



Stock Code : 6643

M31 Technology Corporation

2021 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 15, 2022

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 : Director

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, 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, Taiwan (R.O.C.)

Tel : (02)2381-6288

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

5. Independent Auditor

Accounting Firm : Deloitte & Touche

Auditors : Yu-Feng Huang and Mei-Chen Tsai

Address : 6F, No. 2, Zhanye 1st Rd., Hsinchu Science Park, 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: None

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

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Appendix I: Consolidated Financial Statements for the Year Ended December 31, 2021

Appendix II: Parent Company Only Financial Statements for the Year Ended December 31, 2021

I. Letter to Shareholders

Dear Shareholders,

We would like to thank our shareholders for their long term support and care for M31 Technology. We would like to report on the results of operations for FY2021 and a summary of the business plan for FY2022.

1. FY2021 Operating Results

1.1 Business Plan Implementation Results

- (1) Operating revenue for the year was NT\$1,011,879 thousand, an annual increase of 3.15% compared to the operating revenue of NT\$981,016 thousand in 2020. The gross profit margin for both years was 100%. 84.89% of the revenue from technical services and 15.11% of the revenue from royalties were generated in FY2021; the royalty income increased compared to 2020.
- (2) Net income after tax was NT\$252,637 thousand, with a net profit margin of 24.97%, an annual decrease of 21.60% compared to the net income after tax of NT\$322,248 thousand in 2020, the increase in operating expenses was mainly due to the growth in the number of employees and the relocation of the company's headquarter; earnings per share for FY 2021 was NT\$8.12.

1.2 Financial Budget: M31 did not prepare the annual financial projection for the year 2021.

1.3 Analysis of financial income and profitability

Item		Year		
		FY 2021	FY 2020	Difference
Financial Income and Expenses (NTD in Thousands)	Net cash generated from operating activities	224,520	385,631	-161,111
	Net cash used in investing activities	(313,779)	(145,322)	-168,457
	Net cash used in financing activities	(133,808)	(291,836)	158,028
Profitability (%)	Return on Assets	13.76	19.21	-28.37%
	Return on Equity	16.34	21.84	-25.18%
	Net income before tax as a percentage of paid-in capital	92.88	120.21	-22.74%
	Net profit ratio	24.97	32.85	-23.99%
	Earnings per share (NT\$)	8.12	10.34	-21.47%

Due to the growth in the number of employees and the relocation of the company's headquarters, M31's financial income and expenses decreased in FY 2021 compared to FY 2020 and its profitability also decreased compared to FY 2020.

1.4 Research and development

With the rapid development of chip design complexity and interface integration using advanced processes, this year M31's research and development has not only been deeply rooted in two major product lines for many years, but also launched IP integration services for the first time this year, making the overall IP technology layout to be more complete, which will provide customers with more diversified selections and technology services, and continuously expand the penetration of M31's IP in various chip design platforms:

- **Functional IP:** M31 has two existing categories: the high-speed interface IP and analog IP. Among the high-speed interface IP, PCIe, USB, MIPI, SerDes PHY have been developed on a series of 7nm, 12nm, 16nm, 22nm and 28nm advanced process platforms, the first 4nm/5nm of eUSB2 PHY has been launched this year, and has been certified and adopted by the US major manufacturers. The latest high-end versions of USB4.0, PCIe5.0, MIPI C/D-PHY Combo TX/RX have also completed the design phase; overall, the layout of high-speed transmission interface IP in advanced processes and high-end applications has gradually become more mature and complete. Besides, analog IP, including PLL, ADC, VDT, Temperature Sensor, POR, etc. have been completed 12nm/16nm and 22nm/28nm designs, and moving into the development of advanced process below 7nm. Functional IP products are used in various applications, such as automotive electronics, artificial intelligence, edge computing, network communication, cloud storage, Internet of Things, wearable devices, etc.
- **Foundation IP :** Currently, M31 has three types of libraries: Standard Cell Library, Memory Compiler, and General Purpose Input/ Output Library (GPIO). With TSMC's process platform this year, M31 has completed special process of 40nm embedded Flash for automotive/industrial microcontrollers, and 55nm BCD and 90nm BCD for power management ICs. In addition to the special process, M31 has also completed a variety of foundation IP for 12nm/16nm and 22nm/28nm logic processes to meet customers' various customization needs. In addition to TSMC's process platform, Foundation IP has also developed new process platforms in the U.S. and China foundries, and has developed special process 28nm high-voltage OLED driver ICs at GF (GlobalFoundries) and 55nm embedded Flash process for automotive/industrial microcontrollers at HHGrace this year.
- **IP Integration Services :** The first IP integration service launched this year has successfully developed Arm processor IP for machine learning and artificial intelligence applications, including the Arm Cortex® -M55 processor and Arm Ethos™-U55 (NPU), optimizing the implementation of on-chip processor IP cores. The M31 Optimized PPA library, a series of optimized design kits based on Arm architecture processors, includes custom high-speed and ultra-low leakage memory instances and optimized cell libraries to help advanced processor cores achieve maximum performance, reduce area, and minimize power consumption. At the same time, the self-integration time can be reduced by 50% of self-integration time to meet the different artificial intelligence applications extended by

wearable devices, home appliances and even high-end mobile phones.

By the end of 2021, M31 has developed more than 470 sets of Foundation IP and over 210 sets of high-speed interface IP and analog IP, about half of which are for TSMC process platforms and 1/3 of which are for 28nm and below advanced process technologies.

2. Business Plan Outline for 2022

2.1 Current Year's Operating Policy

As the development of global high-speed computing (HPC) applications continues to accelerate, the data transmission speed of 5G networks can reach 50 to 100 times the speed of 4G networks, and the fast transmission speed and low latency create a reliable network environment for the goal of the Internet of Everything. Once tens of billions of terminal devices are connected to the network, the massive amount of data generated will require artificial intelligence to transform the data into meaningful information. In order to speed up information processing efficiency and create more applications for the data, a new computing layer will be added between cloud computing and IoT terminal devices in the future, which is called edge computing. Through edge computing, it is not necessary to transfer every data to the cloud for calculation and then give instructions to the device. Therefore, the real-time data processing is better, the power consumption is relatively low, and the size of the chip is small, which helps to develop more IoT products that can be used in various environments. In this era of 5G+AI+IoT big data, "high-speed transmission interface IP", which helps improve the performance of HPC computing, will become more and more important in the industry. In response to the expanding applications in the high-speed transmission market, M31 will continue to deploy more advanced process IP to upgrade the transmission interface while reducing overall chipset power consumption and space, and to provide more diverse products and services, by deepening cooperation with strategic partners to expand IP market share and actively developing physical IP with major foundries and IC design houses around the world. M31 will continue to provide high-performance silicon solutions to the global semiconductor industry and maintain our technological leadership while continuously providing new revenue growth. Despite the continuous improvement of the base period, M31's revenue outlook for 2022 will continue to maintain its operating target of positive growth.

2.2 Growth and Sales Expectation

The future of semiconductor industry is driven by 5G, AI, high-speed computing, etc. The development trend is based on big data. According to the market research report, the global IP market will grow at a CAGR (compound annual growth rate) of 11%, and the CAGR of high-speed transmission interface is as high as 19%. M31 Technology continues to focus on the industry trend of high frequency and high speed, advanced process technology and leading edge technology in R&D and sales. With more complete product layout and improved product performance, the overall sales volume and value are expected to exceed 2021 in 2022, and the annual growth continues to rise.

2.3 Production and Marketing

M31 Technology's main 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, including IC production and design. New foundries and IC design companies are rapidly increasing, with a wide range of end products covering high, medium, and low end applications. China's wafer production capacity continues to grow, and newly developed process platforms are adding momentum to the demand for fundamental IP. In addition to the demand for advanced logic process high-speed transmission for CPU, cloud data center, AI, 5G Station, etc., there is also a huge market for special process power management ICs, display driver ICs, microcontroller ICs, image sensors, power components, analog ICs, etc. In addition, the demand for automotive applications continues to drive mature special process orders from local Chinese manufacturers. The overall design and marketing strategy belongs to a comprehensive IP product layout.

United States : Most of the customer's IP needs have entered high-end applications, such as mobile computing, artificial intelligence, automotive electronics, high-end storage, cloud servers, etc. The marketing strategy focuses on products and services with advanced manufacturing processes and high-speed computing transmission, helping customers to take full advantage of M31's advanced technology with significant improvements in power consumption, performance, and area to accelerate product differentiation and innovation.

Taiwan : In addition to TSMC's fundamental IP development on new process platforms, most of Taiwan's IC design products are consumer electronics, with logical process technologies targeted at 12nm/16nm, 22nm/28nm, and 40nm, while mature processes above 28nm focus on special applications, targeting automotive, Internet of Things, fingerprint recognition, and wireless charging. In terms of special processes, the IP developed for HV process is used for LCD, LED, and OLED driver ICs, BCD process is used for power management ICs, and eFlash process is used for microcontroller ICs, which are important application markets for Taiwan design houses. Technology is not necessarily the biggest difference in the marketing strategies of Taiwan's consumer IC design houses. The key is how to understanding customer needs, customizing services, and designing IP products that customers need in a short period of time.

3. Future Development Strategies

The overall development strategy can be broken down into breadth, depth, and integration:

- Breadth

Expanding product lines and services to meet the diverse needs of different chip designers,

M31 will increase the market share of our IP products and facilitate the development of new markets. Whether it is Interface IP, Memory IP, or Analog IP, M31 will develop and design new product lines with different types and specifications in response to market demands and trends. In addition, the company will utilize its existing resources to expand the scope and content of customized IP services, such as IP integration services, in order to create maximum benefits for both customers and M31.

- Depth

Continuing to advance to more advanced processes is a demonstration of R&D capability, especially for physical IP, and the integration with fab process technology is an indicator of competitiveness and profitability. Below 7nm (7nm, 5nm, 4nm, and 3nm) is the new blue ocean market for chip leaders; 12nm to 16nm is an important technology platform for high speed computing applications; 22nm and 28nm are the manufacturing processes that optimize the cost and performance of mid-range and high-end consumer ICs. On these three process technology platforms, M31 will focus on developing a complete IP layout, which is the focus of M31's future medium and long-term growth.

- Integration

M31 currently focuses on four types of IP products (Foundation IP, Interface IP, Memory IP, and Analog IP), and with the progress of the development of various products, the logic process of 22nm and 28nm have been designed and validated, and the Platform IP that can integrate various IP solutions has been formed. In addition to providing customers with multiple choices and convenience, M31 IP will also increase the penetration rate within customers' IC products. In the future, M31 will continue to build more sets of Platform IP for more advanced processes (12nm and 16nm) to integrate a more complete IP portfolio, and through the launch of IP integration services, customers can focus on chip design differentiation and system level integration. M31 will provide one-stop service and package sales for different IP products in the three process technology platforms of sub-7nm advanced process, IP 12nm/16nm and 22nm/28nm to help customers' IC products have more competitive advantages in terms of performance and cost performance, and the integration of different IP products to create Platform IP will have a multiplier effect, adding to M31's overall business performance.

4. External Competitive, Regulatory, and Overall Business Environment.

In order to enhance our overall competitiveness, M31 is committed to differentiate its basic product specifications, product and service quality, expand its product line and service content, and actively enhance its international brand image to meet the competition and challenges from international manufacturers. On the other hand, M31 complies with the relevant laws and regulations for listed companies and pays attention to the operational risks arising from interest rates and exchange rates in order to create maximum 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.
	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.

<u>Year</u>	<u>Month</u>	<u>Milestones</u>
2014	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 Technology 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.	Technology 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.
	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.

<u>Year</u>	<u>Month</u>	<u>Milestones</u>	
2017	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 Technology 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.	
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.	The Founder of M31, Hsiao-Ping Lin, won the "Manager Excellence 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.	

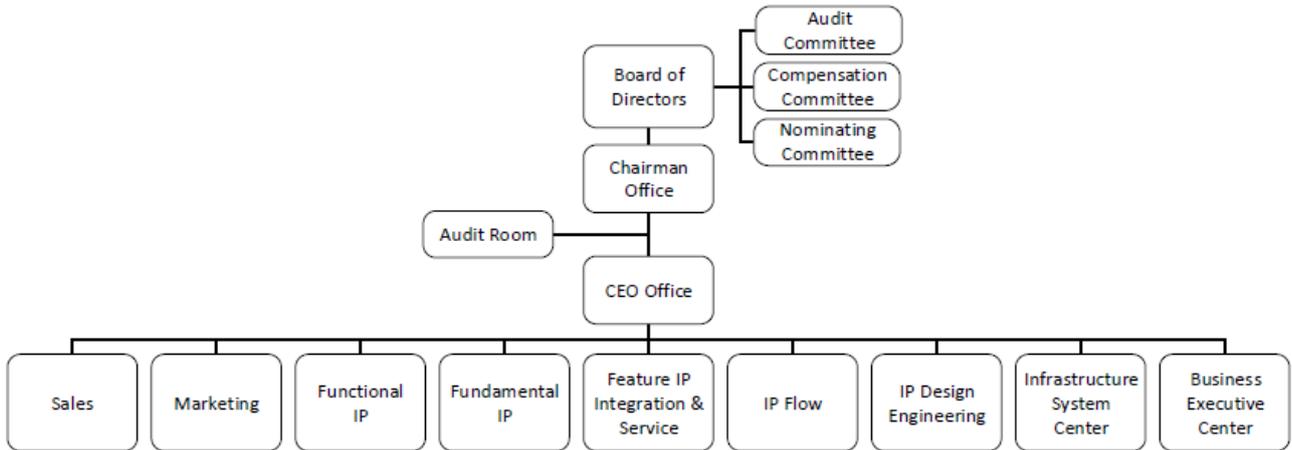
<u>Year</u>	<u>Month</u>	<u>Milestones</u>
2020	Oct.	M31 Technology Receives 2020 TSMC OIP Partner of the Year Award for Specialty Process IP.
2021	Jan.	M31 launches IP integration services.
	Jan.	The M31 IP is introduced into TSMC's high voltage process at 28nm.
	Jan.	The M31 develops PCIe 5.0 PHY IP 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.
	Oct.	M31 builds a full range of Foundation IP for HHGrace 55nm eFlash process technology.
	Oct.	M31 technology 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 Technology Receives 2021 TSMC OIP Partner of the Year Award
	Nov.	M31 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

