in the year before the change, the amount, percentage and reason of the reduction should be disclosed : N/A.

3.4.2 If the audit fee is reduced by 10% or more from the previous year, the amount, percentage and reasons for the reduction shall be disclosed : N/A.

3.5 Replacement of CPA: None.

3.6 The Chairman, President, or Chief Financial or accounting manager of the Company who has worked in the firm of the CPA or its affiliated companies within the most recent year: None.

3.7 Changes in Shareholding and Shares Pledged by the Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More

3.7.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit : Thousand shares

Title	Name	2023		2024 (As of March 31)	
		Increase (Decrease) in Number of shares	Increase (Decrease) in Number of Pledged Shares	Increase (Decrease) in Number of shares	Increase (Decrease) in Number of Pledged Shares
Chairman	Huey-Ling Chen	676,762	—	—	—
Director	Yuan-Hsun Chang	13,601	—	(15,000)	—
Director	Li-Kuo Liu	—	—	—	—
Director	Chun-Hao Lai (Note)	—	—	—	—
Independent Director	Jun-Ji Lin	—	—	—	—
Independent Director	Shih-Ying Huang	—	—	—	—
Independent Director	Cheng-Wen Wu (Note)	—	—	—	—
Vice President of Fundamental IP	Patrick Lien	1,300	—	(198)	—
Vice President of Functional IP	Jerome Hung (Note)	—	—	—	—
Vice President of Sales	Gavin Ge (Note)	—	—	—	—
Vice President of Business Executive Center and Corporate Governance Officer	Grace Liu	(13,600)	—	(7,000)	—
Associate Vice President of Functional IP	Danny Huang (Note)	—	—	—	—
Finance Manager	Sally Lo	1,200	—	(1,200)	—

Note : Director Chun-Hao Lai and Independent Director Cheng-WenWu were newly elected on May 24, 2023; Vice President Jerome Hung and Gavin Ge were newly appointed on March 1, 2023; Associate Vice President Danny Huang was newly appointed on December 21, 2023.

3.7.2 Information on related parties for the transfer of shares: None.

3.7.3 Information on pledge of shares as related parties: None.

3.8 Information on shareholders among the top 10 by proportion of shareholding who are related parties to one another or spouse, kindred within the 2nd degree of kinship

3/29/2024 Unit : Shares ; %

Name	Own Shareholding		Shares Held by Spouse & Minor Children		Shareholding under the Title of a Third Party		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within 2 nd Degrees of Kinship		Remarks
	Shares (in thousands)	%	Shares (in thousands)	%	Shares (in thousands)	%	Name	Relationship	
Huey-Ling Chen	7,438,762	21.34	-	-	1,816,110	5.21	Chen-An Lin	Mother & Son	-
							Yi-Chen Lin	Mother & Daughter	-
							Jui-Chun Investment Company Ltd.	In charge of Jui-Chun Investment Company Ltd.	-
Chen-An Lin	1,837,662	5.27	-	-	-	-	Huey-Ling Chen	Mother & Son	-
							Yi-Chen Lin	Second degree of kinship	-
							Jui-Chun Investment Company Ltd.	Huey-Ling Chen, who is in charge Jui-Chun Investment Company Ltd. is the mother of Chen-An Lin-	-
Jui-Chun Investment Company Ltd. (Person in charge: Huey-Ling Chen)	1,816,110	5.21	-	-	-	-	Huey-Ling Chen	In charge of Jui-Chun Investment Company Ltd.	-
							Chen-An Lin	Huey-Ling Chen, who is in charge Jui-Chun Investment Company Ltd. is the mother of Chen-An Lin-	-
							Yi-Chen Lin	Huey-Ling Chen, who is in charge Jui-Chun Investment Company Ltd. is the mother of Yi-Chen Lin-	-
Yi-Chen Lin	1,658,210	4.75	-	-	-	-	Huey-Ling Chen	Mother & Son	-
							Chen-An Lin	Second degree of kinship	-
							Jui-Chun Investment Company Ltd.	Huey-Ling Chen, who is in charge Jui-Chun Investment Company Ltd. is the mother of Yi-Chen Lin-	-
Fubon Life Insurance Co. Ltd	1,624,001	4.66	-	-	-	-	-	-	-
Chang Chin Chang	623,000	1.78	-	-	-	-	-	-	-

Name	Own Shareholding		Shares Held by Spouse & Minor Children		Shareholding under the Title of a Third Party		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within 2 nd Degrees of Kinship		Remarks
	Shares (in thousands)	%	Shares (in thousands)	%	Shares (in thousands)	%	Name	Relationship	
HSBC Bank (Taiwan) Limited as Trustee for the Fidelity Emerging Markets Opportunities Fund under the Fidelity Investment Trust Series	531,000	1.52	-	-	-	-	-	-	-
HSBC Bank (Taiwan) Limited as Trustee for the Matthew Emerging Markets Small Cap Fund	422,702	1.21	-	-	-	-	-	-	-
Allianz Global Investors Taiwan Intelligence Trends Fund	400,000	1.14	-	-	-	-	-	-	-
Li Kuo Feng	385,000	1.10	-	-	-	-	-	-	-

3.9 Quantity of shareholdings of the same investee by the Company and Directors, Managerial Officers, and direct or indirect subsidiaries in proportion to the combined holdings of all, and combined to calculate the proportion of overall shareholding:

March 31, 2024 Unit: thousand shares

Investee (Note 1)	Investment made by Company		Investment Made by Directors, Supervisors, Managerial Official and Direct or Indirect Subsidiaries		Combined Investment	
	Shares	%	Shares	%	Shares	%
M31 Technology USA, INC.	1,000	100%	-	-	1,000	100%
M31 Technologies India Private Limited	50	100%	-	-	50	100%
Sirius Venture Ltd.	167	100%	-	-	167	100%
M31 Technology (Shanghai) Inc.	(Note 2)	100%	-	-	(Note 2)	100%

Note 1: This is the Company's investee using the equity method.

Note 2: 100% of the Company's indirect investment through Sirius Venture Ltd. is a limited liability company with no shares issued.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital Stock

(1) Share Capital Formation

Unit: Thousand shares / NT\$ thousands

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital Stock (Amount)	Property Other Than Cash is Paid by Subscriber	Other Approval and registration date document number
Oct 2011	10	5,000	50,000	500	5,000	Establishment of a capital: 5,000	None	10/21/2011 Ching Shou Chung Tzu No.10032666230
Mar 2012	10	36,000	360,000	4,500	45,000	Cash Capital Increase: 40,000	None	03/03/2012 Ching Shou Chung Tzu No.10131720200
Apr 2012	10	36,000	360,000	10,568	105,680	Cash Capital Increase : 60,680	None	04/02/2012 Ching Shou Chung Tzu No.10131836230
May 2012	10	36,000	360,000	16,573	165,730	Cash Capital Increase : 60,050	None	05/02/2012 Ching Shou Chung Tzu No.10131951700
Jun 2012	10	36,000	360,000	23,000	230,000	Cash Capital Increase : 64,270	None	06/11/2012 Ching Shou Chung Tzu No.10132110760
Sep 2016	19.5	36,000	360,000	24,840	248,400	Cash Capital Increase : 18,400	None	09/23/2016 Ching Shou Chung Tzu No.10534343540
Jan 2017	15 - 16.5	36,000	360,000	28,561	285,610	Employee stock option certificate: 37,210	None	01/25/2017 Ching Shou Chung Tzu No.10633046470
Jun 2017	15 - 16.5	36,000	360,000	28,640	286,400	Employee stock option certificate: 790	None	06/08/2017 Ching Shou Chung Tzu No.10633318180
Feb 2019	198~ 269	50,000	500,000	31,318	313,180	Cash Capital Increase : 26,780	None	02/12/2019 Ching Shou Chung Tzu No.10833086780
Oct 2021	100	50,000	500,000	31,606	316,060	Restricted Employee Shares Capital Increase: 2,880	None	10/06/2021 Ching Shou Chung Tzu No. 11033623470
Jun 2022	100	50,000	500,000	31,603	316,030	Restricted Employee Shares Capital Decrease: 30	None	06/06/2022 Ching Shou Chung Tzu No. 11133331760
Jul 2022	100	50,000	500,000	31,713	317,130	Restricted Employee Shares Capital Increase: 1,100	None	07/08/2022 Ching Shou Chung Tzu No. 11133419990
Aug 2022	100	50,000	500,000	31,710	317,100	Restricted Employee Shares Capital Decrease: 30	None	08/16/2022 Ching Shou Chung Tzu No. 11133505070
Nov 2022	100	50,000	500,000	31,708	317,080	Restricted Employee Share Capital Decrease: 20	None	11/14/2022 Ching Shou Chung Tzu No. 11133702140
Mar 2023	100	50,000	500,000	31,698	316,980	Restricted Employee Share Capital Decrease: 100	None	03/09/2023 Ching Shou Chung Tzu No. 11233130690
Jul 2023	10	50,000	500,000	34,867.8	348,678	Capital increase by earnings: 31,698	None	07/26/2023 Ching Shou Chung Tzu No. 11233454660
Aug 2023	100	50,000	500,000	34,865.8	348,658	Restricted Employee Share Capital Decrease: 20	None	08/23/2023 Ching Shou Chung Tzu No. 11233496300
Mar 2024	100	50,000	500,000	34,847.8	348,478	Restricted Employee Share Capital Decrease: 180	None	03/15/2024 Ching Shou Chung Tzu No. 11330441630

(2) Type of Stock

3/29/2024 Unit : Shares

Stock Type	Authorized Shares Capital			Remarks
	Outstanding Shares	Un-issued Shares	Total	
Registered Common Shares	34,847,800	15,152,200	50,000,000	Listed company stock

- (3) If the issuance of securities is approved under the omnibus reporting system, information on the approved amount, scheduled issuance and issued securities should also be disclosed:
N/A.

4.1.2 Composition of Shareholders

3/29/2024 Unit : Person ; shares ; %

Shareholders Quantity	Government Agency	Financial Institutions	Other Organizations	Individual	Foreign Institutions & Investors	Total
Number of Person	2	71	50	11,750	204	12,077
Number of Shares	309,501	5,409,170	2,296,820	20,856,896	5,975,413	34,847,800
Shareholding Ratio	0.89	15.52	6.59	59.85	17.15	100.00

4.1.3 Equity Distribution

Par value NT\$10 ; 3/29/2024 Unit : Person ; shares ; %

Shareholding Classification	No. of Shareholders	Number of Shares	Shareholding Ratio %
1 — 999	9,038	548,522	1.57
1,000 — 5,000	2,620	4,094,530	11.75
5,001 — 10,000	164	1,271,826	3.65
10,001 — 15,000	55	710,806	2.04
15,001 — 20,000	41	736,020	2.11
20,001 — 30,000	37	908,391	2.61
30,001 — 40,000	27	951,850	2.73
40,001 — 50,000	15	688,670	1.98
50,001 — 100,000	34	2,399,714	6.89
100,001 — 200,000	28	3,927,464	11.27
200,001 — 400,000	10	2,658,560	7.63
400,001 — 600,000	2	953,702	2.74
600,001 — 800,000	1	623,000	1.79
800,001 — 1,000,000	0	0	0
1,000,001 or above	5	14,374,745	41.25
Total	12,077	34,847,800	100.00

Preferred shares : N/A

4.1.4 List of Major Shareholders

3/29/2024 Unit : Shares ; %

Major Shareholder's Name	Shares	Shareholding	Shareholding Ratio %
Huey-Ling Chen		7,438,762	21.34
Chen-An Lin		1,837,662	5.27
Jui-Chun Investment Co., Ltd.		1,816,110	5.21
Yi-Chen Lin		1,658,210	4.75
Fubon Life Insurance Co. Ltd.		1,624,001	4.66
Chang Chin Chang		623,000	1.78
HSBC Bank (Taiwan) Limited as Trustee for the Fidelity Emerging Markets Opportunities Fund under the Fidelity Investment Trust Series		531,000	1.52
HSBC Bank (Taiwan) Limited as Trustee for the Matthew Emerging Markets Small Cap Fund		422,702	1.21
Allianz Global Investors Taiwan Intelligence		400,000	1.14
Li Kuo Keng		385,000	1.10

4.1.5 Information on market price, net value, earnings and dividends per share in the most two year

Unit : NT\$; thousand shares

Item	Year		2022	2023	2024 (As of March 31) (Note 7)
	Market Price per Share (Note 1)	The Highest		582.00	1,195.00
	The Lowest		212.00	455.00	1,040.00
	Average		419.17	733.75	1,499.04
Net Value per Share (Note 2)	Before Distribution		58.60	59.20	N/A
	After Distribution		46.00	42.68(Note 2)	N/A
Earnings per Share	Weighted Average Shares		34,295(Note 6)	34,524	N/A
	Earnings Per Share		11.06(Note 6)	12.60	N/A
Dividends per Share (Note 2)	Cash Dividends(per share)		8.00	8.00	N/A
	Free-Gratis Divedends	Retained Earnings Distribution (per share)	1.00	N/A	N/A
		Capital Reserved Distribution	-	N/A	N/A
	Accumulated unpaid dividends		-	-	N/A
Return on Investment Analysis	Price / Earnings Ratio (Note 3)		37.90(Note 6)	58.23	N/A
	Price / Earnings Ratio (Note 4)		52.40	91.72	N/A
	Cash Dividend Yield Rate (Note 5)		1.91%	1.09%	N/A

Note 1: Market price per share is based on the information posted on the official website of TPEx.

Note 2: The profit distribution for the 2022 was approved by the board of directors for a cash dividend of NT\$8 per share, and an additional stock dividend of NT\$1 per share was resolved at the 2023 annual shareholders' meeting. For the 2023, the profit distribution was approved by the board of directors for a cash dividend of NT\$8 per share, and an additional stock dividend of NT\$2 per share is still pending resolution at the 2024 annual shareholders' meeting.,

Note 3: Price / Earnings Ratio = Average Closing Price per share in current year / Earnings per share.

Note 4: Price / Dividend Ratio = Average Closing Price per Share in current year / Cash Dividends per Share.

Note 5: Cash Dividend Yield = Cash Dividends per Share / Average Closing Price per share in current year.

Note 6: The Company retroactively adjusted the weighted-average number of shares, earnings per share, and price-to-earnings ratio for 2022 as a result of the capital increase by earnings in 2023.

Note 7: Net value per share and earnings per share are not available as of the date of the annual report; the rest of the columns are as of March 31, 2024.

4.1.6 Dividend Policy and Implementation Status

(1) Dividend Policy

The Company considers the current industrial development is in the growth stage, dividend distribution policy is based on the future capital requirements and long-term financial planning. The Board of Directors is authorized to make a distribution of not less than 2% of the distributable earnings for the year and, provided that no other special circumstances apply, up to 80% of the after-tax earnings for the year, in cash or in shares, with cash dividends not less than 10% of the total dividends.

(2) Implementation Status: The Company's board of directors resolved on March 06, 2024 to distribute cash dividends of NT\$8 per share to shareholders and stock dividends of NT\$2 per share subject to the resolution of the shareholders' meeting on May 27, 2024, in accordance with the relevant regulations.

4.1.7 Impact of the gratis allotment of shares proposed at the general shareholders' meeting on the Company's operating results and earnings per share: The proposed of 200 shares free-gratis for every 1,000 shares at the general shareholders' meeting will have a dilutive effect of approximately 16.7% on the Company's operating results and earnings per share, which should not have a significant impact as the Company's results are expected to continue to grow.

4.1.8 Remuneration for Employees, Directors and Supervisors

(1) The percentage or scope of remuneration for employees and directors as stated in the Company's Articles of Incorporation

If there is any profit, an amount not less than 1% of the earnings shall be provided as compensation to employees and an amount not more than 1.5% of the earnings shall be provided as compensation to directors. However, if the Company has accumulated losses, the amount of compensation shall be reserved in advance.

(2) The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period : Cash bonuses payable to directors and employees for the year 2023 approved by the Company on February 27, 2024 were recorded in the accounts at a certain rate based on the profitability of the year. If there is any difference between the estimated amount and the actual amount paid, it will be adjusted in accordance with accounting estimates and recorded in the year of payment.

(3) Remuneration distribution approved by the board of directors

(3.1) If the amount of employees' compensation and directors' and supervisors' remuneration distributed by cash or stock differs from the amount estimated in the year in which the expense is recognized, the amount of the difference, the reasons for the difference and the circumstances under which the difference was handled should be disclosed:

The Company's board of directors' meeting held on February 27, 2024 resolved to distribute compensations to employees in the amount of NT\$6,300 thousand

and remunerations to directors in the amount of NT\$5,600 thousand for the year 2023, which is the same as the estimated amount of expenses for the year 2023, with no difference.

- (3.2) The amount of employee compensation distributed in stock and its proportion to the total amount of net income after tax and total employee compensation in the parent only or individual financial statements for the period: N/A.
- (4) Previous (2022) year's actual compensation distributed for employees, directors and supervisors (including number of shares, amount being distributed, and stock price, of the shares distributed); if there is a difference between the actual compensation and the originally recognized employees', directors' and supervisors' compensation, the discrepancy, reason(s) and status of treatment should be clearly stated

Unit : NT\$

	Resolution of the Board (2/23/2023)	Actual Disbursements
Directors' Remuneration	4,900,000	4,900,000
Employees' Compensation	5,450,000	5,450,000
Total	10,350,000	10,350,000

Note: The above-mentioned employees' remuneration was expensed for 2022 and there was no difference between the amount recorded and the resolution of the Board of Directors.

4.1.9 Status of repurchase of the Company's shares: None

4.2 Status of Corporate Bonds: None

4.3 Status of preferred stocks: None

4.4 Status of GDR/ADR: None

4.5 Status of Employee Stock Options:

4.5.1 Employee stock options that have not yet expired: None

4.5.2 List of executives who have acquired employee stock options and the top ten employees who have acquired stock options: None

4.6 Status of Restricted Employee Shares

4.6.1 Status of Restricted Employee Shares:

3/31/2024

Restricted Employee Shares Types	Issuance of Restricted Employee Shares in 2021 1st Time	
	Effective Date	8/17/2021
Issuance Date	9/23/2021	6/28/2022
Number of Shares Issued	288,000 shares	110,000 shares
Issuance Price	NT\$100 per share	
Number of Restricted Employee Shares Issued as a percentage of Total Number of Shares Issued	0.83%	0.32%

Vested Conditions of Restricted Employee Shares	(1) The employee has served for the following period of time and has achieved the performance standards for that year during the vesting period:	
	<u>Vested Period</u>	<u>Vested Share Ratio</u> <u>Performance</u>
	Two years from the date of grant	50% Annual performance appraisal of G or above
	Three years from the date of grant	50% Annual performance appraisal of G or above
	(2) The criteria for achieving the individual performance goals are set by the Company and the individual employee.	
Restricted Rights of Restricted Employee Shares	(1) The employee shall not sell, pledge, transfer, give to others, set up, or otherwise dispose of the new shares with restricted employee rights because the vesting condition has not been reached.	
	(2) The restricted employee shares that have not yet reached the vesting condition can still participate in the stock allotment and dividend distribution; however, they cannot benefit from the right to increase the capital stock in cash.	
	(3) After the issuance of restricted employee shares, the trust shall be delivered immediately and the employee shall not request the trustee to return the restricted employee shares for any reason or in any way before the vesting condition is fulfilled.	
Custody of Restricted Employee Shares	Restricted employee shares shall be delivered to the trust at the time of delivery by the Company on behalf of the employee and the stock trust, including but not limited to the negotiation, execution, amendment, extension, cancellation and termination of the trust deed, and the delivery, application and disposition instructions of the trust property.	
The Handling of Employees Who Fail to Meet the Vesting Conditions after Allotment or Subscription of New Shares	After employees have been allocated restricted employee shares, if any of them have not met the vested conditions, the unexercised restricted employee shares that have not met the vested conditions may be repurchased at the issuance price (including their stock dividends and related rights) and cancelled.	
Number of Restricted Employee Shares Recovered or Acquired	30,000 shares	14,000 shares
Number of shares released from restricted shares	137,000 shares	0 share
Number of shares not released from restricted shares	121,000 shares	96,000 shares
Number of shares not released from restricted shares as a percentage of the total outstanding shares (%)	0.35%	0.28%
Impact on shareholders' equity	Based on the overall assessment, the Company expects the revenue and profit to grow in the future; therefore, the annual expense amount has no significantly impact on shareholders' equity.	

4.6.2 Names of managerial officers and the top ten employees who acquired restricted employee shares as of the date of printing of the annual report and the status of acquisition

3/31/2024 Unit: Thousand shares; NT\$ thousands; %

	Title	Name	Number of Restricted Employee Shares acquired	Released			Unreleased				
				Number of shares released from restrictions	Issuance Price	Issuance Amount	Number of shares released from restrictions as % of total shares issued	Number of shares not released from restrictions	Issuance Price	Issuance Amount	Number of shares not released from restrictions as % of total shares issued
Managerial Officers	Vice President of Fundamental IP	Patrick Lien	30	15	100	1,500	0.04	24	100	2,400	0.07
	Vice President of Functional IP (Note 1)	Jerome Hung									
	Vice President of Sales (Note 1)	Gavin Ge									
	Vice President of Business Executive Center and Corporate Governance Officer	Grace Liu									
	Associate Vice President of Functional IP (Note1)	Danny Huang									
	Finance Manager	Sally Lo									
Employees	Employee	Employee A	147	68	100	6,800-	0.20	79	100	7,900	0.23
	Employee	Employee B									
	Employee	Employee C									
	Employee	Employee D									
	Employee	Employee E									
	Employee	Employee F									
	Employee	Employee G									
	Employee	Employee H									
	Employee	Employee I									
	Employee	Employee J									
	Employee	Employee K									
	Employee	Employee L									
	Employee	Employee M									
	Employee	Employee N									
	Employee	Employee O									
	Employee	Employee P									
	Employee	Employee Q									
	Employee	Employee R									
	Employee	Employee S									
	Employee	Employee T									
Employee	Employee U										
Employee	Employee V										
Employee	Employee W										

Note 1: Jerome Hung and Gavin Ge were appointed as Vice Presidents on March 1, 2023; Danny Huang was appointed as an Associate Vice President on December 21, 2023.

Note 2: A total of 15,000 restricted employee shares have been recovered upon the resignation of employees B, L, and Q

4.7 Mergers and acquisitions or issuance of new shares by transfer of shares of other companies:
None.

4.8 Implementation of capital utilization plan: N/A.

V. Business Overview

5.1 Business Activities

5.1.1 Scope of business

(1) Main business activities

CC01030	Electrical Appliance and Audiovisual Electric Products Manufacturing
CC01060	Wired Communication Mechanical Equipment Manufacturin
CC01070	Wireless Communication Mechanical Equipment Manufacturing
CC01080	Electronics Components Manufacturing
CC01090	Manufacture of Batteries and Accumulators
CC01110	Computer and Peripheral Equipment Manufacturing
CC01120	Data Storage Media Manufacturing and Duplicating
CC01990	Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
F118010	Wholesale of Computer Software
F218010	Retail Sale of Computer Software
F219010	Retail Sale of Electronic Materials
F601010	Intellectual Property Rights
I301010	Information Software Services
I301020	Data Processing Services
I301030	Electronic Information Supply Services
I199990	Other Consulting Service
IZ99990	Other Industrial and Commercial Services
CZ99990	Manufacture of Other Industrial Products Not Elsewhere Classified
ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval

(2) Revenue composition

Unit : NT\$ thousands

Year Revenue Stream	2022		2023	
	Sales Amount	Operating Ratio	Sales Amount	Operating Ratio
Technical Service	1,068,821	78.58%	1,346,625	83.52%
Royalty	291,344	21.42%	265,712	16.48%
Total	1,360,165	100.00%	1,612,337	100.00%

(3) Current Products (Services)

Products	Functions
Foundation IP	<p>The main service targets are foundries and IC design companies, with corresponding product solutions for different wafer processes. The product portfolio includes Standard Cell Library, Memory Compilers and I/O standard libraries, providing low power consumption, high density memory compilers and optimal modular cell libraries IP design and licensing.</p> <p>The IP developed so far mainly covers the following applications: microcontroller ICs, smart card ICs, power management ICs, panel driver ICs, IoT ICs and other related products.</p>
High Speed Interface IP	<p>The main service targets are IC design companies, and the product categories include:</p> <p>USB : eUSB2, USB 1.1/2.0/3.2 Gen1/3.2 Gen2/4 Gen3x2, USB BCK</p> <p>PCIe : PCI Express 2.1 /3.1/4.0/5.0</p> <p>SerDes : SerDes 10G/5G</p> <p>MIPI : M-PHY, C-PHY, D-PHY and C/D-PHY Combo</p> <p>DDR: LPDDR 4/4X, ONFI I/O, ONFI PHY</p> <p>Design, development and licensing of a wide range of high-speed interface IP in various interface specifications.</p> <p>Wide scope of applications: mobile devices, storage devices, automotive electronics, AI, IoT and related products for high performance computing applications.</p>
Analog IP	<p>The main service targets are IC design companies and the product categories include:</p> <p>PLL, ADC, Temperature Sensor, VDT, POR and many other Analog IP design, development and licensing.</p> <p>Scope of application: mainly in the field of IoT and wearable device applications.</p>
IP Integration Service	<p>The main service targets are IC design companies, providing IP implementation, IC implementation and IP integration services to optimize the implementation of on-chip processor IP hardcore, reducing the time for designers to integrate their own products and accelerating time-to-market.</p> <p>Scope of application: consumer electronics, AI and other related applications.</p>

(4) New products (services) development plan

- (4.1) eUSB2, PCIe 5.0, MIPI M PHY, MIPI C/D-PHY Combo TX/RX, LPDDR 5/5X : Providing the latest generation high-speed interface transmission specifications, continuously developing high-speed interface IPs using advanced processes of 7nm and below, and advancing towards 2/3nm extremely advanced processes.

- (4.2) 3nm Memory Compiler : Continued development of advanced process Memory Compiler to meet the demand for high performance computing ICs.
- (4.3) 12nm Low Power Standard Cell Library: Continuing to develop advanced Standard Cell Library, including Low VDD-6T, HD-6T, and GP-7.5T, to meet market demands for a wide range of choices in low voltage, area, and speed requirements.
- (4.4) ONFI(I/O+ PHY) Total Solution: Closely following the pace of foundry process, investing in the development of ONFI I/O for advanced process below 7nm, and constructing a total solution of I/O + PHY.
- (4.5) Automotive IP platform : Under the consideration of safety and reliability, building a complete IP test verification and functional safety guidance and certification platform, will help chip designers shorten the time-to-market and gain market advantage in the field of automotive electronics.

5.1.2 Industry overview

(1) Industry Development and Current Status

From the early days of home appliances, to personal computers, to the era of mobile devices, electronics have evolved to include ubiquitous computing, memory and sensing, and these functions have replaced manual processing. The future of food, clothing, housing, transportation, entertainment and other lifestyles are all likely to develop towards intelligent development, moving from the digital age to the full "age of intelligence", mainly around an important core concept - artificial intelligence (AI). AI is the foundation of all smart applications. With the introduction of AI technology, all kinds of familiar smart-related devices and applications have been given clearer definitions and directions, and the future development of electronic products combined with artificial intelligence includes self-driving cars, smart homes, smart factories, etc. Electronic systems and mechanical devices that can autonomously judge and learn will be used in various industries such as transportation, health care, industrial manufacturing, internet, energy, natural resources, security and control, etc.

Integrated Circuits (ICs) are crucial components of electronic products, and their upgrading and development are primarily driven by wafer fabrication technology. Currently, major manufacturers in the fields of communication, computing, and automotive chips are actively adopting the most advanced process technologies to enhance market competitiveness. In the telecommunication field, flagship smartphone processors have transitioned from 4nm to 3nm, while computing chips have also adopted the most advanced below 3nm process for production, maintaining competitiveness. In the realm of automotive chips, leading manufacturers have adopted 7nm and 5nm processes for self-driving supercomputers, marking a trend towards achieving higher performance and lower power consumption. The development towards advanced nodes in the process has become a key strength in the market competition for major players, bringing faster speeds, lower power consumption, and smaller chip sizes to meet the demands for more powerful chip processing power and emphasize performance in the shrinking volumes required for handling large amounts of data and image processing.

However, the mature process is not being excluded because of the technological leadership of the advanced process, as there is sufficient technical maturity to allow the mature process to meet the needs of specific areas, and many applications will prefer the mature process for performance and cost considerations as they do not require a smaller

design size. This is why many semiconductor companies that have announced that they are discontinuing the development of advanced process technologies continue to optimise their existing mature technologies, not only maintain market competitiveness, but also actively plan more cost-effective and performance-oriented solutions for customers to adopt.

In fact, mature processes and advanced processes are both leading the way, and different technologies can continue to advance different applications on their respective fields to accelerate industry progress. Nevertheless, the semiconductor industry has not forgotten the need to continue to break the limitations of Moore's Law, which has led to a pivotal role for architectural design adjustments, heterogeneous integration, and three-dimensional architecture in the evolution of advanced processes, addressing various challenges that arise from the continuous miniaturization of chips. However, the increasing demand from important applications such as AI and HPC, as well as terminal applications, will continue to drive the evolution of semiconductor technology and boost the overall market size of the semiconductor industry.



Global Semiconductor Market Valuation Source: Gartner

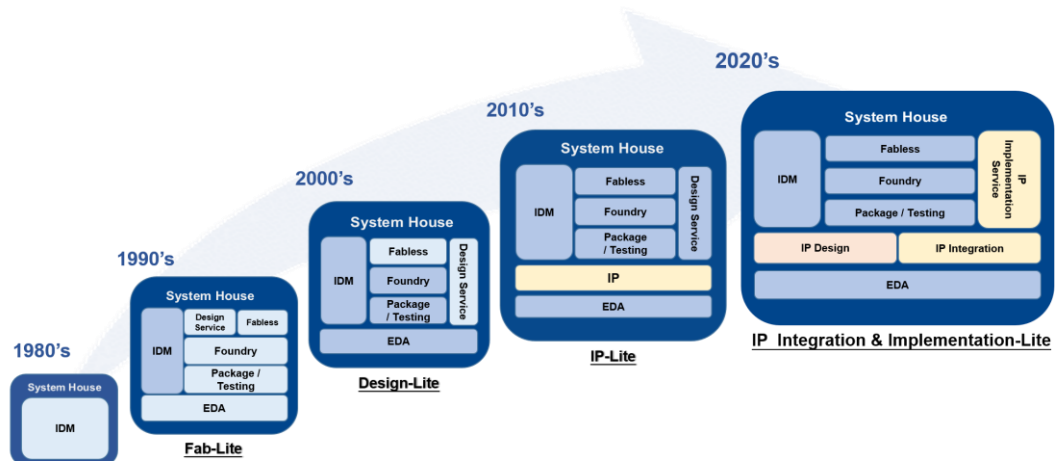
According to the latest report from research firm Gartner, the global semiconductor market is estimated to reach a total value of \$624 billion in 2024, with an annual growth rate of 16.8%. Taiwan's semiconductor output is expected to reach NT\$4.9 trillion, representing a 14.1% annual increase. The resurgence in demand from end markets and strong demand for AI chips are key drivers propelling growth in the semiconductor industry. The global semiconductor IP market is also showing a trend of continuous strong growth. As per to IPnest's research data, the global semiconductor IP market is expected to grow from \$6.7 billion in 2022 to \$10 billion in 2025, with an estimated compound annual growth rate (CAGR) of 16.7%.

To meet the high-performance and multi-functional requirements of electronic products, semiconductor IC designers and manufacturers are actively developing new complex IC designs based on multi-core technology. However, the integration of such complex designs can extend the entire semiconductor product development cycle and increase cost risks, while semiconductor IP can bridge the gap between design complexity and

time-to-market for mass production, leading to the gradual adoption of semiconductor IP licensing in the electronics industry market. As IC designs become increasingly complex in the future, and R&D costs rise, the market demand for semiconductor IP licensing will continue to expand.

(2) Upstream, midstream and downstream industry linkages

In the 2010s, the emergence of the IP industry led to the third industrial revolution in the global semiconductor industry. Due to the complexity of integrating IC design functions, third-party IP licensing enabled IC designers to focus on core areas of strength, effectively reducing the operating costs of IC design companies and moving into the "IP-Lite" model. As a result, the IC industry structure has moved towards a high degree of specialization, and M31 was incorporated in 2011. Into the 2020s, as the complexity of chip design continues to increase, IP requires a more refined division of expertise and services. A professional IP company not only provides a wide range of process-proven IP categories, but also design execution and integration services to ensure better product design, simpler reusable designs and faster time-to-market for IC designers, making the management of the IC design team more flexible and allowing the organization to respond flexibly to changes in the market environment. At this stage, it can be said that IP companies link up the economic benefits of the entire semiconductor industry chain.