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart

M31 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. ■ 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.
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.
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.
Infrastructure System 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. ■ 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

3/29/2022 Unit: Thousand shares; %

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	
Chairman	R.O.C.	Huey-Ling Chen	F e m a l e / 61 to 65	8/5/ 2021	3 Y e a r s	8/5/ 2021	4,557	14.42	4,596	14.54	6,604	20.89	1,645	5.20	- Ph.D. in Institute of Information, 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 - Supervisor, M31 Technology Corporation	- Chairman, Sirius Venture Ltd. - Chairman, Jui-Chun Investment Company Limited	-	-	-	-
Director	R.O.C.	Yuan-Hsun Chang	M a l e / 41 to 45	5/29/ 2020	3 Y e a r s	5/18/ 2015	269	0.86	187	0.59	-	-	-	-	- M.S., Institute of Electronic Engineering, National Chiao Tung University - B.S., Department of 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.	-	-	-	-
Director	R.O.C.	Tsung-Hsi Ko	M a l e / 61 to 65	5/29/ 2020	3 Y e a r s	8/18/ 2017	-	-	-	-	-	-	-	-	- Master of Management Science, National Chiao Tung University - B.S. in Electrical Engineering, Feng Chia University - Chairman, Yongsheng Energy Co., Ltd. - Vice President, UMC - President/Director, Exojet Technology Corporation - Vice President, Giga Solar Materials Corp.	- Chief Strategy Officer, AnaNaviTek - Independent Director, Episil Technologies 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.	Li- Kuo Liu	M a l e / 56 to 60	5/29/ 2020	3 Y e a r s	6/28/ 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director	R.O.C.	Jun- Ji Lin	M a l e / 61 to 65	5/29/ 2020	3 Y e a r s	8/18/ 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director	R.O.C.	Ching- Te Chuang	M a l e / 66 to 70	5/29/ 2020	3 Y e a r s	5/24/ 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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.	Shih- Ying Huang	F e m a l e / 46 to 50	5/29/ 2020	3 Y e a r s	11/13/ 2018	-	-	-	-	-	-	-	-	- Ph.D. in Financial Management, School of Management, JINAN University, China - Master's degree in College of Law, National Chengchi University - M.S., Graduate School of Accounting, Chinese Culture University - B.S., Department of Accounting, Chinese Culture University - CPA, Partner, Diwan & Company	- CPA, Partner, ZHIXIN CO., - Independent Director, UniPharma - Independent Director, AMC - Independent Director, Creative Sensor Inc.	-	-	-	-

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.	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. He is currently the President of the Company.	Except for being the President of the Company and the Chairman of two subsidiaries, there is no concern regarding any independence condition.	0
Tsung-Hsi Ko	Mr. Tsung-Hsi Ko holds a Master's degree in Management Science from National Chiao Tung University and was formerly the Vice President of R&D of UMC, the President of Exojet Technology Corporation and the Vice President of Giga Solar Materials Corp. for many years. He has extensive professional and management experience in the industry.	Before and after his election, Mr. Ko had no employment or personal relationship with the Company 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
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 JMicron 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
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 well known 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
Ching-Te Chuang	Mr. Ching-Te Chuang holds a Ph.D. in Electrical Engineering from the University of California, Berkeley, and is a Fellow of the Institute of Electrical and Electronic Engineering (IEEE) and worked for IBM Watson Research Center for about 26 years as the manager of the R&D design department. He returned to Taiwan to teach in the Department of Electrical Engineering at National Chiao Tung University as a Chair Professor for 10 years. He is an expert in both industrial and academic fields.	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.	0
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 UniPharma, AMC and Creative Sensor Inc.	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.	3

(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 seven board members have professional backgrounds including five in the industry, one in academia and one 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 two 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 two young adult directors, accounting for 28.57%, as summarized in the table below:

Diversified Core Items		Composition							Professional Background				Industry Experience and Capabilities			
Title	Name	Nationality	Gender	Employee	Age		Independent Directors Tenure		Technology	Management	Accounting/ Legal	Academics	Accounting/ Finance	Leadership/ Decision Making	IT/ Industry Knowledge	Operations/ Risk Management
					Below 50	51 and Above	2 Consecutive Terms	3 Consecutive 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
Director	Tsung-Hsi Ko	R.O.C.	Male			V			V	V			V	V	V	V
Director	Li-Kuo Liu	R.O.C.	Male			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
Independent Director	Ching-Te Chuang	R.O.C.	Male			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

(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. 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

3/28/2022 Unit: Thousand shares ; %

Title	Nationality	Name	Gender	Date Effective	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	187	0.59	-	-	-	-	- M.S., Institute of Electronic Engineering, National Chiao Tung University - B.S., Department of Electronic Engineering, National Chiao Tung University - R&D Manager, Faraday Technology	- Chairman, M31 TECHNOLOGY USA, INC. - Chairman, M31 TECHNOLOGY (Shanghai), INC.	-	-	-	-
Vice President of Fundamental IP	R.O.C.	Patrick Lien	Male	2/11/2019	35	0.11	-	-	-	-	- Ph.D., Institute of Telecommunications Engineering, National Chiao Tung University - B.S., Department of Electronic Physics, National Chiao Tung University - Senior Engineer, Faraday Technology - R&D Engineer, UMC - Product Engineer, TSMC	None	-	-	-	-
Vice President of Business Executive Center and Corporate Governance Officer	R.O.C.	Grace Liu	Female	1/1/2021	49	0.16	-	-	-	-	- Master of Laws, University of Minnesota, USA - Bachelor of Law, Chung Hsing University - Special Assistant to President, Advantest Corporation - Deputy Director, Faraday Technology - Deputy Director, IROC CO., LTD - Chief Legal Officer, M31 TECHNOLOGY, INC.	- Director, M31 TECHNOLOGY USA, INC.	-	-	-	-
Finance Manager	R.O.C.	Sally Lo	Female	3/4/2019	-	-	-	-	-	-	- B.S. in Accounting, National Cheng Kung University - Deputy Manager, Deloitte & Touche - Accounting Lead, Mustek System Inc. - Manager, Vtron - Finance Manager, Incentia Design Systems Corp.	None	-	-	-	-

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

(1) Remuneration of Directors

12/31/2021 Unit : Thousand shares ; %

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		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 (Note 2)	1,435	1,435	4	4	320	320	6	6	0.70	0.70	-	-	-	-	-	-	-	-	0.70	0.70	-
Chairman	Hsiao-Ping Lin (Note 2)	-	-	-	-	-	-	-	-	-	-	63	63	-	-	-	-	-	-	0.02	0.02	-
Director	Yuan-Hsun Chang	-	-	-	-	560	560	14	14	0.23	0.23	5,136	5,136	40	40	-	-	-	-	2.28	2.28	-
Director	Tsung-Hsi Ko	-	-	-	-	560	560	12	12	0.23	0.23	-	-	-	-	-	-	-	-	0.23	0.23	-
Director	Li-Kuo Liu	-	-	-	-	560	560	10	10	0.23	0.23	-	-	-	-	-	-	-	-	0.23	0.23	-
Independent Director	Jun-Ji Lin	-	-	-	-	560	560	10	10	0.23	0.23	-	-	-	-	-	-	-	-	0.23	0.23	-
Independent Director	Ching-Te Chuang	-	-	-	-	560	560	-	-	0.23	0.23	-	-	-	-	-	-	-	-	0.23	0.23	-
Independent Director	Shih-Ying Huang	-	-	-	-	560	560	12	12	0.23	0.23	-	-	-	-	-	-	-	-	0.23	0.23	-

1: Please describe the policy, system, criteria and structure of the remuneration of the independent directors, and the relevance of the amount of remuneration to the responsibilities, risks and time commitment of the independent directors: The remuneration of the independent directors shall be set at no more than 1.5% of the Company's profit in accordance with Article 23 of the Company's Articles of Incorporation. If the Company makes a profit in the annual financial statements, the remuneration of the Company's directors will 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: Except as disclosed in the table above, the remuneration received by the directors of the company for providing services to all companies in the financial report (e.g., as consultants to non-employees, etc.) in the most recent year: None

Note 1 : This column represents the remuneration of directors approved by the Board of Directors on February 24, 2022.

Note 2 : Chairman Hsiao-Ping Lin passed away on January 9, 2021 and Director Yuan-Hsun Chang was elected as Chairman on January 19, 2021; however, Chairman Yuan-Hsun Chang resigned on August 5, 2021 and the new Director, Ms. Hui-Ling Chen, was elected as Chairman.

Range of Remuneration	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	Hsiao-Ping Lin (Note), Yuan-Hsun Chang, Tsung-Hsi Ko, Li-Kuo Liu, Jun-Ji Lin, Ching-Te Chuang, Shih-Ying Huang	Hsiao-Ping Lin (Note), Yuan-Hsun Chang, Tsung-Hsi Ko, Li-Kuo Liu, Jun-Ji Lin, Ching-Te Chuang, Shih-Ying Huang	Hsiao-Ping Lin (Note), Tsung-Hsi Ko, Li-Kuo Liu, Jun-Ji Lin, Ching-Te Chuang, Shih-Ying Huang	Hsiao-Ping Lin (Note), Tsung-Hsi Ko, Li-Kuo Liu, Jun-Ji Lin, Ching-Te Chuang, Shih-Ying Huang
NT\$1,000,000~NT\$1,999,999	Huey-Ling Chen (Note)	Huey-Ling Chen (Note)	Huey-Ling Chen (Note)	Huey-Ling Chen (Note)
NT\$2,000,000~NT\$3,499,999	-	-	-	-
NT\$3,500,000~NT\$4,999,999	-	-	-	-
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	8	8	8	8

Note: The information is dated December 31, 2021. Chairman Hsiao-Ping Lin passed away on January 9, 2021 and Director Yuan-Hsun Chang was elected as Chairman on January 19, 2021; however, Chairman Yuan-Hsun Chang resigned on August 5, 2021 and the new Director, Ms. Hui-Ling Chen, was elected as Chairman.

(2) Remuneration of Supervisors : None.

(3) Remuneration of the President and Vice Presidents

12/31/2021 Unit : Thousand shares ; %

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	11,399	11,399	310	310	3,444	3,444	-	-	-	-	6.00	6.00	None
Vice President of Fundamental IP	Patrick Lien													
Vice President of Business Executive Center and Corporate Governance Officer	Grace Liu													
Chief Technology Officer	Willis Shih (Note)													
Chief Operating Officer	David Lyou (Note)													

Note: Willis Shih, Chief Technology Officer, moved to the position of Special Assistant to the Chairman on January 21, 2021, and David Lyou, Chief Operating Officer, resigned on May 31, 2021.

Range of Remuneration	Name of President and Vice Presidents	
	The Company	Companies in the Consolidated Financial Statements (E)
Under NT\$1,000,000	Willis Shih (Note)	Willis Shih (Note)
NT\$1,000,000~NT\$1,999,999	David Lyou (Note)	David Lyou (Note)
NT\$2,000,000~NT\$3,499,999	-	-
NT\$3,500,000~NT\$4,999,999	Patrick Lien, Grace Liu	Patrick Lien, Grace Liu
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 and above	-	-
Total	5 人	5 人

Note: Willis Shih, Chief Technology Officer, moved to the position of Special Assistant to the Chairman on January 21, 2021, and David Lyou, Chief Operating Officer, resigned on May 31, 2021.

(4) Employee Compensation to Executive Officers

12/31/2021 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 Business Executive Center and Corporate Governance Officer	Grace Liu				
	Finance Manager	Sally Lo				

Note : The Board of Directors resolved on February 24, 2022 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.

12/31/2021 ; Unit: : %

Item \ Year	2020		2021	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	4.17	4.17	4.13	4.13
President and vice Presidents	5.92	5.92	6.00	6.00

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 FY2021, the directors' self-assessment scored 90% or more, i.e., "exceeded the standard", therefore, the directors' remuneration is distributed according to the company's profitability during their tenure. The amount allocated to each director and independent director received NT\$560,000, except for the Chairman, Ms. Huey-Ling Chen, who received NT\$320,000. Please refer to pages 19 to 20 of this annual report for details of the remuneration of the directors and independent directors.

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

The appointment, dismissal and compensation of the President and Vice President 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, new product and technology development,

systematic process management, customer satisfaction, market competitiveness, and talent cultivation, etc., and is calculated based on the number of weights.

The performance of the Vice President is evaluated based on the achievement of the annual goals, including the achievement rate of the annual goals of the department to which he/she belongs, departmental management, establishment of systems, cultivation of talents, and implementation of the Company culture, etc., and is calculated based on the number of weights.

(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 2021. The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Huey-Ling Chen	3	0	100.00%	8/5/2021 Newly elected
Director	Yuan-Hsun Chang	7	0	100.00%	1/19/2021 Elected as Chairman of the Board 8/5/2021 Resigned as Chairman of the Board
Director	Tsung-Hsi Ko	7	0	100.00%	
Director	Li-Kuo Liu	7	0	100.00%	
Independent Director	Jun-Ji Lin	6	1	85.71%	
Independent Director	Ching-Te Chuang	7	0	100.00%	
Independent Director	Shih-Ying Huang	7	0	100.00%	

Other matters to be recorded:

- 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:
 - 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 29 to 30 of this annual report.
 - 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.
- 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, 2021 The 6th Session of the 4th Term	1. Proposal of removing the prohibition on directors from participation in competitive business newly added 2. Review of the remuneration of the managers for 2021.
	1 Resolution: The Chairman Yuan-Hsun Chang, Directors Tsung-Hsi Ko and Independent Director, Jun-Ji Lin are the persons in this proposal that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Director, Li-Kuo Liu After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee without any objection.
	2 Resolution: The Chairman Yuan-Hsun Chang is the manager of this proposal that he shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director, Jun-Ji Lin. After inquiring the other Directors attended at the meeting, this proposal was approved on February 23, 2021, according to the examination result concluded by the Remuneration Committee without any objection.

Board Meeting Date (Term)	Content of Proposal and Subsequent Handling
<p>May 4, 2021 The 7th Session of the 4th Term</p>	<p>1. The Company's 2020 annual distribution of directors' remuneration and employees' compensation.</p>
	<p>Resolution: Each director and manager, due to his or her own interests, enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After inquiring the other Directors attended at the meeting, this proposal was approved on May 4, 2021, according to the examination result concluded by the Remuneration Committee without any objection.</p>
<p>Aug 27, 2021 The 10th Session of the 4th Term</p>	<p>1. Formulation of the remuneration for the Chairman of the Company.</p>
	<p>Resolution: The Chairman Huey-Ling Chen is the chairperson in this proposal that she shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Director, Yuan-Hsun Chang. After inquiring the other Directors attended at the meeting, this proposal was approved on August 27, 2021, according to the examination result concluded by the Remuneration Committee without any objection.</p>
<p>Nov 2, 2021 The 11th Session of the 4th Term</p>	<p>1. The year-end bonus for managers of the company in 2021.</p>
	<p>The Chairman Huey-Ling Chen and the president Yuan-Hsun Chang are due to their own interests that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director, Shih-Ying Huang. After inquiring the other Directors attended at the meeting, this proposal was approved on November 2, 2021, according to the examination result concluded by the Remuneration Committee without any objection.</p>
<p>Feb 24, 2022 The 12th Session of the 4th Term</p>	<p>1. The Company's 2021 annual distribution of directors' remuneration and employees' compensation.</p>
	<p>2. Removing the prohibition on current directors from participation in competitive business.</p>
	<p>3. Review of the remuneration of the managers for 2022.</p>
	<p>4. Review of the remuneration of the Company's directors (including independent directors) for 2022</p>
<p>1&4 Resolution: Each director, due to his or her own interests, enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After inquiring the other Directors attended at the meeting, this proposal was approved on Feb 24, 2022, according to the examination result concluded by the Remuneration Committee without any objection.</p>	
<p>2 Resolution: The Independent Director, Shih-Ying Huang, is the person in this proposal, that she shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After the chairperson inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee without any objection</p>	
<p>3 Resolution The Chairman Yuan-Hsun Chang is the manager of this proposal, that he shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After the chairperson inquiring the other Directors attended at the meeting, this proposal was approved on February 24, 2022, according to the examination result concluded by the Remuneration Committee without any objection.</p>	

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

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Performed once a year	01/01/2021~12/31/2021	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
Performed once a year	01/01/2021~12/31/2021	Self-evaluation by 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
Performed once a year	01/01/2021~12/31/2021	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
Performed once a year	01/01/2021~12/31/2021	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
Performed once a year	07/06/2021~12/31/2021	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

In 2021, 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 24, 2022.

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 has voluntarily established an audit committee to replace the supervisors and to exercise 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, 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) On July 6, 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 provides a CSR (Sustainable Development) section, an investor section, and a corporate governance section to provide financial and business-related information and establish a contact channel 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:

Three independent directors were elected in 2020, and the second Audit Committee was formed by these three 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:

- (2.1) Establish or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- (2.2) Assessment of the effectiveness of the internal control system.
- (2.3) 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.
- (2.4) Review of matters involving directors' own interests.
- (2.5) Audit significant asset or derivative transactions.
- (2.6) Audit significant loans, endorsements or guarantees of funds.
- (2.7) Audit the raising, issuance or private placement of equity securities.
- (2.8) Audit the appointment, dismissal or compensation of the CPA.

- (2.9) Audit the appointment or removal the supervisor of finance, accounting or internal Audit.
- (2.10) The annual financial statement (signed or stamped by the Chairman, manager, and accounting supervisor) and the second quarter financial statement are subject to approval by the CPA.
- (2.11) Other significant matters stipulated by the Company or competent authorities.
- Total of 6 meetings were held in 2021, with the following resolutions:
 - (3.1) Adopt and amend the internal control system.
 - (3.2) Assessment of the effectiveness of the internal control system.
 - (3.3) Audit accounts receivable that are not part of the funds loaned to others.
 - (3.4) Audit matters involving the directors' own interests.
 - (3.5) Audit authorization to acquire/dispose of marketable securities transactions - monetary-type funds, domestic and foreign government bonds and corporate bonds, and preferred shares issued by domestic financial institutions.
 - (3.6) Audit the measures and operations for issuing new restricted employee shares.
 - (3.7) Audit the appointment, dismissal or compensation of the CPA.
 - (3.8) Audit of the annual and quarterly financial statement subject to approval by the CPA.

A total of 6 (A) Audit Committee meetings were held in 2021. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director	Jun-Ji Lin	5	1	83.33%	
Independent Director	Ching-Te Chuang	6	0	100.00%	
Independent Director	Shih-Ying Huang	6	0	100.00%	

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
Feb23, 2021 The 5 th Session of the 2 nd Term	1. The Company's 2020 annual financial statements and business report. 2. The Company's 2020 profit distribution. 3. The 2020 Statement of Internal Control System. 4. Amendment to the Company's "Articles of Incorporation". 5. The company's bank credit line. 6. Evaluation and Appointment of the independence and performance of CPA.	Approved by all members of the Audit Committee without objection.	Approved without objection by all directors present.

Audit Committee's Meeting Date (Term)	Motion Contents	Resolution of the Audit Committee	Company's Handling of the Audit Committee's Opinion
May 4, 2021 The 6 th Session of the 2 nd Term	<ol style="list-style-type: none"> 1. The consolidated financial statements for the first quarter of 2021. 2. Amendment to the Company's "Rules of Procedure for Shareholders" Meetings". 3. Amendment to the Company's "Organizational Rules of the Audit Committee Meetings". 4. Formulation of the Company "Regulations Governing the Issuance of new restricted employee shares". 5. Formulation of the Company's "Organizational Rules of the Nominating Committee". 6. Evaluate the Company's non-capital lending of overdue accounts receivable to others. 7. The Company acquired monetary funds. 	Approved by all members of the Audit Committee without objection.	Approved without objection by all directors present.
Aug 5, 2021 The 8 th Session of the 2 nd Term	<ol style="list-style-type: none"> 1. The consolidated financial statements for the second quarter of 2021. 	Approved by all members of the Audit Committee without objection.	Approved without objection by all directors present.
Aug 27, 2021 The 9 th Session of the 2 nd Term	<ol style="list-style-type: none"> 1. Amendment to the Company "Regulations Governing the Issuance of new restricted employee shares". 2. The Company issued new restricted employee shares in accordance with the "Regulations Governing the Issuance of New Restricted Employee Shares in 2021". 3. The Company acquired securities authorization. 	The third motion acquired securities was limited to domestic and foreign government bonds and corporate bonds; the other motions were approved by all members of the Audit Committee without objection.	Approved without objection by all directors present.
Nov 2, 2021 The 10 th Session of the 2 nd Term	<ol style="list-style-type: none"> 1. The consolidated financial statements for the third quarter of 2021. 2. The Company acquired securities authorization. 3. Amendment of the internal control related regulations. 	The second motion added the financial industry preferred shares with a purchase limit of NT\$50 million; the other motions were approved by the Audit Committee without objection.	Approved without objection by all directors present.
Feb 24, 2022 The 11 th Session of the 2 nd Term	<ol style="list-style-type: none"> 1. The financial statements and business report for 2021. 2. Profit distribution for 2021. 3. The Statement of Internal Control System for 2021. 4. Amendment to the Company's "Articles of Incorporation". 5. Amendment to the Company's " Procedures for Acquisition or Disposal of Assets". 6. Formulation to the Company's "Sustainable Development Best Practice Principles". 7. The method and content of issuance of common shares by public offering or private placement for cash capital increase. 8. Evaluation and Appointment of the independence and performance of CPA. 9. The Company's bank credit line. 	Approved by all members of the Audit Committee without objection.	Approved without objection by all directors present.

(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) 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, 2021	The 5 th Session of the 2 nd Audit Committee Meeting	The audit supervisor reports the audit items and results for December 2020; the independent directors agreed with the contents of the report.
May 4, 2021	The 6 th Session of the 2 nd Audit Committee Meeting	The audit supervisor reports the audit items and results for the first quarter of 2021; the independent directors agreed with the contents of the report.
Jul. 6, 2021	The 7 th Session of the 2 nd Audit Committee Meeting	The audit supervisor reports the audit items and results for April to May, 2021; the independent directors agreed with the contents of the report.
Aug. 5, 2021	The 8 th Session of the 2 nd Audit Committee Meeting	The audit supervisor reports the audit items and results for June 2021; the independent directors agreed with the contents of the report.
Aug. 27, 2021	The 9 th Session of the 2 nd Audit Committee Meeting	The audit supervisor reports the audit items and results for July 2021; the independent directors agreed with the contents of the report.
Nov. 2, 2021	The 10 th Session of the 2 nd Audit Committee Meeting	The audit supervisor reports the audit items and results for August to September, 2021; the independent directors agreed with the contents of the report.
Nov. 2, 2021	Communication meeting between independent directors, internal audit officer and CPA	The supervisor of internal audit confirms with the independent directors whether to raise audit specific concerns for communication.

(2) Communication between independent directors and CPA:

Date	Communication Method	Matters of communication, opinions of independent directors and follow-up actions
Feb. 23, 2021	The 5 th Session of the 2 nd Audit Committee Meeting	The CPA reports on the financial statements for the year ended December 31, 2020 includes a description of key auditing matters, other communication matters and statements of independence.
May 4, 2021	The 6 th Session of 2 nd Audit Committee	The CPA reports on the results of the review of the consolidated financial statements as of and for the first quarter of 2021, as well as other communication matters and statements of independence.
Aug. 5, 2021	The 8 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 second quarter of 2021, as well as other communication matters and statements of independence.
Nov. 2, 2021	The 10 th Session of the 2 nd Audit Committee Meeting	1. The CPA reports on the results of the review of the consolidated financial statements as of and for the third quarter of 2021, as well as other communication matters and statements of independence. 2. Annual audit planning (significant risks and critical audit matters).
Nov. 2, 2021	Communication meeting between independent directors, internal audit supervisors and CPA	The independent directors and the CPA confirm the information about the practice of investing in securities.

(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				
(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.	No major difference
(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.	
(4) Has the company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	√		(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.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Explanation	
<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>(2) Further to the establishment of the Compensation Committee and the Auditing Committee, has the Company voluntarily established other functional committees?</p> <p>(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?</p> <p>(4) Has the Company evaluated the independence of the commissioned CPA regularly?</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>		<p>(1) The seven board members of the Company have professional backgrounds including five 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%. 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 director, 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 16 to 17 of this annual report.</p> <p>(2) The Company set up a nomination committee on July 6, 2021 to increase the functions of corporate governance.</p> <p>(3) The Company has formulated the Board of Directors' performance evaluation method and its evaluation method in 2018, and the performance evaluation of the Board of Directors and the members of the Board of Directors in 2021 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.</p> <p>(4) The Company's 2021 and 2022 evaluations and the appointment of CPA were approved by the Audit Committee and the Board of Directors on February 23, 2021 and February 24, 2022, respectively. In addition to the declaration of independence issued by the CPA, which must meet the Company's evaluation criteria, please refer to Note 1.</p>	<p>No major difference</p>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
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 a 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>(1) Handling matters related to the board of directors, each committee (composed of directors) and shareholders' meetings in accordance with the law</p> <p>(2) Preparing minutes of board meetings and shareholders' meetings</p> <p>(3) Assisting directors in their appointment and continuing education</p> <p>(4) Providing information necessary for directors to perform their duties</p> <p>(5) Assisting directors in complying with laws and regulations</p> <p>In 2021, the officer of corporate governance performed business as follows:</p> <p>A. Conducted four Board meetings, four Audit Committee meetings, two Salary and Compensation Committee meetings, two Nominating Committee meetings and the 2021 Annual General Meeting of Shareholders in accordance with the Chairman and committee conveners.</p> <p>B. Assisted the inauguration of the new Chairman of the Board of Directors, Ms. Huey-Ling Chen.</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 details. Grace Liu, Vice President, has not yet completed one year as Head of Corporate Governance, but has completed 15 hours of continuing education and will complete 18 hours of initial continuing education.</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	
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 a CSR section on the corporate website with management objectives, identification, issues of concern, communication and contact information for stakeholders (including investors, customers, employees, suppliers and government agencies) so that the Company can better understand the issues of concern to stakeholders and respond appropriately.	No major difference
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 2021 were announced and reported in February 2022, 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 Attached Table 1.</p> <p>E. The Company's corporate website has a CSR (Sustainable Development) 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 items evaluated by the CPA, and the results of the evaluation are consistent with independence.