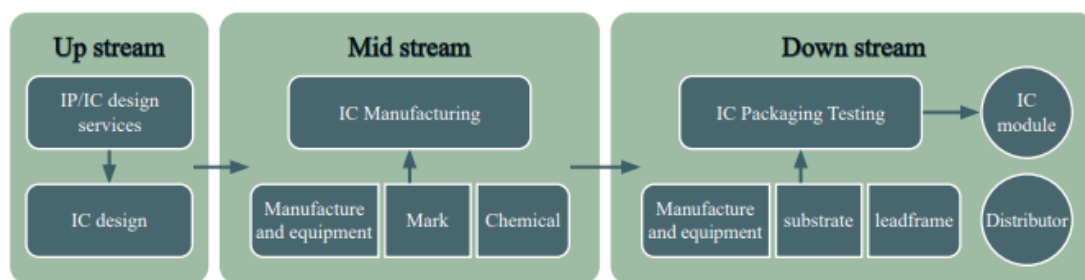


Evolution of the semiconductor industry chain Source: M31

M31 is a semiconductor IP design company situated at the uppermost part of the semiconductor industry chain. As IC design houses integrate many functions into a single IC (SoC) product, it is inevitable that proven IP will be integrated into the SoC to effectively shorten the product development cycle and reduce costs, resulting in companies specializing in IP design. The midstream industry is foundry manufacturing, where IC design companies are entrusted to Foundry for wafer fabrication after product design is completed. However, Foundry has to continuously refine and optimise its process technology in order to attract IC design companies to go into production. The downstream industry is IC packaging and testing. Wafers are tested at the front end, then transferred to professional packaging plants for cutting and packaging, and finally to professional testing plants for post-testing, and the finished ICs are assembled and

produced into system products by system manufacturers through sales channels. The IC design and manufacturing industry is different from the vertically integrated structure of the IDM majors from design, manufacturing, packaging and testing, but there are individual companies in each production segment with their own expertise, forming a horizontal integration structure. Taiwan's semiconductor industry ranks first in the world in foundry, and second in the world in IC design after the US, making it the most important supply chain for the global IC industry.

The upstream, midstream and downstream industry linkages of the IC industry are shown below :



Introduction to the semiconductor industry chain

Source: Taipei Exchange

(3) Various development trends of products

The following are important market applications that are highly relevant to the Company's products:

(3.1) Artificial Intelligence

AI is broadly categorized into three major aspects: cloud (infrastructure), network (technology level and middleware) and end (application area), covering from chips, high-speed computing platforms, algorithms, deep learning, voice recognition and big data analysis at the technology level to financial technology, smart manufacturing, smart medical and smart transportation at the application level. The global market is in a phase of significant technological transformation, where artificial intelligence, machine learning and automation are relevant to all aspects of daily life, and the evolution of technology will rely on the ability to collect, manage, analyze, and transmit big data. 5G wireless transmission is a key enabler for real-time data management and processing, and the proliferation of 5G, fibre-optic networks and cameras is bound to lead to a blooming of AI applications, especially in edge computing. M31 high-speed interface IP, including PCIe, USB, MIPI, SerDes, etc., is responsible for the fast transfer of large amounts of data. High Speed SRAM and a high performance library provide the cell libraries required for AI high-speed computing engines.

(3.2) Automotive Electronics

With the maturity of 5G and rapid deployment of infrastructure, the development of the Internet of Vehicles, autonomous driving, advanced driver assistance systems, and smart transportation systems will be accelerated, creating huge business opportunities. According to the latest release of the "Electric Vehicle Industry Report" by DIGITIMES, global electric vehicle sales are estimated to reach 14.22 million units in 2023, representing a 39% increase compared to 2022. The growth rate of automotive semiconductors continues to surpass the overall semiconductor industry, mainly attributed to improvements in IC supply driving the recovery of automotive sales volume and a significant increase in the penetration rate of electric vehicles. It is estimated that by 2025, the average semiconductor content per vehicle

will exceed \$716. Over the next twenty years, major automotive manufacturers indicate that the silicon content of automotive semiconductors will increase by 15% annually. With continuous technological progress and innovation, automotive electronic products are expected to account for about 50% of total automotive costs. The rapid growth of automotive electronics is an undeniable trend. According to research firm Gartner, the CAGR of automotive semiconductor production value will reach 12% from 2022 to 2027, and automotive semiconductors will surpass industrial and consumer markets by 2027, becoming the third-largest semiconductor application market, second only to the communication and data center markets.

Unlike general consumer electronics, automotive electronics must consider extremely high security and reliability. M31 automotive IP products, including MIPI M PHY, MIPI D PHY, MIPI CD Combo PHY, PCIe PHY, USB PHY, Memory Compiler, and GPIOs have obtained ISO 26262 automotive safety certification and have been adopted by major automotive electronics companies in Europe, America, Japan, and South Korea. Meanwhile, M31 has also established a presence in global automotive manufacturers and various automotive electronic applications, such as in-vehicle entertainment systems, automotive networks, safety systems, power systems, etc., to further increase market penetration and market share.

(3.3) Internet of Things

The Internet of Things (IoT) allows chip-enabled devices to "communicate" and connect. Due to the coverage of NB-IoT and 5G networks, a high-speed and low-latency network space is established, enabling the realization of a world where everything is connected and allowing downstream application scenarios to rapidly proliferate. In addition, the pandemic has facilitated the rapid development of many contactless applications. Under the normalization of pandemic prevention and control, the IoT will play an important role in more scenarios. The consumer market for smart homes, personal wearables, as well as the enterprise markets such as the Internet of Vehicles, smart cities, and industrial Internet are becoming the core driving forces promoting the global development of the IoT market. The IoT basically covers MCUs (ALU + RAM + eFlash), wireless transmission interfaces (Wi-Fi, Bluetooth) and sensors (MEMS, sensor), with Bluetooth connectivity in the home and personal wearable sectors maintaining rapid growth and demanding higher network speed and capacity, driving the future development trend of low-power connectivity in the IoT.

IoT devices need to sense information to connect to the Internet, analyse, manage and store data, and will therefore require many ICs and components to meet specific requirements and stringent specifications. Basically, low power consumption, small size and cost effectiveness are the necessary specifications for IoT devices. M31 low power solutions including green energy memory, low operating voltage memory, low power standard cell libraries, low power I/O standard cell library, ultra-low power fractional PLL (ULFPLL), and low power interface IP such as USB4, USB 3.2, USB 2.0 and USB 1.1.

- M31 Green Energy Memory offers low power modes including standby, light sleep, deep sleep and power off.
- The low operating voltage memory supports low voltage operation to directly reduce leakage and dynamic power consumption. The low-power standard cell library also provides the basic logic gates required for low-power SoCs.
- The Ultra Low Power Fractional Frequency PLL (ULFPLL) can operate at very low voltages to conserve power and provide a reliable clock source for SoCs.
- Low-power USB4, USB 3.2, USB 2.0 and USB 1.1 IP is optimized for IoT applications, saving more than 30% of the operating current and 70% of the standby current.
- M31 offers customers a comprehensive selection of low-power and small-area IP designs for the future era of the IoT. The high-speed interface IP and analog IP of M31, together with

the low-power foundation IP libraries and editable higher-capacity memory compilers, make the solution even more comprehensive.

(3.4) Digital Storage

Digital storage devices are used for the exchange and storage of data for images, video, and documents. As consumer electronics such as handheld and portable devices and enterprise servers continue to grow in size, there continues to be strong demand for storage chips in the global market. In order to transfer large amounts of data and connect to various devices at ever-increasing speeds, interfaces with different specifications are required. Whether it is USB, SSD, SD card, eMMC or UFS, M31 has developed a range of silicon-proven IP solutions to provide the required ICs for a wide range of storage applications. These IP solutions offer the advantages of small area, high speed transmission and low power consumption, and cover all process nodes of major foundries to meet the optimal cost/performance market requirements.

The M31 business opportunity in the next generation data storage market lies in the continuous upgrading of storage speed and transmission specifications, such as the PCIe interface evolving from Gen2, Gen3, Gen4 to Gen5 and USB from 1.1, 2.0, 3.2 to 4.0. PCIe and USB continue to move towards higher speeds, and the compactness of the interface standard revisions indicate the urgent need for interface bandwidth for future computing devices, including data storage devices.

In recent years, solid-state drives (SSDs) are replacing traditional hard disk drives (HDDs) as the mainstream storage medium. SSDs offer faster access speeds, larger capacities, compact size that can reduce system costs. Additionally, with advancements in applications such as artificial intelligence, edge computing, and cloud computing, SSDs are entering a new era of high computational power. M31 also provides comprehensive ONFI IP solutions ranging from 55nm to 3nm, meeting the market's design requirements for high-performance, high-reliability, and low-cost data storage chips.

(3.5) Power Management Chips

The main function of a power management IC is to control the flow and direction of power to suit the main system needs. It selects and distributes power among multiple power sources (e.g. external DC power, batteries, USB power, etc.) for use by various parts of the main system, such as providing multiple power sources of different voltages and charging the internal battery. Since the systems used are mostly powered by batteries, they are often designed with high conversion efficiency to reduce power losses. Analog ICs can be divided into three main categories depending on their function: power management ICs (PMIC, LDO, DC/DC), signal chain ICs (Comparator, Amplifier) and digital analogue converter ICs (ADC/DAC). Due to the development of electronic devices and power systems worldwide, the overall demand for power management ICs is relatively good. With their diverse functions, are widely used in consumer electronics, communications, computing, industrial control, automotive and other fields, and the growth momentum is expected to rise in the future driven by applications. According to forecast data from WSTS, the current analog chip market, led by power management (PMIC) chips, statistics 2023 analog chip market size is still bucking the trend of growth to reach 90.952 billion U.S. dollars, which will outperform the average annual growth rate of the global semiconductor chip market. PMIC wafer production is generally based on the BCD (Bipolar-CMOS-DMOS) process, the technological trends in BCD technology being voltage capability, switching speed of power transistors, and high integration of logic CMOS for devices requiring high voltages.

BCD technology can provide low-voltage logic CMOS transistors, high-voltage CMOS transistors, bipolar transistors, resistors, capacitors, diodes and power LDMOS (lateral double

diffusion MOS) transistors in the same process. Typically, BCD processes have parasitic bipolar transistors which enable the design of analog circuits similar to Banggap Reference. DMOS is used as the main power switch, so on-resistance is very important for reducing power consumption and chip size.

M31 provides a comprehensive Foundation IP solution for BCD process technology for foundries such as TSMC and Global Foundry. Process nodes range from 55nm to 180nm, enabling customers to compete in cost-driven markets where high performance products are the norm.

(3.6) Display Driver Chips

Driver ICs are used to operate a variety of display panels. The function of a driver IC is to receive display data from a processor and convert it into an analog voltage to operate the display panel. The display driver IC market is expected to continue to grow due to the growing demand for LCD and OLED panels in smartphones, TVs and other electronic devices. The main driving forces for growth include higher resolution, faster data transmission, and increased average selling price. The production of display driver IC wafers generally adopts a high-voltage process, whether it is applied to products such as mobile displays, large-size panels, electronic paper display screen drivers, touch screen drivers, etc.

M31 offers a comprehensive IP solution for high voltage process Foundation IP, including Standard Cell, GPIO and SRAM Compiler, providing high quality Foundation IP for panel driven displays and reducing the power consumption of product designs on TVs, smartphones, tablets, smartwatches and other portable electronic products. M31's foundry partners include TSMC, Global Foundry, Hejing Electronic Co., Ltd. and Powerchip Semiconductor Manufacturing Corp. with process nodes ranging from 28nm to 150nm. In addition to continuing to develop advanced high voltage process foundation IP for foundries, M31 is also able to license its designs to driver IC design companies worldwide.

(4) Competition

Due to the increasing demand for IP in the future, the global IP industry has become more concentrated after a series of international mergers and acquisitions, and currently the main competitors to Taiwan's IP industry are European and American companies (such as Synopsys, Arm Aritisan and Cadence).

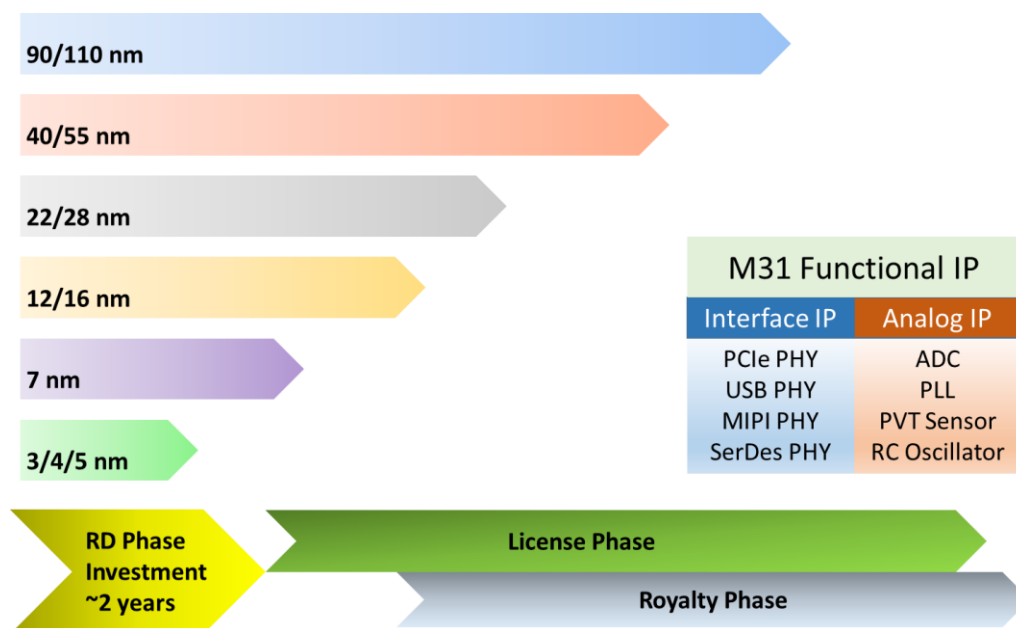
M31's Foundation IP and High Speed Interface IP are currently the best and most influential IP providers in Asia, in terms of both revenue and market impact. In addition to its geographical advantage (proximity to most foundries) and highly skilled employees, M31 has accumulated a high level of technical mastery over the past few years, whether in terms of foundry process specifications (over 16 foundry customer cases) or IC design specifications (over 200 customers), M31's accumulated R&D capabilities and customer trust are the greatest foundation of support in the face of future competition. In recent years, M31 has created a new service model for the IP industry, aiming to be the best technology partner for our customers and to create a win-win future together with customers in the highly competitive semiconductor IP industry.

5.1.3 Technology and R&D Overview

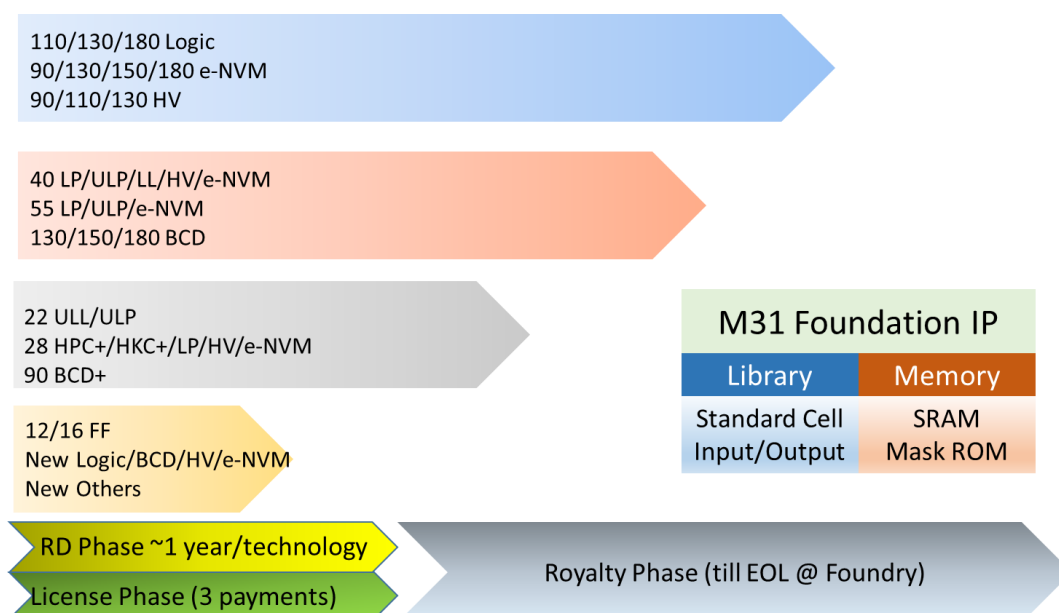
(1) Technology and Research Development

Functional IP is a IP module with specific functionalities; M31 focuses on high-speed transmission interface IP and analog IP, which must be designed and validated at the foundry process node due to the complex analog circuitry within the IP, which takes

approximately 2 years for a node generation. The licensing phase includes nodes from 3nm to 110nm; the royalty phase includes nodes from 12nm to 110nm.



Foundation IP includes Standard Cell Library, IO Library and Memory Compiler, which are the basic elements of IC design and are closely integrated with process technology. We start development after signing a contract with the customer, and the development and licensing phases almost overlap. Upon completion, the Foundry customers are free to use for design purposes, and M31 receives royalties from mass production.



At present, M31's royalty income from Foundation IP mainly comes from 22nm to 180nm technology, and some customers' 12/16nm designs have already entered mass production. In addition, M31 will introduce more new process technologies Foundation IP.

(2) R&D staff education background status

Unit : Person

Item \ Year		2023	2024 (As of March 31)
Distribution of Education	Ph.D.	8	8
	Masters	170	172
	Bachelor's Degree	64	66
	Junior College	1	1
	High School or Below	2	2
Total		245	249
Average service tenure (years)		3.83	3.88
Average work experience (years)		10.65	10.66

(3) R&D Expenses

Unit : NT\$ thousands

Year	2023	2024 (As of March 31)
R&D Expenses	938,873	257,184

(4) Products

Year	Developed Technologies or Products
2018	<ul style="list-style-type: none"> - TSMC 12nm USB 3.1 Gen2 PHY IP - TSMC 12nm MIPI D-PHY IP - TSMC 12nm PCIe 2.0 PHY IP - 28HPC+ ONFI I/O library - 40HV STD cell library - 40LP STD cell library - 40LP ONFI I/O library - 90NVM Memory compiler - 90BCD STD cell library - 110Y STD cell library - 110HV GPIO library - 110 HV Memory compiler - 150MCU Memory compiler - 150S STD cell library

Year	Developed Technologies or Products
2019	<ul style="list-style-type: none"> - 12nm PCIe 4.0/3.0 PHY IP - 16nm PCIe 4.0/3.0 PHY IP - 16nm D-PHY IP - 28nm USB 3.2 Gen1 PHY IP - 28FDSOI PCIe 3.0 - 28HPC+ PLL - 28nm/55nm LPDDR3 I/O - 14nm Memory compiler - 16FFC/28HPC+/40nm ONFI I/O library - 22ULL STD cell library - 22ULP/ULL eMMC I/O - 28HPC+ STD cell library - 28HPC+/40LP eMMC I/O - 28ESF3 Memory compiler - 28nm HKC+ Memory compiler - 28nm HV Memory compiler - 90BCD+ STD cell library - 150BCD STD cell library - 180nm Memory compiler
2020	<ul style="list-style-type: none"> - TSMC 7nm eUSB2 PHY IP - TSMC 12nm PCIe 5.0 PHY IP - TSMC 12nm M PHY - TSMC 12nm C/D PHY Combo - TSMC 22nm PLL IP - TSMC 22nm ADC IP - TSMC 22nm STD Cell Library - TSMC 22nm Memory Compiler - HLMC 28nm STD Cell Library - HLMC 28nm Memory Compiler

Year	Developed Technologies or Products
2021	<ul style="list-style-type: none"> - N4/N5 eUSB2 PHY - N6/N7 USB 3.2 Gen2 PHY - 12/16FFC PCIe 4.0 PHY - 12/16FFC PCIe 5.0 PHY - 12/16FFC MIPI CD-PHY TX - 12/16FFC MIPI CD-PHY RX - 12/16FFC PLL - 22nm USB 2.0/3.2 Gen1 PHY - 22nm PCIe 2.1/3.1 PHY - 22nm MIPI CD-PHY TX/RX - 14LPP PCIe 3.1 PHY - 12/16FFC ONFI 4.2/5.0 - 12/16FFC GPIO with Fail-Safe - 12/16FFC Cache Memory - 22ULL 6.5T/7T/9T STD Cell - 22ULL 10T Thick-gate STD Cell - 22ULL GL Memory Compiler - 22ULL/ULP GPIO Library - 28HV Memory Compiler - 40EF_ULP GPIO Library - 40EF_ULP 7T/8.5T STD Cell - 55BCD Memory Compiler - 55BCD 7T STD Cell - 55BCD GPIO Library - 90BCD Memory Compiler - 90BCD 7T/10T STD Cell - 90BCD GPIO Library - 28SLP-HV Memory Compiler - 28SLP-HV 9T STD Cell - 55EF Memory Compiler - 55EF 7T/9T STD Cell - 55EF GPIO Library - 22ULL Arm® Cortex®-M55 processor hardcore - 22ULL Arm® Ethos™-U55 processor hardcore

Year	Developed Technologies or Products
2022	<ul style="list-style-type: none"> - 3nm eUSB2 PHY - 6nm/7nm All-digital PLL - 7nm PCIe 3.1 tiny PHY - 7nm 10G SerDes PHY - 7nm MIPI CD-PHY TX/RX - 12/16FFC USB4 PHY - 12/16FFC All-digital PLL - 12/16FFC D-PHY TX PHY - 14nm ADC - 22ULL/ULP ADC - 7nm High Speed SP SRAM - 6nm/7nm ONFI-v5.1 - 12nm multiple-2R2W SRAM - 12 nm Pseudo-TP (PTP) - 12nm High Speed SP SRAM - 12nm ONFI-v5.0 - 12nm LVDS IO - 12nm ONFI-PHY testchip implementation with high speed test-env - 22ULL L1 Cache/HS-TP/ HS-OP Memory Compiler - 22ULL SP/OP/ROM/PDP/TP Memory Compiler - 22ULL ONFI-v4.1 - 22ULL ONFI/ eMMC /GPIO - 22ULL Bandgap free multi voltage detector - 22ULL 6.5T/ 9T/ 10T platform - 28HPC I²C GPIO - 28HV SP/OP Memory Compiler - 28HPC+ ONFI-v4.1 - 28HPC+ ONFI 4.0 I/O 、 GPIO. - 28HV 9T platform - 40ULP SP/OP/ROM Memory Compiler

Year	Developed Technologies or Products
2023	<ul style="list-style-type: none"> - 3LPe eUSB2 PHY - N3E eUSB2 PHY - 5nm USB4 PHY - 5nm MIPI CD-PHY TX/RX - 7nm DPLL - N3P ONFI-v6.0 - N5P ONFI-v5.2 - N7 GPIO - 28HV/SP Memory Compiler - 40nm SP/ 1PRF/ ROM/ Memory Compiler - 40nm 7T/ 9T/ 12T Standard Cell Library - 40HV/ 7T/ 9T Standard Cell Library - 65BCD/ SP/ 1PRF/ ROM Memory Compiler - 130BCD SP/DP/ROM Memory Compiler - 130BCD 7T/ 9T Standard Cell Library - 150BCD 9T/12T Standard Cell Library - 150BCD GPIO - 6nm USB 3.2 PHY+Controller Integration - 12nm USB 2.0 PHY+Controller Integration - 12nm MIPI CDPHY-RX PHY+Controller Integration - 12nm PCIe 4.0 PHY+Controller Integration - 22nm USB 2.0 PHY+Controller Integration

5.1.4 Short and long term business development plan

(1) Short-term

- (1.1) Use existing products and marketing channels to continually expand the customer base and the popularity of customer usage.
- (1.2) Continuing to expand our collaboration programme with foundries and leveraging the IP platform of our foundry partners to enhance our connectivity and promotional efforts with customers.
- (1.3) Adjusting business marketing strategies in response to international situations and unforeseen events such as the Chip Act, Covid-19 and the war in Russia and Ukraine.
- (1.4) Utilizing online digital marketing channels and media tools such as the internet, social media platforms, professional newspapers, and magazines, combined with offline physical exhibitions, along with the release of new technologies and applications, to enhance the Company's visibility and professionalism through an integrated online and offline marketing approach.
- (1.5) Actively participate in the technical forums or physical exhibitions of semiconductor foundries or IC design service companies to increase the Company's exposure and opportunities to connect with customers.

(2) Long-term

- (2.1) Establish global service, marketin, and R&D center to serve customers in close proximity, enhancing operational efficiency and quality.
- (2.2) Establish a complete solution IP platform, providing customers with diverse services and comprehensive product solutions.
- (2.3) Proactively develop high value-added products with high technological thresholds to explore new blue ocean markets.
- (2.4) Increase the sales rate of advanced products and develop new applications for high-end, high unit price products to capture future growth opportunities and momentum.
- (2.5) Strengthen global competitiveness through strategic development programs with advanced foundry partners.
- (2.6) Provide unique and differentiated IP solutions and integrated services to expand the penetration rate of the Company's IP products across various chip design platforms.

5.2 Market Outlook and Production and Sales Overview

5.2.1 Market Analysis

(1) Main geographic regions for sales of products (services)

Unit : NT\$ thousands ; %

Year Geographic Region		2022		2023	
		Amount	%	Amount	%
Domestic Sales		223,832	16.46	493,486	30.61
Export	Mainland China	633,441	46.57	561,913	34.85
	USA	302,889	22.27	210,236	13.04
	Others	200,003	14.70	346,702	21.50
Export Subtotal		1,136,333	83.54	1,118,851	69.39
Total		1,360,165	100.00	1,612,337	100.00

(2) Market Share

According to the latest report from market research firm IPnest, the global semiconductor design IP market revenue saw a significant growth of 20.2% in 2022, reaching \$6.67 billion. Based on the CAGR of 16.7% from 2022 to 2025, the global semiconductor design IP market revenue will be approximately US\$7.78 billion in 2023, and the market share of the IP market will be approximately 0.67% based on the sales of US\$52.399 million in 2023, the Company's IP market share is approximately 0.67%. Currently, the Company holds a very small share of the global semiconductor IP market. However, through actively expanding development cooperation with major foundries around the world, deploying foundation IP for advanced processes, and continuing to provide more cost-effective customized IP and various new specifications for high-speed interfaces to provide customers with comprehensive, unique, and high-value-added IP solutions, in order to accelerate the Company's operational growth momentum.

(3) Market supply/demand and growth in the future

(3.1) Future market supply and demand

The IP market is growing with the high integration of SoCs and the demand for advanced manufacturing processes. M31 has developed a series of IP products for applications such as artificial intelligence application chips, IoT integration chips, storage device control chips, MCU chips, LCD panel driver chips, OLED panel driver chips, power management chips, fingerprint recognition control chips, battery management chips and various automotive chips. Looking at the future market demand and supply for the products in terms of technology applications, the rapid growth of AI, mobile communications, HPC and automotive electronics in recent years will continue to provide momentum for the revenue growth.

(3.2) Market growth potentials

System-on-Chip (SoC) has become the mainstream trend in IC technology due to the high level of integration, the increasing functionality within a single chip and the increasing number of IP blocks required; In addition, the increasing proportion of outsourced designs, the increasing cost of advanced process mask and technology development, coupled with high complexity and long design cycles, make IP a key player. As the semiconductor industry becomes more and more specialized, the market niche for IP is to reduce the burden on design staff, reduce the risk of design failure, significantly shorten the product development period and accelerate the time-to-market key competitive advantage for customers. Various market research reports indicate that the IP market is set to grow in the coming years.

(4) Competitive advantage

(4.1) Strong R&D team and excellent technical service

M31 has a strong R&D and service team with experienced professionals in the fields of IP, IC design, and design automation, as well as two product lines of Foundation IP and High Speed Interface IP. M31's customer portfolio includes both foundries and IC design houses. By working closely with the world's leading semiconductor manufacturers, M31 is actively involved in the development and validation of IP for advanced processes and, through the cooperation of IC design service providers, offers a wide range of validated IP products for its end customers to choose from to reduce design risks and costs.

In addition to assisting customers with smooth product design and subsequent mass production, the Company can also provide customers with extended technical services during the testing phase and assist customers with product certification to meet their needs.

(4.2) Unique Technology Patents

IP technology licensing and services are a high-tech knowledge-intensive industry. M31's unique technology patents can help customers reduce IC design risks, improve product specifications, save testing costs, significantly increase customers' competitiveness, and bring their products to the market in the shortest possible time.

Therefore, the professional training of R&D staff to strengthen their design and development capabilities, and the provision of various welfare measures to attract and retain talent, as well as the timely injection of new blood, recruiting talented

people to promote the transfer of experience and enhance the level of technology, which is an important factor for the sustainable operation of IP design companies.

(4.3) Long-term relationship with foundries

The important factors that affect the development of the foundry industry include process technology, quality yield, delivery speed, and contract manufacturing prices. Foundries with leading process technology are more competitive, and therefore, major foundries continuously compete in process technology to attract orders from IC customers. As global semiconductor production capacity expands dramatically, foundries are increasing their efforts in outsourcing IP development, and establishing comprehensive IP databases has become a crucial factor for foundries to compete for orders from major international companies, which also highlights the importance of IP to the semiconductor ecosystem.

The operational cooperation model involves M31 completing the design and verification of its core technology in the foundry, while the foundry uses M31's technology to strengthen its IP technology platform and provide IC design customers with comprehensive technical resources. M31 and the foundry form a strategic alliance that creates interdependence, which can increase the penetration rate of M31's IP products among foundries, IC design companies, and IC products, and become an important factor in the growth of performance and market share expansion.

(5) Favorable and unfavorable factors for corporate development and the responding measures

(5.1) Favorable factors

(5.1.1) SoC Single Chip Design Complexity

To meet the demands of electronic products for smaller, lightweight, multifunctional, high-performance, low-power, and low-cost designs, the difficulty and complexity of IC design have also increased significantly. As a result, the market demand for differentiated and innovative IP solutions has been increasing day by day, posing challenges to the Company but also bringing greater opportunities.

(5.1.2) Strong R&D team and excellent technical service

M31 has a strong R&D and service team, composed of professional talents with extensive experience in IP, integrated circuit design, and design automation fields. In addition to assisting customers in completing product designs smoothly, M31 also provides customers with extended services such as technical support during the product testing phase in mass production and assisting customers in product certification to meet their needs.

(5.1.3) Geographic advantage

As most semiconductor foundries (general and advanced process) and packaging capacity is concentrated in East Asia, especially in Taiwan, China, Korea and Singapore, the semiconductor market for IC design and sales is gradually moving towards Asia. As a result, M31, located in the heart of Asia's semiconductor industry, has a competitive advantage over its counterparts in the United States and Europe.

(5.2) Unfavorable factors and responding measures

(5.2.1) Positive industry outlook, growing competitors

As IC design becomes more complex, the use of third-party IP licenses has become a solution to speed up the development process, and competition in the IP industry will become more intense in the future. Mainland China has been actively establishing a local supply chain for electronic components in recent years, and the semiconductor industry is one of its key projects, which is expected to exert competitive pressure on Taiwan's semiconductor industry and related supply chain.

Responding Measures

- A. Improve the technical level and develop high value-added design technologies to help customers improve product efficiency and competitiveness.
- B. Provide more value-added services such as certification support services, design and optimization of mass production tests, and evaluation and implementation of customized technologies to solve customers' technical problems and gain customers' trust and recognition.
- C. By leveraging the competitive advantage of advanced manufacturing process and high-end design, strengthens cooperation with global customers, differentiates from competitors, and reduces the adverse effects of various kinds of competition.
- D. Continue to develop international markets and increase global market share.

(5.2.2) Low brand awareness

Due to the late establishment of the Company compared to other major competitors, smaller operational scale, and limited product lines, the Company still needs to actively develop new product lines, establish the brand and increase brand awareness.

Responding Measures

- A. Continuously develop new product lines that are closely related to existing products, and continue to expand and extend the existing product lines by launching various IP product combinations to increase the product matching, marketing flexibility, and to enhance market share and product penetration.
- B. Utilizing digital marketing channels and media tools such as the Internet, social media platforms, professional newspapers and magazines, etc., and release new technologies and applications to increase the Company's visibility and professionalism. Also, actively participate in technology forums organized by Foundries or IC design service companies, use online and offline marketing campaigns to increase company exposure and access to customers.

5.2.2 Main product applications and production flows

(1) Main product applications

(1.1) Foundation IP product line

This product line is the Foundation IP required for IC design, including Standard Cell Library, Memory Compilers, and I/O. There are two main business models: one is for foundry customers, primarily assisting them in developing new Standard Cell Libraries, Memory Compilers, I/O, and other Foundation IP on specific processes for use by their wide range of customers (IC design companies); the other is for direct IC design companies, where M31 will achieve the special technical requirements needed

by customers through customized and differentiated designs when these customers require specifications that differ from the general specifications provided by foundries.

(1.2) High Speed Interface IP product line

This product line is the functional IP with the main function of data transfer interface, including USB 1.1/2.0/3.0/3.1/3.2/4.0, SATA 2/3, PCI Express G2/G3/G4/G5 and M-PHY, C-PHY and D-PHY for MIPI.

When an IC design company is planning its IC specification, if the specification requires the high-speed interface IP listed above, M31 will provide the relevant data of this IP for research and further provide an Evaluation Board (EVB) to the customer for actual circuit and function evaluation. After the customer has evaluated the IP, the IP is integrated into their design and becomes part of their multiple functions.

(1.3) IP Integration Service

Not only do we provide assistance to customers in integrating IP subsystems through our profound understanding of high-speed interfaces, but we also further assist customers in achieving efficient processor core implementation and design execution services through M31's Foundation IP, which helps customers achieve the shortest possible time-to-market for CPU core implementation of physical IP and Standard Cell Libraries IP. We have successfully developed Arm processor IP for machine learning and artificial intelligence applications, including Arm® Cortex®-M55 and Arm® Ethos™-U55 (NPU) processor hardcore IP, together with a series of M31 optimized design packages based on Arm's structured processors, the Optimized PPA library. This library includes customized high-speed and ultra-low-leakage memory instances and optimized cell libraries to assist customers' chip design teams in optimizing on-chip processor IP core implementation and SoC design goals within the shortest timeframe, allowing customers to focus on chip design differentiation and system-level integration. In addition, we also assist customers in evaluating integrated circuit architectures, performance analysis, and IP selection, guiding them from SoC planning to the realization of IC product mass production. So, that customers' IC products can be more competitive in terms of performance and cost in the market.