Evaluation Item	Evaluation Results	Independence Criteria
1. Is the CPA not a director of the Company or its affiliates?	Yes	Yes
2. Is the CPA not a shareholder of the Company or its affiliates?	Yes	Yes
3. Is the CPA not on the payroll of the Company or its affiliated companies?	Yes	Yes
4. Has the co-practicing accountant of the certified public accountant firm to which the CPA belongs not served as a director or manager of the Company or had any significant influence on the audit within one year of his or her retirement?	Yes	Yes
5. Whether the CPA has met the standards of integrity, impartiality, objectivity and independence set forth in Statement of Ethics No. 10 of the Code of Ethics for CPA.	Yes	Yes

Table 1: Directors' Training Status in 2021

Title	Name	Date	Organizer	Course Name	Training Hours
Chairman	Huey-Ling Chen	10/04/2021	The Institute of Internal Auditors-Chinese	Analysis of strengthening the functions of the three lines of defense and the operating mechanism of the board of directors (including the reporting mechanism)	6
Chairman	Huey-Ling Chen	09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (morning session)	3
Chairman	Huey-Ling Chen	09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (afternoon session)	3
Chairman	Huey-Ling Chen	10/18/2021	Taipei Exchange	Briefing session for insiders on stock ownership	3
Director	Yuan-Hsun Chang	09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (morning session)	3
Director	Yuan-Hsun Chang	09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (afternoon session)	3
Director	Tsung-Hsi Ko	09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (morning session)	3
Director	Tsung-Hsi Ko	09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (afternoon session)	3
Director	Li-Kuo Liu	08/27/2021	Taiwan Corporate Governance Association	How to maximize the value of D & O protection for directors and supervisors	3
Director	Li-Kuo Liu	10/26/2021	Taiwan Corporate Governance Association	Artificial Intelligence Technology Development and Application Opportunities	3
Independent Director	Jun-Ji Lin	08/10/2021	Taiwan Corporate Governance Association	Information Security Incident Handling Practices under the New Post-Pandemic Normal	3
Independent Director	Jun-Ji Lin	08/13/2021	Taiwan Corporate Governance Association	Red Flags of Fraud in Financial Reporting	3
Independent Director	Ching-Te Chuang	09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (morning session)	3
Independent Director	Ching-Te Chuang	09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (afternoon session)	3
Independent Director	Shih-Ying Huang	08/26/2021	Taipei Exchange	Insider Trading Case Study	3
Independent Director	Shih-Ying Huang	09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (morning session)	3
Independent Director	Shih-Ying Huang	09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (afternoon session)	3

Table 2: Corporate Governance Officer Training Status in 2021

Title	Name	Date	Organizer	Course Name	Training Hours
Corporate Governance Officer	Grace Liu	09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (Morning session)	3
Corporate Governance Officer	Grace Liu	09/01/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (afternoon session)	3
Corporate Governance Officer	Grace Liu	10/18/2021	Taipei Exchange	Briefing session for insiders on stock ownership	3
Corporate Governance Officer	Grace Liu	11/05/2021	Taiwan Corporate Governance Association	Ten Essential Lessons in Corporate Governance	3
Corporate Governance Officer	Grace Liu	12/22/2021	Taiwan Corporate Governance Association	The 17 th Corporate Governance Summit - Implementing ESG for Governance and Sustainable Development (afternoon session)	3

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

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

Title (Note 1)	Name	Criteria	Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Directors Convener	Jun-Ji Lin		Please refer to pages 15 to 16 of this annual report - Directors' Information	Please refer to pages 15 to 16 of this annual report - Directors' Information	1
Independent Director	Ching-Te Chuang		Same as above	Same as above	0
Independent Director	Shih-Ying Huang		Same as above	Same as above	3

(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 2021 are as follows:

- A. Audit of directors' remuneration and employees' compensation for the year 2020.
- B. Audit of manager's remuneration for 2021.
- C. Audit the allocation of directors' remuneration and employees' compensation for 2020.
- D. Review the 2021 year-end bonuses for the managers.
- E. The Company issuance of new restricted employee shares in accordance with the "Regulations Governing the Issuance of New Restricted Employee Shares in 2021".
- F. Formulation of the remuneration of the Chairman of the Company.

(2.1) There are 3 members in the Remuneration Committee

(2.2) Term of office: May 29, 2020 to May 28, 2023. The most recent annual remuneration committee met four 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】 (Note)	Remarks
Convener	Jun-Ji Lin	3	1	75.00%	
Committee Member	Ching-Te Chuang	4	0	100.00%	
Committee Member	Shih-Ying Huang	4	0	100.00%	

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 (Term)	Content of Proposal and Subsequent Handling
Feb 23, 2021 The 3 rd Session of the 2 nd Term	1. The Company director's remuneration and employee's compensation distribution for 2020. 2. Review of the Company manager's remuneration for 2021. Resolution: The proposal was approved with all members present.
	The Company handling the resolution of the Remuneration Committee: (Resolution of the Board of Directors on Feb 23, 2021) 1. The Chairman shall consult with other directors present and approve the resolution in accordance with the Remuneration Committee. 2. Director Yuan-Hsun Chang recused himself from the discussion and vote due to his own interest as a manager, and the Acting Chairman, Independent Director Jun-Ji Lin, consulted the other directors present and approved the commendation of the Remuneration Committee.
May 4, 2021 The 4 th Session of the 2 nd Term	The Company's 2020 annual distribution of directors' remuneration and employees' compensation.
	Resolution: After the Chairman consulted all the members present and approved the general directors' remuneration and employees' compensation, each independent director, due to his or her own interests, enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After inquiring the other Directors

Remuneration Committee Date (Term)	Content of Proposal and Subsequent Handling
<p>May 4, 2021 The 4th Session of the 2nd Term</p>	<p>attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee without any objection, and was brought to the board of directors for discussion.</p>
	<p>The Company handling the resolution of the Remuneration Committee: (Resolution of the Board of Directors on May 4, 2021) Each director, due to his or her own interests, enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee without any objection.</p>
<p>August 27, 2021 The 5th Session of the 2nd Term</p>	<p>1. The Company issuance of new restricted employee shares in accordance with the "Regulations Governing the Issuance of New Restricted Employee Shares in 2021".</p>
	<p>2. Formulation of the remuneration of the Chairman of the Company. Resolution: The proposal was approved with all members present.</p>
	<p>The Company handling the resolution of the Remuneration Committee: (Resolution of the Board of Directors on August 27, 2021) 1. The Chairman shall consult with other directors present and approve the resolution in accordance with the Remuneration Committee. 2. The Chairman Huey-Ling Chen is the chairperson in this proposal, that she shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the President, Yuan-Hsun Chang. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee without any objection.</p>
<p>Nov 2, 2021 The 6th Session of the 2nd Term</p>	<p>1. Reviewed the 2021 year-end bonuses for the managers.</p>
	<p>Resolution: The proposal was approved with all members present.</p>
	<p>The Company handling the resolution of the Remuneration Committee: (Resolution of the Board of Directors on Nov 2, 2021) The Chairman Huey-Ling Chen and the president Yuan-Hsun Chang are due to their own interests, that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director, Shih-Ying Huang. After inquiring the other Directors attended at the meeting, this proposal was approved on November 2, 2021, according to the examination result concluded by the Remuneration Committee without any objection.</p>
<p>Feb 24, 2022 The 7th Session of the 2nd Term</p>	<p>1. The Company director's remuneration and employee's compensation distribution for 2021. 2. Review of the Company manager's remuneration for 2022. 3. Review of the remuneration proposal of the Company's directors (including independent directors) for 2022.</p>
	<p>Except for the remuneration and salary of the independent directors, each committee member, due to his or her own interests, enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After inquiring the other Directors attended at the meeting, this proposal was approved by all the committee members present without any objection.</p>
	<p>The Company handling the resolution of the Remuneration Committee: (Resolution of the Board of Directors on Feb 24, 2022) 1, 3 Resolution: Each director, due to his or her own interests, enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee without any objection 2. Resolution: The Chairman Yuan-Hsun Chang is the manager of this proposal, that he shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee.</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 three members of the Nominating Committee of the Company.

(2.2) The term of office of the current members: July 6, 2021 to May 28, 2023, the most recent annual nominating committee met 2 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】 (Note)	Remarks
Convener	Jun-Ji Lin	Please refer to pages 15 to 16 of this annual report - Directors' Information	1	1	50.00%	
Committee Member	Ching-Te Chuang	Same as above	2	0	100.00%	
Committee Member	Shih-Ying Huang	Same as above	2	0	100.00%	

Other matters to be recorded: Professional Qualifications and Experience

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
Aug 5, 2021 The 1 st Session of the 1 st Term	1. Elect the convener of the Nomination Committee. 2. Formulate a plan for the continuing education of directors.
	Resolution: 1. The members of the Nomination Committee jointly elected Jun-Ji Lin as the convener. 2. The proposal was approved with all members present.
	The Company handling the resolution of the Nomination Committee: 1. Resolution: The Company reported in the information reporting system that the convener of the nomination committee is Jun-Ji Lin, an independent director. 2. Resolution: The corporate governance officer of the Company coordinated and arranged the directors' continuing education program, and all directors of the Company completed the 2021 directors' continuing education hours.

Nomination Committee Date (session)	Content of Proposal and Subsequent Handling
Nov 2, 2021 The 2 nd Session of the 1 st Term	1. Amendment to the Company's "Corporate Governance Practice Principles" 2. Amendment to the Company's "Performance Evaluation Regulations for the Board of Directors and Managers" 3. The evaluation of the performance of directors, board of directors and committees of the Company for the year 2021
	Resolution: The proposal was approved with all members present without objections.
	The Company handling the resolution of the Nomination Committee: 1, 2 Resolution: Submitted to the Board of Directors on 2021/11/2 and approved by the directors present without any objection. 3. Resolution: The corporate governance officer of the Company coordinated the performance evaluation of the directors and each functional committees of the Board, and reported to the Nomination Committee and the Board of Directors on February 24, 2022.
Feb 24, 2022 The 3 rd Session of the 1 st Term	1. Amendment to the Company's "Corporate Governance Practice Principles"
	Resolution: The proposal was approved with all members present without objections.
	The Company handling the resolution of the Nomination Committee: As resolved by the board of directors on 2/24/2022, the resolution was approved by the directors present without objection.

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		Explanation	Deviations from "the Sustainable Development Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
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?	✓		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 (see Assessment Item 7) and the Board of Directors approved the Sustainable Development Plan for 2022 at its meeting on February 24, 2022.	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?	✓		The Company's Sustainable Development Team, in cooperation with the 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. 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 Board of Directors on a regular basis.	No major difference
3. Environmental Issues (1) Has the Company established an appropriate environmental management system in accordance with its industrial characteristics? (2) Has the Company made effort to enhance the resources efficient use and used regenerated materials to mitigate the impact on the environment? (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?	✓ ✓ ✓		(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. (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. (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.	No major difference

Evaluation Item	Implementation Status		Deviations from "the Sustainable Development Practice Principles for TWSE/TPEX Listed Companies" and Reasons	
	Yes	No		Explanation
(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?	✓		(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.	
4. Social issues				No major difference
(1) Has the Company established related management policy and procedure in accordance with applicable legal rules and international conventions on human rights?	✓		(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.	
(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?	✓		(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.	
(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 labor safety to its employees. In times of flu epidemics, encourage wearing masks and have disinfectant alcohol and body temperature measuring equipment available at the entrance and exit for employees to use.	
(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.	
(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 has established supplier management policies, requiring suppliers to sign a "Supplier Commitment Letter" in the three parts of corporate social responsibility, environmental protection and safety and integrity policies from 2020 onwards to implement corporate social responsibility.	

Evaluation Item	Implementation Status		Explanation	Deviations from "the Sustainable Development Practice Principles for TWSE/TPEX Listed Companies" and Reasons																											
	Yes	No																													
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 not yet published a sustainability report, but has made various types of information available on the Company's corporate website.	The Company has not yet published a sustainability report.																											
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 routine legal seminars and regular meetings with domestic and international corporations, promptly disclose issues related to investors and communicate effectively with them. ➤ Continuously improve product energy efficiency and reduce product power consumption. ➤ Donations and supplies to social welfare organizations: <ul style="list-style-type: none"> (1) May 2021, donated NT\$50,000 to the "1919 Food Bank" organized by Taipei Exchange. (2) May 2021, purchase 300 pieces of "Child Welfare League Foundation" Love T-shirts for NT\$104,700. (3) Oct. 2021, donated NT\$50,000 to "Children's Bookstore" in Taitung. (4) Oct. 2021, donated NT\$50,000 to the "Eden Social Welfare Foundation" (Meals on Wheels for the elderly living alone in remote areas). (5) Oct. 2021, donated 50 Kg of rice to Taiwan Motor Neuron Disease Association. ➤ In response to environmental protection, the company requires employees to use electronic file documents as much as possible to replace paper, and make good use of the blank surface of invalid documents for recycling and reuse. In addition, the Company has been working on other social responsibilities and social welfare to give back to the public in a timely manner. ➤ Campus Industry-Academia Exchange Seminar: The Company's senior executives give lectures at universities to help students understand the IP industry and help them plan their future employment. 																															
<table border="1"> <thead> <tr> <th>Date</th> <th>Schools/Departments/Speakers</th> <th>Event Theme</th> </tr> </thead> <tbody> <tr> <td>03/19/2021</td> <td>NTHU/Electrical/Danny Director</td> <td>Seminar - High-speed Interface Circuit Design</td> </tr> <tr> <td>04/28/2021</td> <td>NCU/Electronics/Patrick VP</td> <td>Seminar -Low Power Design with IP Application</td> </tr> <tr> <td>11/26/2021</td> <td>NTHU/Electrical/Jerome Department Head</td> <td>Boost SOC Design with Silicon IP</td> </tr> <tr> <td>11/30/2021</td> <td>NCTU/Electronics/Scott President</td> <td>A-to-Z about Silicon IP Industry</td> </tr> <tr> <td>12/09/2021</td> <td>NCKU/Electrical/Jerome Department Head</td> <td>Boost SOC Design with Silicon IP</td> </tr> <tr> <td>12/13/2021</td> <td>NTU/Electronics/Sanco Deputy Manager</td> <td>Boost SOC Design with Silicon IP</td> </tr> <tr> <td>12/15/2021</td> <td>NCU/Electronics/Hao-I Deputy Manager</td> <td>Low Power Design with Silicon IP Application</td> </tr> <tr> <td>12/27/2021</td> <td>NTUST/Electronics/Jerome Department Head</td> <td>Boost SOC Design with Silicon IP</td> </tr> </tbody> </table>					Date	Schools/Departments/Speakers	Event Theme	03/19/2021	NTHU/Electrical/Danny Director	Seminar - High-speed Interface Circuit Design	04/28/2021	NCU/Electronics/Patrick VP	Seminar -Low Power Design with IP Application	11/26/2021	NTHU/Electrical/Jerome Department Head	Boost SOC Design with Silicon IP	11/30/2021	NCTU/Electronics/Scott President	A-to-Z about Silicon IP Industry	12/09/2021	NCKU/Electrical/Jerome Department Head	Boost SOC Design with Silicon IP	12/13/2021	NTU/Electronics/Sanco Deputy Manager	Boost SOC Design with Silicon IP	12/15/2021	NCU/Electronics/Hao-I Deputy Manager	Low Power Design with Silicon IP Application	12/27/2021	NTUST/Electronics/Jerome Department Head	Boost SOC Design with Silicon IP
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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 at 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 managers 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>(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?</p>	<p>✓</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> <p>(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 February 24, 2022, the</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	
(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?	✓		<p>Company's Board of Directors reported on the ethical management situation in 2021, including education and training, promotion of laws and regulations, regular checks, a whistleblower protection system, and no complaints or reports of dishonesty were received; in addition, the Company approved the annual plan for ethical management in 2022.</p> <p>(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 because of their own interests.</p>	
(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?	✓		<p>(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. 2021 audit items were audited with respect to the contents and implementation of the "Ethical Corporate Management Practice Principles" and there were no deficiencies.</p>	
(5) Has the Company organized internal and external training on ethical management?	✓		<p>(5) The company promotes and enables employees to clearly understand the company's ethical management philosophy and guidelines through various channels.</p> <ul style="list-style-type: none"> ➤ Education and training: In the newcomer education and training, the newcomers are assigned to read the "Corporate Governance Practice Principles", "Ethical Corporate Management Practice Principles," "Code of Ethical Conduct," and "Corporate Social Responsibility Practice Principles," and other related laws and regulations to cultivate the basic knowledge, code of conduct, Ethical Corporate Management Practice Principles, and operating procedures that all employees should have in order to enhance the concept of joint management and prevention of unethical behavior. ➤ Legal propaganda: The company's dedicated unit promoted the propaganda and education of all employees to facilitate their attention in conducting business. In 2021, the Company has compiled the "Ethical Corporate Management Practice Principles," "Codes of Ethical Conduct," and the important regulations on insider trading information. Through the company's intranet promotion and online reading, a total of 150 colleagues completed and returned the post questionnaires, with a total of 75 training hours. 	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
			※On July 6, 2021, the Board of directors reported to the directors the status and interpretation of short-term transaction attribution rights, and e-mailed the directors and managers on several occasions to inform them of the pattern of reporting changes in insider holdings in violation of the Securities and Exchange Act.	
3. The reporting system of the Company in action (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? (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? (3) Has the Company taken protection measures to protect the informant from improper treatment after reporting on unethical practices?	√ √ √		(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. (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. (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.	No major difference
4. Enhancing Information Disclosure (1) Has the Company disclosed the content of Ethical Corporate Management Best Practice Principles and the result at its official website and MOPS?	√		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.	No major difference
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				
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.				

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. 24, 2022

Based on the results of the self-assessment, the Company's internal control system for the year 2021 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, 2021, 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 24, 2022. Of the seven directors present, none held an opposing view and the rest agreed to the contents of this statement and hereby declare.

(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 Aug 5, 2021 (originally scheduled on 05/27/2021, postponed due to the pandemic).

Major Resolutions	Status of Execution
(1) Adoption of the Business Report and Financial Statements of 2020	(1) Declared in accordance with the law.
(2) Adoption of the Proposal for Profit Distribution of 2020	(2) The allocation has been made in accordance with the resolution, and August 29, 2021 has been set as the distribution base date and the cash dividends will be paid on September 17, 2021.
(3) Approval of the amendment to the Company's "Articles of Incorporation"	(3) The resolution has been amended in accordance with the approved contents and the operation has been followed.
(4) Approved the issuance of "New Restricted Employee Shares"	(4) The resolution was approved and 288,000 new restricted employee shares were registered by the Ministry of Economic Affairs on October 6, 2021.
(5) To elect one Director at the Board of Directors Meeting of the Fourth Term.	(5) By-election one Director was registration by the Ministry of Economic Affairs on August 10, 2021.
(6) Proposal of Removing the Prohibition on Directors from Participation in Competitive Business	(6) The proposal has been approved in accordance with the resolution

(2) Major Resolutions of Board Meetings

Date / Session	Major Resolutions and Execution
Jan 19, 2021 The 5 th Session of the 4 th Term (1 st session of 2021)	(1) Approved the election of the chairman of the Board of Directors (Director Yuan-Hsun Chang was elected as Chairman of the Board of Directors and relevant changes of registration) (2) Approved the appointment of the chairman of the board and the director of M31 TECHNOLOGY USA, INC. (3) Approved the appointment of the Chairman of Sirius Venture Ltd. (4) Approved the appointment of the chairman and supervisors of M31 TECHNOLOGY (Shanghai), INC.
Feb 23, 2021 The 6 th Session of the 4 th Term (2 nd session of 2021)	(1) Approval of the appropriation of directors' remuneration and employees' remuneration for 2020 (2) Approval of the Company's financial statements and business report for 2020 (3) Approval of the profit distribution for 2020 (4) Approval of the Company's Statement of Internal Control System for 2020 (5) Approval of the amendment to the Company's "Articles of Incorporation" (6) Approval of the Company's by-election for the fourth term of Directors (7) Approval of the nomination of the Company's director candidates (8) Approval of the proposal of removing the prohibition on Directors from participation in competitive business (9) Approval of the convening of the Company's 2021 Annual Meeting of Shareholders (10) Approval of the Company's bank credit lines. (11) Approved the evaluation of the independence and performance of the CPA engaged by the Company (12) Approval of the review of the remuneration of the Company's managers for 2021 (13) Approval of the Company's employee compensation tool (14) Approval of the Company's purchase of significant R&D software

Date / Session	Major Resolutions and Execution
<p>May 4, 2021</p> <p>The 7th Session of the 4th Term (3rd session of 2021)</p>	<p>(1) Approval of the Company's consolidated financial statements for the first quarter of 2021</p> <p>(2) Approval of the amendment to the "Rules of Procedure for the Board of Directors' Meetings" of the Company</p> <p>(3) Approval of the amendment to the Company's "Audit Committee Charter"</p> <p>(4) Approval of the formulate to the Company's "Regulations Governing the Issuance of New Restricted Employee Shares"</p> <p>(5) Approval of the formulate to the Company's "Organizational Rules of the Nominating Committee"</p> <p>(6) Approval of the evaluating the Company's lending of non-financial assets to others for overdue accounts receivable</p> <p>(7) Approval of the acquisition of monetary funds by the Company</p> <p>(8) Approval of the allocation of directors' remuneration and employees' compensation for the year 2020</p> <p>(9) Approval of the appointment of the Company's corporate governance officer</p>
<p>Jul 6, 2021</p> <p>The 8th Session of the 4th Term (4th session of 2021)</p>	<p>(1) Approval of the changing of the date and venue of the Company's 2021 Annual Meeting and related matters</p> <p>(2) Approval of the establishment of the Nomination Committee and the election of members of the Nomination Committee of the Company</p> <p>(3) Approval of the purchase of major R&D software by the Company</p>
<p>Aug 5, 2021</p> <p>The 9th Session of the 4th Term (5th session of 2021)</p>	<p>(1) Approval of the Company's consolidated financial statements for the second quarter of 2021</p> <p>(2) Approval of the Company sets the ex-dividend date for cash dividends.</p> <p>(3) Approval of the relocation of the Company</p> <p>(4) Election of Chairman of the Board of Directors (Director Ms. Huey-Ling Chen was elected as Chairman of the Board of Directors and relevant changes of registration)</p>
<p>Aug 27, 2021</p> <p>The 10th Session of the 4th Term (6th session of 2021)</p>	<p>(1) Approval of the amendment to the Company's "Regulations Governing the Issuance of New Restricted Employee Shares in 2021"</p> <p>(2) Approval of the issuance of new restricted employee shares in accordance with the "Regulations Governing the Issuance of New Restricted Employee Shares in 2021"</p> <p>(3) Approval of the establishment of the remuneration of the Company's chairman</p> <p>(4) Approval of the acquisition of Securities Authorization by the Company</p>
<p>Nov 2, 2021</p> <p>The 11th Session of the 4th Term (7th session of 2021)</p>	<p>(1) Approval of the Company's consolidated financial statements for the third quarter of 2021</p> <p>(2) Approval of the major R&D expenditures by the Company</p> <p>(3) Approval of the acquisition of securities authorization by the Company</p> <p>(4) Approval of the amendment to the Company's internal control regulations</p> <p>(5) Approval of the Company's audit plan for 2022.</p> <p>(6) Approval of the Company's FY2022 budget</p> <p>(7) Approval of the Year-end bonus for the Company's managers for 2021</p> <p>(8) Approval of the amendment to the Company's "Corporate Governance Practice Principles"</p> <p>(9) Approval of the amendment to the Company's "Performance Evaluation Regulations for the Board of Directors and Managers"</p> <p>(10) Approval of the appointment of Spokesperson and Acting Spokesperson</p>
<p>Feb 24, 2022</p> <p>The 12th Session of the 4th Term (1st session of 2022)</p>	<p>(1) Approval of the distribution of directors' remuneration and employees' compensation for 2021</p> <p>(2) Approval of the Company's financial statements and business report for 2021</p> <p>(3) Approval of the Company's profit distribution for 2021</p> <p>(4) Approval of the Statement of Internal Control System for 2021</p> <p>(5) Approval of the amendment to the Company's "Articles of Incorporation"</p> <p>(6) Approval of the amendment of the Company's "Procedures for the Acquisition or Disposal of Assets".</p> <p>(7) Approval of the establishment of the Company's "Sustainable Development Best Practice Principles"</p> <p>(8) Approval of the the method and content of cash capital increase issuance of ordinary shares by public offering or private placement</p> <p>(9) Approval of the proposal of removing the prohibition on current directors from participation in competitive business</p>

Date / Session	Major Resolutions and Execution
Feb 24, 2022 The 12th Session of the 4 th Term (1 st session of 2022)	(10) Approval of the convening of the Company's 2022 Annual Meeting of Shareholders (11) Approval of the evaluation of the independence and suitability of the Company's CPA and their appointment (12) Approval of the the Company's bank credit lines. (13) Approval of the amendment to the Company's "Corporate Governance Practice Principles" (14) Approval of the review of the remuneration of the Company's managers for 2022 (15) Approval of the review of the remuneration of the Company's directors (including independent directors) for 2022 (16) Approval of the Company's 2022 Ethical Management Plan (17) Approval of the Company's sustainable development plan for 2022

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 :

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Chairman	Hsiao-Ping Lin	10/05/2011	01/09/2021	Passed Away
President	Hsiao-Ping Lin	10/05/2011	01/01/2021	Succession Planning
Chairman	Yuan-Hsun Chang	01/19/2021	08/05/2021	Mr. Yuan-Hsun Chang resigned as Chairman of the Board of Directors in consideration of the development needs of the Company and in line with the corporate governance spirit, and the Board of Directors elected Ms. Huey-Ling Chen as Chairman of the Board of Directors.

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	Yu-Feng Huang	01/01/2021 to 12/31/2021	1,470	633	2,103	—
	Mei-Chen Tsai					

Non-audit public services: 2021 tax NT\$400,000 + 2021 Q1~Q4 XBRL totaling NT\$100,000 + 2021 annual report review NT\$30,000 + 2020 non-executive compensation NT\$20,000 + 2019 unappropriated profit real investment offset NT\$20,000 + 2021 travel and printing NT\$63,000.

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	2021		2022 (As of March 28)	
		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	Hsiao-Ping Lin (Note 1)	—	—	—	—
Chairman	Huey-Ling Chen (Note 1)	42	—	—	2,000
More than 10% Shareholders	Jui-Chun Investment Co., Ltd.	—	—	3	—
Director	Yuan-Hsun Chang (Note 1)	5	—	2	—
Director	Tsung-Hsi Ko	—	—	—	—
Director	Li-Kuo Liu	—	—	—	—
Independent Director	Jun-Ji Lin	—	—	—	—
Independent Director	Ching-Te Chuang	—	—	—	—
Independent Director	Shih-Ying Huang	—	—	—	—
Vice President of Fundamental IP	Patrick Lien	(14)	—	—	—
Vice President of Business Executive Center and Corporate Governance Officer	Grace Liu (Note 1)	—	—	—	—
Finance Manager	Sally Lo	—	—	—	—
Chief Operating Officer	David Lyou (Note 3)	—	—	—	—
Chief Technology Officer	Willis Shih (Note 4)	—	—	—	—

Note 1: Chairman Hsiao-Ping Lin passed away on January 9, 2021 and Director Yuan-Hsun Chang was elected as Chairman on January 19, 2021; however, Chairman Yuan-Hsun Chang resigned on August 5, 2021 and the new Director, Ms. Hui-Ling Chen, was elected as Chairman.

Note 2: Grace Liu, Vice President, was newly appointed on January 1, 2021.

Note 3: David Lyon, Chief Operating Officer, was newly appointed on January 1, 2021 and resigned on May 31, 2021.

Note 4: Willis Shih, Chief Technology Officer, was reassigned as Executive Assistant to the Chairman on January 21, 2021.