(2) Main Product Development Processes

All of our products are software-based Intellectual Property and no physical products are produced. IP services are provided through research and design, validation, and revision by our R&D staff in the Company, and finally through functional tests generated by the Test Chip to confirm the quality and completeness of all IP unique patented technology.

5.2.3 Supply of major raw materials

M31 provides professional IC design services and IP licensing, so does not require to purchase of raw materials.

5.2.4 The names of customers who have accounted for more than 10% of the total purchase (sales) in any of the last two years and the amount and proportion of their purchase (sales), together with the reasons for the increase or decrease:

(1) Major suppliers in the last two years: N/A.

- (2) Major client in the last two years: For the year ended December 31, 2023, the revenues from a single customer amounted to 10% or more of the Company's total operating revenues, including Customer A, amounting to \$368,240 thousand; for the year ended December 31, 2022, there were no revenues from a single customer amounting to 10% or more of the Company's total operating revenues.

5.2.5 Production in the last two years

The Company is a professional SIP company that is not engaged in production or manufacturing; therefore, production is not applicable.

5.2.6 Shipments and sales in the last two years

Unit : NT\$ thousands

Sales Major Product	Year	2022				2023			
		Domestic Sales		Export		Domestic Sales		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Technical Service	-	142,947	-	925,874	-	419,139	-	927,486	
Royalty	-	80,885	-	210,459	-	74,347	-	191,365	
Total	-	223,832	-	1,136,333	-	493,486	-	1,118,851	

Analysis of changes: The main reason for the increase in the Company's revenue in 2023 is due to the increased demand in the global semiconductor IP market, as well as the expansion of the licensing scope for foundation and high-speed interface IP technologies. In addition, the Company has developed more advanced IP products that can be applied in a wider range of fields, and customer recognition of the Company has been increasing year by year, resulting in an increase in the number of IP licensing contracts signed, which led to an increase in the Company's operating revenues as compared to 2022.

5.3 Human resources in the last two years

Year		2022	2023	2024 (As of March 31)
Number of Employees	R&D	214	245	249
	Sales & Administration	33	33	35
	Total	247	278	284
Average Age		37.99	37.99	37.69
Average service tenure (years)		3.99	3.99	3.86
Average work experience (years)		11.36	11.36	11.17
Distribution of Education (%)	Ph.D.	4.05	3.60	3.52
	Masters	62.75	68.83	65.49
	Bachelor's Degree	31.17	28.78	29.23
	Junior College	1.22	1.08	1.06
	High School	0.81	0.72	0.70
	Below High School	0.00	0.00	0.00

5.4 Environmental Protection Expenditure

The total amount of losses (including compensation) and disposal incurred by the Company as a result of environmental pollution in the most recent year and up to the date of printing of the annual report, together with a description of future countermeasures (including improvement measures) and possible expenses (including the estimated amount of losses, disposals, and compensation that may occur if countermeasures are not taken, and if it is not possible to estimate the amounts reasonably, it should be stated that such estimation is not possible): None.

5.5 Labor-Management Relations

5.5.1 Employee benefit program, continuing learning, training, retirement system and its implementation, and the labor-management agreement and the protection measures of employees' rights.

(1) Employee benefit program

In accordance with labor-related laws and regulations, the Company provides labour insurance, health insurance and labor pension benefits to protect employees. In order to take full care of our employees, the Company has also established an Employee Welfare Committee to allocate welfare funds in accordance with the law, and the committee is responsible for planning and implementing various employee welfare measures to enhance their well-being.

(1.1) Welfare measures directly handled by the Company :

- A. Welfare benefits: wedding gift, funeral condolences/flower basket, etc.
- B. Recreational activities: Year-end party, departmental gathering meal, etc.
- C. Other subsidies: Holiday bonus, employee compensation, performance bonus, group insurance, business trip/travel insurance, regular employee health check, meal allowance, parking allowance, gym allowance, child education allowance, accommodation at contracted hotels, etc.

(1.2) Benefit policies conducted by the employee welfare committee:

- A. Welfare subsidies: birthday gift, maternity subsidies, hospitalization subsidy.
- B. Recreational Activities: Birthday celebration, domestic/international travel, planning and implementing year-end activities, club activities, etc.
- C. Other subsidies: discounts at contracted stores.

(2) Implementation of trainings

In order to improve the quality of human resources and the core competitiveness of the Company, and to achieve the goal of sustainable management, M31 has established a comprehensive education and training system to cultivate professional and competitive talents.

- (2.1) Internal training: new employee training, departmental training, quality training, environment safety training, other internal professional lecturer courses, fire drill training, work safety training, laboratory equipment operation training, etc.
- (2.2) External training: the manager and employee of each department can apply for the courses and training held by external institutions based on work demands.

(3) Retirement system and implementation

The Company was incorporated in 2011, therefore the length of service of all employees in the Company are covered by the Labor Pension Act, under which monthly contributions are

made to employees' individual pension accounts at 6% of salaries. Besides, retirement-related matters are handled in accordance with the Labor Pension Act. So far the Company has no retired employees since its incorporation.

(4) Labor-management agreement

In accordance with the Labor Standards Law, the Company has established various regulations to protect the rights and interests of employees, and holds regular labor-management meetings and adopts an open and two-way communication approach to issues such as the Company's various systems, so as to ensure a harmonious and interactive relationship between employers and employees, and to ensure that the rights and interests of employees are handled in a fair and reasonable manner.

(5) Protection measures for the rights of employees

The Company has a well-developed intranet site, which sets out various management rules and regulations, specifying employee rights and obligations and benefit items, and regularly reviews the benefit contents and adds new announcements to the intranet site at any time to protect employee rights and interests.

For example: Workplace safety content

The Company has long been committed to maintaining the physical and mental health of employees and the working environment. Workplace safety, health, and fire safety are all planned in accordance with relevant government regulations. In order for employees to fully understand the Company's various health workplace promotion policies, educational training is provided to new employees, and ongoing awareness courses are arranged for existing employees each year to maintain their awareness.

The Company, without distinction of hierarchy, implements the core policy of promoting workplace health with the active participation of the entire organization and all employees. Through the cycle of Plan-Do-Check-Act (PDCA) management, annual goals are set, listening to the needs of each employee and addressing their health concerns to create a friendly and safe workplace environment. The company's policies regarding environmental safety and health, building and fire safety management, and execution of public facilities are as follows:

- A. Conduct fire equipment safety inspections annually in accordance with relevant fire safety regulations.
- B. Conduct building public safety inspections every two years in accordance with relevant building public safety regulations.
- C. Conduct safety inspections of public facilities annually in accordance with relevant regulations.
- D. Purchase commercial fire insurance and public liability insurance to ensure the safety of the work environment for employees.
- E. Implement occupational safety and health education and training in accordance with relevant occupational safety and health regulations.
- F. Conduct annual "Fire Safety Awareness" courses.
- G. The company fully covers the cost of occupational accident insurance to ensure the safety of employees.
- H. Security personnel control entry and exit at the office premises around the clock to ensure the safety of the work environment for employees.

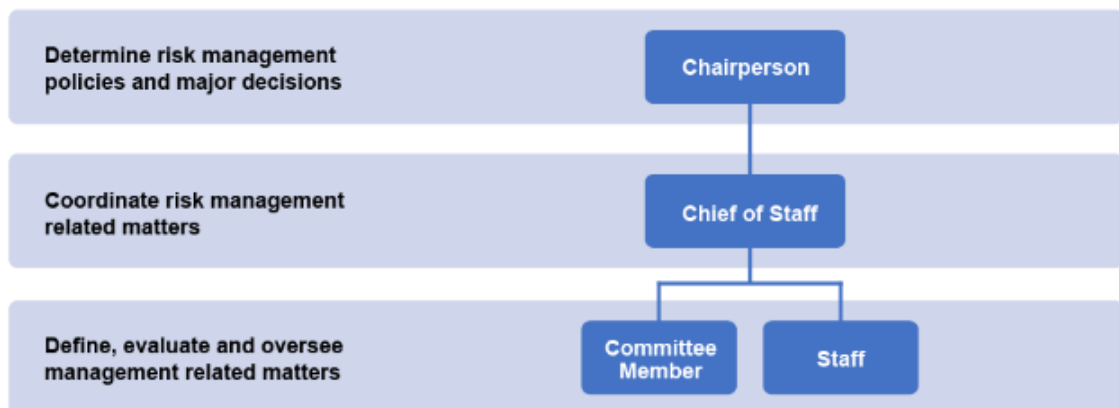
- I. Implementation of the four major plans under the Occupational Safety and Health Act: Overload Prevention Plan, Human Factors Hazard Prevention Plan, Maternal Health Protection Plan, and Prevention Plan for Unlawful Intrusion.
- J. Regular implementation of employee health checks, and arranging consultations with physicians based on the health examination data.
- K. Provision of on-site massage services for stress relief.
- L. On-site medical personnel providing health consultations.
- M. Organize various health promotion activities such as weight loss competitions, and establish health promotion-related clubs (e.g., Yoga Club).
- N. Provide mental health care (e.g., stress relieving seminars, well-being leave).
- O. Implement emergency and rescue measures (e.g., training for first aid personnel and providing Automatic External Defibrillators (AEDs) in buildings).
- P. No fire or occupational accidents occurred throughout 2023.
- Q. Other key issues related to a healthy workplace.

5.5.2 Losses suffered by the Company due to labor disputes in the latest year and up to the date of printing of the annual report: None.

5.6 Information Security Management

5.6.1 Information security risk management structure, information security policy, specific management plan, and resources devoted to information security management

(1) Information security risk management structure

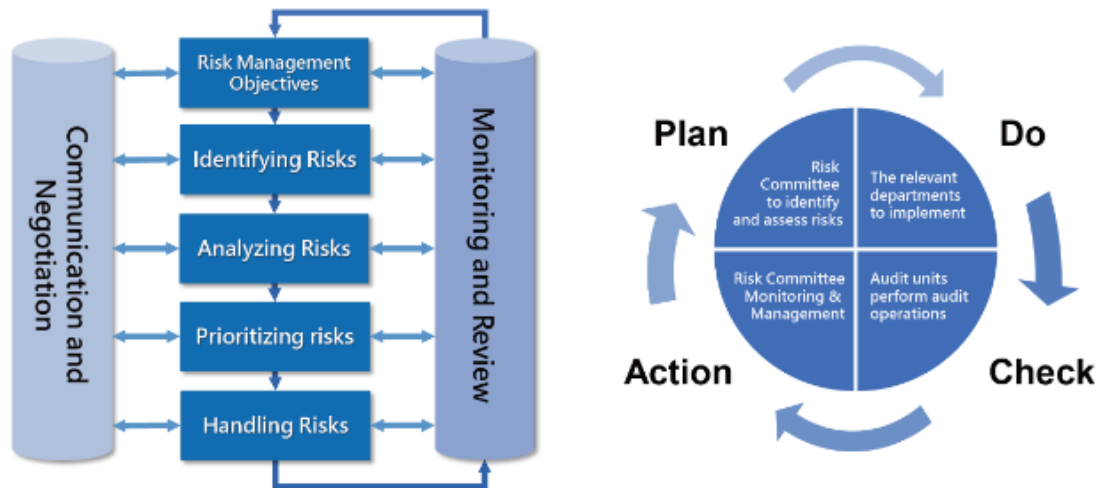


The risk control committee is chaired by the president and the supervisor of the QM is assigned as the chief executive to coordinate the risk control related matters. The members of the Risk Control Committee are the level-one supervisors of each department, and the supervisor assigns a member from the same department as an officer of the Risk Control Committee to assist in the risk control-related operations.

The Risk Management Committee members will be responsible for defining and assessing possible risks and delegating decisions to the relevant departments for implementation. The Risk Management Committee officers will assist and counsel the responsible departments in their implementation and will monitor the progress and report the status to the Risk Management Committee on a regular basis.

(2) Information Security Policy

Information Security Policy is one of the most important tasks that the Company has been emphasizing and focusing on for a long time. In order to ensure the effective implementation of various information security management operations, and early detection of improper behavior and security vulnerabilities or threats, early identification can help stop illegal behavior and minimize potential risks.



M31 uses the ISO system PDCA (Plan → Do → Check → Action) management cycle model to ensure the correctness of its information security risk objectives and the effectiveness of its action plans, and to eliminate uncertain information security risk factors in the future at a reasonable and feasible cost to ensure the achievement and continuous improvement of the Company's information security management objectives.

(3) Specific management plans and resources devoted to information security management

The Company focuses on information security control, and the specific measures adopted for information security protection are mainly based on five aspects of information security management :

(3.1) Staff Management

At the time of employment, the Company signs a "contract of employment" with the employee, which stipulates that the intellectual property rights of all creations and inventions made by the employee during the employment period shall be vested in the Company. At the same time, the Company signs a detailed "confidentiality agreement" with the employee, which stipulates that the employee is responsible for maintaining the confidentiality of all business information, technology, processes, programs, procedures, designs or any other confidential information that the employee may use in the design, sale or operation of the Company, whether during or after the termination of the employment contract. The Company may impose penalties in accordance with its work rules for any breach of contract.

In case of violation of the contract, the Company may impose penalties in accordance with the work rules and, depending on the seriousness of the situation, may pursue criminal liability. The Company uses various meetings to educate employees from time to time, including the protection of business secrets, access control rules, and the principle of disclosing information to the outside world, etc., so that employees can establish correct concepts and develop good working habits.

Type	Item	Prevention Purpose	Information Security Management Resources Description
Staff Management	<ul style="list-style-type: none"> ● Information security advocacy 	Prevention reduces the chance of getting virus	<ul style="list-style-type: none"> ● 20 cybersecurity awareness sessions for new hires in 2023 ● 8 regular sessions sharing major domestic and international cybersecurity incident cases with employees in 2023 ● 290 social engineering exercises conducted in 2023 ● 245 employees completed regular information security education and training courses in 2023.
Device Control	<ul style="list-style-type: none"> ● Antivirus software ● Untrusted device blocking 	Prevention of software virus	<ul style="list-style-type: none"> ● 100% completion rate for upgrading client-side antivirus software in 2023 ● Replacement of Internet firewalls completed in 2023 ● 100% completion rate for upgrading client-side operating systems in 2023 ● Information Security System Procurement and Implementation <ul style="list-style-type: none"> ➢ The system determines that the computer meets the criteria before granting permission to connect to the network. ➢ If there is an unauthorized device accessing the system, the network will be blocked.
Authority Management	<ul style="list-style-type: none"> ● Two-factor authentication ● Project authority control 	Avoid account impersonation	<ul style="list-style-type: none"> ● Two-factor authentication system setup <ul style="list-style-type: none"> ➢ To login to personal computer, all colleagues must pass two-factor authentication (system account password + OTP one-time password) to avoid theft and fraudulent use of the account. ● Internal R&D management system development <ul style="list-style-type: none"> ➢ Each R&D project has strict permission control. Project members need to submit a form application and the information management staff will set the access permission after the approval by the supervisor.
Data Management	<ul style="list-style-type: none"> ● Professional Storage Equipment ● Local redundancy architecture ● Off-site data backup 	Avoid Data loss	<ul style="list-style-type: none"> ● Professional Storage Equipment Procurement <ul style="list-style-type: none"> ➢ With high availability of redundancy capabilities, project R&D data are controlled by permissions, and only authorized members are allowed to access it. ● Professional Backup Software Procurement <ul style="list-style-type: none"> ➢ The company's R&D data has a complete regular backup mechanism. ➢ Off-site storage to ensure resilience in the event of a disaster.
Export Management	<ul style="list-style-type: none"> ● Automated system rotation ● Dedicated encryption space 	Avoid Data breach	<ul style="list-style-type: none"> ● Internal shipment management system development <ul style="list-style-type: none"> ➢ When the product is delivered to the customer, an application form is required. After the approval of the relevant supervisor and sales contractor, the system will encrypt the data and upload it directly to the exclusive space provided by the Company for the customer to download, without any manual intervention. ➢ Exclusive space allows only certain IP devices provided by customers to connect, and the connection opening time is limited to one month.

(3.2) Device Control

The Company's computer equipment must be installed with anti-virus software and the system will determine that the computer meets the specifications before granting network connection authorization. Any unauthorized computer equipment is strictly prohibited from accessing the Company's network, and the system will automatically block any unauthorized equipment to prevent non-compliant computer devices from affecting the Company's internal network and equipment.

(3.3) Authority Management

To avoid theft and fraudulent use of accounts, Company employees are required to pass two-factor authentication (system account password + OTP one-time password) to access their personal computers. Each R&D project has strict permission control. Project members are required to submit a form to apply for access privileges, and the information management staff will set the access privileges after the supervisor's approval, and access privileges are reviewed once every six months to ensure the correctness of privilege management.

(3.4) Data Management

The Company's R&D-related data are stored in dedicated storage devices with high-availability redundancy, and project R&D data are controlled by privileges, allowing only authorized members to access them. The Company's R&D data has a complete regular backup mechanism and is stored offsite to ensure disaster recovery capability in the event of a disaster.

(3.5) Export Management

When the product is delivered to the customer, the application must be completed and the data will be encrypted by the system and uploaded directly to the dedicated space provided by the Company to the customer for downloading without the intervention of anyone in the industry, and this dedicated space only allows the specific IP device connection provided by the customer, and the connection opening time is limited to one month.

5.6.2 Losses suffered as a result of significant information security incidents, possible impact and response measures for the most recent year and up to the date of the annual report. :

During the year 2023 and up to the date of printing of the Annual Report, the Company has not suffered any losses due to significant information security incidents.

5.7 Major Contract

As of March 31, 2024, the major contracts as follows:

Contract	Company	Starting Date	Main Content	Restrictions
Licensing Contract	HHGrace	2/1/2013	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	MediaTek Inc.	1/23/2015	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Silicon Motion Technology Corp.	8/30/2016	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Dialog Semiconductor	4/27/2017	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance

Contract	Company	Starting Date	Main Content	Restrictions
Licensing Contract	Nexchip Semiconductor Corporation	5/5/2017	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	SMIC	6/9/2017	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	ALCOR MICRO, CORP.	1/19/2018	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Cirrus Logic Inc.	8/17/2018	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Panasonic Semiconductor Solutions Co., Ltd.	12/17/2018	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Macroblock, Inc.	12/18/2018	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Shanghai Huali Microelectronics Corporation	4/10/2019	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	GLOBALFOUNDRIES Inc.	6/11/2019	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	SK Hynix Semiconductor Inc.	7/31/2019	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Qualcomm Inc.	7/31/2019	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Synaptics Incorporated	10/16/2019	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	TSMC	12/5/2019	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Innogrit Technologies Co., Ltd.	04/30/2020	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Beijing AI Chip Technology Limited	05/28/2020	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Himax Technologies, Inc.	08/31/2020	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Silicon Laboratories Inc.	04/30/2021	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Morse Micro PTY. LTD.	04/30/2021	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Efinix Inc.	06/07/2021	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Moore Threads	08/18/2022	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing and Service Contract	ASICLAND Co., Ltd.	12/19/2022	Technology Licensing and Service Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	ASolid Technology Co., Ltd.	03/16/2023	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing and Service Contract	Alchip Technologies	05/15/2023	Technology Licensing and Service Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Black Sesame Technologies Co., Ltd.	08/25/2023	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance
Licensing Contract	Tower Semiconductor Ltd.	09/11/2023	Technology Licensing Agreement	Confidentiality and Intellectual Property Rights Compliance

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Consolidated Balance Sheet - IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					2024(As of March 31) (Note 2)
		2019	2020	2021	2022	2023	
Current Assets		1,395,569	1,520,781	1,132,189	1,659,320	1,654,315	N/A
Property, Plant and Equipment		168,976	175,035	674,452	570,969	561,779	
Intangible Assets		2,347	7,775	7,640	11,087	12,136	
Other Assets		32,823	53,171	122,414	125,922	168,559	
Total Assets		1,599,715	1,756,762	1,936,695	2,367,298	2,396,789	
Current Liabilities	Before Distribution	156,153	246,633	269,620	505,125	326,085	
	After Distribution	391,038	495,489	467,402	758,709	(Note 3)	
Non-current Liabilities		1,993	1,095	83,482	4,716	7,685	
Total Liabilities	Before Distribution	158,146	247,728	353,102	509,841	333,770	
	After Distribution	393,031	496,584	550,884	763,425	(Note 3)	
Equity Attributable to Shareholders of the Parent		1,441,569	1,509,034	1,583,593	1,857,457	2,063,019	
Capital Stock		313,180	313,180	316,060	316,980	348,478	
Capital Surplus		634,551	634,551	727,719	756,194	750,042	
Retained Earnings	Before Distribution	490,655	586,407	640,124	825,416	976,105	
	After Distribution	255,770	337,551	442,342	540,134	(Note 3)	
Other Equity		3,183	22,960	(52,246)	(41,133)	(11,606)	
Treasury Stock		-	(48,064)	(48,064)	-	-	
Non-controlling Interest		-	-	-	-	-	
Total Equity	Before Distribution	1,441,569	1,509,034	1,583,593	1,857,457	2,063,019	
	After Distribution	1,206,684	1,260,178	1,385,811	1,603,873	(Note 3)	

Note 1: The above financial statements have been audited by the CPAs.

Note 2: The Company did not have the financial information reviewed by the CPAs as of the date of the annual report.

Note 3: The appropriation of earnings for 2023 was approved by the Board of Directors as cash dividends of NT\$8 per share and stock dividends of NT\$2 per share, which is yet to be resolved at the 2024 Annual General Shareholders' Meeting.

6.1.2 Consolidated Statement of Comprehensive Income - IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					2024 (As of March 31) (Note 2)
		2019	2020	2021	2022	2023	
Operating Revenue		869,077	981,016	1,011,879	1,360,165	1,612,337	N/A
Gross Profit		869,077	981,016	1,011,879	1,360,165	1,612,337	
Income from Operations		369,893	418,245	312,894	367,950	446,496	
Non-operating Income and Expenses		(7,909)	(41,767)	(19,336)	75,179	66,820	
Income before Tax		361,984	376,478	293,558	443,129	513,316	
Income from Continuing Operations		308,565	322,248	252,637	379,252	435,170	
Loss of Discontinued Operations		-	-	-	-	-	
Net Income (Loss)		308,565	322,248	252,637	379,252	435,170	
Other Comprehensive Income (Income after Tax)		(364)	28,166	32,638	(773)	19	
Total Comprehensive Income		308,201	350,414	285,275	378,479	435,189	
Net Income Attributable to Shareholders of the Parent		308,565	322,248	252,637	379,252	435,170	
Net Income Attributable to Non-controlling Interest		-	-	-	-	-	
Comprehensive Income Attributable to Shareholders of the Parent		308,201	350,414	285,275	378,479	435,189	
Comprehensive Income Attributable to Non-controlling Interest		-	-	-	-	-	
Earnings Per Share		9.90	10.34	8.12	11.06(Note 3)	12.60	

Note 1: The above financial statements have been audited by the CPAs.

Note 2: The Company did not have the financial information reviewed by the CPAs as of the date of the annual report.

Note 3: The Company retrospectively adjusted the earnings per share for 2022 due to capital increase by earnings in 2023.

6.1.3 Parent Company Only Balance Sheet - IFRS

Unit : NT\$ thousands

Item		Year	Financial Summary for The Last Five Years (Note 1)				
			2019	2020	2021	2022	2023
Current Assets			1,381,083	1,505,086	1,117,123	1,640,980	1,617,057
Property, Plant and Equipment			168,841	174,986	674,430	570,911	559,569
Intangible Assets			2,347	7,775	7,640	11,087	12,136
Other Assets			48,701	66,887	137,633	146,276	198,743
Total Assets			1,600,972	1,754,734	1,936,826	2,369,254	2,387,505
Current Liabilities	Before Distribution		157,410	245,700	269,751	507,081	323,048
	After Distribution		392,295	494,556	467,533	760,665	(Note 2)
Non-current Liabilities			1,993	-	83,482	4,716	1,438
Total Liabilities	Before Distribution		159,403	245,700	353,233	511,797	324,486
	After Distribution		394,288	494,556	551,015	765,381	(Note 2)
Equity Attributable to Shareholders of the Parent			1,441,569	1,509,034	1,583,593	1,857,457	2,063,019
Capital Stock			313,180	313,180	316,060	316,980	348,478
Capital Surplus			634,551	634,551	727,719	756,194	750,042
Retained Earnings	Before Distribution		490,655	586,407	640,124	825,416	976,105
	After Distribution		255,770	337,551	442,342	540,134	(Note 2)
Other Equity			3,183	22,960	(52,246)	(41,133)	(11,606)
Treasury Stock			-	(48,064)	(48,064)	-	-
Non-controlling Interest			-	-	-	-	-
Total Equity	Before Distribution		1,441,569	1,509,034	1,583,593	1,857,457	2,063,019
	After Distribution		1,206,684	1,260,178	1,385,811	1,603,873	(Note 2)

Note 1: The above financial statements have been audited by the CPAs.

Note 2: The appropriation of earnings for 2023 was approved by the Board of Directors as cash dividends of NT\$8 per share and stock dividends of NT\$2 per share, which is yet to be resolved at the 2024 Annual General Shareholders' Meeting.

6.1.4 Parent Company Only Statement of Comprehensive Income - IFRS

Unit : NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2019	2020	2021	2022	2023
Operating Revenue		867,404	977,942	1,010,911	1,358,129	1,610,202
Gross Profit		867,404	977,942	1,010,911	1,358,129	1,610,202
Income from Operations		368,694	416,313	311,445	365,252	440,293
Non-operating Income and Expenses		(6,735)	(40,616)	(18,328)	77,050	71,217
Income before Tax		361,959	375,697	293,117	442,302	511,510
Income from Continuing Operations		308,565	322,248	252,637	379,252	435,170
Loss of Discontinued Operations		-	-	-	-	-
Net Income (Loss)		308,565	322,248	252,637	379,252	435,170
Other Comprehensive Income (Income after Tax)		(364)	28,166	32,638	(773)	19
Total Comprehensive Income		308,201	350,414	285,275	378,479	435,189
Net Income Attributable to Shareholders of the Parent		308,565	322,248	252,637	379,252	435,170
Net Income Attributable to Non-controlling Interest		-	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent		308,201	350,414	285,275	378,479	435,189
Comprehensive Income Attributable to Non-controlling Interest		-	-	-	-	-
Earnings Per Share		9.90	10.34	8.12	11.06(Note 2)	12.60

Note 1: The above financial statements have been audited by the CPAs.

Note 2: The Company retrospectively adjusted the earnings per share for 2022 due to capital increase by earnings in 2023.

6.1.5 Auditors' Opinions from 2019 to 2023

Year	Accounting Firm & CPA	Audit Opinion
2019	Deloitte & Touche Chung-Cheng Chen, Cheng-Chuan Yu	Unqualified opinion
2020	Deloitte & Touche Yu-Feng Huang, Mei-Chen Tsai	Unqualified opinion
2021	Deloitte & Touche Yu-Feng Huang, Mei-Chen Tsai	Unqualified opinion
2022	Deloitte & Touche Yu-Feng Huang, Mei-Chen Tsai	Unqualified opinion
2023	Deloitte & Touche Mei-Chen Tsai, Yu-Feng Huang	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – IFRS

Analysis Item		Year	Financial Analysis for the Last Five Years (Note 1)					2024 (As of March 31) (Note 2)
			2019	2020	2021	2022	2023	
Financial Structure	Debt-asset ratio (%)	9.89	14.10	18.23	21.54	13.93	N/A	
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	854.30	862.76	247.17	326.14	368.60		
Solvency	Current Ratio (%)	893.72	616.62	419.92	328.50	507.33		
	Quick Ratio (%)	882.48	610.20	407.90	317.23	493.79		
	Interest Coverage Ratio (Times)	1,059.43	2,853.11	153.42	1,745.60	1,510.75		
Operating Performance	Accounts Receivable Turnover (Times)	4.12	4.44	3.45	4.12	4.50		
	Average Collection Period	89	82	106	89	81		
	Inventory Turnover (Times)	-	-	-	-	-		
	Accounts Payable Turnover (Times)	-	-	-	-	-		
	Average Days in Sales	-	-	-	-	-		
	Property, Plant and Equipment Turnover (Times)	5.39	5.70	2.38	2.18	2.85		
	Total Assets Turnover (Times)	0.68	0.58	0.55	0.63	0.68		
Profitability	Return on Total Assets (%)	24.15	19.21	13.76	17.63	18.28		
	Return on Equity (%)	28.22	21.84	16.34	22.04	22.20		
	Pre-tax Income to Paid-in Capital (%)	115.58	120.21	92.88	139.80	147.30		
	Profit Ratio (%)	35.50	32.85	24.97	27.88	26.99		
	Earnings Per Share (NT\$)	9.90	10.34	8.12	11.06 (Note 3)	12.60		
Cash Flow	Cash Flow Ratio (%)	230.26	156.36	83.27	128.99	74.01		
	Cash Flow Adequacy Ratio (%)	153.63	148.66	83.11	109.92	100.64		
	Cash Reinvestment Ratio (%)	9.19	9.46	(1.37)	22.54	(0.55)		
Leverage	Operating Leverage	2.35	2.35	3.23	3.70	3.61		
	Financial Leverage	1.00	1.00	1.01	1.00	1.00		
<p>Analysis of financial ratio differences for the last two years. (If the differences exceed 20%)</p> <ol style="list-style-type: none"> 1. Decrease in debt-to-asset ratio: due to the decrease in contractual liabilities in 2023. 2. Increase in current and quick ratio: due to the decrease in contract liabilities in 2023. 3. Increase in turnover rate of property, plant, and equipment: due to the increase in revenue in 2023. 4. Decrease in cash flow and cash reinvestment ratio: due to the decrease in net cash inflow from operating activities in 2023. 								

Note 1: The above financial statements have been audited by the CPAs.

Note 2: The Company did not have the financial information reviewed by the CPAs as of the date of the annual report.

Note 3: The Company retrospectively adjusted the earnings per share for 2022 due to capital increase by earnings in 2023.

6.2.2 Parent Company Only Financial Analysis — IFRS

Analysis Item		Year	Financial Analysis for the Last Five Years (Note 1)				
			2019	2020	2021	2022	2023
Financial Structure	Debt-asset ratio (%)	9.96	14.00	18.24	21.60	13.59	
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	854.98	862.37	247.18	326.18	368.94	
Solvency	Current Ratio (%)	877.38	612.57	414.13	323.61	500.56	
	Quick Ratio (%)	866.49	606.18	402.16	312.43	487.16	
	Interest Coverage Ratio (Times)	1,059.36	4,319.36	155.27	1,798.98	23,251.45	
Operating Performance	Accounts Receivable Turnover (Times)	4.22	4.34	3.40	4.12	4.37	
	Average Collection Period	86	84	108	89	84	
	Inventory Turnover (Times)	-	-	-	-	-	
	Accounts Payable Turnover (Times)	-	-	-	-	-	
	Average Days in Sales	-	-	-	-	-	
	Property, Plant and Equipment Turnover (Times)	5.39	5.69	2.38	2.18	2.85	
	Total Assets Turnover (Times)	0.68	0.58	0.55	0.63	0.68	
Profitability	Return on Total Assets (%)	24.12	19.21	13.77	17.62	18.30	
	Return on Equity (%)	28.22	21.84	16.34	22.04	22.20	
	Pre-tax Income to Paid-in Capital (%)	115.58	119.96	92.74	139.54	146.78	
	Profit Ratio (%)	35.57	32.95	24.99	27.92	27.03	
	Earnings Per Share (NT\$)	9.90	10.34	8.12	11.06(Note 2)	12.60	
Cash Flow	Cash Flow Ratio (%)	228.76	153.66	87.02	127.50	65.52	
	Cash Flow Adequacy Ratio (%)	152.92	148.42	82.78	109.54	99.04	
	Cash Reinvestment Ratio (%)	9.32	9.04	(0.80)	22.52	(1.90)	
Leverage	Operating Leverage	2.35	2.35	3.25	3.72	3.66	
	Financial Leverage	1.00	1.00	1.01	1.00	1.00	
<p>Analysis of financial ratio differences for the last two years. (If the differences exceed 20%)</p> <ol style="list-style-type: none"> 1. Decrease in debt-to-asset ratio: due to the decrease in contractual liabilities in 2023. 2. Increase in current and quick ratio: due to the decrease in contract liabilities in 2023. 3. Increased in Interest coverage ratio: due to the decrease in interest expenses in 2023. 4. Increase in turnover rate of property, plant, and equipment: due to the increase in revenue in 2023. 5. Decrease in cash flow and cash reinvestment ratio: due to the decrease in net cash inflow from operating activities in 2023. 							

Note 1: The above financial statements have been audited by the CPAs.

Note 2: The Company retrospectively adjusted the earnings per share for 2022 due to capital increase by earnings in 2023.