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 3 shareholding who are related parties to one another or spouse, kindred within the 2nd degree of kinship

March 28, 2022

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	
Hsiao-Ping Lin	6,604	20.89	4,596	14.54	-	-	Huey-Ling Chen	Spouse	-
							Huey-Kuan Chen	Second degree of kinship	-
							Huey-Wen Chen	Second degree of kinship	-
							Jui-Chun Investment Co., Ltd.	The spouse of Hsiao-Ping Lin is Huey-Ling Chen, in charge of Jui-Chun Investment Co., Ltd.	-
							Yi-Chen Lin	Father & Daughter	-
Huey-Ling Chen	4,596	14.54	6,604	21.09	1,645	5.20	Hsiao-Ping Lin	Spouse	-
							Huey-Kuan Chen	Second degree of kinship	-
							Huey-Wen Chen	Second degree of kinship	-
							Jui-Chun Investment Co., Ltd.	The person in charge of Jui-Chun Investment Co., Ltd is Huey-Ling Chen	-
							Yi-Chen Lin	Mother & Daughter	-
Jui-Chun Investment Co., Ltd. (Person in charge: Huey-Ling Chen)	1,645	5.20	-	-	-	-	Hsiao-Ping Lin	The spouse of Hsiao-Ping Lin is Huey-Ling Chen, in charge of Jui-Chun Investment Co., Ltd.	-
							Huey-Ling Chen	In charge of Jui-Chun Investment Co., Ltd	-
							Huey-Kuan Chen	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is the second degree relative of Huey-Kuan Chen	-
							Huey-Wen Chen	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is the second degree relative of Huey-Wen Chen	-
							Yi-Chen Lin	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is the mother of Yi-Chen Lin-	-

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	
Shui-Cheng Tu	895	2.83	-	-	-	-	-	-	-
DNCA Investment Funds	825	2.61	-	-	-	-	-	-	-
First Japan Trust Bank World Fund	562	1.78	-	-	-	-	-	-	-
Huey-Kuan Chen	411	1.30	-	-	-	-	Hsiao-Ping Lin	Second degree of kinship	-
							Huey-Ling Chen	Second degree of kinship	-
							Jui-Chun Investment Co., Ltd.	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is the second degree relative of Huey-Kuan Chen	-
							Huey-Wen Chen	Second degree of kinship	-
HSBC Asia Smaller Companies Fund	407	1.29	-	-	-	-	-	-	-
Huey-Wen Chen	386	1.22	-	-	-	-	Hsiao-Ping Lin	Second degree of kinship	-
							Huey-Ling Chen	Second degree of kinship	-
							Jui-Chun Investment Co., Ltd.	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is the second degree relative of Chun-Chih Chen	-
							Huey-Kuan Chen	Second degree of kinship	-
Yi-Chen Lin	344	1.09	-	-	-	-	Hsiao-Ping Lin	Father & Daughter	-
							Huey-Ling Chen	Mother & Daughter	-
							Jui-Chun Investment Co., Ltd.	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is the mother of Yi-Chen Lin	-

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, 2022 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.	450	100%	-	-	450	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
Oct 2011	10	5,000	50,000	500	5,000	Set up Capital : 5,000	None	Note 1
Mar 2012	10	36,000	360,000	4,500	45,000	Cash Offering : 40,000	None	Note 2
Apr 2012	10	36,000	360,000	10,568	105,680	Cash Offering : 60,680	None	Note 3
May 2012	10	36,000	360,000	16,573	165,730	Cash Offering : 60,050	None	Note 4
Jun 2012	10	36,000	360,000	23,000	230,000	Cash Offering : 64,270	None	Note 5
Sep 2016	19.5	36,000	360,000	24,840	248,400	Cash Offering : 18,400	None	Note 6
Jan 2017	15 to 16.5	36,000	360,000	28,561	285,610	Exercise of Employee Stock : 37,210	None	Note 7
Jun 2017	15 to 16.5	36,000	360,000	28,640	286,400	Exercise of Employee Stock : 790	None	Note 8
Feb 2019	198 to 269	50,000	500,000	31,318	313,180	Cash Offering : 26,780	None	Note 9
Oct 2021	100	50,000	500,000	31,606	316,060	New restricted employees' shares : 2,880	None	Note 10

Note1: Approval and registration date document number 10/21/2011 Ching Shou Chung Tzu No.10032666230

Note2: Approval and registration date document number 03/03/2012 Ching Shou Chung Tzu No.10131720200

Note3: Approval and registration date document number 04/02/2012 Ching Shou Chung Tzu No.10131836230

Note4: Approval and registration date document number 05/02/2012 Ching Shou Chung Tzu No.10131951700

Note5: Approval and registration date document number 06/11/2012 Ching Shou Chung Tzu No.10132110760

Note6: Approval and registration date document number 09/23/2016 Ching Shou Chung Tzu No.10534343540

Note7: Approval and registration date document number 01/25/2017 Ching Shou Chung Tzu No.10633046470

Note8: Approval and registration date document number 06/08/2017 Ching Shou Chung Tzu No.10633318180

Note9: Approval and registration date document number 02/12/2019 Ching Shou Chung Tzu No.10833086780

Note9: Approval and registration date document number 02/12/2019 Ching Shou Chung Tzu No.10833086780

Note10: Approval and registration date document number 10/06/2021 Ching Shou Chung Tzu No. 11033623470

(2) Type of Stock

3/31/2022 Unit : Shares

Type of Stock	Authorized shares Capital			Remarks
	Outstanding Shares	Un-issued Shares	Total	
Registered Common Share	31,606,000	18,384,000	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

3/28/2022 Unit : Person ; shares ; %

Compostion Quantity	Government Apparatus	Financial Institution	Other Juridical Person	Individual	Foreign Institutions & Foreigner	Total
Number of Person	-	11	30	5,718	44	5,803
Number of Shares	-	250,357	2,263,001	26,288,108	2,804,534	31,606,000
Shareholding Ratio	-	0.79	7.16	83.17	8.88	100.00

4.1.3 Equity Distribution

Par value NT\$10 ; 3/28/2022 Unit : Person ; shares ; %

Holding Share Classification	No. of Shareholders	Number of Shares	Shareholding Ratio %
1 — 999	1,890	226,229	0.71%
1,000 — 5,000	3,525	5,755,885	18.21%
5,001 — 10,000	209	1,626,134	5.15%
10,001 — 15,000	57	707,477	2.24%
15,001 — 20,000	21	389,900	1.23%
20,001 — 30,000	31	767,001	2.43%
30,001 — 40,000	17	597,000	1.89%
40,001 — 50,000	8	364,717	1.15%
50,001 — 100,000	16	1,219,157	3.86%
100,001 — 200,000	13	1,716,000	5.43%
200,001 — 400,000	8	2,291,500	7.25%
400,001 — 600,000	3	1,380,000	4.37%
600,001 — 800,000	-	-	-
800,001 — 1,000,000	2	1,720,000	5.44
1,000,001 or above	3	12,845,000	40.64
Total	5,803	31,606,000	100.00

Preferred shares : N/A.

4.1.4 List of Major Shareholders

3/28/2022 Unit : Shares ; %

Major Shareholder's Name	Shares	Shareholding Ratio %
Hsiao-Ping Lin	6,604,000	20.89
Huey-Ling Chen	4,596,000	14.54
Jui-Chun Investment Co., Ltd.	1,645,000	5.20
Shui-Cheng Tu	895,000	2.83
DNCA Investment Funds	825,000	2.61
First Japan Trust Bank World Fund	562,000	1.78
Huey-Kuan Chen	411,000	1.30
HSBC Asia Smaller Companies Fund	407,000	1.29
Huey-Wen Chen	386,000	1.22
Yi-Chen Lin	344,000	1.09

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	2020	2021	2022 (As of March 31) (Note 6)
Market Price per Share (Note 1)	The Highest		419.50	534.00	405.50
	The Lowest		175.50	290.00	312.00
	Average		326.24	395.61	361.05
Net Value per Share (Note 2)	Before Distribution		48.18	50.10	N/A
	After Distribution		40.24	43.85(Note2)	N/A
Earnings per Share	Weighted Average Shares		31,166	31,107	N/A
	Earnings Per Share		10.34	8.12	N/A
Dividends per Share (Note 2)	Cash Dividends(per share)		8.00	6.30	N/A
	Free-Gratis Divedends	Retained Earnings Distribution (per share)	-	-	N/A
		Capital Reserved Distributin	-	-	N/A
	Accumulated unpaid dividends		-	-	N/A
Return on Investment Analysis	Price / Earnings Ratio (Note 3)		31.55	48.72	N/A
	Price / Earnings Ratio (Note 4)		40.78	62.80	N/A
	Cash Dividend Yield Rate (Note 5)		2.45%	1.59%	N/A

Note 1: Market price per share is based on the information posted on the official website of TPEx. The average market price is calculated based on the transaction value and volume for the period.

Note 2: Information on 2020 is based on the resolution of the Shareholders' Meeting in 2021; the distribution of profits for 2021 is cash dividend of NT\$6.3 per share, still pending on the final resolution of the Shareholders' Meeting in 2022.

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: 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, 2022.

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: On February 24, 2022, the Board of Directors resolved to distribute shareholders' bonuses of NT\$6.3 per share, which will be processed in accordance with the relevant regulations after the resolution of the Annual Meeting of Shareholders on May 26, 2022.

4.1.7 The effect of bonus share distribution proposed at this shareholders' meeting on the Company's 2021 operating performance and earnings per share: N/A.

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 compensation payable to employees for 2021 approved by the Company on February 24, 2022 is recorded at a certain rate based on the current year's profitability. If the estimated amount differs from the actual amount paid, the difference is treated as a change in accounting estimate and adjusted in the year in which the amount is paid.

- (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 24, 2022 resolved to distribute employees' compensation of NT\$3,680 thousand and directors' remuneration of NT\$3,680 thousand for 2021, which are the same as the estimated amount of expenses for 2021 and there is 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 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:

	Resolution of the Board (2/23/2021)	Actual Disbursements
	Amount(NT\$)	Amount(NT\$)
Directors' Remuneration	4,200,000	4,200,000
Employees' Compensation	4,200,000	4,200,000
Total	8,400,000	8,400,000

Note: The above-mentioned employees' remuneration was expensed for 2020 and there was no difference between the amount recorded and the resolution of the Board of Directors.

4.1.9 Repurchase of Company shares

3/31/2022

Repurchase times	The first time
Repurchase purpose	Transfer of shares to employees
Repurchase period	3/17/2020 to 5/16/2020
Estimated price range for repurchase	176.50 to 265
Type and number of shares actually repurchased	211,000 (common shares)
The total amount of shares repurchased	NT\$ 48,064,037
The ratio of the quantity repurchased to the planned repurchase quantity (%)	84.40%
Shares deregistered and transferred (shares)	0
Cumulative holding (shares)	211,000
Cumulated holding as a percentage of total issued shares (%)	0.67%

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 New Restricted Employee Shares

4.6.1 Status of New Restricted Employee Shares:

3/31/2022

New Restricted Employee Shares Types	Issuance of New Restricted Employee Shares in 2021 The 1st Time
Effective Date	8/17/2021
Issuance Date	9/23/2021
Number of Shares Issued	288,000 shares
Issuance Price	NT\$100 per share

Number of New Restricted Employee Shares Issued as a percentage of Total Number of Shares Issued	0.91%									
Vested Conditions of New Restricted Employee Shares	<p>(1) The employee has served for the following period of time and has achieved the performance standards for that year during the vesting period:</p> <table border="1"> <thead> <tr> <th>Vested Period</th> <th>Vested Share Ratio</th> <th>Performance</th> </tr> </thead> <tbody> <tr> <td>Two years from the date of grant</td> <td>50%</td> <td>Annual performance appraisal of G or above</td> </tr> <tr> <td>Three years from the date of grant</td> <td>50%</td> <td>Annual performance appraisal of G or above</td> </tr> </tbody> </table> <p>(2) The criteria for achieving the individual performance goals are set by the Company and the individual employee.</p>	Vested Period	Vested Share Ratio	Performance	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
Vested Period	Vested Share Ratio	Performance								
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								
Restricted Rights of New Restricted Employee Shares	<p>(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.</p> <p>(2) The new 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.</p> <p>(3) After the issuance of new restricted employee shares, the trust shall be delivered immediately and the employee shall not request the trustee to return the new restricted employee shares for any reason or in any way before the vesting condition is fulfilled.</p>									
Custody of New Restricted Employee Shares	New 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	If an employee does not satisfy the vesting condition after being allotted new restricted employee shares, the Company may buy back the new restricted employee shares allotted to him/her that have not yet satisfied the vesting condition (including the stock dividends and their related rights) at the issue price and cancel them.									
Number of New Restricted Employee Shares Recalled or Acquired	3,000 Shares									
Number of Released New Restricted Employee Shares	0 Shares									
Number of shares not released from New Restricted Employee Shares	285,000 Shares									
Ratio of Outstanding New Restricted Employee Shares to Total Issued Shares (%)	0.90%									
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 managers and the top ten employees who acquired new restricted employee shares as of the date of publication of the annual report and the status of acquisition

3/31/2022 Unit: Thousand shares; NT\$ thousands; %

	Title	Name	Number of New 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
Managers	Vice President of Fundamental IP	Patrick Lien	14	-	-	-	-	14	100	1,400	0.04
	Vice President of Business Executive Center and Corporate Governance Officer	Grace Liu									
	Finance Manager	Sally Lo									
Employees	Employee	Danny Huang	60	-	-	-	-	60	100	6,000	0.19
	Employee	Aviles Chang									
	Employee	Eason Yi									
	Employee	Sam Chang									
	Employee	Ian Huang									
	Employee	Jerome Hung									
	Employee	Huaide Wang									
	Employee	Adan Wu									
	Employee	Silvia Su									
	Employee	Spice Huang									

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

Revenue Streams \ Year	2020		2021	
	Net Revenue	Revenue Contribution	Net Revenue	Revenue Contribution
Licensing	867,702	88.45%	858,961	84.89%
Royalty	113,314	11.55%	152,918	15.11%
Total	981,016	100.00%	1,011,879	100.00%

(3) Current Products (Services)