* Formulas

1. Financial Structure

- (1) Debt-asset ratio = Total liabilities / Total assets
- (2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / Net worth of property, plant and equipment

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Income before income tax and interest expenses / Interest expenses for the period

3. Operating Performance

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover rate = Net sales / Average receivables (including accounts receivable and notes receivable arising from business operation) for each period
- (2) Average collection days for receivables = 365 / Receivables turnover rate
- (3) Inventory turnover rate = Cost of goods sold / Average inventory
- (4) Payables (including accounts payable and notes payable arising from business operations) Turnover rate = Cost of goods sold / Average payables (including accounts payable and notes payable arising from business operations) for each period
- (5) Average days for sale = 365 / Inventory turnover rate
- (6) Property, plant and equipment turnover rate = Net sales / Average net worth of property, plant and equipment
- (7) Total asset turnover rate = Net sales / Average total assets

4. Profitability

- (1) Return on assets = [Net income + Interest expenses × (1 - Tax rate)] / Average total assets
- (2) Return on equity = Net income / Average total equity
- (3) Net profit ratio = Net income / Net sales
- (4) Earnings per share = (Profit and loss attributable to owners of the parent - Dividends on special shares) / Weighted average number of issued shares (Note 1)

5. Cash Flow

- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five fiscal years / (Capital expenditures + Inventory increase + Cash dividend) for the most five fiscal years
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividend) / (Gross value of property, plant and equipment + Long-term investment + Other non-current assets + Working capital) (Note 2)

6. Leverage

- (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating revenue
- (2) Financial leverage = Operating revenue / (Operating revenue - Interest expenses)

Note 1: The above formula for calculating earnings per share shall be measured by paying special attention to the following items:

1. The weighted-average number of common shares is used as the basis, not the number of shares outstanding at the end of the year.
2. The weighted-average number of shares shall be calculated by taking into account the liquidity period of any cash or treasury stock traders.

Note 2: Cash flow analysis shall pay special attention to the following matters when measuring:

1. Net cash flow from operating activities refers to the net cash from operating activities in the cash flow statement.
2. Capital expenditure refers to the cash from capital investment each year.
3. Increase in inventories is included only when the ending balance is greater than the opening balance, and is calculated as zero if there is a decrease in inventories at the end of the year.
4. Cash dividends include cash dividends from common stock and preferred stock.
5. Gross amount of property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

6.3 Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 business report, financial statements, and proposal for distribution of earnings. The CPA firm of Deloitte & Touche was retained to audit M31's financial statements (Consolidated and Parent Company Only) and has issued an audit report relating to the financial statements. The above-mentioned business report, financial statements, and proposal for appropriation of earnings have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

M31 Technology Corporation

Chairman of the Audit Committee: Shih-Ying Huang

February 27, 2024

6.4 Consolidated Financial Statements for the Years Ended December 31 2023, and Independent Auditors' Report: Please refer to Appendix I.

6.5 Parent Company Only Financial Statements for the Years Ended December 31, 2023 and Independent Auditors' Report: Please refer to Appendix II.

6.6 Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties: None.

VII. Financial Status, Financial Performance, and Risk Management

7.1 Financial Status

Unit: NT\$ thousands ; %

Item \ Year	2023	2022	Difference	
			Amount	%
Current Assets	1,654,315	1,659,320	(5,005)	(0.30)
Property, Plant and Equipment	561,779	570,969	(9,190)	(1.61)
Intangible Assets	12,136	11,087	1,049	9.46
Other Assets	168,559	125,922	42,637	33.86
Total Assets	2,396,789	2,367,298	29,491	1.25
Current Liabilities	326,085	505,125	(179,040)	(35.44)
Non-current Liabilities	7,685	4,716	2,969	62.96
Total Liabilities	333,770	509,841	(176,071)	(34.53)
Equity Attributable to Shareholders of the Parent	2,063,019	1,857,457	205,562	11.07
Capital Stock	348,478	316,980	31,498	9.94
Capital Surplus	750,042	756,194	(6,152)	(0.81)
Retained Earnings	976,105	825,416	150,689	18.26
Other Equity	(11,606)	(41,133)	29,527	(71.78)
Treasury Stock	-	-	-	-
Non-controlling Interest	-	-	-	-
Total Equity	2,063,019	1,857,457	205,562	11.07
<p>Analysis of Deviation over 20%:</p> <ol style="list-style-type: none"> Increase in other assets: mainly due to the increase in financial assets measured at amortized cost in 2023. Decrease in current liabilities: due to the decrease in contract liabilities in 2023. Increase in non-current liabilities: due to the increase in lease liabilities in 2023. Decrease in total liabilities: due to the decrease in current liabilities in 2023. Decrease in other equity: due to the unearned employee benefits to compensation costs arising from the issuance of restricted employee shares in 2021. <p>The above were normal operating activities and had no significant impact on the Company's financial position.</p>				

7.2 Financial Performance

Unit: NT\$ thousands ; %

Item \ Year	2023	2022	Difference	%
Operating Revenue	1,612,337	1,360,165	252,172	18.54
Gross Profit	1,612,337	1,360,165	252,172	18.54
Income from Operations	446,496	367,950	78,546	21.35
Non-operating Income and Expenses	66,820	75,179	(8,359)	(11.12)
Income before Tax	513,316	443,129	70,187	15.84
Income from Continuing Operations	435,170	379,252	55,918	14.74
Loss of Discontinued Operations	-	-	-	-
Net Income (Loss)	435,170	379,252	55,918	14.74
Other Comprehensive Income (Income after Tax)	19	(773)	792	(102.46)
Total Comprehensive Income	435,189	378,479	56,710	14.98
Net Income Attributable to Shareholders of the Parent	435,170	379,252	55,918	14.74
Net Income Attributable to Non-controlling Interest	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent	435,189	378,479	56,710	14.98
Comprehensive Income Attributable to Non-controlling Interest	-	-	-	-
Earnings Per Share	12.60	11.06 (Note)	1.54	13.92

Analysis of Deviation over 20% :

1. Increase in income from operations: Due to the increase in sales revenue in 2023.
2. Increase in other comprehensive income (income after tax): Due to the increase in unrealized valuation gains or losses on equity instruments measured at fair value through other comprehensive income in 2023.

Possible impact on the Company's future financial operations and plans for response: Please refer to the "Business Report" for details.

Note: The Company retrospectively adjusted the earnings per share for 2022 due to capital increase by earnings in 2023.

7.3 Cash Flow

7.3.1 Cash Flow Analysis for 2023 and 2022 :

Unit : NT\$ thousands

Item	Year	Net Cash Generated from/(Used in)		Cash Surplus (Deficit)
		2023	2022	
Operating Activities		241,341	651,573	(410,232)
Investing Activities		332,001	(185,571)	517,572
Financing Activities		(258,691)	(231,546)	(27,145)
Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies		(12,306)	4,899	(17,205)
Analysis of Cash Flow:				
<ol style="list-style-type: none"> 1. The decrease in net cash generated from operating activities: Due to the decrease in contractual liabilities in 2023. 2. The increase in net cash used in investing activities: Due to the decrease in the acquisition of financial assets measured at amortized cost in 2023. 3. The increase in net cash used in financing activities: Due to the higher cash dividend payment in 2023. 4. The effects of exchange rate changes on the balance of cash held in foreign currencies: Due to the deappreciation of the Taiwan dollar in 2023, which had a greater impact on exchange rate fluctuations. 				

7.3.2 Remedial Actions for Liquidity Shortfall: Based on the Company's current cash position, there is no liquidity risk or cash shortage.

7.3.3 Cash Flow Projection for 2024 :

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Generated from Operating Activities (2)	Net Cash Used in Investing Activities and Financing Activities (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Investment Plans
849,121	459,205	(429,435)	878,891	-	-
Analysis of Cash Flow :					
<ol style="list-style-type: none"> 1. Operating Activities: The net cash generated from operating activities will be mainly due to the expected growth of revenue and operating profit in 2024. 2. Investing Activities: The net cash used in investing activities will be mainly due to purchase of new equipment and computer software of NT\$ 80,957 thousand. 3. Financing Activities: The net cash used in financing activities is mainly due to the estimated payment of cash dividends of NT\$348,478 thousand. 					

7.4 Major Capital Expenditure Items : None

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

7.5.1 Investment Policy

The Company's management policy for the investment business not only follows the investment cycle in the internal control system, but also establishes the "Procedures for the Acquisition or Disposal of Assets", "Regulations for the Management of Subsidiaries", and "Regulations for the Financial Operations of Affiliates, Related Parties, Specific Companies and Group Enterprises" as the basis for controlling and supervising the investment business, and establishes a risk management mechanism for the operation of subsidiaries to maximize the operating performance.

7.5.2 Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

Unit: NT\$ thousands

Investee Company	Principal Business Activities	2023 Investment Profits (Losses)	Main Causes for Profits or Losses	Improvement Plans	Investment Plans for the Coming Year
M31 Technology USA, INC.	Product marketing and technical service	3,121	IP revenue and supporting service income	None	None
M31 Technologies India Private Ltd.	Technical service	1,458	R&D technology service income	None	None
Sirius Venture Ltd.	Investment Holdings	(311)	The loss was recognized as a result of the subsidiary investment of M31 Technology (Shanghai) Inc.	None	None
M31 Technology (Shanghai) Inc.	Product marketing and technical service	(274)	Income from IP service declined	None	None

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1) Interest rate

The Company is conservative in its use of capital, mainly through fixed deposits and purchases of monetary funds and foreign corporate bonds with good credit ratings. The Company has sufficient capital, with an increase in US dollar deposits in 2023. The impact of interest rate fluctuations on the Company's profit and loss should not be significant. The Company has good relationships with banks and has smooth financing

channels. In the future, the Company will consider the availability of various sources of funds, the cost of funds and financial business development plans to raise the necessary funds to meet the needs of business development, and will regularly evaluate the interest rates of bank deposits and observe the impact of changes in market interest rates on the Company's funds for timely adjustment.

(2) Foreign exchange volatility

The Company's sales quotations are mainly denominated in U.S. dollars, and some accounts payable are denominated in U.S. dollars. Therefore, changes in exchange rates have an impact on the Company's operating profit. The Company consults external advisors on the international economic situation and exchange rate forecasts in order to fully grasp international exchange rate information and take appropriate measures. The Company also maintains close contact with the foreign exchange departments of various banks to carefully select the timing of foreign exchange settlement and appropriately adjust the proportion of foreign currency accounts, which is also used as the basis for consideration of product quotations by sales staff. The Company also increases foreign currency accounts payable in the same currency as its accounts receivable to achieve natural hedging effect. If necessary, in accordance with the "Procedures for Acquisition or Disposal of Assets" established by the Company, the responsible officer will take appropriate hedging measures and commit to appropriate financial instruments to reduce the impact of exchange rate changes on revenue and profitability.

(3) Inflation

To date, the Company has not been significantly affected by inflation. The Company also monitors market trends and maintains good relationships with customers, and may negotiate sales price adjustments when necessary to reduce the adverse impact of inflation on the Company, so the risk of inflation is within the Company's control.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company is committed to the development of its own business and is prudent and conservative. The Company does not engage in high-risk, high-leverage investments, and its policies regarding the lending of funds to others, endorsement and guarantee, and derivative transactions are in compliance with the Company's "Procedures for Lending Funds to Other Parties", "Procedures for Endorsement and Guarantee", and "Procedures for the Acquisition or Disposal of Assets", and are handled in consideration of financial business needs.

7.6.3 Research & Development Plans and Expense Projection

(1) Future R&D plans are as follows.

- (1.1) Advanced process below 7nm high performance and ultra-low power standard cell library.
- (1.2) Advanced process below 7nm high performance memory compiler.
- (1.3) Advanced process 7nm and below ONFI I/O, constructing a complete ONFI (I/O + PHY) solution.
- (1.4) Advanced process below 7nm for eUSB2, USB 4.0, PCIe 5.0, MIPI M-PHY V5.0, MIPI C-PHY, LPDDR5/5X and other latest specification high-speed interface IPs.
- (1.5) Analog IP development.

- (1.6) 7nm & 5nm SoC design implementation platform to accelerate design flow as well as enhance power and performance.
- (1.7) Automotive IP certification platform to assist in test validation and functional safety guidance.
- (2) The Company expects to invest and estimated NT\$1,264,307 thousand in R&D in the coming year to support various R&D programs and to improve the Company's global competitiveness.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company conducts its business in accordance with the laws and regulations of the competent authorities and is always aware of important domestic and foreign policy changes and legal changes, and collects relevant information in order to fully understand and grasp external information. When necessary, the Company will consult with relevant professionals to provide management with reference for decision making and adjust the Company's operating strategies immediately. For the most recent year and as of the date of the annual report, the Company has not been affected by significant domestic or foreign policy and legal changes that affect its financial operations.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The company is a R&D-oriented professional IP development company that works closely with world-class manufacturers to keep up with the semiconductor market trends and industry-related technology developments in order to maintain a stable and flexible financial management. The advancement of technology has led to new specifications and applications, and has given the Company greater market demand and growth momentum. For the Company's Information Security Management, please refer to the Company's corporate website and pages 99 to 102 of this annual report.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company has always adhered to the principles of professionalism and ethical management, and has always attached great importance to its corporate image. As of the printing date of the annual report, there has been no corporate crisis caused by the change of corporate image.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

For the most recent year and as of the date of the annual report, the Company has no mergers and acquisitions, but if there are plans for mergers and acquisitions in the future, the Company will carefully evaluate the benefits and ensure the interests of shareholders.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

The Company is a R&D and sales company of Silicon IP and does not engage in the production of physical goods.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

(1) Purchasing Sources

The Company is a professional supplier of IP, and has no physical goods, so this assessment is not applicable to the purchase of raw materials.

(2) Sales

For the year ended December 31, 2023, the revenue from a single customer amounted to 10% or more of the Company's total operating revenues, including Customer A, amounting to NT\$368,240 thousand; For the year ended December 31, 2022, there was no single customer whose revenue amounted to 10% or more of the Company's total operating revenues, and the customers for sales are diversified. In addition to the stable relationship with existing customers, the Company has been actively developing overseas foundries and IC design companies in recent years to expand its business scale and customer base; therefore, the risk of sales concentration in 2022 and 2021 was not high.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%:

For the most recent year and as of the date of the annual report, there was no significant transfer or change of ownership of the Company's directors or substantial shareholders holding more than 10% of the shares.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights

(1) There has been no change in the Company's operating rights for the most recent year and up to the date of printing of the annual report.

(2) Succession planning and operation

The training of our senior management succession plan is divided into four categories: leadership, management ability, professional competence and corporate culture, and the training courses, practical tasks and job rotation are used to cultivate the all-round ability and experience of the management.

Each year, management training is conducted to keep up-to-date with the latest management thinking and trends through the sharing of external experts, technological innovations and exemplary companies, while on the other hand, the leadership practices of the Company's organizational culture and management are shared through the years of leadership experience of internal senior executives.

Every year, a high-level executive consensus meeting is held to discuss topics related to the Company's future growth goals and strategies, including system thinking, strategic thinking and planning, leadership development, performance management, talent development, and leadership succession.

In addition, in planning the succession plan, the successor must not only possess excellent job skills but also have values that align with the Company culture. At the same time, business unit managers cultivate cross-domain expertise and leadership skills by rotating jobs or taking on different tasks through practical training, leading their teams to achieve annual goals. This enables the Company to achieve sustainable development and growth through the implementation of the succession plan.

The Company appropriately arranges for directors to participate in specialized seminars, workshops, roundtables, or training courses that cover topics related to corporate governance such as finance, risk management, business, law, accounting, or internal control systems, in order to cultivate future successors."

The Company has operated and implemented the succession plan as described above.

7.6.12 Litigation or Non-litigation Matters

- (1) Significant lawsuits, non-litigation or administrative disputes currently pending against the Company: None.
- (2) Directors, supervisors, presidents, persons in charge of the Company, substantial shareholders holding more than 10% of the shares, and affiliates of the Company have had significant lawsuits, non-litigation or administrative disputes determined or are still pending, the outcome of which may have a significant impact on shareholders' equity or securities prices: None.

7.6.13 Other Major Risks: None.

7.7 Other Materiality

7.7.1 Intellectual property management

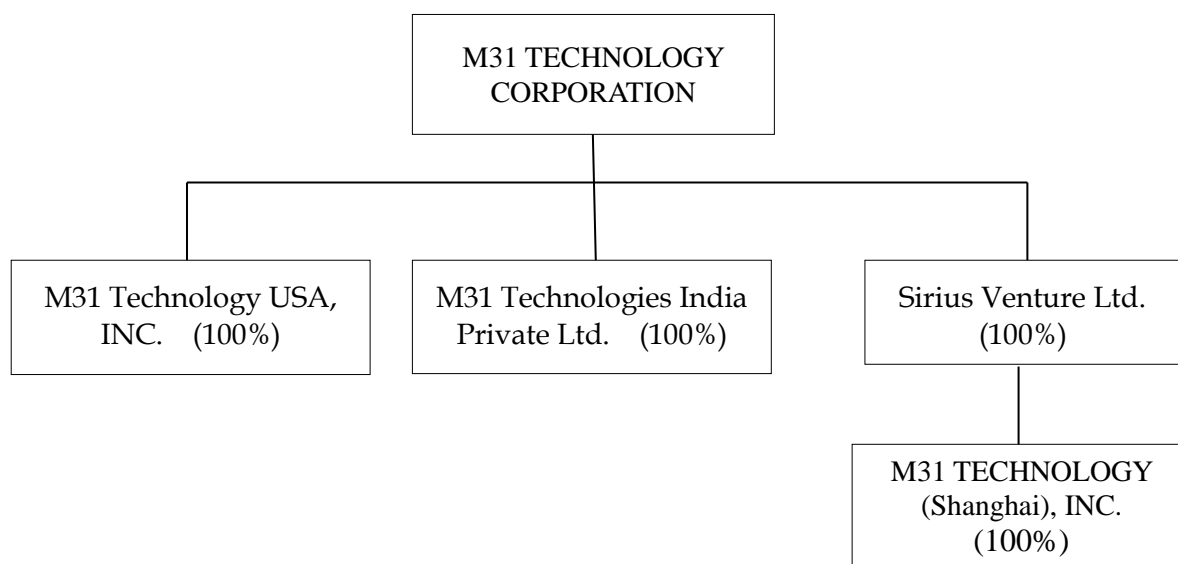
As a company with R&D achievements as its most important asset, the Company has been actively establishing the intellectual property management system and mechanism (Please refer to the Intellectual Property Management on the Company's corporate website) since its establishment, and promoting various innovative activities. The Intellectual Property Management System covers the "protection of intellectual property products", the "protection of confidential information", and the "confidentiality obligations of employees and outsourced contractors"; the Innovation System is a continuous innovation cycle from "creative ideas", "protection and management" to "application."

VIII. Special Disclosure

8.1 Summary of Affiliated Companies:

8.1.1 Consolidation Business Report of Affiliates

(1) The Company's Affiliated Companies Chart



(2) Basic Information of Affiliated Companies :

3/31/2024 Unit : USD thousands

Company Name	Date of Establishment	Address	Capital	Main Businesses and Products
M31 Technology USA, INC.	12/18/2013	1900 McCarthy Boulevard, Suite 105, Milpitas, State of California	1,000	Product marketing and technical services
M31 Technologies India Private Ltd.	05/26/2023	Umiya Business Bay Tower-1, No.3, 5Floor, Cessna Business ParkMarathahalli – Sarjapur Ring Road, Kadubeesanahalli, Varthur Hobli, Bangalore 560037	6	Technical services
Sirius Venture Ltd.	03/12/2015	1st Floor, #5 DEKK House, De Zippora Street, Providence Industrial Estate, Mahe', Republic of Seychelles	167	Investment holding

Company Name	Date of Establishment	Address	Capital	Main Businesses and Products
M31 Technology (Shanghai) Inc	12/17/2015	Room 4707, floor 6, No. 111, Fengpu Avenue, Fengpu Industrial Park, Fengxian District, Shanghai	100	Product marketing and technical services

(3) Shareholders in Common of the Company and Its Affiliated Companies with Deemed Control and Subordination : None.

(4) Business Scope of the Company and Its Affiliated Companies : Please refer to the above of Basic Information of Affiliated Companies.

(5) List of Directors, Supervisors and Presidents of the Company's Affiliated Companies:

3/31/2024 Unit: thousand shares

Company Name	Title	Name or Representative	Holding Shares	%
M31 Technology USA, INC.	Chairman	M31 TECHNOLOGY CORPORATION (Representative : Yuan-Hsun Chang)	1,000	100%
M31 Technologies India Private Ltd.	Chairman	M31 TECHNOLOGY CORPORATION (Representative : Yuan-Hsun Chang)	50	100%
Sirius Venture Ltd.	Chairman	M31 TECHNOLOGY CORPORATION (Representative : Huey-Ling Chen)	167	100%
M31 Technology (Shanghai) Inc	Executive Director Supervisors	Sirius Venture Ltd. (Representative : Yuan-Hsun Chang) Sirius Venture Ltd. (Representative : Gavin Ge)	Unissued Shares	100%

(6) Operation Highlights of the Company's Affiliated Companies :

12/31/2024 Unit : NT\$ thousands

Company Name	Capital	Total Assets	Total liabilities	Net Worth	Operating income	Profit	Net Income (After tax)	EPS (After tax)
M31 Technology USA, INC.	30,416	80,620	42,511	38,109	173,028	4,035	3,121	-
M31 Technologies India Private Ltd.	194	15,134	13,545	1,589	16,748	2,651	1,458	
Sirius Venture Ltd.	5,364	1,967	-	1,967	-	(38)	(311)	-
M31 Technology (Shanghai) Inc	3,340	1,937	-	1,937	-	(274)	(274)	-

8.1.2 Consolidated Business Report and Consolidation of Financial Statements of Affiliates :

Please refer to Appendix I.

8.2 Private placement securities for the most recent year and up to the date of printing of the annual report: None.

8.3 Holdings or disposals of the Company's shares by affiliates for the most recent year and as of the date of the annual report: None.

8.4 Supplementary Notes: None.

8.5 Any Events Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Act for the most recent year and as of the date of the annual report: None.

M31 Technology Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of a parent and its subsidiaries under International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of a parent and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

M31 Technology Corporation

By:

Huey-Ling Chen
Chairman
February 27, 2024

DELOITTE

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

M31 Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of M31 Technology Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

Risk of Improper Recognition of Technical Service Revenue

The Group's major revenue source is derived from the technical service income and royalty income received from offering silicon intellectual property (SIP) service.

The recognition of revenue from technical services is based on the terms of each contract. Since the terms of each contract are different, there is a risk that revenue may be recognized before the contractual obligations are fulfilled.

Due to the fact that these transactions involve manual control, there is a risk that revenue will be recognized if the contractual obligations are not fulfilled due to errors. Therefore, we list the recognition of technical service revenue as a key audit matter. Please refer to Note 4, point 11, for relevant accounting policies.

We exercise audit processes as below towards the aforementioned risk of improper recognition of technical service revenue:

1. Understand the design and operating effectiveness of the Group's internal control systems relevant to the recognition of technical service revenue contracts.
2. Sample the technical service revenue contracts recognized in 2023, checking relevant documents and receivable collections, reviewing critical contract provisions, for the purpose of ensuring the proper timing of revenue recognition.
3. Sample the technical service revenue contracts recognized in a period before/after the balance sheet dates to perform the cut-off test, for the purpose of ensuring proper satisfaction of performance obligations and revenue recognition prior to the balance sheet dates.

Other Matter

We have also audited the parent company only financial statements of M31 Technology Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 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.

The engagement partners on the audit resulting in this independent auditors' report are Mei-Chen Tsai and Yu-Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices general accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 849,121	35	\$ 546,776	23
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	183,099	8	284,895	12
Financial assets at amortized cost - current (Notes 4 and 9)	115,718	5	282,552	12
Accounts receivable (Notes 4, 5, 10 and 21)	373,804	16	325,217	14
Other receivables	4,587	-	4,177	-
Current tax assets (Notes 4 and 23)	82,556	3	59,856	3
Prepayments (Note 16)	44,155	2	56,889	2
Non-current assets held for sale (Notes 4, 11, and 13)	-	-	98,853	4
Other current assets (Note 16)	1,275	-	105	-
Total current assets	<u>1,654,315</u>	<u>69</u>	<u>1,659,320</u>	<u>70</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	-	-	822	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	147,520	6	118,031	5
Property, plant and equipment (Notes 4, 13 and 30)	561,779	23	570,969	24
Right-of-use assets (Notes 4 and 14)	11,056	1	2,059	-
Intangible assets (Notes 4 and 15)	12,136	1	11,087	1
Deferred tax assets (Notes 4 and 23)	6,975	-	4,751	-
Other non-current assets (Note 16)	3,008	-	259	-
Total non-current assets	<u>742,474</u>	<u>31</u>	<u>707,978</u>	<u>30</u>
TOTAL	<u>\$ 2,396,789</u>	<u>100</u>	<u>\$ 2,367,298</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Note 21)	\$ 28,151	1	\$ 266,190	11
Accounts payable (Note 17)	4,738	-	2,125	-
Other payables (Note 18)	227,519	10	185,296	8
Current tax liabilities (Notes 4 and 23)	52,632	2	43,045	2
Lease liabilities - current (Notes 4 and 14)	4,756	-	878	-
Other current liabilities (Note 18)	8,289	1	7,591	1
Total current liabilities	<u>326,085</u>	<u>14</u>	<u>505,125</u>	<u>22</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	1,138	-	3,526	-
Lease liabilities - non-current (Notes 4 and 14)	6,547	-	1,190	-
Total non-current liabilities	<u>7,685</u>	<u>-</u>	<u>4,716</u>	<u>-</u>
Total liabilities	<u>333,770</u>	<u>14</u>	<u>509,841</u>	<u>22</u>
EQUITY (Note 20)				
Share capital				
Ordinary shares	348,658	15	317,080	13
Share capital pending cancellation	(180)	-	(100)	-
Share capital subtotal	<u>348,478</u>	<u>15</u>	<u>316,980</u>	<u>13</u>
Capital surplus	750,042	31	756,194	32
Retained earnings				
Legal reserve	194,211	8	155,904	7
Unappropriated earnings	781,894	33	669,512	28
Total retained earnings	<u>976,105</u>	<u>41</u>	<u>825,416</u>	<u>35</u>
Other equity	(11,606)	(1)	(41,133)	(2)
Total equity	<u>2,063,019</u>	<u>86</u>	<u>1,857,457</u>	<u>78</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 2,396,789</u>	<u>100</u>	<u>\$ 2,367,298</u>	<u>100</u>

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 21)	\$ 1,612,337	100	\$ 1,360,165	100
GROSS PROFIT	1,612,337	100	1,360,165	100
OPERATING EXPENSES (Notes 15 and 22)				
Selling and marketing expenses	(100,484)	(6)	(72,613)	(5)
General and administrative expenses	(124,943)	(8)	(105,665)	(8)
Research and development expenses	(938,873)	(58)	(813,937)	(60)
Expected credit loss (Notes 10)	(1,541)	-	-	-
Total operating expenses	(1,165,841)	(72)	(992,215)	(73)
OPERATING INCOME	446,496	28	367,950	27
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 22)	29,662	2	9,988	1
Other income (Notes 4 and 22)	1,995	-	2,034	-
Other gains and losses (Notes 4 and 22)	35,503	2	63,411	5
Finance costs (Note 22)	(340)	-	(254)	-
Total non-operating income and expenses	66,820	4	75,179	6
PROFIT BEFORE INCOME TAX	513,316	32	443,129	33
INCOME TAX EXPENSE (Notes 4 and 23)	(78,146)	(5)	(63,877)	(5)
NET PROFIT FOR THE YEAR	435,170	27	379,252	28

(Continued)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain(loss) on investments in equity instruments at fair value through other comprehensive income (Note 20)	\$ 134	-	(\$ 2,111)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 20)	(145)	-	1,673	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 20 and 23)	30	-	(335)	-
	(115)	-	1,338	-
Other comprehensive income(loss) for the year, net of income tax	19	-	(773)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 435,189</u>	<u>27</u>	<u>\$ 378,479</u>	<u>28</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 12.60</u>		<u>\$ 11.06</u>	
Diluted	<u>\$ 12.49</u>		<u>\$ 10.98</u>	

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Share Capital			Capital Surplus	Retained Earnings		Other Equity				Total Equity
	Shares (In Thousands)	Amount	Share Capital Pending Cancellation		Legal Reserve	Unappropriated Earnings	Exchange Difference on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefits	Amount of Treasury Shares	
BALANCE AT JANUARY 1, 2022	31,606	\$ 316,060	\$ -	\$ 727,719	\$ 125,647	\$ 514,477	(\$ 938)	\$ 6,600	(\$ 57,908)	(\$ 48,064)	\$ 1,583,593
Appropriations of 2021 earnings											
Legal reserve	-	-	-	-	30,257	(30,257)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(197,782)	-	-	-	-	(197,782)
Net profit for the year ended December 31, 2022	-	-	-	-	-	379,252	-	-	-	-	379,252
Other comprehensive income(loss) for the year ended December 31, 2022, net of income tax (Note 20)	-	-	-	-	-	-	1,338	(2,111)	-	-	(773)
Total comprehensive income(loss) for the year ended December 31, 2022	-	-	-	-	-	379,252	1,338	(2,111)	-	-	378,479
Transfer of treasury shares to employees (Note 20)	-	-	-	4,225	-	-	-	-	-	48,064	52,289
Issuance of employee restricted shares (Note 25)	110	1,100	-	29,755	-	-	-	-	(19,855)	-	11,000
Compensation cost of employee restricted shares (Note 20)	-	-	-	-	-	-	-	-	31,678	-	31,678
Employee restricted shares cancellation (Note 21)	(8)	(80)	(100)	(5,505)	-	-	-	-	3,885	-	(1,800)
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	-	3,822	-	(3,822)	-	-	-
BALANCE AT DECEMBER 31, 2022	31,708	317,080	(100)	756,194	155,904	669,512	400	667	(42,200)	-	1,857,457
Appropriations of 2022 earnings											
Legal capital reserve	-	-	-	-	38,307	(38,307)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(253,584)	-	-	-	-	(253,584)
Stock dividends to shareholders	3,170	31,698	-	-	-	(31,698)	-	-	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	-	435,170	-	-	-	-	435,170
Other comprehensive income(loss) for the year ended December 31, 2023, net of income tax (Note 20)	-	-	-	-	-	-	(115)	134	-	-	19
Total comprehensive income(loss) for the year ended December 31, 2023	-	-	-	-	-	435,170	(115)	134	-	-	435,189
Compensation cost of employee restricted shares (Note 20)	-	-	-	-	-	-	-	-	25,957	-	25,957
Employee restricted shares cancellation	(12)	(120)	(80)	(6,152)	-	-	-	-	4,352	-	(2,000)
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	-	801	-	(801)	-	-	-
BALANCE AT DECEMBER 31, 2023	34,866	\$ 348,658	(\$ 180)	\$ 750,042	\$ 194,211	\$ 781,894	\$ 285	\$ -	(\$ 11,891)	\$ -	\$ 2,063,019

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 513,316	\$ 443,129
Adjustments for:		
Depreciation expenses	42,517	42,276
Amortization expenses	6,533	5,079
Expected credit loss	1,541	-
Net loss(gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	235	5,596
Finance costs	340	254
Interest income	(29,662)	(9,988)
Dividend income	(540)	(106)
Share-based payment of compensation costs	25,957	35,903
Gain on disposal of property, plant and equipment	(1,200)	-
Gain on disposal of non-current assets held for sale	(42,916)	-
Unrealized loss(gain) on foreign currency exchange	24,588	(19,268)
Changes in operating assets and liabilities		
Accounts receivable	(56,988)	(7,151)
Other receivables	(331)	540
Prepayments	12,734	(24,478)
Other current assets	(1,143)	8,239
Contract liabilities	(238,039)	177,188
Accounts payable	2,697	(3,481)
Other payables	47,058	50,385
Other current liabilities	698	(8,661)
Cash generated from operations	307,395	695,456
Interest received	29,587	6,658
Dividend received	540	106
Interest paid	(340)	(270)
Income tax paid	(95,841)	(50,377)
Net cash generated from operating activities	<u>241,341</u>	<u>651,573</u>

(Continued)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of financial assets at fair value through other comprehensive income	\$ 956	\$ 4,554
Acquisition of financial assets at amortized cost	(170,296)	(535,672)
Disposal of financial assets at amortized cost	301,590	258,450
Acquisition of financial assets at fair value through profit or loss	-	(154,308)
Disposal of financial assets at fair value through profit or loss	101,561	280,560
Disposal of non-current assets held for sale	141,767	-
Acquisition of property, plant and equipment	(34,395)	(31,076)
Disposal of property, plant and equipment	1,200	-
Increase in refundable deposits	(1,600)	(150)
Decrease in refundable deposits	56	395
Acquisition of intangible assets	(7,582)	(8,324)
Increase in prepayments for equipment	(<u>1,256</u>)	-
Net cash generated from (used in) investing activities	<u>332,001</u>	(<u>185,571</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term borrowings	-	(89,303)
Repayment of the principal portion of lease liabilities	(3,107)	(1,725)
Dividends paid	(253,584)	(197,782)
Purchase of treasury shares by employees	-	48,064
Issuance of employee restricted shares	-	11,000
Payment for buy-back of employee restricted shares	(<u>2,000</u>)	(<u>1,800</u>)
Net cash used in financing activities	(<u>258,691</u>)	(<u>231,546</u>)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	(<u>12,306</u>)	<u>4,899</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	302,345	239,355
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>546,776</u>	<u>307,421</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 849,121</u>	<u>\$ 546,776</u>

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

M31 Technology Corporation (the “Company”) was incorporated on October 21, 2011. The Company mainly offers Silicon IP design services in the integrated circuit industry.

The Company’s shares have been listed on the Taipei Exchange (TPEX) since January 2019.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan Dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 27, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

3.1 Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The application of the IFRSs Accounting Standards endorsed and issued into effect by the FSC would not have any material impact on M31 Technology Corporation and its controlled entities’ (the “Group”) accounting policies.

3.2 IFRSs accounting standards recognized by the FSC applicable in 2024

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above New/Revised/Amended Standards and Interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2: Sellers and lessees shall retroactively apply the amendments to IFRS 16 to sale-and-leaseback transactions signed after the date of initial application of IFRS 16.

Note 3: When applying this amendment for the first time, certain disclosure requirements are exempted.

As of the date the consolidated financial statements were authorized for issue, the Group has evaluated that the amendments to other standards and interpretations will not have a material impact on the financial position and financial performance.

3.3 The IFRSs accounting standards issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date</u> <u>Announced by IASB (Note 1)</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 IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 – comparison information	January 1, 2023
Amendments to IAS 21 ”Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above New/Revised/Amended Standards and Interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2: Applicable to annual reporting periods beginning on or after January 1, 2025. If the amendment is applied for the first time, the impact is recognized in retained earnings at the date of initial application. When the Group uses a non-functional currency as the reporting currency, the impact amount will be adjusted to the foreign exchange differences under the equity section as of the initial application date.

As of the date of the consolidated financial statements were authorized for issue, the Group is still evaluating the impact of the amendments to other standards and interpretations on its financial position and financial performance. The related impact will be disclosed when the evaluation is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs accounting standards as endorsed and issued into effect by the FSC.

4.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (2) Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- (3) Level 3 inputs are unobservable inputs for the asset or liability.

4.3 Classification of current and non-current assets and liabilities

Current assets include:

- (1) Assets held primarily for the purpose of trading;
- (2) Assets expected to be realized within 12 months after the balance sheet dates; and
- (3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet dates.

Current liabilities include:

- (1) Liabilities held primarily for the purpose of trading;
- (2) Liabilities due to be settled within 12 months after the balance sheet dates; and
- (3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet dates.

Assets and liabilities that are not classified as current are classified as non-current.

4.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective dates of acquisitions or up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of

the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Please refer to Note 12, Table 5, and Table 6 for the details, the ownership percentage, and the main business of subsidiaries.

4.5 Foreign currencies

In preparing the financial statements of each group entity, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries locating in other countries or using currencies different from the currency of the Company) are translated into NT\$ using exchange rates prevailing at the balance sheet dates. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

4.6 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

4.7 Intangible assets

(1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each year, with the effect of any changes in the estimates accounted for on a prospective basis.

(2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

4.8 Impairment of property, plant and equipment, right-of-use assets and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit (CGU) to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

4.9 Non-current assets held for sale

The carrying amount of a non-current asset is classified as held for sale when it is expected to be sold primarily through a sale transaction rather than through continued use. Non-current assets that meet this classification must be available for immediate sale in the current condition and the sale must be highly probable. When the appropriate level of management is committed to a plan to sell the asset and the sale transaction is expected to close within one year from the classification date, the sale will be considered highly probable.

4.10 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and

financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(1.1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.

B. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable, other receivables, and refundable deposits (other listed current assets and non-current assets), are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities of less than three months, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash are held for the purpose of meeting short-term cash commitments.

C. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(1.2) Impairment of financial assets

At each balance sheet date, the Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- A. Internal or external information show that the debtor is unlikely to pay its creditors.
- B. When a financial asset is more than 365 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

(1.3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

(2) Equity instruments

Equity instruments issued by the Group entity are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The carrying amounts are calculated based on weighted-average amount of the type of shares and the reasons for recovery. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

(3) Financial liabilities

(3.1) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

(3.2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.11 Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

(1) Revenue from the rendering of services

The Group identifies performance obligations from contracts with customers and recognizes revenue when performance obligations are satisfied.

(2) Licensing revenue

The functionality of the silicon intellectual property (Silicon IP) are not changed in silicon intellectual property (Silicon IP) licensing transactions. Furthermore, such silicon intellectual property (Silicon IP) remains functional without updates and technical support. While customers use the intellectual property in mass production at the foundries, the royalty prices are determined based on production, sales or other measures and the revenue is recognized with reference to the underlying arrangements.

4.12 Lease

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

4.13 Employee benefits

(1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

(2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

4.14 Share-based payment arrangements

Employee share options granted to employees

Employee restricted shares are recognized as expense on a straight-line basis over the vesting period based on the fair value of the equity instruments at the grant date and the best estimate of the number of shares expected to be vested, with adjustments for other equity (unearned employee benefits). If they are vested immediately on the grant date, full expense is recognized on the grant date.

When the Company issues restricted employee shares, it recognizes other equity (unearned employee benefits) on the grant date and adjusts capital surplus - restricted employee shares at the same time. If the shares are issued for compensation and the employees are required to return the price upon termination of employment, the related payable should be recognized. If an employee leaves the Company during the vesting period and is not required to return the dividends received, an expense is recognized when dividends are declared and adjustments are also made to retained earnings and capital surplus - restricted employee shares.

The Company revises the estimated number of restricted employee shares expected to be vested at each balance sheet date. If the original estimate is revised, the effect is recognized in profit or loss so that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - restricted employee shares.

4.15 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(1) Current tax

The Group determines current income (loss) in accordance with the regulations of each income tax filing jurisdiction and calculates the income tax payable (recoverable) accordingly.

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

(2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with

such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet dates. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet dates, to recover or settle the carrying amount of its assets and liabilities.

(3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group management level will continue to review estimates and underlying assumptions.

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 60	\$ 60
Checking accounts and demand deposits	381,306	417,716
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>467,755</u>	<u>129,000</u>
	<u>\$849,121</u>	<u>\$546,776</u>

The market rates of cash in bank at balance sheet dates were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits	0.050%~5.590%	0.050%~1.050%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Mandatorily measured at FVTPL		
Non-derivative financial assets		
– Fund beneficiary certificate	\$142,561	\$242,049
– Listed shares and emerging market shares	<u>40,538</u>	<u>42,846</u>
	<u>\$183,099</u>	<u>\$284,895</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in equity instrument

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Domestic investment		
Listed shares and emerging market shares		
Ordinary shares –		
iSTART-TEK Inc.	<u>\$ -</u>	<u>\$ 822</u>

These investments in equity instruments are held for medium to long-term strategic purposes and are expected to bring profits from long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

The Group considered the investment strategy to liquidate a portion of its investments in equity instruments measured at fair value through other comprehensive gains or losses, and the related information is as follows:

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Balance at January 1	\$ 822	\$ 7,487
Recognized in other comprehensive income	134	(2,111)
Disposal	(956)	(4,554)
Balance at December 31	<u>\$ -</u>	<u>\$ 822</u>

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (Note 1)	<u>\$115,718</u>	<u>\$282,552</u>
<u>Non-current</u>		
Foreign investments		
Foreign Corporate Bonds (Note 2)	<u>\$147,520</u>	<u>\$118,031</u>

Note 1 : The ranges of interest rates for time deposits with original maturities of more than 3 months were 1.400% ~ 4.890%, 1.980% ~ 5.050% as of December 31, 2023 and 2022.

Note 2: In September and October 2021, the Company purchased APPLE INC. bonds for NT\$53,664 thousand and NT\$26,254 thousand, respectively, with a maturity date of August 20, 2050, and a coupon rate of 2.400%; in October 2021, the Company purchased Petróleos Mexicanos bonds for NT\$28,905 thousand, with a maturity date of January 23, 2026, and a coupon rate of 4.500%; In November 2023, the Company purchased Chilean Government International Bonds for NT\$4,120 thousand with a maturity date of April 15, 2053 and a coupon rate of 3.500%; In November 2023, the Company purchased Corporate Bonds issued by Electricite de France for NT\$12,979 thousand and NT\$13,110 thousand, respectively, with maturity date of September 21, 2048 and a coupon rate of 5.000%.

Note 3: For information on credit risk management and impairment assessment related to financial assets measured at amortized cost, please refer to Note 28.

10. ACCOUNTS RECEIVABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$383,474	\$333,346
Less: Allowance for impairment loss	(<u>9,670</u>)	(<u>8,129</u>)
	<u>\$373,804</u>	<u>\$325,217</u>

Accounts receivable

As provided by contracts, payments shall be received for services rendered by the Group within 30 to 90 days from the completion of each phase. In determining the recoverability of accounts receivable, the Group considers any change in the credit quality of the accounts receivable since the date the credit was initially granted to the balance sheet dates.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the key management personnel annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual accounts receivable at the balance sheet dates to ensure that adequate allowance for impairment loss is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operate and an assessment of both the current as well as the forecasted direction of economic conditions at the balance sheet dates. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off an account receivable when there is information indicating that the debtor is in severe financial difficulty, and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

December 31, 2023

	<u>Not Past Due</u>	<u>1 to 60 Days</u>	<u>61 to 120 Days</u>	<u>121 to 180 Days</u>	<u>181 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
Expected Credit Losses rate	0%~0.17%	0%~0.93%	0%~4.56%	0%~8.53%	0%~14.43%	0%~100%	
Gross carrying amount	\$ 250,130	\$ 70,420	\$ 39,315	\$ 6,141	\$ 13,080	\$ 4,388	\$ 383,474
Loss allowance (lifetime ECL)	(421)	(656)	(1,794)	(524)	(1,887)	(4,388)	(9,670)
Amortized cost	<u>\$ 249,709</u>	<u>\$ 69,764</u>	<u>\$ 37,521</u>	<u>\$ 5,617</u>	<u>\$ 11,193</u>	<u>\$ -</u>	<u>\$ 373,804</u>

December 31, 2022

	<u>Not Past Due</u>	<u>1 to 60 Days</u>	<u>61 to 120 Days</u>	<u>121 to 180 Days</u>	<u>181 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
Expected Credit Losses rate	0%~0.27%	0%~1.45%	0%~7.88%	0%~14.00%	0%~19.90%	0%~100%	
Gross carrying amount	\$ 172,928	\$ 106,881	\$ 43,633	\$ 5,528	\$ 3,086	\$ 1,290	\$ 333,346
Loss allowance (lifetime ECL)	(461)	(1,551)	(3,439)	(774)	(614)	(1,290)	(8,129)
Amortized cost	<u>\$ 172,467</u>	<u>\$ 105,330</u>	<u>\$ 40,194</u>	<u>\$ 4,754</u>	<u>\$ 2,472</u>	<u>\$ -</u>	<u>\$ 325,217</u>

The movements of the loss allowance of accounts receivable were set out as follows:

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Balance at January 1	\$ 8,129	\$ 8,465
Add: Net remeasurement of loss allowance	1,541	-
Effect of exchange rate changes	-	(336)
Balance at December 31	<u>\$ 9,670</u>	<u>\$ 8,129</u>

11. NON-CURRENT ASSETS HELD FOR SALE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	<u>\$ -</u>	<u>\$ 98,853</u>

The Group approved the sale of land No. 318-19, 318-21, and 318-23 in Taiyuan Section, Zhubei City, Hsinchu County on November 3, 2022 by resolution of the board, and the closing of the transfer was completed on March 31, 2023 with a disposal benefit of NT\$42,916 thousand.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

The subjects of the consolidated financial statements are set out as follows:

<u>Investor</u>	<u>Investee</u>	<u>Nature of Activities</u>	<u>Proportion of Ownership (%)</u>		<u>Remark</u>
			<u>December 31, 2023</u>	<u>December 31, 2022</u>	
The Company	M31 Technology USA, INC.	Product marketing and technical services	100%	100%	(1)
	Sirius Venture Ltd.	Investment holding	100%	100%	(1)
	M31 Technologies India Private Ltd.	Technical services	100%	-	(2)
Sirius Venture Ltd.	M31 Technology (Shanghai) Inc.	Product marketing and technical services	100%	100%	(3)

Remark:

- (1) The main operational risk is the exchange rate risk.
- (2) M31 Technologies India Private Ltd. was established on May 26, 2023 with the approval of the Ministry of Corporate Affairs of India. However, as of December 31, 2023, the paid-in capital of the company is INR 500,000.
- (3) The main operational risks are the exchange rate risk and political risk led by changes in political policies and cross-strait relations.

13. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Group

	<u>Land</u>	<u>Buildings</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Other Facilities</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2023	\$ 126,440	\$ 391,631	\$ 95,241	\$ 3,809	\$ 122,836	\$ 739,957
Additions	-	4,510	1,182	-	24,362	30,054
Disposals	-	-	(7,062)	-	-	(7,062)
Net exchange differences	-	-	(2)	-	(87)	(89)
Balance at December 31, 2023	<u>\$ 126,440</u>	<u>\$ 396,141</u>	<u>\$ 89,359</u>	<u>\$ 3,809</u>	<u>\$ 147,111</u>	<u>\$ 762,860</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ -	\$ 19,047	\$ 65,959	\$ 317	\$ 83,665	\$ 168,988
Depreciation expense	-	12,949	8,022	952	17,241	39,164
Disposals	-	-	(7,062)	-	-	(7,062)
Net exchange differences	-	-	-	-	(9)	(9)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 31,996</u>	<u>\$ 66,919</u>	<u>\$ 1,269</u>	<u>\$ 100,897</u>	<u>\$ 201,081</u>
Carrying amounts at December 31, 2023	<u>\$ 126,440</u>	<u>\$ 364,145</u>	<u>\$ 22,440</u>	<u>\$ 2,540</u>	<u>\$ 46,214</u>	<u>\$ 561,779</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 225,293	\$ 391,461	\$ 75,041	\$ -	\$ 111,621	\$ 803,416
Additions	-	170	20,577	3,809	11,304	35,860
Disposals	-	-	(408)	-	(109)	(517)
Reclassification	(98,853)	-	-	-	-	(98,853)
Net exchange differences	-	-	31	-	20	51
Balance at December 31, 2022	<u>\$ 126,440</u>	<u>\$ 391,631</u>	<u>\$ 95,241</u>	<u>\$ 3,809</u>	<u>\$ 122,836</u>	<u>\$ 739,957</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ 6,312	\$ 58,696	\$ -	\$ 63,956	\$ 128,964
Depreciation expense	-	12,735	7,640	317	19,801	40,493
Disposals	-	-	(408)	-	(109)	(517)
Net exchange differences	-	-	31	-	17	48
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 19,047</u>	<u>\$ 65,959</u>	<u>\$ 317</u>	<u>\$ 83,665</u>	<u>\$ 168,988</u>
Carrying amounts at December 31, 2022	<u>\$ 126,440</u>	<u>\$ 372,584</u>	<u>\$ 29,282</u>	<u>\$ 3,492</u>	<u>\$ 39,171</u>	<u>\$ 570,969</u>

No impairment or reversal of losses were recognized for the years ended December 31, 2023 and 2022.

The Group's property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	5-50 years
Office Equipment	3-5 years
Leasehold Improvements	3 years
Other Facilities	3-6 years

14. LEASE AGREEMENTS

14.1 Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Carrying amounts</u>		
Buildings	<u>\$ 11,056</u>	<u>\$ 2,059</u>
	<u>Year Ended</u>	<u>Year Ended</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Additions to the right of use assets	<u>\$ 12,586</u>	<u>\$ 2,647</u>
Depreciation of right-of-use assets		
Buildings	<u>\$ 3,353</u>	<u>\$ 1,783</u>

Except for the aforementioned addition and recognized depreciation expenses, the Group has no significant subleasing and impairment losses in right-of-use assets for the years ended December 31, 2023 and 2022.

14.2 Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Carrying amounts</u>		
Current	<u>\$ 4,756</u>	<u>\$ 878</u>
Non-current	<u>\$ 6,547</u>	<u>\$ 1,190</u>

Discount rate for lease liabilities is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.36%~8.00%	1.36%~1.60%

14.3 Other lease information

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Expenses relating to short-term leases	\$ <u>32,287</u>	\$ <u>29,061</u>
Total cash outflow for leases	(\$ <u>35,734</u>)	(\$ <u>30,815</u>)

The Group has elected to apply the recognition exemption to buildings qualified as short-term leases and thus, did not recognize right-of-use assets and lease liabilities for these leases.

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Lease commitments	\$ <u>138</u>	\$ <u>219</u>

15. INTANGIBLE ASSETS

	<u>Software</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 28,754
Separately acquired	<u>7,582</u>
Balance at December 31, 2023	\$ <u>36,336</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2023	\$ 17,667
Amortization expense	<u>6,533</u>
Balance at December 31, 2023	\$ <u>24,200</u>
Carrying amounts at December 31, 2023	\$ <u>12,136</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 20,228
Separately acquired	<u>8,526</u>
Balance at December 31, 2022	\$ <u>28,754</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 12,588
Amortization expense	<u>5,079</u>
Balance at December 31, 2022	\$ <u>17,667</u>
Carrying amounts at December 31, 2022	\$ <u>11,087</u>

Intangible assets are amortized on a straight-line basis over estimated useful lives of 3 years.

An analysis of amortization expense by function:

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
General and administrative expenses	\$ 3,147	\$ 1,752
Research and development expenses	<u>3,386</u>	<u>3,327</u>
	<u>\$ 6,533</u>	<u>\$ 5,079</u>

16. OTHER ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Prepayments	\$ 44,155	\$ 56,889
Suspense Payments	1,188	-
Refundable deposits	80	29
Others	<u>7</u>	<u>76</u>
	<u>\$ 45,430</u>	<u>\$ 56,994</u>
<u>Non-current</u>		
Refundable deposits	\$ 1,752	\$ 259
Prepayments	<u>1,256</u>	<u>-</u>
	<u>\$ 3,008</u>	<u>\$ 259</u>

17. ACCOUNTS PAYABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts payable</u>		
Operating	<u>\$ 4,738</u>	<u>\$ 2,125</u>

18. OTHER LIABILITIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$188,977	\$152,279
Payables for annual leave	10,985	10,270
Payables for retirement benefits	5,042	4,450
Payables for insurance	5,040	4,386
Payables for business taxes	4,492	-

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payables for professional service fees	\$ 2,634	\$ 2,051
Payables for purchases of equipment	1,414	5,752
Payables for taxes	-	136
Others	<u>8,935</u>	<u>5,972</u>
	<u>\$227,519</u>	<u>\$185,296</u>
Other liabilities		
Collection	\$ 7,061	\$ 6,363
Temporary collection	<u>1,228</u>	<u>1,228</u>
	<u>\$ 8,289</u>	<u>\$ 7,591</u>

19. RETIREMENT BENEFIT PLANS

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. For subsidiaries located in other countries, the contributions to employees' individual pension accounts are made in accordance with local regulations.

20. EQUITY

20.1 Share capital

Ordinary shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of shares authorized (in thousands)	<u>50,000</u>	<u>50,000</u>
Shares authorized	<u>\$500,000</u>	<u>\$500,000</u>
Number of shares issued and fully paid (in thousands)	<u>34,866</u>	<u>31,708</u>
Shares issued	<u>\$348,658</u>	<u>\$317,080</u>
Share capital pending cancellation	<u>\$ 180</u>	<u>\$ 100</u>

For the years ended December 31, 2023 and 2022, the Company has recovered 20,000 and 18,000 employee restricted shares due to the termination of employment, respectively, please refer to Note 25.

20.2 Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Shares issuance premium	\$629,663	\$617,423
Treasury Shares Trading	17,313	17,313
Employee share options (2)	4,040	4,040
<u>Not to be used for any purpose</u>		
Employee restricted shares	<u>99,026</u>	<u>117,418</u>
	<u>\$750,042</u>	<u>\$756,194</u>

- (1) Such capital surplus may be used to offset losses, and may also be used to distribute cash or allocate share capital when the company has no losses, provided that the allocation of share capital is limited to a certain ratio of the paid-in share capital each year.
- (2) Such capital surplus refers to the amount transferred from Capital surplus — employee share options during the execution of employee share options.

20.3 Retained earnings and dividend policy

On May 26, 2022, the Company's shareholders' meeting resolved to amend the Articles of Incorporation. In accordance with the provisions of the amended Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized in the following order:

- (1) Paying taxes.
- (2) Offsetting deficits of previous years.
- (3) Setting aside as legal reserve 10% of the remaining profit until the amount of the accumulated legal reserve equals the amount of the Company's capital.
- (4) Setting aside or reversing a special reserve in accordance with the laws or the regulations of competent authorities.
- (5) The remaining balance shall be added to the accumulated undistributed earnings of the previous period and the board of directors shall prepare a proposal for the distribution of earnings. If the distribution is made by issuing new shares, a resolution shall be submitted to the shareholders' meeting for distribution. In the case of cash distribution, the board of directors is authorized to distribute all or part of the dividends and bonuses in the form of cash payment and report to the shareholders' meeting by a two-thirds of the directors attending the meeting and a resolution of a majority of the directors present.

In accordance with the amended Articles of Incorporation, the Company's dividend policy takes into account the Company's sustainable operation, stable growth, protection of shareholders' rights and interests, and healthy financial structure, and the Company's board of directors prepares a proposal for the appropriation of earnings based on future capital requirements and long-term financial planning. Total dividends to shareholders shall not be less than 2% of the appropriated earnings and may be paid in cash or in stock, with cash dividends not less than 10% of the total dividends.

In accordance with the provisions of the Company's pre-amended Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized in the following order:

- (1) Paying taxes.
- (2) Offsetting deficits of previous years.
- (3) Setting aside as legal reserve 10% of the remaining profit until the amount of the accumulated legal reserve equals the amount of the Company's capital.
- (4) Setting aside or reversing a special reserve in accordance with the laws or the regulations of competent authorities.
- (5) Any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's Articles of Incorporation state the policies on the distribution of employees' compensation and remuneration of directors, refer to "Employees' compensation and remuneration of directors" in Note 22.7.

The Company's Articles of Incorporation also provide that the ratio of cash dividend shall not be less than 10% of the total distribution of earnings.

Legal reserve shall be appropriated until the remaining balance reaches the Company's total paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of 2022 and 2021 earnings were set out as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Legal reserve	<u>\$ 38,307</u>	<u>\$ 30,257</u>
Cash dividends	<u>\$253,584</u>	<u>\$197,782</u>
Stock dividends	<u>\$ 31,698</u>	<u>\$ -</u>
Cash dividends per share (NT\$)	\$ 8.0	\$ 6.3
Stock dividends per share (NT\$)	\$ 1.0	\$ -

The above cash dividends for 2022 were approved by the Board of Directors on February 23, 2023. The distribution of remaining appropriation earnings items were approved by the general shareholders' meeting on May 24, 2023.

The appropriation of earnings for the year ended 2021 was approved at the general shareholders' meeting held on 26 May 2022.

The earnings of the Company and Subsidiaries are distributed in accordance with the articles of incorporation of each company and are not subject to contractual restrictions.

20.4 Other equity items

(1) Exchange differences on translating the financial statements of foreign operations

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Balance at January 1	\$ 400	(\$ 938)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(145)	1,673
Income tax on translating the financial statements of foreign operations	<u>30</u>	(<u>335</u>)
Other comprehensive income (loss) for the year	(<u>115</u>)	<u>1,338</u>
Balance at December 31	<u>\$ 285</u>	<u>\$ 400</u>

(2) Unrealized gain (loss) on financial assets at FVTOCI

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Balance at January 1	\$ 667	\$ 6,600
Recognized for the year		
Unrealized gain(loss)		
Equity instruments	<u>134</u>	(<u>2,111</u>)
Other comprehensive income (loss) for the year	<u>134</u>	(<u>2,111</u>)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	(<u>801</u>)	(<u>3,822</u>)
Balance at December 31	<u>\$ -</u>	<u>\$ 667</u>

(3) Unearned employee benefits

In the meeting of shareholders on August 5, 2021, the Shareholders approved a restricted share plan for employees (see Note 25).

	Year Ended December 31, 2023	Year Ended December 31, 2022
Balance at January 1	(\$ 42,200)	(\$ 57,908)
Granted during the year	-	(19,855)
Share-based payment expenses recognized	25,957	31,678
Employee restricted shares cancellation	<u>4,352</u>	<u>3,885</u>
Balance at December 31	<u>(\$ 11,891)</u>	<u>(\$ 42,200)</u>

20.5 Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2022	211
Decrease in the year	(211)
Number of shares at December 31, 2022	<u>-</u>

On March 16, 2020, the board of directors approved the Company's first repurchase of shares that authorized the purchase of up to 250 thousand shares from March 17, 2020 to May 16, 2020. The Company has repurchased 211 thousand shares in total with an average cost of NT\$227.79. On August 2, 2022, the board of directors resolved to transfer the treasury stock to employees at a price of NT\$228, and the date for employee subscription was August 2, 2022. The Company transferred 211 thousand shares of treasury shares to employees on September 2, 2022. The compensation cost recognized for the transfer of treasury shares to employees for the year ended December 31, 2023 was NT\$4,225 thousand.

On August 2, 2022, the Board of Directors resolved to repurchase treasury shares in order to motivate and enhance employees' centripetal force. The repurchase period is from August 3, 2022 to October 2, 2022, and the number of shares to be repurchased is 300,000 shares at a range of NT\$180 to NT\$350 per share. If the share price falls below the lower limit of the range, the Company will continue to repurchase shares, and the total amount of shares to be repurchased is capped at \$105,000 thousand. As of October 2, 2022, the Company has repurchased 0 shares.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these held shares, such as the rights to dividends and to vote.

As provided by the Securities and Exchange Act, the shares repurchased for the purpose of transferring to employees shall be transferred within five years from the date of reacquisition. The shares not transferred within the said time limit shall be

deemed as not issued by the company, and shall be cancelled by registration of changes.

21. REVENUE

	Year Ended December 31, 2023	Year Ended December 31, 2022
Technical service revenue	\$ 1,346,625	\$ 1,068,821
Royalty revenue	<u>265,712</u>	<u>291,344</u>
	<u>\$ 1,612,337</u>	<u>\$ 1,360,165</u>

21.1 Contract information

(1) Technical service revenue

The department of Silicon IP design service signs contracts based on which the Group offers Silicon IP design service, and the customers shall pay the transaction price when the Group satisfies the performance obligation.

(2) Royalty revenue

Royalty revenue refers to the contract-based royalties received by the Group through licensing standardized Silicon IP to customers for mass production.

21.2 Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (Note 10)	<u>\$ 373,804</u>	<u>\$ 325,217</u>	<u>\$ 319,072</u>
Contract liabilities - current			
Technical service revenue	<u>\$ 28,151</u>	<u>\$ 266,190</u>	<u>\$ 89,002</u>

The changes in the contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment. The changes for the years ended December 31, 2023 and 2022 are as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Balance at January 1	\$266,190	\$ 89,002
Contract liabilities from the beginning of year recognized as income	(238,039)	(20,668)
New contract liabilities for the year	<u>-</u>	<u>197,856</u>
Balance at December 31	<u>\$ 28,151</u>	<u>\$266,190</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

The net profit from continuing operations comprises the following items:

22.1 Interest income

	Year Ended December 31, 2023	Year Ended December 31, 2022
Bank deposits	\$ 25,885	\$ 6,531
Financial assets at amortized cost	<u>3,777</u>	<u>3,457</u>
	<u>\$ 29,662</u>	<u>\$ 9,988</u>

22.2 Other income

	Year Ended December 31, 2023	Year Ended December 31, 2022
Dividend income	\$ 540	\$ 106
Other income	<u>1,455</u>	<u>1,928</u>
	<u>\$ 1,995</u>	<u>\$ 2,034</u>

22.3 Other gains and losses

	Year Ended December 31, 2023	Year Ended December 31, 2022
Gain on disposal of non-current assets held for sale	\$ 42,916	\$ -
Gains on disposal of property, plant and equipment	1,200	-
Net losses from financial assets at fair value through profit or loss	(235)	(5,596)
Net foreign exchange (losses) gains	(8,375)	69,014
Others	<u>(3)</u>	<u>(7)</u>
	<u>\$ 35,503</u>	<u>\$ 63,411</u>

22.4 Finance costs

	Year Ended December 31, 2023	Year Ended December 31, 2022
Interest on lease liabilities	\$ 340	\$ 29
Interest on bank loans	<u>-</u>	<u>225</u>
	<u>\$ 340</u>	<u>\$ 254</u>

22.5 Depreciation and amortization

	Year Ended December 31, 2023	Year Ended December 31, 2022
An analysis of depreciation by function		
Operating expenses	<u>\$ 42,517</u>	<u>\$ 42,276</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 6,533</u>	<u>\$ 5,079</u>

22.6 Employee benefits expenses

	Year Ended December 31, 2023	Year Ended December 31, 2022
Short-term employee benefits	\$673,483	\$558,591
Post-employment benefits		
Defined contribution plans	20,426	17,403
Share-based payment		
Equity-settled	25,957	35,903
Other employee benefits		
Labor and health insurance	33,868	28,423
Other employee benefits	<u>13,089</u>	<u>10,816</u>
Total employee benefits expenses	<u>\$766,823</u>	<u>\$651,136</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$766,823</u>	<u>\$651,136</u>

22.7 Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The estimated compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022 were approved by the Company's Board of Directors on February 27, 2024 and February 23, 2023, respectively, are set out as follows:

Accrual rate

	Year Ended December 31, 2023	Year Ended December 31, 2022
Employees' compensation	1.20%	1.20%
Remuneration of directors	1.07%	1.08%

Amount

	Year Ended December 31, 2023	Year Ended December 31, 2022
	Cash	Cash
Employees' compensation	<u>\$ 6,300</u>	<u>\$ 5,450</u>
Remuneration of directors	<u>\$ 5,600</u>	<u>\$ 4,900</u>

If there is a change in the amounts after the consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22.8 Gains or losses on foreign currency exchange

	Year Ended December 31, 2023	Year Ended December 31, 2022
Foreign exchange gains	\$ 68,783	\$117,605
Foreign exchange losses	(77,158)	(48,591)
Net (losses) gains	(\$ 8,375)	\$ 69,014

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

23.1 Income tax recognized in profit or loss

The major components of income tax expense are set out as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Current tax		
In respect of the current year	\$ 76,658	\$ 60,648
Additional tax on unappropriated earnings	1,216	-
Adjustments for prior years	(1,624)	(1,066)
Non-deductible foreign income tax	<u>6,478</u>	<u>183</u>
	82,728	59,765
Deferred tax		
In respect of the current year	(4,582)	<u>4,112</u>
Income tax expense recognized in profit or loss	<u>\$ 78,146</u>	<u>\$ 63,877</u>

A reconciliation of accounting profit and income tax expense is set out as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Profit before tax from continuing operations	<u>\$513,316</u>	<u>\$443,129</u>

(Continued)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Income tax expense calculated at the statutory rate	\$104,108	\$ 89,287
Non-deductible foreign income tax	6,478	183
Additional tax on unappropriated earnings	1,216	-
Tax-exempt income	47	1,119
Non-deductible losses for tax	-	11
Current research and development tax credit	(32,079)	(25,657)
Adjustments for prior years' tax	(1,624)	(1,066)
Income tax expense recognized in profit or loss	<u>\$ 78,146</u>	<u>\$ 63,877</u>

23.2 Income tax recognized in other comprehensive income

	Year Ended December 31, 2023	Year Ended December 31, 2022
<u>Deferred Tax</u>		
In respect of the current year		
Translation of foreign operations	(\$ 30)	\$ 335
Income tax recognized in other comprehensive income	(\$ 30)	\$ 335

23.3 Current tax assets and liabilities

	December 31, 2023	December 31, 2022
Current tax assets		
Prepaid Mainland China income tax	\$ 55,728	\$ 58,834
Prepaid foreign income tax	<u>26,828</u>	<u>1,022</u>
	<u>\$ 82,556</u>	<u>\$ 59,856</u>
Current tax liabilities		
Income tax payable	<u>\$ 52,632</u>	<u>\$ 43,045</u>

23.4 Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are set out as follows:

Year ended December 31, 2023

	Balance at January 1, 2023	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31, 2023
Deferred Tax Assets				
Temporary differences				
Amortization of				
Intangibles	\$ 1,124	(\$ 119)	\$ -	\$ 1,005
Payables for annual				
leave	2,054	143	-	2,197
Allowance for				
impairment loss	1,573	221	-	1,794
Unrealized exchange				
losses	-	1,979	-	1,979
	<u>\$ 4,751</u>	<u>\$ 2,224</u>	<u>\$ -</u>	<u>\$ 6,975</u>
Deferred Tax Liabilities				
Temporary differences				
Investment income				
under equity method	\$ 213	\$ 852	\$ -	\$ 1,065
Exchange differences				
on translation of				
foreign operations	103	-	(30)	73
Unrealized exchange				
gains	3,210	(3,210)	-	-
	<u>\$ 3,526</u>	<u>(\$ 2,358)</u>	<u>(\$ 30)</u>	<u>\$ 1,138</u>

Year ended December 31, 2022

	Balance at January 1, 2022	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31, 2022
Deferred Tax Assets				
Temporary differences				
Amortization of				
Intangibles	\$ 1,244	(\$ 120)	\$ -	\$ 1,124
Payables for annual				
leave	1,576	478	-	2,054
Investment income				
under equity method	259	(259)	-	-
Exchange differences				
on translation of				
foreign operations	232	-	(232)	-
Allowance for				
impairment loss	1,657	(84)	-	1,573
Unrealized exchange				
losses	704	(704)	-	-
	<u>\$ 5,672</u>	<u>(\$ 689)</u>	<u>(\$ 232)</u>	<u>\$ 4,751</u>

(Continued)

	Balance at January 1, 2022	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31, 2022
<u>Deferred Tax Liabilities</u>				
<u>Temporary differences</u>				
Investment income under equity method	\$ -	\$ 213	\$ -	\$ 213
Exchange differences on translation of foreign operations	-	-	103	103
Unrealized exchange gains	-	3,210	-	3,210
	<u>\$ -</u>	<u>\$ 3,423</u>	<u>\$ 103</u>	<u>\$ 3,526</u>

23.5 Income tax assessments

The tax authorities have examined income tax returns of the Company through 2021.