Products	Functions
Foundation IP	<p>Our primary service targets are foundries and IC design companies, and we have corresponding product solutions for different wafer processes. Our product categories include Standard Cell Library, Memory Compilers, and I/O Standard Library, providing low-power, high-density memory compilers and the optimal modularization library IP design and licensing. Currently, we have developed IPs for microcontroller ICs, smart card ICs, power management ICs, panel driver ICs, Internet of Things ICs, and other related products.</p>
High Speed Interface IP	<p>The main service targets are IC design companies, and the product categories include: USB : USB 1.1/2.0/3.0/3.1/3.2/4.0 PCIe : PCI Express G2/G3/G4/G5 SATA : SATA 2/3 MIPI : M-PHY、C-PHY、D-PHY 及 C/D-PHY Combo Interface specifications of various high-speed interface IP design and development and licensing. Wide applications range including mobile devices, storage devices, automotive electronics, artificial intelligence, Internet of Things, and related products for high-speed computing applications.</p>
Analog IP	<p>The main service targets are IC design companies, and the product categories include PLL、ADC、VDT、Temperature Sensor、POR, and other analog IP design and development and licensing. Scope of applications: mainly focus on IoT and wearable device applications.</p>

(4) New products (services) development plan

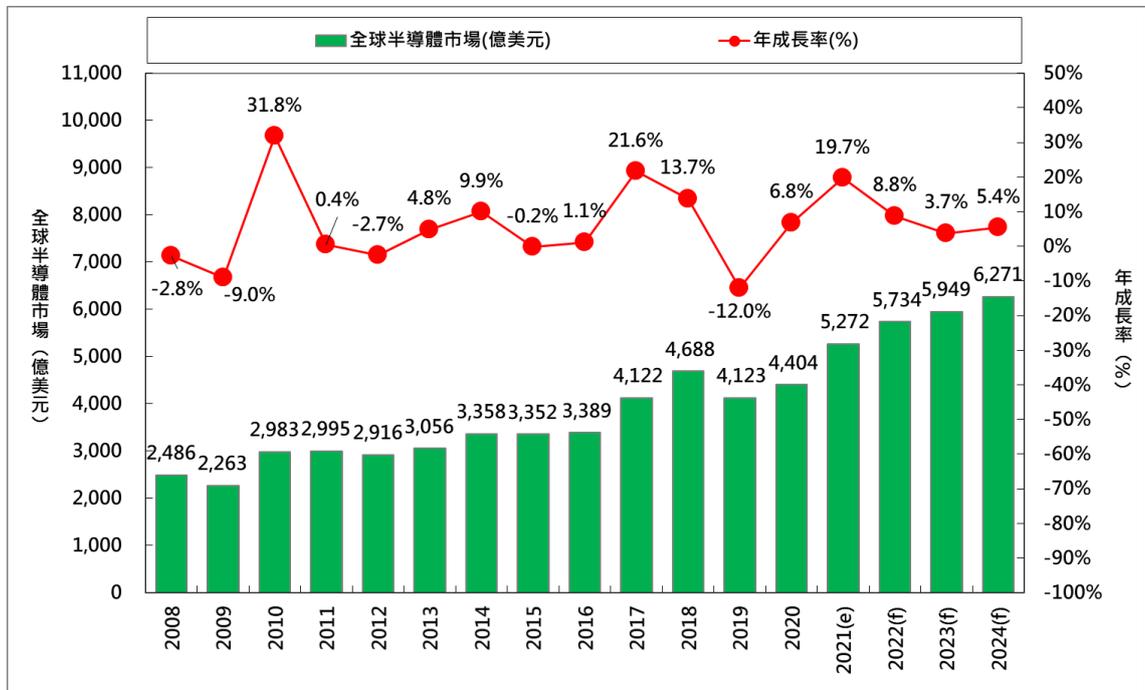
- (4.1) eUSB2.0, USB 4.0, PCIe 5.0, MIPI C/D-PHY Combo TX/RX, DDR4, PAM4 SerDes:
The latest generation of high-speed interface transfer specifications to meet the requirements of future computing devices for faster data transfer rates and continuous upgrades in bandwidth specifications.
- (4.2) Analog Front End : Interface sensors for analog and digital systems.
- (4.3) 5/7nm Standard Cell Library, High Performance SRAM: Continued development of advanced process Standard Cell Library and Memory Compiler to meet the demand for high performance computing ICs.
- (4.4) IP Integration Services: Achieve extremely low power CPU physical design and standard IP cell library performance enhancement in the shortest possible time to meet customers' needs for special processor specifications and performance optimization.

(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

Electronic products from the early days of home appliances to personal computers, to the age of mobile devices, then evolved into ubiquitous computing, memory, and sensors. These functions have replaced what humans are supposed to do, creating intellectual space and various smart applications. With the popularity of artificial intelligence, future development areas include self-driving cars, smart homes, smart factories... and other electronic systems and mechanical devices that can independently judge and learn, applied to transportation, health care, industrial manufacturing, IoT, energy, natural resources, security and control of various industries.

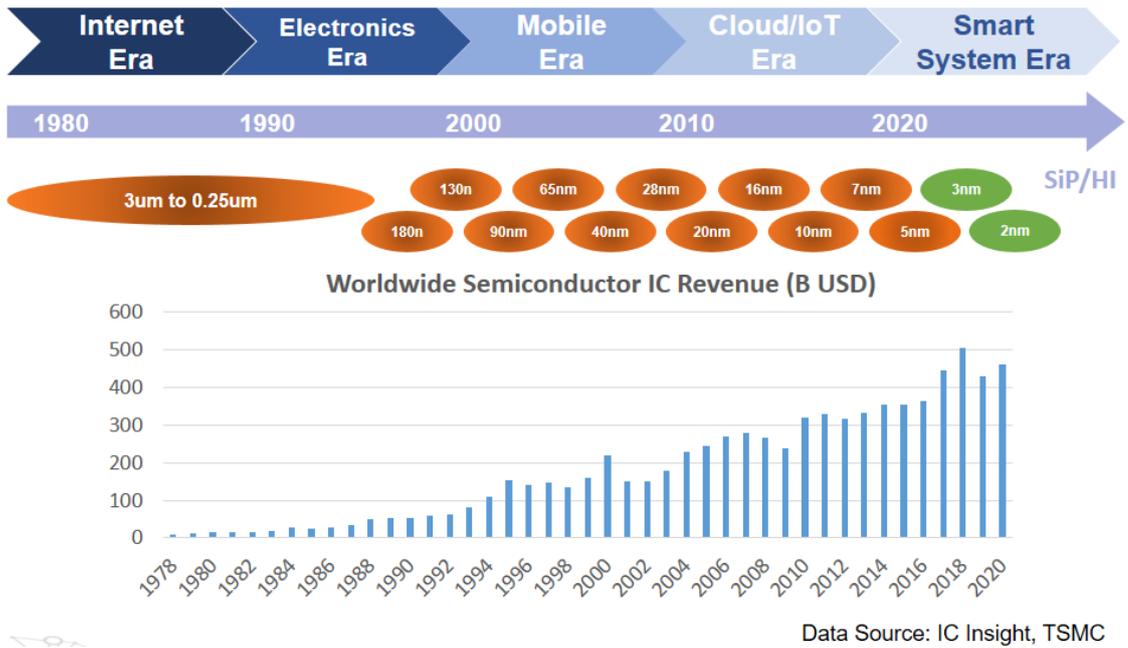


Source: WSTS; Industrial Technology Research Institute (ITRI) (11/2021)

ICs are the key components of electronic products, and the upgrade of IC products is driven by wafer fabrication technology. The more advanced the process, the faster the speed, the lower the power consumption, and the smaller the area. TSMC's 3nm process has already started trial production in 2021 and is expected to be in mass production in the second half of 2022. In the next few years, the trend of 5G and HPC related applications, as well as the increase of semiconductor content in many end-use applications, will drive the increasing demand for certain special process technologies in mature processes. The future thrust of the entire semiconductor technology evolution continues and the growth momentum is expected to continue to boost the overall semiconductor industry.

The COVID-19 pandemic continued to hit the world in 2021, but the semiconductor market was not affected, instead it showed explosive growth.

According to the World Semiconductor Trade Statistics (WSTS), the global semiconductor market is expected to grow by 25.1% in 2021 compared to 2020 and reach a new record high of US\$550.9 billion in output value; and the supply and demand will return to normal in 2022, with a 10.1% annual growth rate and US\$606.5 billion in output value. Taiwan's semiconductor industry is expected to outperform the global average, with an annual growth rate of 10.1% and an output value of US\$606.5 billion in 2022. According to Counterpoint Research, the global semiconductor IP market is expected to grow to US\$8.6 billion by 2025, with a CAGR of over 11%.

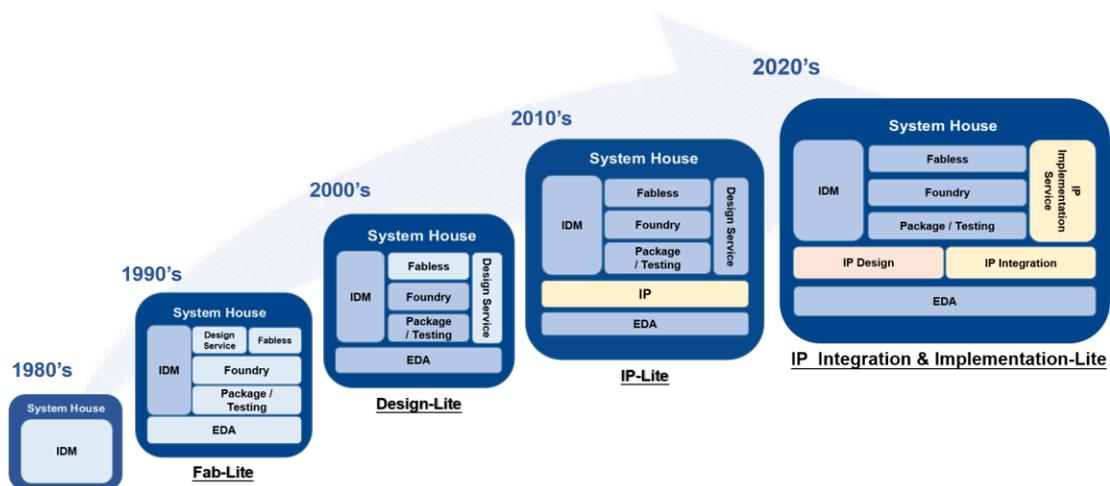


To meet the demand for high performance and multi-functionality in electronic products, semiconductor IC designers and manufacturers are working hard to develop new complex IC designs with multi-core technologies. However, the integration of such complex designs prolongs the overall semiconductor product development timeline and increases cost risk. Semiconductor IP is bridging the time-to-market gap between design complexity and volume production, making semiconductor IP licensing a highly adopted market in the electronics industry. As IC design becomes more complex and R&D costs become higher, the demand for semiconductor IP licensing will become more and more widespread.

(2) Evolution of the semiconductor supply chain

Back in the 1980s, IDM was the only supplier of semiconductors. After the emergence of foundries such as TSMC and UMC in the 1990s, fabless development opportunities arose. In addition, IDMs are gradually changing to the fab-lite model, taking into account the operating costs of the fabs. Recently, even Intel is planning to place orders with TSMC for high-end process products. In the 2000s, IC design services companies such as Faraday, C-TECH, and Alchip were established to provide "Spec-in" or "RTL-in" design services to system manufacturers and IC design houses. Design outsourcing can reduce the cost of maintaining a large amount of R&D workforce and is known as the Design-Lite model. In the 2010s, due to the complexity of IC design functional integration, third-party IP licensing allows 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 the complexity of chip design continues to increase in the 2020s, IP requires a more refined division of expertise and services. A professional silicon IP company not only provides a wide range of process-proven IP categories, but also needs to provide design execution and integration services to ensure IC designers can complete better product designs, easier reusable designs, and faster time-to-market. This enables IC design teams to be managed more flexibly and allows organizations to respond flexibly to changes in the market environment. Therefore, it can be said that IP companies have strung together the economic benefits of the entire semiconductor industry chain.



(3) R&D status and product development trends

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 an important driving force for real-time data management and processing, and the popularity of 5G, fiber optic networks and cameras is bound to drive AI applications everywhere, especially in edge computing. M31 high-speed interface IP, including PCIe, USB, MIPI, SerDes, etc., is responsible for the fast data transfer of large amount of data. High Speed SRAM, High Performance Library, provides the Foundation IP required for AI high-speed computing engine.

(3.2) Automotive Electronics

With the maturity of 5G and the rapid deployment of infrastructure, it will accelerate the booming development of Carlink, autonomous driving, advanced driver assistance systems, and intelligent transportation systems, thus creating huge business opportunities. In 2021, global electric vehicle sales have exceeded 6 million units, with the introduction of dozens of new electric vehicles, including Tesla, Chevrolet, Ford, BYD, Porsche, Volvo, VW, Audi, BMW, Nissan, Hyundai, and many others. As battery technology continued to evolve and the penetration of charging facilities accelerated, consumers' concerns were allayed and EVs were set to grow by leaps and bounds. In 2010, electronics accounted for about 35 percent of the total cost of a car. However, in the following two decades, as technology continues to advance and innovate, automotive electronics is expected to account for about 50% of the total cost of the vehicle. The rapid growth of automotive electronics is no doubt the trend.

Unlike general consumer electronics, automotive electronics require a high degree of security and reliability. In 2021, M31's automotive IP products, including MIPI M PHY, MIPI D PHY, PCIe PHY, Memory Compiler and GPIO, have obtained ISO 26262 automotive safety certification and have been adopted by major European and US automotive electronics manufacturers. Meanwhile, M31 has been expanding its penetration and market share by expanding its presence in global automotive manufacturers and different applications, such as in-vehicle entertainment systems, in-vehicle networks, security systems, power systems, etc.

(3.3) Internet of Things

IoT basically covers MCU (ALU + RAM + eFlash), wireless transmission interface (Wi-Fi, Bluetooth) and sensor (MEMS, sensor).

Wi-Fi 6 (also known as IEEE 802.11ax) introduced to the market in 2019. In 2021, the technology has already made its way to the chipset, access point (AP) and client side, many smartphones and tablets, personal computers (PCs), home entertainment, gaming, automobiles, wearables, smart homes, and various IoT applications in many different vertical industries have begun to support this technology; Bluetooth Low Energy (BLE) v5.2 is another revolutionary step, with audio sharing as one of the key features.