The Group has no pending tax litigation as of December 31, 2023.

24. EARNINGS PER SHARE

	Year Ended December 31, 2023	Year Ended December 31, 2022
Unit: NT\$ Per Share		
Basic earnings per share		
From continuing operations	<u>\$ 12.60</u>	<u>\$ 11.06</u>
Diluted earnings per share		
From continuing operations	<u>\$ 12.49</u>	<u>\$ 10.98</u>

When calculating earnings per share, the impact of stock dividends has been retroactively adjusted. The record date for the stock dividends was set on July 19, 2023. Due to this retroactive adjustment, the changes in basic and diluted earnings per share for the year ended December 31, 2022, are as follows:

	Before Retrospective Adjustments	After Retrospective Adjustment
Unit: NT\$ Per Share		
Basic earnings per share	<u>\$ 12.16</u>	<u>\$ 11.06</u>
Diluted earnings per share	<u>\$ 12.08</u>	<u>\$ 10.98</u>

The net profit and weighted average number of ordinary shares outstanding used in the computation of earnings per share are set out as follows:

Net Profit for the Year

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Net profit used in the computation of basic and diluted earnings per share	<u>\$ 435,170</u>	<u>\$ 379,252</u>

Number of Shares (in thousands of shares)

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	34,524	34,295
Effect of potentially dilutive ordinary shares:		
Employee restricted shares	310	238
Employees' compensation	<u>8</u>	<u>13</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>34,842</u>	<u>34,546</u>

If the Company offered to settle the compensation paid to employees in cash or shares, the Company assumed that the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per shares, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

25. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Restricted Shares

Information regarding the issuance of new employee restricted shares is as follows:

<u>Date of Approval of Shareholders' Meeting</u>	<u>Estimated Number of Shares to be Issued (In Thousands)</u>	<u>Number of Shares Resolved by the Board of Directors (In Thousands)</u>	<u>Shares Granted Date</u>	<u>Capital Increase Date</u>	<u>Actual Number of Shares Issued (In Thousands)</u>	<u>Fair Value at the Date of Shares Granted</u>
08/05/2021	400	300	08/27/2021	09/23/2021	288	\$ 333.5
08/05/2021	400	112	05/06/2022	06/28/2022	110	280.5

On August 5, 2021, the shareholders' meeting of the Company resolved to issue new employee restricted shares in the amount of NT\$4,000 thousand, with 400 thousand shares issued, and the issuance method is as follows:

After employees are allotted new employee restricted shares, they will receive the new shares in accordance with the following schedule and in proportion to the shares they have

acquired upon the expiration of their term of office and if their performance in that year during the vesting period is up to the expectations.

Vested Period	Proportion of Vested Shares
Two years from the date of grant	50%
Three years from the date of grant	50%

In the event that employees do not meet the vesting conditions or inheritance occurs:

25.1 General termination of employment (voluntary/retirement/layoff/dismissal/retention without pay)

The Company may buy-back the new employee restricted shares (including their stock dividends and related equities) that have not been vested at the issue price.

25.2 Disability, death due to an occupational disaster or general death

- (1) If the employee is unable to continue to work due to a physical disability caused by an occupational disaster, the employee may acquire all of the new employee restricted shares not yet vested upon termination of employment.
- (2) If the employee dies as a result of an occupational disaster or dies in general, the unvested new employee restricted shares are deemed to be fully vested. The successor may apply to receive his or her shares or disposed interests after completing the necessary legal procedures and providing relevant documents.

25.3 Transfer to affiliates

- (1) If the employee requests to transfer to an affiliated company, the Company may buy-back the new employee restricted shares (including their stock dividends and related equities) that have not been vested at the issue price.
- (2) If the Company approves the transfer to an affiliate for operational reasons, the rights and obligations of the unvested new employee restricted shares shall not be affected, but shall still be in accordance with these terms and conditions provided that the performance shall be re-measured after the transfer to the affiliate; and the period of vesting shall continue to work for the affiliate or the Company, otherwise the vesting conditions shall be deemed not to be met and the Company may buy-back the new employee restricted shares (including their stock dividends and related equities) that have not been vested at the issue price.

25.4 Employees who have committed gross negligence such as violating labor contracts or work rules

After the employee has acquired the new employee restricted shares granted by the Company, in the event of a violation of Terms of Agreement, the Trust Deed, the Labor Contract, the Non-Disclosure Agreement, the Corporate Governance Practices Principles, the Ethical Corporate Management Practices Principles, the Code of Ethical Conduct, the Information Security Rules, the Non-competition Agreement and the Work Rules, the Company may buy-back the employee restricted shares (including their stock dividends and related equities) that have not been vested at the issue price.

The Company will proceed with the cancellation of the new employee restricted shares bought-back by the Company at the issue price.

The restrictions on the entitlement to shares before the vesting condition is satisfied after the employee has been allotted or subscribed for new shares are as follows:

- (1) The employee may not sell, pledge, transfer, donate, set up, or otherwise dispose of the new employee restricted shares before the vesting condition is met.
- (2) Until the vesting conditions are met, the new employee restricted shares may still participate in the allotment and dividend distribution.
- (3) Upon the issuance of new employee restricted shares, employees shall immediately deliver them to the Trust and shall not request the Trustee to return the new employee restricted shares for any reason or in any manner until the vested conditions have been fulfilled.

Other contractual matters are as follows:

Restrictions on employee rights during delivery of new shares to the Trust, the Company shall act as the exclusive agent of the employees (including but not limited) in negotiating, signing, amending, extending, cancelling and terminating the Trust Deed and the delivery, use and disposal instructions of the Trust Property with the Stock Trust.

The circumstances of the grant of new employee restricted shares described above are summarized as follows:

	2021-1 Employee Restricted Shares	2021-2 Employee Restricted Shares
	<u>(In Thousands)</u>	<u>(In Thousands)</u>
<u>Year Ended December 31, 2023</u>		
Shares outstanding at the beginning of the year	276	104
Shares vested for the year	(136)	-
Shares cancelled for the year	(2)	-
Shares pending cancellation for the year	(12)	(6)
Shares outstanding at the end of the year	<u>126</u>	<u>98</u>
Employees shares vested	<u>136</u>	<u>-</u>
Weighted-average fair value of shares granted (NTD)	<u>\$ 333.5</u>	<u>\$ 280.5</u>

	<u>2021-1 Employee Restricted Shares</u> (In Thousands)	<u>2021-2 Employee Restricted Shares</u> (In Thousands)
<u>Year Ended December 31, 2022</u>		
Shares outstanding at the beginning of the year	288	-
Shares granted for the year	-	110
Shares cancelled for the year	(8)	-
Shares pending cancellation for the year	(4)	(6)
Shares outstanding at the end of the year	<u>276</u>	<u>104</u>
Employees shares vested	<u>-</u>	<u>-</u>
Weighted-average fair value of shares granted (NTD)	<u>\$ 333.5</u>	<u>\$ 280.5</u>

For the years ended December 31, 2023 and 2022, 20,000 and 18,000 employee restricted shares were recovered due to employee termination, respectively. However, 18,000 and 10,000 shares had not yet been registered for change with the Ministry of Economic Affairs as the date of capital reduction was resolved by the board of directors on March 05, 2024, and March 02, 2023, respectively, so these shares were temporarily listed under shares pending cancellation.

For the years ended December 31, 2023 and 2022, the compensation costs recognized for the employee restricted shares were NT\$25,957 thousand and NT\$31,678 thousand, respectively.

26. CASH FLOW INFORMATION

26.1 Non-cash transactions

Except as disclosed in other notes, the Group conducted the following non-cash transaction investment and financing activities for the years ended December 31, 2023 and 2022:

On December 31, 2023 and 2022, the Group respectively acquired property, plant and equipment of NT\$1,414 thousand and NT\$5,752 thousand, which are recognized as payables for purchase of equipment. Please refer to Note 18.

26.2 Changes in liabilities arising from financing activities

Year Ended December 31, 2023

	<u>January 1, 2023</u>	<u>Cash Flows</u>	<u>Non-cash Changes</u>		<u>December 31, 2023</u>
			<u>New Leasing</u>	<u>Exchange Rate Changes</u>	
Lease liabilities	<u>\$ 2,068</u>	<u>(\$ 3,107)</u>	<u>\$ 12,586</u>	<u>(\$ 244)</u>	<u>\$ 11,303</u>

Year Ended December 31, 2022

	<u>January 1, 2022</u>	<u>Cash Flows</u>	<u>Non-cash Changes</u>		<u>December 31, 2022</u>
			<u>New Leasing</u>	<u>Exchange Rate Changes</u>	
Lease liabilities	<u>\$ 1,065</u>	<u>(\$ 1,725)</u>	<u>\$ 2,647</u>	<u>\$ 81</u>	<u>\$ 2,068</u>
Long-term borrowings	<u>89,303</u>	<u>(89,303)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 90,368</u>	<u>(\$ 91,028)</u>	<u>\$ 2,647</u>	<u>\$ 81</u>	<u>\$ 2,068</u>

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of issued ordinary shares, capital surplus, retained earnings and other equity.

The Group is not subject to any externally imposed capital requirements.

Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and the number of new shares issued.

28. FINANCIAL INSTRUMENTS

28.1 Fair value of financial instruments not measured at fair value

December 31, 2023

	<u>Carrying amount</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Financial assets</u>					
Financial assets at amortized cost— Foreign Corporate Bonds	\$ 147,520	\$ 121,795	\$ -	\$ -	\$ 121,795

December 31, 2022

	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost— Foreign Corporate Bonds	\$118,031	\$ 86,031	\$ -	\$ -	\$ 86,031

28.2 Fair value of financial instruments measured at fair value on a recurring basis

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Beneficiary certificate of funds	\$ 142,561	\$ -	\$ -	\$ 142,561
Listed shares	<u>40,538</u>	<u>-</u>	<u>-</u>	<u>40,538</u>
	<u>\$ 183,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,099</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Beneficiary certificate of funds	\$ 242,049	\$ -	\$ -	\$ 242,049
Listed shares	<u>42,846</u>	<u>-</u>	<u>-</u>	<u>42,846</u>
	<u>\$ 284,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 284,895</u>

Financial assets at FVTOCI

Investments in equity instruments				
-- Listed shares and emerging market shares	<u>\$ 822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 822</u>

There were no transfers between Levels 1 and 2 in for the years ended December 31, 2023 and 2022.

28.3 Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at		
FVTPL	\$ 183,099	\$ 284,895
Amortized cost (1)	1,492,582	1,277,041
FVTOCI		
Investment in equity instrument	-	822
<u>Financial liabilities</u>		
Amortized cost (2)	22,213	15,900

- (1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, accounts receivable, other receivables, and refundable deposits (recognized in other current assets and other non-current assets) , and financial assets carried at amortized cost - non-current.
- (2) The balances include financial liabilities measured at amortized cost, which comprise accounts payable and other payables (not including payables for salaries or bonuses, payables for annual leave, payables for retirement benefits, payables for insurance, and payables for taxes).

28.4 Financial risk management objectives and policies

The Group's major instruments include equity investments, accounts receivable, accounts payable, and lease liabilities. The Group's corporate financial management function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The corporate financial management function reports quarterly to the board of directors, which functions to monitor risks and policies implemented to mitigate risk exposures.

(1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (1.1) below), interest rates (refer to (1.2) below), and other price risks (refer to (1.3) below).

(1.1) Foreign currency risks

The Group has foreign currency denominated service transactions, which expose the Group to foreign currency risk.

The carrying amounts of the Group's non-functional currency denominated monetary assets and monetary liabilities (including the non-functional currency monetary items that have been written off in the consolidated financial statement) at the balance sheet dates are set out in Note 31.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuation of the United States Dollar (USD).

The following table details the Group's sensitivity to a 1% increase/decrease in the New Taiwan dollar (NTD, the functional currency) against the USD. The sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the functional currency weakening 1% against the USD. For a 1% strengthening of the functional currency against the USD, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	Year Ended December 31, 2023	Year Ended December 31, 2022
Profit or loss	\$ 10,377	\$ 9,578

The aforementioned profit or loss mainly results from the exposure on outstanding USD denominated bank deposits and accounts receivable at the balance sheet dates.

The Group's sensitivity to foreign currency increased during the current year mainly due to the increase in USD denominated bank deposits.

(1.2) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the balance sheet dates are set out as follows:

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
— Financial assets	\$730,993	\$529,583
— Financial liabilities	11,303	2,068
Cash flow interest rate risk		
— Financial assets	378,163	414,729
— Financial liabilities	-	-

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the balance sheet dates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 100 basis points increase/decrease and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would increase by NT\$3,782 thousand and NT\$4,147 thousand, respectively, mainly resulting from the Group's variable-rate bank deposits.

The Group's sensitivity to interest rates decreased during the current year mainly due to the decrease in variable-rate bank deposits.

(1.3) Other price risk

The Group was exposed to equity price risk mainly through its investments in equity securities.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the balance sheet dates.

If equity prices had been 1% higher/lower, the pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$1,831 thousand and NT\$2,849 thousand, respectively, resulting from the changes in fair value of financial assets at FVTPL. The pre-tax other comprehensive income for years ended December 31, 2022 would have increased/decreased by NT\$8 thousand, resulting from the changes in fair value of financial assets at FVTOCI.

(2) Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the balance sheet dates, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation (not considering collaterals or other credit enhancement instruments, and the irrevocable maximum amount of risk exposure), mainly arises from the carrying amount of the recognized financial assets as stated in the consolidated balance sheets. The Group has adopted a policy of only dealing with creditworthy counterparties.

To reduce credit risks, the Group's management personnel shall appoint a dedicated team to determine the credit limit, conduct credit examination and approval, and implement other monitoring procedures to ensure that necessary measures are taken to recover overdue receivables. Moreover, the Group shall review the recovery of each receivable on each balance sheet date to ensure that adequate allowances are

made for unrecoverable receivables. Therefore, the Group's management believes that the Group's credit risk has been greatly reduced.

The credit risk management of investments in debt instruments with financial assets measured at amortized cost is as follows.

The Company's policy is to invest only in debt instruments with a credit rating of investment grade or higher and with low credit risk in terms of impairment assessment. Credit rating information is provided by independent rating agencies. The Company continuously tracks external rating information to monitor changes in the credit risk of the debt instruments it invests in, and also reviews other information such as bond yield curves and material information about the debtor to assess whether the credit risk of the debt instrument investment has increased significantly since the original recognition.

The Company measures the expected 12-month credit loss or expected credit loss over the life of the debt instruments by taking into account the historical default rate and default loss rate of various grades provided by external rating agencies, the debtor's current financial condition and the outlook of the industry in which the debtor is engaged. The Company's current credit risk rating mechanism is as follows:

Credit Rating	Definition	Expected Credit Loss Recognition Basis	Expected Credit Loss Rate
Good	The credit risk of the debtor is low, and the debtor has sufficient ability to settle the contractual cash flows	12-month expected credit loss	-

The Group's concentration of credit risk was mainly attributable to the Group's three largest customers, which accounted for 52% and 33% of total accounts receivable as of December 31, 2023 and 2022, respectively.

(3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

(3.1) Liquidity and interest rate risk tables for non-derivative financial liabilities

The maturity analysis for non-derivative financial liabilities is prepared based on the undiscounted cash flows (including both principal cash and interest) of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2023

	<u>Less than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 22,213	\$ -	\$ -	\$ -
Lease liabilities	<u>1,306</u>	<u>3,981</u>	<u>6,863</u>	<u>-</u>
	<u>\$ 23,519</u>	<u>\$ 3,981</u>	<u>\$ 6,863</u>	<u>\$ -</u>

Additional information about the maturity analysis of the financial liabilities is as follows:

	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>
Lease liabilities	<u>\$ 5,287</u>	<u>\$ 6,863</u>	<u>\$ -</u>

December 31, 2022

	<u>Less than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 15,900	\$ -	\$ -	\$ -
Lease liabilities	<u>225</u>	<u>675</u>	<u>1,200</u>	<u>-</u>
	<u>\$ 16,125</u>	<u>\$ 675</u>	<u>\$ 1,200</u>	<u>\$ -</u>

Additional information about the maturity analysis of the financial liabilities is as follows:

	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>
Lease liabilities	<u>\$ 900</u>	<u>\$ 1,200</u>	<u>\$ -</u>

29. TRANSACTIONS WITH RELATED PARTIES

The transactions, balances, gains and losses between the Company and its subsidiaries (which are related parties of the Company) have been written off in full upon consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed as follows.

Compensation of key management personnel

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Short-term employee benefits	\$ 40,069	\$ 20,587
Post-employment benefits	648	324
Share-based payment	<u>2,179</u>	<u>1,168</u>
	<u>\$ 42,896</u>	<u>\$ 22,079</u>

The remuneration of directors and key management personnel, as determined by the remuneration committee, was based on the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31, 2023	December 31, 2022
Property, plant and equipment	<u>\$411,156</u>	<u>\$417,520</u>

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2023

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 34,193	30.705 (USD : NTD)	\$ 1,049,896
CNY	1,418	4.327 (CNY : NTD)	6,136
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	398	30.705 (USD : NTD)	12,221

December 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 31,513	30.710 (USD : NTD)	\$ 967,764
CNY	1,321	4.408 (CNY : NTD)	5,823
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	325	30.710 (USD : NTD)	9,981

The significant unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Exchange Rate	Net Foreign Exchange Gains	Exchange Rate	Net Foreign Exchange Losses
USD	31.155 (USD : NTD)	(\$ 24,588)	29.805 (USD : NTD)	\$ 19,268

32. SEPARATELY DISCLOSED ITEMS

32.1 Significant transactions and 32.2 Information about investees:

- (1) Financing provided to others: None.
- (2) Endorsements/guarantees provided: None.
- (3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Table 1.
- (4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 2.
- (5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None.
- (6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- (7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- (9) Trading in derivative instruments: None.
- (10) Others: intercompany relationships and significant intercompany transactions: Table 4.
- (11) Information on investees: Table 5.

32.3 Information on investments in mainland China

- (1) The name of the investee company in mainland China, the principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current profit and loss, recognized investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6.
- (2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 6.
 - (2.1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.

- (2.2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
- (2.3) The amount of property transactions and the amount of the resultant gains or losses.
- (2.4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
- (2.5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
- (2.6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

32.4 Required disclosure of a whole affiliation in accordance with the Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations:

- 1) The name of the subsidiaries, the relationship between the holding company and the subsidiaries, the business nature, the holding company's shareholding or capital contribution ratio: Note 12.
- 2) Increases, decreases, or changes in the subsidiaries included in the current consolidated financial statements of affiliated enterprises: Note 12.
- 3) The name, shareholding or capital contribution ratio, and the reasons for the exclusion of subsidiaries not included in the current consolidated financial statements of affiliated enterprises: None.
- 4) Adjustment for subsidiaries with balance sheet dates different from those of the holding company: None.
- 5) An explanation of any differences in accounting policies between the subsidiaries and the holding company. The method and substance of adjustments adopted in the event of any non-conformity with the Generally Accepted Accounting Principles of the Republic of China: None.
- 6) Special operational risks of overseas subordinate companies, such as exchange rate fluctuations: Note 12.
- 7) Statutory or contractual restrictions on distribution of earning by the various affiliates: Note 20.
- 8) Amortization methods and period for consolidated borrowings (loans): None.
- 9) Other matters of significance or explanations that would contribute to the fair presentation of the consolidated financial statements of affiliated enterprise: None.

32.5 The holding company and the subsidiaries shall make disclosure as follows in accordance with the Consolidated Business Reports Covering the Affiliated Enterprises, the Consolidated Financial Statements Covering the Affiliated Enterprises and Reports on Affiliations:

- 1) Information regarding financing, endorsements, and guarantees: None.
- 2) Information regarding reading in derivative products: None.
- 3) Significant contingent matters: None.
- 4) Significant subsequent events: None.
- 5) Names of bills and securities held, and their quantities, cost, market value (or net par value if a bill or security does not have a market value), shareholding or capital contribution ratio, description of any pledges, and the highest amount of shareholding or capital contribution during the period: Table 1, 5 and 6.
- 6) Other matters of significance or explanations that would contribute to a fair presentation of the consolidated financial statements of the affiliates: None.

32.6 Subsidiaries holding shares in its parent company shall detail the name of the subsidiary, the shares held, the amount, and the reasons: None.

32.7 Major shareholder information: The name, the number and percentage of shareholding of shareholders whose percentage of ownership is more than 5%.

Shareholder Name	Shares	
	Shares Held (Shares)	Percentage of Ownership (%)
Huey-Ling Chen	7,438,762	21.33%
Chen-An Lin	2,090,662	5.99%
Yi-Chen Lin	1,827,210	5.24%
Jui-Chun Investment Company Limited	1,816,110	5.20%

33. SEGMENT INFORMATION

33.1 Industrial financial information

The Group is regarded a significant operating segment that offers services of Silicon IP design. Furthermore, the Group's chief operating decision maker reviews the Group's financial reports for resources allocation and performance assessment. Therefore, the operational information does not need to be disclosed by segments.

33.2 Geographical information

The Group operates primarily in Taiwan, the United States, China, and India. The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	Year Ended December 31, 2023	Year Ended December 31, 2022	December 31, 2023	December 31, 2022
Taiwan	\$ 1,465,303	\$ 1,164,717	\$ 574,287	\$ 584,207
USA	130,286	192,460	2,608	167
China	-	2,988	-	-
India	<u>16,748</u>	<u>-</u>	<u>11,084</u>	<u>-</u>
	<u>\$ 1,612,337</u>	<u>\$ 1,360,165</u>	<u>\$ 587,979</u>	<u>\$ 584,374</u>

Non-current assets exclude financial assets at fair value through other comprehensive income, financial assets at amortized cost and deferred tax assets.

33.3 Information about major customers

Revenues from a single customer amounting to 10% or more of the Group's total revenues were as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Customer A	<u>\$368,240</u>	<u>\$ 82,566</u>

TABLE 1**M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Thousands of Shares/Units)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u>							
	Fubon Financial Holding Co., Ltd. (Type C)	—	Financial assets at fair value through profit or loss — current	300	\$ 16,500	-	\$ 16,500	—
	China Development Financial Holding Corporation (Type B)	—	Financial assets at fair value through profit or loss — current	3,400	24,038	-	24,038	—
	<u>Fund Beneficiary Certificate</u>							
	Taishin 1699 Money Market Fund	—	Financial assets at fair value through profit or loss — current	4,394	61,268	-	61,268	—
	Jih Sun Money Market Fund	—	Financial assets at fair value through profit or loss — current	3,334	50,864	-	50,864	—
	FSITC Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss — current	1,933	30,429	-	30,429	—
	<u>Corporate Bond</u>							
	APPLE INC.	—	Financial assets at amortized cost — non-current	-	86,877	-	60,774	—
	Petróleos Mexicanos	—	Financial assets at amortized cost — non-current	-	31,091	-	28,485	—
Chilean Government International Bonds	—	Financial assets at amortized cost — non-current	-	4,033	-	4,558	—	
Electricite de France	—	Financial assets at amortized cost — non-current	-	25,519	-	27,978	—	

Note: For relevant information on investment in subsidiaries, please refer to Table 4 and Table 5.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Thousands of Units)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Number of Units	Amount	Number of Units	Amount	Number of Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Units	Amount (Note)
The Company	Fund Beneficiary Certificate Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss — current	11,749	\$ 161,732	-	\$ -	7,355	\$ 101,561	\$ 100,000	\$ 1,561	4,394	\$ 61,268

Note: The amount per book at fair value at the end of the year.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLIONS OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company	Counterparty	Relationship	Transaction Details				The Transaction Terms Different From Normal Transactions		Notes & Accounts Receivable (Payable)		Note
			Purchase (Sales)	Amount	Percentage of Total Purchase (Sales)	Credit Terms	Unit Price	Credit Terms	Balance	Percentage of Total Notes & Accounts Receivable and Notes & Accounts Payable	
The Company	M31 Technology USA, INC.	Subsidiaries	Sales	\$ 128,740	8.00%	30 – 90 Days	\$ -	—	\$ 40,056	10.17%	—

Note: If the terms of the related party transaction are different from the normal terms of the transaction, the differences and the reasons for the differences should be described in the columns of unit price and credit period.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount (Note 5)	Payment Terms	% of Total Sales or Assets (Note 3)
0	M31 Technology Corporation	M31 Technology USA, INC.	1	Service revenue	\$ 128,740	Decided by mutual agreement based on market price	8
				Accounts receivable- related-party	40,056	Net 90 days from the end of the transaction month	2
1	M31 Technology USA, INC.	M31 Technology Corporation	2	Accounts receivable- related-party	2,220	Net 30 days from the end of the transaction month	-
				Marketing revenue	42,541	Decided by mutual agreement based on market price	3
2	M31 Technologies India Private Ltd.	M31 Technology Corporation	2	Other accounts receivable- related-party	4,495	Net 30 days from the end of the transaction month	-
				Technical service revenue	16,676	Decided by mutual agreement based on market price	1

Note 1: Transactions between parent company and subsidiaries should be detailed on the column of No. The meaning of the numbers are as follow:

- (1) Number 0 represents the parent company.
- (2) Subsidiaries are numbered in sequence from Number 1.

Note 2: The transaction relationships are classified as the following three types. Just mark the number of the relationship type:

- (1) Transactions from parent company to subsidiary.
- (2) Transactions from subsidiary to parent company.
- (3) Transactions from subsidiary to subsidiary.

Note 3: In the computation of percentage of consolidated revenue/assets, if the amount is the ending balance of assets or liabilities, the accounts percentage will be calculated by dividing the consolidated assets; if the amount is the amount of income or expense, the accounts percentage will be cumulated by dividing the consolidated revenues in the same period.

Note 4: This form is presented in New Taiwan Dollar (NTD). The amount involves foreign currencies will be translated into NTD at the exchange rate on balance sheet date, while the amount related to gains and losses are translated into NTD at the average annual exchange rate.

Note 5: This table only shows one-way transaction information. The above transactions have been written off when the consolidated financial statement was prepared.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
The Company	M31 Technology USA, INC.	USA	Product marketing and technical service	\$ 30,416	\$ 13,531	1,000,000	100	\$ 38,109	\$ 3,121	\$ 3,121	Subsidiaries accounted by USD
	Sirius Venture Ltd.	Republic of Seychelles	Investment Holdings	5,364	5,364	167,000	100	1,967	(311)	(311)	Subsidiaries accounted by USD
	M31 Technologies India Private Ltd.	India	Technical service	194	-	49,990	100	1,589	1,458	1,458	Subsidiaries accounted by USD

Note 1: The above transactions have been written off when the consolidated financial statement was prepared.

Note 2: For relevant information on investee companies in mainland China, please refer to Table 6.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars or United States Dollars)**

1. The name of investee companies in mainland China, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment gain or loss, carrying amount of the investment, repatriations of investment income:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2 and Note 3)	Carrying Amount as of December 31, 2023 (Note 2 and Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
M31 Technology (Shanghai) Inc.	Product marketing and technical service	USD 100	(2)	\$ 3,340	\$ -	\$ -	\$ 3,340	(\$ 274)	100	(\$ 274)	\$ 1,937	\$ -	—

2. Limit on the amount of investment in the mainland China:

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 3,340	\$ 3,340	\$ 1,237,811

Note 1: Three investment methods are listed below. Just mark the method number.

- (1) Direct investment in mainland China companies.
- (2) Indirect investment in mainland China companies through a company in a third region (Sirius Venture Ltd.).
- (3) Other methods of investing in mainland China.

Note 2: Columns for the current Investment Gain (Loss) and the Carrying Value:

Sirius Venture Ltd had recognized the Investment Loss on the investment in the Investee Company M31 Technology (Shanghai) Inc. for the year ended December 31, 2023 and the Carrying Value as of December 31, 2023.

Note 3: Calculated based on the audited annual financial report of the parent company in Taiwan.

Note 4: The above transactions have been written off when the consolidated financial statement was prepared.

3. Significant transaction with investee companies in mainland China, either directly or indirectly through a third party:

- (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.
- (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: None.
- (3) The amount of property transactions and the amount of the resultant gains or losses: None.
- (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.
- (5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.
- (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.

M31 Technology Corporation

**Parent Company Only Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

DELOITTE

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

M31 Technology Corporation

Opinion

We have audited the accompanying parent company only financial statements of M31 Technology Corporation (the "Company"), which comprise the parent company only balance sheet as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statement, 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 the Company as of December 31, 2023 and 2022, and the parent company only financial performance and the 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 auditing standards in 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 Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. 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, and we do not provide a separate opinion on these matters.

Key audit matters for the parent company only financial statements for the year ended December 31, 2023 are stated as follows:

Risk of Improper Recognition of Technical Service Revenue

The Company's major revenue source is derived from the technical service income and royalty income received from offering silicon intellectual property (SIP) service.

The recognition of revenue from technical services is based on the terms of each contract. Since the terms of each contract are different, there is a risk that revenue may be recognized before the contractual obligations are fulfilled.

Due to the fact that these transactions involve manual control, there is a risk that revenue will be recognized if the contractual obligations are not fulfilled due to errors. Therefore, we list the recognition of technical service revenue as a key audit matter. Please refer to Note 4, point 11, for relevant accounting policies.

We exercise audit processes as below towards the aforementioned risk of improper recognition of technical service revenue:

1. Understand the design and operating effectiveness of the Company's internal control systems relevant to the recognition of technical service revenue contracts.
2. Sample the technical service revenue contracts recognized in 2023, checking relevant documents and receivable collections, reviewing critical contract provisions, for the purpose of ensuring the proper timing of revenue recognition.
3. Sample the technical service revenue contracts recognized in a period before/after the balance sheet dates to perform the cut-off test, for the purpose of ensuring proper satisfaction of performance obligations and revenue recognition prior to the balance sheet dates.

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

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

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

report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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 for the year ended December 31, 2023 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.

The engagement partners on the audit resulting in this independent auditors' report are Mei-Chen Tsai and Yu-Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, parent company only financial performance and parent company only cash flows in accordance with accounting principles and practices in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

M31 TECHNOLOGY CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 806,045	34	\$ 534,626	23
Financial assets at fair value through profit or loss – current (Notes 4 and 7)	183,099	8	284,895	12
Financial assets at amortized cost - current (Notes 4 and 9)	100,000	4	276,390	12
Accounts receivable (Notes 4, 5, 10 and 21)	353,907	15	290,867	12
Accounts receivable - related parties (Notes 4, 21 and 29)	40,056	2	34,680	1
Other receivables	4,488	-	4,094	-
Other receivables – related parties (Notes 4 and 29)	4,495	-	-	-
Current tax assets (Notes 4 and 23)	80,410	3	59,755	3
Prepayments (Note 16)	43,282	2	56,715	2
Non-current assets held for sale (Notes 4, 11, and 13)	-	-	98,853	4
Other current assets (Note 16)	1,275	-	105	-
Total current assets	<u>1,617,057</u>	<u>68</u>	<u>1,640,980</u>	<u>69</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income – non-current (Notes 4 and 8)	-	-	822	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	147,520	6	118,031	5
Investments accounted for using the equity method (Notes 4 and 12)	41,665	2	20,463	1
Property, plant and equipment (Notes 4, 13 and 30)	559,569	23	570,911	24
Right-of-use assets (Notes 4 and 14)	1,177	-	2,059	-
Intangible assets (Notes 4 and 15)	12,136	1	11,087	1
Deferred tax assets (Notes 4 and 23)	6,975	-	4,751	-
Other non-current assets (Note 16)	1,406	-	150	-
Total non-current assets	<u>770,448</u>	<u>32</u>	<u>728,274</u>	<u>31</u>
TOTAL	<u>\$ 2,387,505</u>	<u>100</u>	<u>\$ 2,369,254</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Note 21)	\$ 28,151	1	\$ 266,190	11
Accounts payable (Note 17)	4,738	-	2,125	-
Other payables (Note 18)	227,441	10	185,293	8
Other payables - related parties (Note 29)	2,220	-	2,051	-
Current tax liabilities (Notes 4 and 23)	52,103	2	42,953	2
Lease liabilities - current (Notes 4 and 14)	890	-	878	-
Other current liabilities (Note 18)	7,505	1	7,591	1
Total current liabilities	<u>323,048</u>	<u>14</u>	<u>507,081</u>	<u>22</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	1,138	-	3,526	-
Lease liabilities - non-current (Notes 4 and 14)	300	-	1,190	-
Total non-current liabilities	<u>1,438</u>	<u>-</u>	<u>4,716</u>	<u>-</u>
Total liabilities	<u>324,486</u>	<u>14</u>	<u>511,797</u>	<u>22</u>
EQUITY (Note 20)				
Share capital				
Ordinary shares	348,658	15	317,080	13
Share capital pending cancellation	(180)	-	(100)	-
Share capital subtotal	<u>348,478</u>	<u>15</u>	<u>316,980</u>	<u>13</u>
Capital surplus	750,042	31	756,194	32
Retained earnings				
Legal reserve	194,211	8	155,904	7
Unappropriated earnings	781,894	33	669,512	28
Total retained earnings	<u>976,105</u>	<u>41</u>	<u>825,416</u>	<u>35</u>
Other equity	(11,606)	(1)	(41,133)	(2)
Total equity	<u>2,063,019</u>	<u>86</u>	<u>1,857,457</u>	<u>78</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 2,387,505</u>	<u>100</u>	<u>\$ 2,369,254</u>	<u>100</u>

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

M31 TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 29)	\$ 1,610,202	100	\$ 1,358,129	100
GROSS PROFIT	1,610,202	100	1,358,129	100
OPERATING EXPENSES (Notes 15, 22 and 29)				
Selling and marketing expenses	(101,973)	(6)	(73,275)	(5)
General and administrative expenses	(124,943)	(8)	(105,665)	(8)
Research and development expenses	(941,452)	(59)	(813,937)	(60)
Expected credit loss (Note 10)	(1,541)	-	-	-
Total operating expenses	(1,169,909)	(73)	(992,877)	(73)
OPERATING INCOME	440,293	27	365,252	27
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 22)	29,273	2	9,926	1
Other income (Notes 4 and 22)	1,995	-	2,032	-
Other gains and losses (Notes 4 and 22)	35,703	2	62,975	5
Finance costs (Note 22)	(22)	-	(246)	-
Share of profit of subsidiaries (Note 4)	4,268	1	2,363	-
Total non-operating income and expenses	71,217	5	77,050	6
PROFIT BEFORE INCOME TAX	511,510	32	442,302	33
INCOME TAX EXPENSE (Notes 4 and 23)	(76,340)	(5)	(63,050)	(5)
NET PROFIT FOR THE YEAR	435,170	27	379,252	28

(Continued)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain(loss) on investments in equity instruments at fair value through other comprehensive income (Note 20)	\$ 134	-	(\$ 2,111)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 20)	(145)	-	1,673	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 20 and 23)	30	-	(335)	-
	(115)	-	1,338	-
Other comprehensive income(loss) for the year, net of income tax	19	-	(773)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 435,189</u>	<u>27</u>	<u>\$ 378,479</u>	<u>28</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 12.60</u>		<u>\$ 11.06</u>	
Diluted	<u>\$ 12.49</u>		<u>\$ 10.98</u>	

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

M31 TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Share Capital		Share Capital Pending Cancellation	Capital Surplus	Retained Earnings		Other Equity				Total Equity
	Shares (In Thousands)	Amount			Legal Reserve	Unappropriated Earnings	Exchange Difference on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefits	Amount of Treasury Shares	
BALANCE AT JANUARY 1, 2022	31,606	\$ 316,060	\$ -	\$ 727,719	\$ 125,647	\$ 514,477	(\$ 938)	\$ 6,600	(\$ 57,908)	(\$ 48,064)	\$ 1,583,593
Appropriations of 2021 earnings											
Legal reserve	-	-	-	-	30,257	(30,257)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(197,782)	-	-	-	-	(197,782)
Net profit for the year ended December 31, 2022	-	-	-	-	-	379,252	-	-	-	-	379,252
Other comprehensive income(loss) for the year ended December 31, 2022, net of income tax (Note 20)	-	-	-	-	-	-	1,338	(2,111)	-	-	(773)
Total comprehensive income(loss) for the year ended December 31, 2022	-	-	-	-	-	379,252	1,338	(2,111)	-	-	378,479
Transfer of treasury shares to employees (Note 20)	-	-	-	4,225	-	-	-	-	-	48,064	52,289
Issuance of employee restricted shares (Note 25)	110	1,100	-	29,755	-	-	-	-	(19,855)	-	11,000
Compensation cost of employee restricted shares (Note 20)	-	-	-	-	-	-	-	-	31,678	-	31,678
Employee restricted shares cancellation (Note 20)	(8)	(80)	(100)	(5,505)	-	-	-	-	3,885	-	(1,800)
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	-	3,822	-	(3,822)	-	-	-
BALANCE AT DECEMBER 31, 2022	31,708	317,080	(100)	756,194	155,904	669,512	400	667	(42,200)	-	1,857,457
Appropriations of 2022 earnings											
Legal capital reserve	-	-	-	-	38,307	(38,307)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(253,584)	-	-	-	-	(253,584)
Stock dividends to shareholders	3,170	31,698	-	-	-	(31,698)	-	-	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	-	435,170	-	-	-	-	435,170
Other comprehensive income(loss) for the year ended December 31, 2023, net of income tax (Note 20)	-	-	-	-	-	-	(115)	134	-	-	19
Total comprehensive income(loss) for the year ended December 31, 2023	-	-	-	-	-	435,170	(115)	134	-	-	435,189
Compensation cost of employee restricted shares (Note 20)	-	-	-	-	-	-	-	-	25,957	-	25,957
Employee restricted shares cancellation (Note 20)	(12)	(120)	(80)	(6,152)	-	-	-	-	4,352	-	(2,000)
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	-	801	-	(801)	-	-	-
BALANCE AT DECEMBER 31, 2023	34,866	\$ 348,658	(\$ 180)	\$ 750,042	\$ 194,211	\$ 781,894	\$ 285	\$ -	(\$ 11,891)	\$ -	\$ 2,063,019

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

M31 TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 511,510	\$ 442,302
Adjustments for:		
Depreciation expenses	39,803	41,054
Amortization expenses	6,533	5,079
Expected credit loss	1,541	-
Net loss(gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	235	5,596
Finance costs	22	246
Interest income	(29,273)	(9,926)
Dividend income	(540)	(106)
Share-based payment of compensation costs	25,957	35,903
Share of profit of subsidiaries	(4,268)	(2,363)
Gain on disposal of property, plant and equipment	(1,200)	-
Gain on disposal of non-current assets held for sale	(42,916)	-
Unrealized loss(gain) on foreign currency exchange	25,954	(19,585)
Changes in operating assets and liabilities		
Accounts receivable	(71,441)	(31,467)
Accounts receivable - related parties	(6,742)	22,289
Other receivables	(315)	599
Other receivables - related parties	(4,495)	-
Prepayments	13,433	(24,417)
Other current assets	(1,143)	8,239
Contract liabilities	(238,039)	177,188
Accounts payable	2,697	(3,481)
Other payables	46,983	50,382
Other payables - related parties	169	855
Other current liabilities	(86)	(8,661)
Cash generated from operations	274,379	689,726
Interest received	29,198	6,596
Dividend received	540	106
Interest paid	(22)	(262)
Income tax paid	(92,427)	(49,626)
Net cash generated from operating activities	<u>211,668</u>	<u>646,540</u>

(Continued)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of financial assets at fair value through other comprehensive income	\$ 956	\$ 4,554
Acquisition of financial assets at amortized cost	(160,739)	(529,510)
Disposal of financial assets at amortized cost	301,590	258,450
Acquisition of financial assets at fair value through profit or loss	-	(154,308)
Disposal of financial assets at fair value through profit or loss	101,561	280,560
Acquisition of long-term equity investments under the equity method	(17,079)	-
Disposal of non-current assets held for sale	141,767	-
Acquisition of property, plant and equipment	(31,920)	(31,014)
Disposal of property, plant and equipment	1,200	-
Increase in refundable deposits	(107)	(150)
Decrease in refundable deposits	56	395
Acquisition of intangible assets	(7,582)	(8,324)
Increase in prepayments for equipment	(1,256)	-
Net cash generated from (used in) investing activities	<u>328,447</u>	<u>(179,347)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term borrowings	-	(89,303)
Repayment of the principal portion of lease liabilities	(878)	(579)
Dividends paid	(253,584)	(197,782)
Purchase of treasury shares by employees	-	48,064
Issuance of employee restricted shares	-	11,000
Payment for buy-back of employee restricted shares	(2,000)	(1,800)
Net cash used in financing activities	<u>(256,462)</u>	<u>(230,400)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(12,234)</u>	<u>3,242</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	271,419	240,035
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>534,626</u>	<u>294,591</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 806,045</u>	<u>\$ 534,626</u>

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

M31 TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

M31 Technology Corporation (the “Company”) was incorporated on October 21, 2011. The Company mainly offers Silicon IP design services in the integrated circuit industry.

The Company’s shares have been listed on the Taipei Exchange (TPEX) since January 2019.

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors on February 27, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

3.1 Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The application of the amended IFRSs Accounting Standards endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies

3.2 IFRSs accounting standards recognized by the FSC applicable in 2024

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above New/Revised/Amended Standards and Interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2: Sellers and lessees shall retroactively apply the amendments to IFRS 16 to sale-and-leaseback transactions signed after the date of initial application of IFRS 16.

Note 3: When applying this amendment for the first time, certain disclosure requirements are exempted.

As of the date the parent company only financial statements were authorized for issue, the Company has evaluated that the amendments to other standards and interpretations will not have a material impact on the financial position and financial performance.

3.3 The IFRSs accounting standards issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</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 IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 – comparison information	January 1, 2023
Amendments to IAS 21 ”Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above New/Revised/Amended Standards and Interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2: Applicable to annual reporting periods beginning on or after January 1, 2025. If the amendment is applied for the first time, the impact is recognized in retained earnings at the date of initial application. When the Company uses a non-functional currency as the reporting currency, the impact amount will be adjusted to the foreign exchange differences under the equity section as of the initial application date.

As of the date the parent company only financial statements were authorized for issue, the Company continues in evaluating the impact of the amendments on its financial position and financial performance resulting from the application of other standards or interpretations. The related impact will be disclosed when the evaluation is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of compliance

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

4.2 Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to agree with the amount of net profit, other comprehensive income, and equity for the year attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for using equity method, share of profit (loss) of subsidiaries accounted for using equity method, and share of other comprehensive income of subsidiaries, as appropriate, in the parent company only financial statements.

4.3 Classification of current and non-current assets and liabilities

Current assets include:

- (1) Assets held primarily for the purpose of trading;
- (2) Assets expected to be realized within 12 months after the balance sheet dates; and
- (3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet dates.

Current liabilities include:

- (1) Liabilities held primarily for the purpose of trading;
- (2) Liabilities due to be settled within 12 months after the balance sheet dates; and
- (3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet dates.

Assets and liabilities that are not classified as current are classified as non-current.

4.4 Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the parent company only financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries locating in other countries or using currencies different from the currency of the Company) are translated into NT\$ using exchange rates prevailing at the balance sheet dates. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

4.5 Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments in subsidiaries are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

When the Company's share of loss of a subsidiary equals to or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

When the Company transacts with its subsidiaries, profit and loss resulting from the transactions with the subsidiaries are recognized in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not owned by the Company.

4.6 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

4.7 Intangible assets

(1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each year, with the effect of any changes in the estimates accounted for on a prospective basis.

(2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

4.8 Impairment of property, plant and equipment, right-of-use assets and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit (CGU) to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

4.9 Non-current assets held for sale

The carrying amount of a non-current asset is classified as held for sale when it is expected to be sold primarily through a sale transaction rather than through continued use. Non-current assets that meet this classification must be available for immediate sale in the current condition and the sale must be highly probable. When the appropriate level of management is committed to a plan to sell the asset and the sale transaction is expected to close within one year from the classification date, the sale will be considered highly probable.

4.10 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(1.1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.

B. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable, accounts receivable-related parties, other receivables, other receivables-related parties, and refundable deposits (other listed current assets and non-current assets), are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities of less than three months, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash are held for the purpose of meeting short-term cash commitments.

C. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or

loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(1.2) Impairment of financial assets

At each balance sheet date, the Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- A. Internal or external information show that the debtor is unlikely to pay its creditors.
- B. When a financial asset is more than 365 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

(1.3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On

derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

(2) Equity instruments

Equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The carrying amounts are calculated based on weighted-average amount of the type of shares and the reasons for recovery. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

(3) Financial liabilities

(3.1) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

(3.2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.11 Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

(1) Revenue from the rendering of services

The Company identifies performance obligations from contracts with customers and recognizes revenue when performance obligations are satisfied.

(2) Licensing revenue

The functionality of the silicon intellectual property (Silicon IP) are not changed in silicon intellectual property (Silicon IP) licensing transactions. Furthermore, such silicon intellectual property (Silicon IP) remains functional without updates and technical support. While customers use the intellectual property in mass production at the foundries, the royalty prices are determined based on production, sales or other measures and the revenue is recognized with reference to the underlying arrangements.

4.12 Lease

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

4.13 Employee benefits

(1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

(2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

4.14 Share-based payment arrangements

Employee share options granted to employees

Employee restricted shares are recognized as expense on a straight-line basis over the vesting period based on the fair value of the equity instruments at the grant date and the best estimate of the number of shares expected to be vested, with adjustments for other equity (unearned employee benefits). If they are vested immediately on the grant date, full expense is recognized on the grant date.

When the Company issues restricted employee shares, it recognizes other equity (unearned employee benefits) on the grant date and adjusts capital surplus - restricted employee shares at the same time. If the shares are issued for compensation and the employees are required to return the price upon termination of employment, the related payable should be recognized. If an employee leaves the Company during the vesting period and is not required to return the dividends received, an expense is recognized when dividends are declared and adjustments are also made to retained earnings and capital surplus - restricted employee shares.

The Company revises the estimated number of restricted employee shares expected to be vested at each balance sheet date. If the original estimate is revised, the effect is recognized in profit or loss so that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - restricted employee shares.

4.15 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(1) Current tax

The Company determines current income (loss) in accordance with the regulations of each income tax filing jurisdiction and calculates the income tax payable (recoverable) accordingly.

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

(2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the

temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet dates. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet dates, to recover or settle the carrying amount of its assets and liabilities.

(3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company management level will continue to review estimates and underlying assumptions.

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 60	\$ 60
Checking accounts and demand deposits	338,230	405,566
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>467,755</u>	<u>129,000</u>
	<u>\$806,045</u>	<u>\$534,626</u>

The market rates of cash in bank at balance sheet dates were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits	0.050%~5.590%	0.050%~1.050%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Mandatorily measured at FVTPL		
Non-derivative financial assets		
– Fund beneficiary certificate	\$142,561	\$242,049
– Listed shares and emerging market shares	<u>40,538</u>	<u>42,846</u>
	<u>\$183,099</u>	<u>\$284,895</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in equity instrument

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Domestic investment		
Listed shares and emerging market shares		
Ordinary shares –		
iSTART-TEK Inc.	<u>\$ -</u>	<u>\$ 822</u>

These investments in equity instruments are held for medium to long-term strategic purposes and are expected to bring profits from long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

The Company considered the changes in investment strategy to liquidate a portion of its investments in equity instruments measured at fair value through other comprehensive income or loss as follows:

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Balance, at January 1	\$ 822	\$ 7,487
Recognized in other comprehensive income	134	(2,111)
Disposal	(956)	(4,554)
Balance, at December 31	<u>\$ -</u>	<u>\$ 822</u>

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (Note 1)	<u>\$100,000</u>	<u>\$276,390</u>
<u>Non-current</u>		
Foreign investments		
Foreign Corporate Bonds (Note 2)	<u>\$147,520</u>	<u>\$118,031</u>

Note 1: The ranges of interest rates for time deposits with original maturities of more than 3 months were 1.400% and 3.100% ~ 5.050% as of December 31, 2023 and 2022.

Note 2: In September and October 2021, the Company purchased APPLE INC. bonds for NT\$53,664 thousand and NT\$26,254 thousand, respectively, with a maturity date of August 20, 2050, and a coupon rate of 2.400%; in October 2021, the Company purchased Petróleos Mexicanos bonds for NT\$28,905 thousand, with a maturity date of January 23, 2026, and a coupon rate of 4.500%; In November 2023, the Company purchased Chilean Government International Bonds for NT\$4,120 thousand with a maturity date of April 15, 2053 and a coupon rate of 3.500%; In November 2023, the Company purchased Corporate Bonds issued by Electricite de France for NT\$12,979 thousand and NT\$13,110 thousand, respectively, with maturity date of September 21, 2048 and a coupon rate of 5.000%.

Note 3: For information on credit risk management and impairment assessment related to financial assets measured at amortized cost, please refer to Note 28.

10. ACCOUNTS RECEIVABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$363,577	\$298,996
Less: Allowance for impairment loss	(<u>9,670</u>)	(<u>8,129</u>)
	<u>\$353,907</u>	<u>\$290,867</u>

Accounts receivable

As provided by contracts, payments shall be received for services rendered by the Company within 30 to 90 days from the completion of each phase. In determining the recoverability of accounts receivable, the Company considers any change in the credit quality of the accounts receivable since the date the credit was initially granted to the balance sheet dates.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the key management personnel annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual accounts receivable at the balance sheet dates to ensure that adequate allowance for impairment loss is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operate and an assessment of both the current as well as the forecasted direction of economic conditions at the balance sheet dates. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off an account receivable when there is information indicating that the debtor is in severe financial difficulty, and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Company's provision matrix.

December 31, 2023

	<u>Not Past Due</u>	<u>1 to 60 Days</u>	<u>61 to 120 Days</u>	<u>121 to 180 Days</u>	<u>181 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
Expected Credit Losses rate	0%~0.18%	0%~0.93%	0%~4.56%	0%~8.53%	0%~14.43%	0%~100%	
Gross carrying amount	\$ 230,233	\$ 70,420	\$ 39,315	\$ 6,141	\$ 13,080	\$ 4,388	\$363,577
Loss allowance (lifetime ECL)	(421)	(656)	(1,794)	(524)	(1,887)	(4,388)	(9,670)
Amortized cost	<u>\$ 229,812</u>	<u>\$ 69,764</u>	<u>\$ 37,521</u>	<u>\$ 5,617</u>	<u>\$ 11,193</u>	<u>\$ -</u>	<u>\$ 353,907</u>

December 31, 2022

	<u>Not Past Due</u>	<u>1 to 60 Days</u>	<u>61 to 120 Days</u>	<u>121 to 180 Days</u>	<u>181 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
Expected Credit Losses rate	0%~0.33%	0%~1.45%	0%~7.88%	0%~14.00%	0%~19.90%	0%~100%	
Gross carrying amount	\$ 138,578	\$ 106,881	\$ 43,633	\$ 5,528	\$ 3,086	\$ 1,290	\$ 298,996
Loss allowance (lifetime ECL)	(461)	(1,551)	(3,439)	(774)	(614)	(1,290)	(8,129)
Amortized cost	<u>\$ 138,117</u>	<u>\$ 105,330</u>	<u>\$ 40,194</u>	<u>\$ 4,754</u>	<u>\$ 2,472</u>	<u>\$ -</u>	<u>\$ 290,867</u>

The movements of the loss allowance of accounts receivable were set out as follows:

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Balance at January 1	\$ 8,129	\$ 8,465
Add: Net remeasurement of loss allowance	1,541	-
Effect of exchange rate changes	-	(336)
Balance at December 31	<u>\$ 9,670</u>	<u>\$ 8,129</u>

11. NON-CURRENT ASSETS HELD FOR SALE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	<u>\$ -</u>	<u>\$ 98,853</u>

The Company approved the sale of land No. 318-19, 318-21, and 318-23 in Taiyuan Section, Zhubei City, Hsinchu County on November 3, 2022 by resolution of the board, and the closing of the transfer was completed on March 31, 2023 with a disposal benefit of NT\$42,916 thousand.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investments in subsidiaries		
– M31 Technology USA, INC.	\$ 38,109	\$ 18,148
– Sirius Venture Ltd.	1,967	2,315
– M31 Technologies India Private Ltd.	<u>1,589</u>	<u>-</u>
	<u>\$ 41,665</u>	<u>\$ 20,463</u>

At the balance sheet dates, the proportions of ownership and voting rights in subsidiaries held by the Corporation are set out as follows:

<u>Name of Subsidiaries</u>	<u>Proportion of Ownership and Voting Rights</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
M31 Technology USA, INC.(Note1)	100%	100%
Sirius Venture Ltd.	100%	100%
M31 Technologies India Private Ltd. (Note 2)	100%	-

Note 1 : On May 3, 2023, the Company’s board of directors resolved to approve a cash capital increase for M31 Technology USA, INC., and to increase the investment amount by USD 550 thousand.

Note 2 : M31 Technologies India Private Ltd. was incorporated on May 26, 2023 with the approval of the Ministry of Corporate Affairs, India. As on December 31, 2023, the Company's paid-up capital amounted to INR 500 thousand.

The investments in subsidiaries (M31 Technology USA, INC. and Sirius Venture Ltd.) accounted for using the equity method, the share of net profit or loss and other comprehensive income (loss) from investments were calculated based on the audited financial statements for the years ended December 31, 2023 and 2022.

The investments in the subsidiary (M31 Technologies India Private Ltd.) accounted for using the equity method, the share of net profit or loss and other comprehensive income (loss) from investments were calculated based on the unaudited financial statements for the years ended December 31, 2023. However, the regulatory authority believes that the financial statements of the investee mentioned above have not been audited by CPA and are not likely to have any significant impact.

13. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Company

	<u>Land</u>	<u>Buildings</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Other Facilities</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2023	\$ 126,440	\$ 391,631	\$ 94,926	\$ 3,809	\$ 122,658	\$ 739,464
Additions	-	4,510	1,116	-	21,953	27,579
Disposals	-	-	(7,062)	-	-	(7,062)
Balance at December 31, 2023	<u>\$ 126,440</u>	<u>\$ 396,141</u>	<u>\$ 88,980</u>	<u>\$ 3,809</u>	<u>\$ 144,611</u>	<u>\$ 759,981</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ -	\$ 19,047	\$ 65,644	\$ 317	\$ 83,545	\$ 168,553
Depreciation expense	-	12,949	8,018	952	17,002	38,921
Disposals	-	-	(7,062)	-	-	(7,062)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 31,996</u>	<u>\$ 66,600</u>	<u>\$ 1,269</u>	<u>\$ 100,547</u>	<u>\$ 200,412</u>
Carrying amounts at December 31, 2023	<u>\$ 126,440</u>	<u>\$ 364,145</u>	<u>\$ 22,380</u>	<u>\$ 2,540</u>	<u>\$ 44,064</u>	<u>\$ 559,569</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 225,293	\$ 391,461	\$ 74,757	\$ -	\$ 111,414	\$ 802,925
Additions	-	170	20,577	3,809	11,244	35,800
Disposals	-	-	(408)	-	-	(408)
Reclassification	(98,853)	-	-	-	-	(98,853)
Balance at December 31, 2022	<u>\$ 126,440</u>	<u>\$ 391,631</u>	<u>\$ 94,926</u>	<u>\$ 3,809</u>	<u>\$ 122,658</u>	<u>\$ 739,464</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ 6,312	\$ 58,412	\$ -	\$ 63,771	\$ 128,495
Depreciation expense	-	12,735	7,640	317	19,774	40,466
Disposals	-	-	(408)	-	-	(408)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 19,047</u>	<u>\$ 65,644</u>	<u>\$ 317</u>	<u>\$ 83,545</u>	<u>\$ 168,553</u>
Carrying amounts at December 31, 2022	<u>\$ 126,440</u>	<u>\$ 372,584</u>	<u>\$ 29,282</u>	<u>\$ 3,492</u>	<u>\$ 39,113</u>	<u>\$ 570,911</u>

No impairment or reversal of losses were recognized for the years ended December 31, 2023 and 2022.

The Company's property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	5-50 years
Office Equipment	3-5 years
Leasehold Improvements	3 years
Other Facilities	3-5 years

14. LEASE AGREEMENTS

14.1 Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Carrying amounts</u>		
Buildings	<u>\$ 1,177</u>	<u>\$ 2,059</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Additions to the right of use assets	<u>\$ -</u>	<u>\$ 2,647</u>
Depreciation of right-of-use assets		
Buildings	<u>\$ 882</u>	<u>\$ 588</u>

Expect for the aforementioned addition and recognized depreciation expenses, the Company has no significant subleasing and impairment losses in right-of-use assets for the years ended December 31, 2023 and 2022.

14.2 Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Carrying amounts</u>		
Current	<u>\$ 890</u>	<u>\$ 878</u>
Non-current	<u>\$ 300</u>	<u>\$ 1,190</u>

Discount rate for lease liabilities is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.36%	1.36%

14.3 Other lease information

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Expenses relating to short-term leases	<u>\$ 32,246</u>	<u>\$ 29,061</u>
Total cash outflow for leases	<u>(\$ 33,146)</u>	<u>(\$ 29,661)</u>

The Company has elected to apply the recognition exemption to buildings qualified as short-term leases and thus, did not recognize right-of-use assets and lease liabilities for these leases.

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Lease commitments	\$ <u>138</u>	\$ <u>219</u>

15. INTANGIBLE ASSETS

	<u>Software</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 28,754
Separately acquired	<u>7,582</u>
Balance at December 31, 2023	\$ <u>36,336</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2023	\$ 17,667
Amortization expense	<u>6,533</u>
Balance at December 31, 2023	\$ <u>24,200</u>
Carrying amounts at December 31, 2023	\$ <u>12,136</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 20,228
Separately acquired	<u>8,526</u>
Balance at December 31, 2022	\$ <u>28,754</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 12,588
Amortization expense	<u>5,079</u>
Balance at December 31, 2022	\$ <u>17,667</u>
Carrying amounts at December 31, 2022	\$ <u>11,087</u>

Intangible assets are amortized on a straight-line basis over estimated useful lives of 3 years.

An analysis of amortization expense by function:

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
General and administrative expenses	\$ 3,147	\$ 1,752
Research and development expenses	<u>3,386</u>	<u>3,327</u>
	\$ <u>6,533</u>	\$ <u>5,079</u>

16. OTHER ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Prepayments	\$ 43,282	\$ 56,715
Suspense Payments	1,188	-
Refundable deposits	80	29
Others	<u>7</u>	<u>76</u>
	<u>\$ 44,557</u>	<u>\$ 56,820</u>
<u>Non-current</u>		
Prepayments	\$ 1,256	\$ -
Refundable deposits	<u>150</u>	<u>150</u>
	<u>\$ 1,406</u>	<u>\$ 150</u>

17. ACCOUNTS PAYABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts payable</u>		
Operating	<u>\$ 4,738</u>	<u>\$ 2,125</u>

18. OTHER LIABILITIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$188,977	\$152,279
Payables for annual leave	10,985	10,270
Payables for retirement benefits	5,042	4,450
Payables for insurance	5,040	4,386
Payables for business taxes	4,492	-
Payables for professional service fees	2,634	2,051
Payables for purchases of equipment	1,414	5,752
Payables for taxes	-	136
Others	<u>8,857</u>	<u>5,969</u>
	<u>\$227,441</u>	<u>\$185,293</u>
Other liabilities		
Collection	\$ 6,277	\$ 6,363
Temporary collection	<u>1,228</u>	<u>1,228</u>
	<u>\$ 7,505</u>	<u>\$ 7,591</u>

19. RETIREMENT BENEFIT PLANS

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

20. EQUITY

20.1 Share capital

Ordinary shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of shares authorized (in thousands)	<u>50,000</u>	<u>50,000</u>
Shares authorized	<u>\$500,000</u>	<u>\$500,000</u>
Number of shares issued and fully paid (in thousands)	<u>34,866</u>	<u>31,708</u>
Shares issued	<u>\$348,658</u>	<u>\$317,080</u>
Share capital pending cancellation	<u>\$ 180</u>	<u>\$ 100</u>

For the years ended December 31, 2023 and 2022, the Company has recovered 20,000 and 18,000 employee restricted shares due to the termination of employment, respectively, please refer to Note 25.

20.2 Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Shares issuance premium	\$629,663	\$617,423
Treasury Shares Trading	17,313	17,313
Employee share options (2)	4,040	4,040
<u>Not to be used for any purpose</u>		
Employee restricted shares	<u>99,026</u>	<u>117,418</u>
	<u>\$750,042</u>	<u>\$756,194</u>

(1) Such capital surplus may be used to offset losses, and may also be used to distribute cash or allocate share capital when the company has no losses, provided that the allocation of share capital is limited to a certain ratio of the paid-in share capital each year.

(2) Such capital surplus refers to the amount transferred from Capital surplus — employee share options during the execution of employee share options.

20.3 Retained earnings and dividend policy

On May 26, 2022, the Company's shareholders' meeting resolved to amend the Articles of Incorporation. In accordance with the provisions of the amended Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized in the following order:

- (1) Paying taxes.
- (2) Offsetting deficits of previous years.
- (3) Setting aside as legal reserve 10% of the remaining profit until the amount of the accumulated legal reserve equals the amount of the Company's capital.
- (4) Setting aside or reversing a special reserve in accordance with the laws or the regulations of competent authorities.
- (5) The remaining balance shall be added to the accumulated undistributed earnings of the previous period and the board of directors shall prepare a proposal for the distribution of earnings. If the distribution is made by issuing new shares, a resolution shall be submitted to the shareholders' meeting for distribution. In the case of cash distribution, the board of directors is authorized to distribute all or part of the dividends and bonuses in the form of cash payment and report to the shareholders' meeting by a two-thirds of the directors attending the meeting and a resolution of a majority of the directors present.

In accordance with the amended Articles of Incorporation, the Company's dividend policy takes into account the Company's sustainable operation, stable growth, protection of shareholders' rights and interests, and healthy financial structure, and the Company's board of directors prepares a proposal for the appropriation of earnings based on future capital requirements and long-term financial planning. Total dividends to shareholders shall not be less than 2% of the appropriated earnings and may be paid in cash or in stock, with cash dividends not less than 10% of the total dividends.

In accordance with the provisions of the Company's pre-amended Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized in the following order:

- (1) Paying taxes.
- (2) Offsetting deficits of previous years.
- (3) Setting aside as legal reserve 10% of the remaining profit until the amount of the accumulated legal reserve equals the amount of the Company's capital.
- (4) Setting aside or reversing a special reserve in accordance with the laws or the regulations of competent authorities.
- (5) Any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's Articles of Incorporation state the policies on the distribution of employees' compensation and remuneration of directors, refer to "Employees' compensation and remuneration of directors" in Note 22.7.

The Company's Articles of Incorporation also provide that the ratio of cash dividend shall not be less than 10% of the total distribution of earnings.

Legal reserve shall be appropriated until the remaining balance reaches the Company's total paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of 2022 and 2021 earnings were set out as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Legal reserve	<u>\$ 38,307</u>	<u>\$ 30,257</u>
Cash dividends	<u>\$253,584</u>	<u>\$197,782</u>
Stock dividends	<u>\$ 31,698</u>	<u>\$ -</u>
Cash dividends per share (NT\$)	\$ 8.0	\$ 6.3
Stock dividends per share (NT\$)	\$ 1.0	\$ -

The above cash dividends for 2022 were approved by the Board of Directors on February 23, 2023. The distribution of remaining appropriation earnings items were approved by the general shareholders' meeting on May 24, 2023.

The appropriation of earnings for the year ended 2021 was approved at the general shareholders' meeting held on 26 May 2022.

20.4 Other equity items

(1) Exchange differences on translating the financial statements of foreign operations

	Year Ended December 31, 2023	Year Ended December 31, 2022
Balance at January 1	<u>\$ 400</u>	<u>(\$ 938)</u>
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(145)	1,673
Income tax on translating the financial statements of foreign operations	<u>30</u>	<u>(335)</u>
Other comprehensive income (loss) for the year	<u>(115)</u>	<u>1,338</u>
Balance at December 31	<u>\$ 285</u>	<u>\$ 400</u>

(2) Unrealized gain (loss) on financial assets at FVTOCI

	Year Ended December 31, 2023	Year Ended December 31, 2022
Balance at January 1	\$ 667	\$ 6,600
Recognized for the year		
Unrealized gain(loss)		
Equity instruments	134	(2,111)
Other comprehensive income (loss) for the year	134	(2,111)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	(801)	(3,822)
Balance at December 31	<u>\$ -</u>	<u>\$ 667</u>

(3) Unearned employee benefits

In the meeting of shareholders on August 5, 2021, the Shareholders approved a restricted share plan for employees (see Note 25).

	Year Ended December 31, 2023	Year Ended December 31, 2022
Balance at January 1	(\$ 42,200)	(\$ 57,908)
Granted during the year	-	(19,855)
Share-based payment expenses recognized	25,957	31,678
Employee restricted shares cancellation	4,352	3,885
Balance at December 31	<u>(\$ 11,891)</u>	<u>(\$ 42,200)</u>

20.5 Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2022	211
Decrease in the year	(211)
Number of shares at December 31, 2022	<u>-</u>

On March 16, 2020, the board of directors approved the Company's first repurchase of shares that authorized the purchase of up to 250 thousand shares from March 17, 2020 to May 16, 2020. The Company has repurchased 211 thousand shares in total with an average cost of NT\$227.79. On August 2, 2022, the board of directors resolved to transfer the treasury stock to employees at a price of NT\$228, and the date for employee subscription was August 2, 2022. The Company transferred 211 thousand shares of treasury shares to employees on September 2, 2022. The compensation cost recognized for the transfer of treasury shares to employees for the year ended December 31, 2023 was NT\$4,225 thousand.

On August 2, 2022, the Board of Directors resolved to repurchase treasury shares in order to motivate and enhance employees' centripetal force. The repurchase period is from August 3, 2022 to October 2, 2022, and the number of shares to be repurchased is 300,000 shares at a range of NT\$180 to NT\$350 per share. If the share price falls below the lower limit of the range, the Company will continue to repurchase shares, and the total amount of shares to be repurchased is capped at \$105,000 thousand. As of October 2, 2022, the Company has repurchased 0 shares.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these held shares, such as the rights to dividends and to vote.

As provided by the Securities and Exchange Act, the shares repurchased for the purpose of transferring to employees shall be transferred within five years from the date of reacquisition. The shares not transferred within the said time limit shall be deemed as not issued by the company, and shall be cancelled by registration of changes.

21. REVENUE

	Year Ended December 31, 2023	Year Ended December 31, 2022
Technical service revenue	\$ 1,344,490	\$ 1,066,785
Royalty revenue	<u>265,712</u>	<u>291,344</u>
	<u>\$ 1,610,202</u>	<u>\$ 1,358,129</u>

21.1 Contract information

(1) Technical service revenue

The department of Silicon IP design service signs contracts based on which the Company offers Silicon IP design service, and the customers shall pay the transaction price when the Company satisfies the performance obligation.

(2) Royalty revenue

Royalty revenue refers to the contract-based royalties received by the Company through licensing standardized Silicon IP to customers for mass production.

21.2 Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (Note 10)	<u>\$ 353,907</u>	<u>\$ 290,867</u>	<u>\$ 260,406</u>
Accounts receivables – related parties (Note 29)	<u>\$ 40,056</u>	<u>\$ 34,680</u>	<u>\$ 56,652</u>
Contract liabilities - current Technical service revenue	<u>\$ 28,151</u>	<u>\$ 266,190</u>	<u>\$ 89,002</u>

The changes in the contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment. The changes for the years ended December 31, 2023 and 2022 are as follows:

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Balance at January 1	\$266,190	\$ 89,002
Contract liabilities from the beginning of year recognized as income	(238,039)	(20,668)
New contract liabilities for the year	<u>-</u>	<u>197,856</u>
Balance at December 31	<u>\$ 28,151</u>	<u>\$266,190</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

The net profit from continuing operations comprises the following items:

22.1 Interest income

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Bank deposits	\$ 25,496	\$ 6,469
Financial assets at amortized cost	<u>3,777</u>	<u>3,457</u>
	<u>\$ 29,273</u>	<u>\$ 9,926</u>

22.2 Other income

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Dividend income	\$ 540	\$ 106
Other income	<u>1,455</u>	<u>1,926</u>
	<u>\$ 1,995</u>	<u>\$ 2,032</u>

22.3 Other gains and losses

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Gain on disposal of non-current assets held for sale	\$ 42,916	\$ -
Gains on disposal of property, plant and equipment	1,200	-
Net losses from financial assets at fair value through profit or loss	(235)	(5,596)
Net foreign exchange (losses) gains	<u>(8,178)</u>	<u>68,571</u>
	<u>\$ 35,703</u>	<u>\$ 62,975</u>

22.4 Finance costs

	Year Ended December 31, 2023	Year Ended December 31, 2022
Interest on lease liabilities	\$ 22	\$ 21
Interest on bank loans	<u>-</u>	<u>225</u>
	<u>\$ 22</u>	<u>\$ 246</u>

22.5 Depreciation and amortization

	Year Ended December 31, 2023	Year Ended December 31, 2022
An analysis of depreciation by function		
Operating expenses	<u>\$ 39,803</u>	<u>\$ 41,054</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 6,533</u>	<u>\$ 5,079</u>

22.6 Employee benefits expenses

	Year Ended December 31, 2023	Year Ended December 31, 2022
Short-term employee benefits	\$631,962	\$542,644
Post-employment benefits		
Defined contribution plans	19,120	16,720
Share-based payment		
Equity-settled	25,957	35,903
Other employee benefits		
Labor and health insurance	\$ 33,810	\$ 28,407
Other employee benefits	<u>10,873</u>	<u>9,493</u>
Total employee benefits expenses	<u>\$721,722</u>	<u>\$633,167</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$721,722</u>	<u>\$633,167</u>

22.7 Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The estimated compensation of employees and remuneration of directors for the years ended December 31, 2023 and

2022 were approved by the Company's Board of Directors on February 27, 2024 and February 23, 2023, respectively, are set out as follows:

Accrual rate

	Year Ended December 31, 2023	Year Ended December 31, 2022
Employees' compensation	1.20%	1.20%
Remuneration of directors	1.07%	1.08%

Amount

	Year Ended December 31, 2023	Year Ended December 31, 2022
	Cash	Cash
Employees' compensation	<u>\$ 6,300</u>	<u>\$ 5,450</u>
Remuneration of directors	<u>\$ 5,600</u>	<u>\$ 4,900</u>

If there is a change in the amounts after the parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22.8 Gains or losses on foreign currency exchange

	Year Ended December 31, 2023	Year Ended December 31, 2022
Foreign exchange gains	\$ 68,022	\$115,560
Foreign exchange losses	(76,200)	(46,989)
Net (losses) gains	<u>(\$ 8,178)</u>	<u>\$ 68,571</u>

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

23.1 Income tax recognized in profit or loss

The major components of income tax expense are set out as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Current tax		
In respect of the current year	\$ 74,852	\$ 59,821
Additional tax on unappropriated earnings	1,216	-
Adjustments for prior years	(1,624)	(1,066)
Non-deductible foreign income tax	<u>6,478</u>	<u>183</u>
	80,922	58,938
Deferred tax		
In respect of the current year	(<u>4,582</u>)	<u>4,112</u>
Income tax expense recognized in profit or loss	<u>\$ 76,340</u>	<u>\$ 63,050</u>

A reconciliation of accounting profit and income tax expense is set out as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Profit before tax from continuing operations	<u>\$511,510</u>	<u>\$442,302</u>
Income tax expense calculated at the statutory rate	\$102,302	\$ 88,460
Non-deductible foreign income tax	6,478	183
Additional tax on unappropriated earnings	1,216	-
Tax-exempt income	47	1,119
Non-deductible losses for tax	-	11
Current research and development tax credit	(32,079)	(25,657)
Adjustments for prior years' tax	(<u>1,624</u>)	(<u>1,066</u>)
Income tax expense recognized in profit or loss	<u>\$ 76,340</u>	<u>\$ 63,050</u>

23.2 Income tax recognized in other comprehensive income

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
<u>Deferred Tax</u>		
In respect of the current year		
Translation of foreign operations	(\$ 30)	\$ 335
Income tax recognized in other comprehensive income	(\$ 30)	\$ 335

23.3 Current tax assets and liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current tax assets</u>		
Prepaid Mainland China income tax	\$ 55,728	\$ 58,733
Prepaid foreign income tax	<u>24,682</u>	<u>1,022</u>
	<u>\$ 80,410</u>	<u>\$ 59,755</u>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 52,103</u>	<u>\$ 42,953</u>

23.4 Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are set out as follows:

Year ended December 31, 2023

	<u>Balance at January 1, 2023</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Balance at December 31, 2023</u>
<u>Deferred Tax Assets</u>				
<u>Temporary differences</u>				
Amortization of Intangibles	\$ 1,124	(\$ 119)	\$ -	\$ 1,005
Payables for annual leave	2,054	143	-	2,197
Allowance for impairment loss	1,573	221	-	1,794
Unrealized exchange losses	-	<u>1,979</u>	<u>-</u>	<u>1,979</u>
	<u>\$ 4,751</u>	<u>\$ 2,224</u>	<u>\$ -</u>	<u>\$ 6,975</u>
<u>Deferred Tax Liabilities</u>				
<u>Temporary differences</u>				
Investment income under equity method	\$ 213	\$ 852	\$ -	\$ 1,065
Exchange differences on translation of foreign operations	103	-	(30)	73
Unrealized exchange gains	<u>3,210</u>	<u>(3,210)</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,526</u>	<u>(\$ 2,358)</u>	<u>(\$ 30)</u>	<u>\$ 1,138</u>

Year ended December 31, 2022

	Balance at January 1, 2022	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31, 2022
<u>Deferred Tax Assets</u>				
Temporary differences				
Amortization of				
Intangibles	\$ 1,244	(\$ 120)	\$ -	\$ 1,124
Payables for annual				
leave	1,576	478	-	2,054
Investment income				
under equity method	259	(259)	-	-
Exchange differences				
on translation of				
foreign operations	232	-	(232)	-
Allowance for				
impairment loss	1,657	(84)	-	1,573
Unrealized exchange				
losses	704	(704)	-	-
	<u>\$ 5,672</u>	<u>(\$ 689)</u>	<u>(\$ 232)</u>	<u>\$ 4,751</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Investment income				
under equity method	\$ -	\$ 213	\$ -	\$ 213
Exchange differences				
on translation of				
foreign operations	-	-	103	103
Unrealized exchange				
gains	-	3,210	-	3,210
	<u>\$ -</u>	<u>\$ 3,423</u>	<u>\$ 103</u>	<u>\$ 3,526</u>

23.5 Income tax assessments

The tax authorities have examined income tax returns of the Company through 2021.

The Company has no pending tax litigation as of December 31, 2023.

24. EARNINGS PER SHARE

	Year Ended December 31, 2023	Year Ended December 31, 2022
		Unit: NT\$ Per Share
Basic earnings per share		
From continuing operations	<u>\$ 12.60</u>	<u>\$ 11.06</u>
Diluted earnings per share		
From continuing operations	<u>\$ 12.49</u>	<u>\$ 10.98</u>

When calculating earnings per share, the impact of stock dividends has been retroactively adjusted. The record date for the stock dividends was set on July 19, 2023. Due to this

retroactive adjustment, the changes in basic and diluted earnings per share for the year ended December 31, 2022, are as follows:

	Before Retrospective Adjustments	After Retrospective Adjustment
Basic earnings per share	<u>\$ 12.16</u>	<u>\$ 11.06</u>
Diluted earnings per share	<u>\$ 12.08</u>	<u>\$ 10.98</u>

Unit: NTS Per Share

The net profit and weighted average number of ordinary shares outstanding used in the computation of earnings per share are set out as follows:

Net Profit for the Year

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net profit used in the computation of basic and diluted earnings per share	<u>\$435,170</u>	<u>\$379,252</u>

Number of Shares (in thousands of shares)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	34,524	34,295
Effect of potentially dilutive ordinary shares:		
Employee restricted shares	310	238
Employees' compensation	<u>8</u>	<u>13</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>34,842</u>	<u>34,546</u>

If the Company offered to settle the compensation paid to employees in cash or shares, the Company assumed that the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per shares, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

25. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Restricted Shares

Information regarding the issuance of new employee restricted shares is as follows:

Date of Approval of Shareholders' Meeting	Estimated Number of Shares to be Issued (In Thousands)	Number of Shares Resolved by the Board of Directors (In Thousands)	Shares Granted Date	Capital Increase Date	Actual Number of Shares Issued (In Thousands)	Fair Value at the Date of Shares Granted
08/05/2021	400	300	08/27/2021	09/23/2021	288	\$ 333.5
08/05/2021	400	112	05/06/2022	06/28/2022	110	280.5

On August 5, 2021, the shareholders' meeting of the Company resolved to issue new employee restricted shares in the amount of NT\$4,000 thousand, with 400 thousand shares issued, and the issuance method is as follows:

After employees are allotted new employee restricted shares, they will receive the new shares in accordance with the following schedule and in proportion to the shares they have acquired upon the expiration of their term of office and if their performance in that year during the vesting period is up to the expectations.

<u>Vested Period</u>	<u>Proportion of Vested Shares</u>
Two years from the date of grant	50%
Three years from the date of grant	50%

In the event that employees do not meet the vesting conditions or inheritance occurs:

25.1 General termination of employment (voluntary/retirement/layoff/dismissal/retention without pay)

The Company may buy-back the new employee restricted shares (including their stock dividends and related equities) that have not been vested at the issue price.

25.2 Disability, death due to an occupational disaster or general death

- (1) If the employee is unable to continue to work due to a physical disability caused by an occupational disaster, the employee may acquire all of the new employee restricted shares not yet vested upon termination of employment.
- (2) If the employee dies as a result of an occupational disaster or dies in general, the unvested new employee restricted shares are deemed to be fully vested. The successor may apply to receive his or her shares or disposed interests after completing the necessary legal procedures and providing relevant documents.

25.3 Transfer to affiliates

- (1) If the employee requests to transfer to an affiliated company, the Company may buy-back the new employee restricted shares (including their stock dividends and related equities) that have not been vested at the issue price.
- (2) If the Company approves the transfer to an affiliate for operational reasons, the rights and obligations of the unvested new employee restricted shares shall not be affected, but shall still be in accordance with these terms and conditions provided that the performance shall be re-measured after the transfer to the affiliate; and the period of vesting shall continue to work for the affiliate or the Company, otherwise the vesting conditions shall be deemed not to be met and the Company may buy-back the new employee restricted shares (including their stock dividends and related equities) that have not been vested at the issue price.

25.4 Employees who have committed gross negligence such as violating labor contracts or work rules

After the employee has acquired the new employee restricted shares granted by the Company, in the event of a violation of Terms of Agreement, the Trust Deed, the Labor Contract, the Non-Disclosure Agreement, the Corporate Governance Practices Principles, the Ethical Corporate Management Practices Principles, the Code of Ethical Conduct, the Information Security Rules, the Non-competition Agreement and the Work Rules, the Company may buy-back the employee restricted shares (including their stock dividends and related equities) that have not been vested at the issue price.

The Company will proceed with the cancellation of the new employee restricted shares bought-back by the Company at the issue price.

The restrictions on the entitlement to shares before the vesting condition is satisfied after the employee has been allotted or subscribed for new shares are as follows:

- (1) The employee may not sell, pledge, transfer, donate, set up, or otherwise dispose of the new employee restricted shares before the vesting condition is met.
- (2) Until the vesting conditions are met, the new employee restricted shares may still participate in the allotment and dividend distribution.
- (3) Upon the issuance of new employee restricted shares, employees shall immediately deliver them to the Trust and shall not request the Trustee to return the new employee restricted shares for any reason or in any manner until the vested conditions have been fulfilled.

Other contractual matters are as follows:

Restrictions on employee rights during delivery of new shares to the Trust, the Company shall act as the exclusive agent of the employees (including but not limited) in negotiating, signing, amending, extending, cancelling and terminating the Trust Deed and the delivery, use and disposal instructions of the Trust Property with the Stock Trust.

The circumstances of the grant of new employee restricted shares described above are summarized as follows:

	<u>2021-1 Employee Restricted Shares</u> (In Thousands)	<u>2021-2 Employee Restricted Shares</u> (In Thousands)
<u>Year Ended December 31, 2023</u>		
Shares outstanding at the beginning of the year	276	104
Shares vested for the year	(136)	-
Shares cancelled for the year	(2)	-
Shares pending cancellation for the year	(12)	(6)
Shares outstanding at the end of the year	<u>126</u>	<u>98</u>
Employees shares vested	<u>136</u>	<u>-</u>
Weighted-average fair value of shares granted (NTD)	<u>\$ 333.5</u>	<u>\$ 280.5</u>

	<u>2021-1 Employee Restricted Shares</u> (In Thousands)	<u>2021-2 Employee Restricted Shares</u> (In Thousands)
<u>Year Ended December 31, 2022</u>		
Shares outstanding at the beginning of the year	288	-
Shares granted for the year	-	110
Shares cancelled for the year	(8)	-
Shares pending cancellation for the year	(4)	(6)
Shares outstanding at the end of the year	<u>276</u>	<u>104</u>
Employees shares vested	<u>-</u>	<u>-</u>
Weighted-average fair value of shares granted (NTD)	<u>\$ 333.5</u>	<u>\$ 280.5</u>

For the years ended December 31, 2023 and 2022, 20,000 and 18,000 employee restricted shares were recovered due to employee termination, respectively. However, 18,000 and 10,000 shares had not yet been registered for change with the Ministry of Economic Affairs as the date of capital reduction was resolved by the board of directors on March 05, 2024, and March 02, 2023, respectively, so these shares were temporarily listed under shares pending cancellation.

For the years ended December 31, 2023 and 2022, the compensation costs recognized for the employee restricted shares were NT\$25,957 thousand and NT\$31,678 thousand, respectively.

26. CASH FLOW INFORMATION

26.1 Non-cash transactions

Except as disclosed in other notes, the Company conducted the following non-cash transaction investment and financing activities for the years ended December 31, 2023 and 2022:

On December 31, 2023 and 2022, the Company respectively acquired property, plant and equipment of NT\$1,414 thousand and NT\$5,752 thousand, which are recognized as payables for purchase of equipment. Please refer to Note 18.

26.2 Changes in liabilities arising from financing activities

Year Ended December 31, 2023

	<u>January 1, 2023</u>	<u>Cash Flows</u>	<u>Non-cash Changes</u> <u>New Leasing</u>	<u>December 31, 2023</u>
Lease liabilities	<u>\$ 2,068</u>	<u>(\$ 878)</u>	<u>\$ -</u>	<u>\$ 1,190</u>

Year Ended December 31, 2022

	<u>January 1, 2022</u>	<u>Cash Flows</u>	<u>Non-cash Changes</u> <u>New Leasing</u>	<u>December 31, 2022</u>
Lease liabilities	\$ -	(\$ 579)	\$ 2,647	\$ 2,068
Long-term borrowings	<u>89,303</u>	<u>(89,303)</u>	<u>-</u>	<u>-</u>
	<u>\$ 89,303</u>	<u>(\$ 89,882)</u>	<u>\$ 2,647</u>	<u>\$ 2,068</u>

27. CAPITAL MANAGEMENT

The Company manages its capital to ensure able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of issued ordinary shares, capital surplus, retained earnings and other equity.

The Company is not subject to any externally imposed capital requirements.

Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders and the number of new shares issued.

28. FINANCIAL INSTRUMENTS

28.1 Fair value of financial instruments not measured at fair value

December 31, 2023

	<u>Carrying amount</u>	<u>Fair Value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>					
Financial assets at amortized cost— Foreign Corporate Bonds	\$147,520	\$121,795	\$ -	\$ -	\$121,795

December 31, 2022

	<u>Carrying amount</u>	<u>Fair Value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>					
Financial assets at amortized cost— Foreign Corporate Bonds	\$118,031	\$ 86,031	\$ -	\$ -	\$ 86,031

28.2 Fair value of financial instruments measured at fair value on a recurring basis

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Beneficiary certificate of funds	\$ 142,561	\$ -	\$ -	\$ 142,561
Listed shares	<u>40,538</u>	<u>-</u>	<u>-</u>	<u>40,538</u>
	<u>\$ 183,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,099</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Beneficiary certificate of funds	\$ 242,049	\$ -	\$ -	\$ 242,049
Listed shares	<u>42,846</u>	<u>-</u>	<u>-</u>	<u>42,846</u>
	<u>\$ 284,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 284,895</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-- Listed shares and emerging market shares	<u>\$ 822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 822</u>

There were no transfers between Levels 1 and 2 in for the years ended December 31, 2023 and 2022.

28.3 Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
<u>FVTPL</u>		
Mandatorily classified as at FVTPL	\$ 183,099	\$ 284,895
Amortized cost (1)	1,456,741	1,258,867
<u>FVTOCI</u>		
Investment in equity instrument	-	822
<u>Financial liabilities</u>		
Amortized cost (2)	24,355	17,948

- (1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, accounts receivable, accounts receivable-related parties, other receivables, other receivables – related parties, and refundable deposits (recognized in other current assets and other non-current assets) , and financial assets carried at amortized cost - non-current.

- (2) The balances include financial liabilities measured at amortized cost, which comprise accounts payable, other payables (not including payables for salaries or bonuses, payables for annual leave, payables for retirement benefits, payables for insurance, and payables for taxes), and other accounts payable – related parties.

28.4 Financial risk management objectives and policies

The Company's major instruments include equity investments, accounts receivable, accounts payable, and lease liabilities. The Company's corporate financial management function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The corporate financial management function reports quarterly to the board of directors, which functions to monitor risks and policies implemented to mitigate risk exposures.

(1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (1.1) below), interest rates (refer to (1.2) below), and other price risks (refer to (1.3) below).

(1.1) Foreign currency risks

The Company has foreign currency denominated service transactions, which expose the Company to foreign currency risk.

The carrying amounts of the Company's non-functional currency denominated monetary assets and monetary liabilities at the balance sheet dates are set out in Note 31.

Sensitivity analysis

The Company is mainly exposed to the exchange rate fluctuation of the United States Dollar (USD).

The following table details the Company's sensitivity to a 1% increase/decrease in the New Taiwan dollar (NTD, the functional currency) against the USD. The sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the functional currency weakening 1% against the USD. For a 1% strengthening of the functional

currency against the USD, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	Year Ended December 31, 2023	Year Ended December 31, 2022
Profit or loss	\$ 10,755	\$ 9,894

The aforementioned profit or loss mainly results from the exposure on outstanding USD denominated bank deposits and accounts receivable at the balance sheet dates.

The Company's sensitivity to foreign currency increased during the current year mainly due to the increase in USD denominated bank deposits.

(1.2) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the balance sheet dates are set out as follows:

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
— Financial assets	\$715,275	\$523,421
— Financial liabilities	1,190	2,068
Cash flow interest rate risk		
— Financial assets	338,230	405,566
— Financial liabilities	-	-

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the balance sheet dates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 100 basis points increase/decrease and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would increase by NT\$3,382 thousand and NT\$4,056 thousand, respectively, mainly resulting from the Company's variable-rate bank deposits.

The Company's sensitivity to interest rates decreased during the current year mainly due to the decrease in variable-rate bank deposits.

(1.3) Other price risk

The Company was exposed to equity price risk mainly through its investments in equity securities.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the balance sheet dates.

If equity prices had been 1% higher/lower, the pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$1,831 thousand and NT\$2,849 thousand, respectively, resulting from the changes in fair value of financial assets at FVTPL. The pre-tax other comprehensive income for years ended December 31, 2022 would have increased/decreased by NT\$8 thousand, resulting from the changes in fair value of financial assets at FVTOCI.

(2) Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the balance sheet dates, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation (not considering collaterals or other credit enhancement instruments, and the irrevocable maximum amount of risk exposure), mainly arises from the carrying amount of the recognized financial assets as stated in the parent company only balance sheets.

The Company has adopted a policy of only dealing with creditworthy counterparties.

To reduce credit risks, the Company's management personnel shall appoint a dedicated team to determine the credit limit, conduct credit examination and approval, and implement other monitoring procedures to ensure that necessary measures are taken to recover overdue receivables. Moreover, the Company shall review the recovery of each receivable on each balance sheet date to ensure that adequate allowances are made for unrecoverable receivables. Therefore, the Company's management believes that the Company's credit risk has been greatly reduced.

The credit risk management of investments in debt instruments with financial assets measured at amortized cost is as follows.

The Company's policy is to invest only in debt instruments with a credit rating of investment grade or higher and with low credit risk in terms of impairment assessment. Credit rating information is provided by independent rating agencies. The Company continuously tracks external rating information to monitor changes in the credit risk of the debt instruments it invests in, and also reviews other information such as bond yield curves and material information about the debtor to assess whether the credit risk of the debt instrument investment has increased significantly since the original recognition.

The Company measures the expected 12-month credit loss or expected credit loss over the life of the debt instruments by taking into account the historical default rate and default loss rate of various grades provided by external rating agencies, the

debtor's current financial condition and the outlook of the industry in which the debtor is engaged. The Company's current credit risk rating mechanism is as follows:

Credit Rating	Definition	Expected Credit Loss Recognition Basis	Expected Credit Loss Rate
Good	The credit risk of the debtor is low, and the debtor has sufficient ability to settle the contractual cash flows	12-month expected credit loss	-

The Company's concentration of credit risk was mainly attributable to the Company's three largest customers, which accounted for 55% and 34% of total accounts receivable as of December 31, 2023 and 2022, respectively.

(3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

(3.1) Liquidity and interest rate risk tables for non-derivative financial liabilities

The maturity analysis for non-derivative financial liabilities is prepared based on the undiscounted cash flows (including both principal cash and interest) of financial liabilities based on the earliest date on which the Company can be required to pay. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2023

	Less than 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 24,355	\$ -	\$ -	\$ -
Lease liabilities	<u>225</u>	<u>675</u>	<u>300</u>	<u>-</u>
	<u>\$ 24,580</u>	<u>\$ 675</u>	<u>\$ 300</u>	<u>\$ -</u>

Additional information about the maturity analysis of the financial liabilities is as follows:

	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	<u>\$ 900</u>	<u>\$ 300</u>	<u>\$ -</u>

December 31, 2022

	<u>Less than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 17,948	\$ -	\$ -	\$ -
Lease liabilities	<u>225</u>	<u>675</u>	<u>1,200</u>	<u>-</u>
	<u>\$ 18,173</u>	<u>\$ 675</u>	<u>\$ 1,200</u>	<u>\$ -</u>

Additional information about the maturity analysis of the financial liabilities is as follows:

	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>
Lease liabilities	<u>\$ 900</u>	<u>\$ 1,200</u>	<u>\$ -</u>

29. TRANSACTIONS WITH RELATED PARTIES

The transactions between the Company and its related parties are summarized as follows:

29.1 Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
M31 Technology USA, INC. (M31 USA)	Subsidiaries
Sirius Venture Ltd. (Sirius)	Subsidiaries
M31 Technologies India Private Ltd. (M31 India)	Subsidiaries
M31 Technology (Shanghai) Inc. (M31 Technology)	Sub-subsidiaries

29.2 Operating revenue

<u>List Items</u>	<u>Related Party Category/Name</u>	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Service revenue	Subsidiaries		
	M31 USA	\$ 128,740	\$ 192,472
	Sub-subsidiaries		
	M31 Technology	<u>-</u>	<u>2,542</u>
		<u>\$ 128,740</u>	<u>\$ 195,014</u>

The rendering of services to related parties shall be charged at market price with mutual agreement of both parties within 90 days. For the years ended December 31, 2023 and 2022, the rendering of service is charged based on contracts within 30 to 90 days after the satisfaction of contractual obligations.

29.3 Receivables from related parties (excluding loans to related parties)

List Items	Related Party Category/Name	December 31, 2023	December 31, 2022
Accounts receivable	Subsidiaries		
	M31 USA	\$ 40,056	\$ 33,668
	Sub-subsidiaries		
	M31 Technology	<u>-</u>	<u>1,012</u>
		<u>\$ 40,056</u>	<u>\$ 34,680</u>
Other accounts receivable	Subsidiaries		
	M31 India	<u>\$ 4,495</u>	<u>\$ -</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment loss was recognized for receivables from related parties.

29.4 Payables to related parties (excluding loans from related parties)

List Items	Related Party Category/Name	December 31, 2023	December 31, 2022
Other payables	Subsidiaries	<u>\$ 2,220</u>	<u>\$ 2,051</u>

The outstanding accounts payables to related parties are unsecured.

29.5 Other transactions with related parties

List Items	Related Party Category	Service Category	Year Ended December 31, 2023	Year Ended December 31, 2022
Operating expense	Subsidiaries	Service Rendering	<u>\$ 59,217</u>	<u>\$ 23,302</u>

The Company commissions the subsidiary to render customers services on its behalf. The contract-based prices are determined respectively and payment terms is net 30 days from the end of the transaction month.

29.6 Compensation of key management personnel

	Year Ended December 31, 2023	Year Ended December 31, 2022
Short-term employee benefits	\$ 40,069	\$ 20,587
Post-employment benefits	648	324
Share-based payment	<u>2,179</u>	<u>1,168</u>
	<u>\$ 42,896</u>	<u>\$ 22,079</u>

The remuneration of directors and key management personnel, as determined by the remuneration committee, was based on the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	<u>\$411,156</u>	<u>\$417,520</u>

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies are set out as follows:

December 31, 2023

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount (In Thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 35,497	30.705 (USD : NTD)	\$ 1,089,935
CNY	1,418	4.327 (CNY : NTD)	6,136
<u>Non-monetary items</u>			
Subsidiaries accounted for using the equity method			
USD	1,305	30.705 (USD : NTD)	40,076
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	470	30.705 (USD : NTD)	14,431

December 31, 2022

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount (In Thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 32,609	30.710 (USD : NTD)	\$ 1,001,422
CNY	1,550	4.408 (CNY : NTD)	6,832
<u>Non-monetary items</u>			
Subsidiaries accounted for using the equity method			
USD	666	30.710 (USD : NTD)	20,463

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 392	30.710 (USD : NTD)	\$ 12,038

The significant unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Exchange Rate	Net Foreign Exchange Losses	Exchange Rate	Net Foreign Exchange Gains
USD	31.155 (USD : NTD)	(\$ 25,954)	29.805 (USD : NTD)	\$ 19,585

32. SEPARATELY DISCLOSED ITEMS

32.1 Significant transactions and 32.2 Information about investees:

- (1) Financing provided to others: None.
- (2) Endorsements/guarantees provided: None.
- (3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Table 1.
- (4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 2.
- (5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None.
- (6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- (7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- (9) Trading in derivative instruments: None.
- (10) Information on investees: Table 4.

32.3 Information on investments in mainland China

- (1) The name of the investee company in mainland China, the principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current profit and loss, recognized investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 5.

(2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 5.

(2.1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.

(2.2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.

(2.3) The amount of property transactions and the amount of the resultant gains or losses.

(2.4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.

(2.5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.

(2.6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

33.4 Major shareholder information: The name, the number and percentage of shareholding of shareholders whose percentage of ownership is more than 5%.

Shareholder Name	Shares	
	Shares Held	Percentage of Ownership
Huey-Ling Chen	7,438,762	21.33%
Chen-An Lin	2,090,662	5.99%
Yi-Chen Lin	1,827,210	5.24%
Jui-Chun Investment Company Limited	1,816,110	5.20%

TABLE 1**M31 TECHNOLOGY CORPORATION****MARKETABLE SECURITIES HELD****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Thousands of Shares/Units)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> Fubon Financial Holding Co., Ltd. (Type C)	—	Financial assets at fair value through profit or loss – current	300	\$ 16,500	-	\$ 16,500	—
	China Development Financial Holding Corporation (Type B)	—	Financial assets at fair value through profit or loss – current	3,400	24,038	-	24,038	—
	<u>Fund Beneficiary Certificate</u> Taishin 1699 Money Market Fund	—	Financial assets at fair value through profit or loss – current	4,394	61,268	-	61,268	—
	Jih Sun Money Market Fund	—	Financial assets at fair value through profit or loss – current	3,334	50,864	-	50,864	—
	FSITC Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss – current	1,933	30,429	-	30,429	—
	<u>Corporate Bond</u> APPLE INC.	—	Financial assets at amortized cost – non-current	-	86,877	-	60,774	—
	Petróleos Mexicanos	—	Financial assets at amortized cost – non-current	-	31,091	-	28,485	—
	Chilean Government International Bonds	—	Financial assets at amortized cost – non-current	-	4,033	-	4,558	—
	Electricite de France	—	Financial assets at amortized cost – non-current	-	25,519	-	27,978	—

Note: For relevant information on investment in subsidiaries, please refer to Table 4 and Table 5.

M31 TECHNOLOGY CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Thousands of Units)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Number of Units	Amount	Number of Units	Amount	Number of Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Units	Amount (Note)
The Company	Fund Beneficiary Certificate Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss — current	11,749	\$ 161,732	-	\$ -	7,355	\$ 101,561	\$ 100,000	\$ 1,561	4,394	\$ 61,268

Note: The amount per book at fair value at the end of the year.

M31 TECHNOLOGY CORPORATION

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLIONS OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company	Counterparty	Relationship	Transaction Details				The Transaction Terms Different From Normal Transactions		Notes & Accounts Receivable (Payable)		Note
			Purchase (Sales)	Amount	Percentage of Total Purchase (Sales)	Credit Terms	Unit Price	Credit Terms	Balance	Percentage of Total Notes & Accounts Receivable and Notes & Accounts Payable	
The Company	M31 Technology USA, INC.	Subsidiaries	Sales	\$ 128,740	8.00%	30~90 天	\$ -	—	\$ 40,056	10.17%	—

Note: If the terms of the related party transaction are different from the normal terms of the transaction, the differences and the reasons for the differences should be described in the columns of unit price and credit period.

TABLE 4**M31 TECHNOLOGY CORPORATION****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
The Company	M31 Technology USA, INC.	USA	Product marketing and technical service	\$ 30,416	\$ 13,531	1,000,000	100	\$ 38,109	\$ 3,121	\$ 3,121	Subsidiaries accounted by USD
	Sirius Venture Ltd.	Republic of Seychelles	Investment Holdings	5,364	5,364	167,000	100	1,967	(311)	(311)	Subsidiaries accounted by USD
	M31 Technologies India Private Ltd.	India	Technical service	194	-	49,990	100	1,589	1,458	1,458	Subsidiaries accounted by USD

Note: For relevant information on investee companies in mainland China, please refer to Table 5

M31 TECHNOLOGY CORPORATION

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars or United States Dollars)**

1. The name of investee companies in mainland China, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment gain or loss, carrying amount of the investment, repatriations of investment income:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2 and Note 3)	Carrying Amount as of December 31, 2023 (Note 2 and Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
M31 Technology (Shanghai) Inc.	Product marketing and technical service	USD 100	(2)	\$ 3,340	\$ -	\$ -	\$ 3,340	(\$ 274)	100%	(\$ 274)	\$ 1,937	\$ -	—

2. Limit on the amount of investment in the mainland China:

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 3,340	\$ 3,340	\$ 1,237,811

Note 1: Three investment methods are listed below. Just mark the method number.

- (1) Direct investment in mainland China companies.
- (2) Indirect investment in mainland China companies through a company in a third region (Sirius Venture Ltd.).
- (3) Other methods of investing in mainland China.

Note 2: Columns for the current Investment Gain (Loss) and the Carrying Value:

Sirius Venture Ltd had recognized the Investment Loss on the investment in the Investee Company M31 Technology (Shanghai) Inc. for the year ended December 31, 2023 and the Carrying Value as of December 31, 2023.

Note 3: Calculated based on the audited annual financial report of the parent company in Taiwan.

Note 4: The above transactions have been written off when the consolidated financial statement was prepared.

3. Significant transaction with investee companies in mainland China, either directly or indirectly through a third party:

- (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.
- (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: None.
- (3) The amount of property transactions and the amount of the resultant gains or losses: None.
- (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.
- (5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.
- (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.

M31 Technology Corporation

Chairman : Huey-Ling Chen