IoT devices need to sense information, connect to the Internet, analyze, manage and store data, and therefore will require many ICs and components to meet specific requirements and rigorous specifications. Basically, low power consumption, small size and cost effectiveness are the necessary specifications for IoT devices. M31 low power solution includes Green Memory, Low Operating Voltage Memory, Low Power Standard Cell Library, Ultra Low Power Fractional PLL (ULFPLL) and Low Power Interface IP (e.g. USB 2.0 and USB 1.1).

- M31 Green Energy Memory offers low power modes including standby, intermediate hibernation, deep hibernation 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 (ULFPPLL) can operate at very low voltages to conserve power and provide a reliable clock source for SoCs.
- Low-power 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's various low-power, small area IP designs provide customers with highly competitive and complete options for the future era IoT. M31 high-speed interface IP, together with low-power Foundation IP database and Analog IP, offers a more comprehensive solution.

(3.4) Digital Storage

The global market continues to experience strong demand due to the growth of handheld and portable device applications. Digital storage devices are used for data exchange and storage of images, videos, and documents. In order to transfer large amounts of data and connect to various devices, interfaces with different specifications are required. Whether it is USB flash drive, SSD, SD card, eMMC or UFS, M31 has developed a series 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 transfer, and low power consumption, and cover all process nodes of major foundries to meet the best price/performance market requirements.

M31's next-generation data storage market opportunities lie in the continuous upgrade of storage speed and transmission specifications, such as PCIe interface from Gen2, Gen3, Gen4 to Gen5, and USB interface from 1.1, 2.0, 3.2 to 4.0. PCIe and USB continue to advance to higher speed, and the compactness of the interface standard revision shows the urgent need for interface bandwidth for future computing devices. This includes data storage devices.

(3.5) Power Management Chips

The main function of the power management IC is to control the flow and direction of power to meet the needs of the main system. It selects and distributes power to various parts of the main system from multiple power sources (e.g., external DC power, battery, USB power, etc.), such as providing multiple power sources of different voltages, and is responsible for charging the internal battery. Because most of the systems used use batteries as the power source, they are designed with high conversion efficiency to reduce power loss. Analog ICs can be divided into three major categories based on their functions: power management ICs (PMIC, LDO, DC/DC), signal chain ICs (Comparator, Amplifier), and digital analog converter ICs (ADC/DAC). According to WSTS data, the demand for analog chips, led by power management (PMIC) chips, continues to be high, and the analog chip market is expected to reach US\$67.95 billion in 2021, outperforming the average 20.9% annual growth rate of the chip market. PMICs are expected to grow in the future driven by new applications in communication (smartphones and base stations), consumer electronics (TWS Bluetooth headset promotion), AIoT (Artificial Intelligence of Things), and automotive electronics (new energy vehicles, charging piles). PMIC wafer production is generally based on the BCD

(Bipolar-CMOS-DMOS) process, and the technology trends in BCD technology are in voltage capability, switching speed of power transistors, and high integration of logic CMOS for devices requiring high voltage. 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 to reduce 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 90nm to 180nm and enable customers to compete in cost-oriented markets where high performance products are the standard.

(3.6) Display Driver Chips

Driver ICs are used to operate various types of display panels, and their function is to receive display data from the processor and convert it into analog voltage to operate the display panel. The display driver IC market is expected to grow rapidly due to the growing demand for LCD panels in smartphones, TVs, and other electronic devices. Key growth drivers include higher levels of resolution, faster data transfer and increased average selling prices. Display driver IC wafers are generally manufactured using a high voltage process for mobile displays, large format panels, e-paper display drivers, touch drivers and other applications.

M31 provides high voltage process fundamental IP, including Standard Cell, GPIO and SRAM Compiler, a comprehensive IP solution that delivers high quality panel-driven graphics foundations and reduces power consumption for product designs in TVs, smartphones, tablets, smartwatches and other portable electronics. Foundry partners include TSMC, Global Foundry, Nexchip, and Powerchip, with process nodes ranging from 28nm to 150nm. M31 not only continues to develop foundry's advanced high voltage process Foundation IPs, but also licenses its designs to driver IC design companies worldwide.

(4) Competition

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

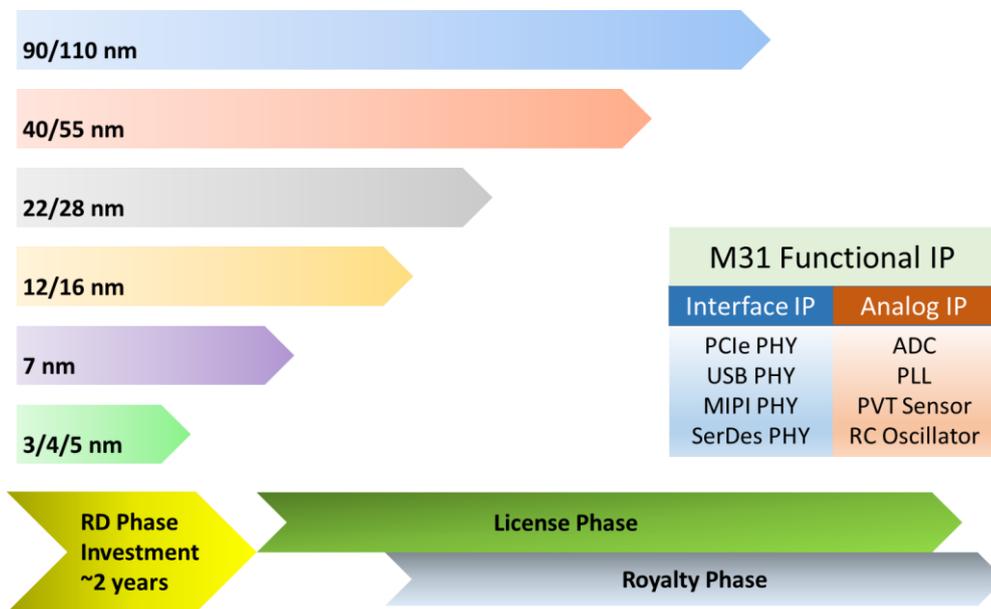
M31's Foundation IP and High Speed Interface IP are currently the best and most influential IP suppliers in Asia, both in terms of revenue and market impact. In the face of future competition, M31 not only has an excellent geographical advantage (proximity to most foundries) and high quality manpower, but also has accumulated a high level of technical mastery over the past few years, both in terms of fab process technology specifications (over 16 fab customers) and IC design specifications (over 200 customers). M31's accumulated R&D capabilities and customers' trust are the greatest support base to face the future competition. Over the past few years, M31 has created a new service

model for the IP industry, aiming to be the best technology partner for customers and creating a win-win future together with customers in the highly competitive semiconductor IP industry.

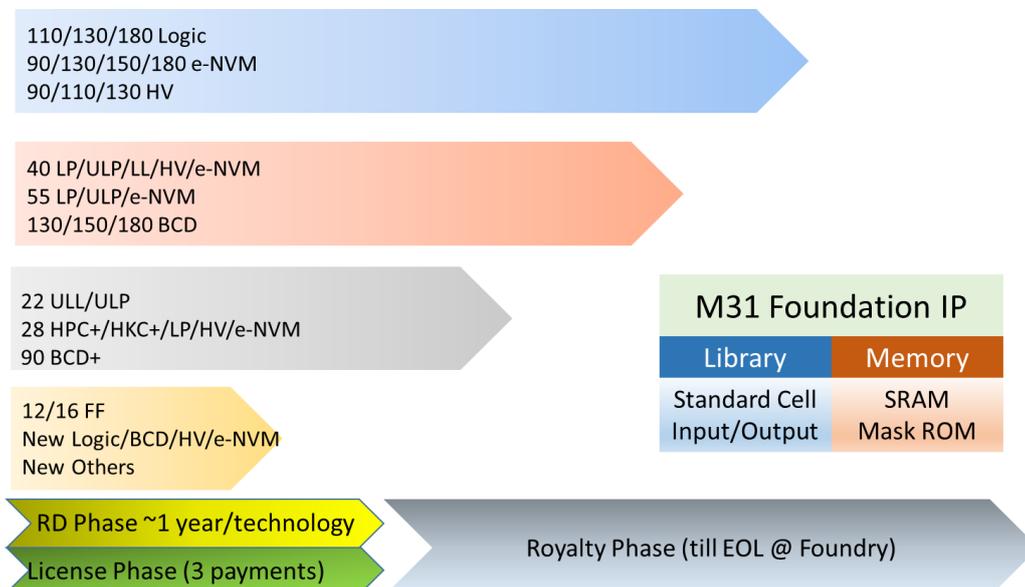
5.1.3 Technology and R&D Overview

(1) Technology and Research Development

Functional IP is an IP module with specific functions. M31 focuses on high speed transmission interface IP and analog IP. Because of the complex analog circuitry within the IP, design verification must be performed at the fab node, which takes approximately 2 years for one node generation. The licensing phase includes nodes from 7nm to 110nm; the royalty phase includes nodes from 12nm to 110nm; and 3 to 5nm is still in the R&D phase.



Foundation IP, including Standard Cell Library, IO Library, Memory Compiler, is the fundamental IC design element and is closely integrated with process technology. We



begin development after signing a contract with our customers. The R&D phase and the licensing phase almost overlapping each other. Once completed, fab customers can use the design for free, and M31 can receive royalties from mass production.

As of now, most of the 40nm to 180nm technologies are in the royalty stage and contribute the majority of royalty revenue. Some of customers' 22/28nm designs are also in volume production. We expect more 22nm and 28nm customer designs to start production as well in the near future. Besides, more and more Foundation IP for new process technologies will be available in the future.

(2) R&D staff education background status

Unit : Person

Year		2021	2022 (As of March 31)
Education Distribution	Ph.D.	6	8
	Masters	122	128
	Bachelor's Degree	53	55
	Junior College	1	1
	High School or Below	2	2
Total		184	194
Average Years of Service		3.46	3.47

(3) R&D Expenses

Unit : NT\$ thousands

Year	2021	2022 (As of March 31)
R&D Expenses	541,929	178,193

(4) Products

Year	Developed Technologies or Products
2013	<ul style="list-style-type: none"> - 40nm Green Memory Compilers - 40nm STD-Cell PMK - 55LP BCK USB3.0 PHY IP - 55LP PCIe2.0 and SATA3.0 PHY IP
2014	<ul style="list-style-type: none"> - 55ULP Memory Compilers - 55ULP STD-cell libraries - 55LP MIPI M-PHY v3.0 IP - 40LP USB3.0 PHY IP - 28HPM USB3.0 PHY IP - 28HPM M-PHY v3.0 IP

Year	Developed Technologies or Products
2015	<ul style="list-style-type: none"> - 28nm ULL SRAM Compilers - 152BCD Memory Compilers - 152BCD STD-Cell libraries - 130BCD Low Leakage STD-cell library - 40LP MIPI M-PHY v3.0 IP - 40LP MIPI D-PHY v1.2 IP - 40LP PCIe3.0 PHY IP - 28HPC+ PCIe3.0 PHY IP - 28HPC+ USB3.0/2.0 PHY IP
2016	<ul style="list-style-type: none"> - 16nm/FinFET 12-Track Ultra-High Speed STD-Cell library - 40ULP Memory Compilers - 40ULP STD-Cell libraries - 40ULP MIPI D-PHY v1.1 IP - 28nm USB3.1 PHY IP - 28nm MIPI C/D-PHY IP - 16nm USB2.0 PHY IP
2017	<ul style="list-style-type: none"> - 180BCD Memory compilers - 150BCD Memory compilers - 130BCD Memory compilers - 28LPSe Memory compilers - 28LPSe STD-Cell libraries - 40HV Memory compilers - 40HV STD-Cell libraries - 16nm M-PHY v3.0 PHY IP - 16nm USB3.1 Gen2 PHY IP - 28nm M-PHY v3.0 PHY IP - 28nm PCIe2.0 PHY IP (New) - 28nm 10G SerDes IP - 40nm ULP BCK-USB2.0 PHY IP
2018	<ul style="list-style-type: none"> - 150MCU Memory compiler - 110 HV Memory compiler - 90NVM Memory compiler - 150S STD cell library - 90BCD STD cell library - 40LP STD cell library - 40HV STD cell library - 110Y STD cell library

Year	Developed Technologies or Products
2018	<ul style="list-style-type: none"> - 110Y STD cell library - 28HPC+ ONFI I/O library - 40LP ONFI I/O library - 110HV GPIO library - TSMC 12nm USB3.1 Gen2 PHY IP - TSMC 12nm MIPI D-PHY IP - TSMC 12nm PCIe2.0 PHY IP
2019	<ul style="list-style-type: none"> - 90BCD+ STD cell library - 150BCD STD cell library - 22ULL STD cell library - 28HPC+ STD cell library - 16FFC/28HPC+/40nm ONFI I/O library - 22ULP/ULL eMMC IO - 28HPC+/40LP eMMC IO - 28nm/55nm LPDDR3 IO - 28ESF3 Memory compiler - 14nm Memory compiler - 28nm HKC+ Memory compiler - 28nm HV Memory compiler - 180nm Memory compiler - 28nm USB3.2 Gen1 PHY IP - 12nm PCIe4.0/3.0 PHY IP - 16nm PCIe4.0/3.0 PHY IP - 28nm USB3.2 Gen1 PHY IP - 16nm D-PHY IP - 22ULL D-PHY - 28FDSOI PCIe3.0 - 28HPC+ PLL
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 eUSB 2.0 PHY - N6/N7 USB3.2 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

5.1.4 Short and long term business development plan

(1) Short-term

- (1.1) Use existing products and marketing channels to continue to expand our customer base and popularity of customer use.

- (1.2) Leveraging the IP platform of our foundry partners to strengthen the connection and marketing efforts with our customers.
 - (1.3) Adjusting business marketing strategies in response to international situations and unforeseen events, such as trade wars and Covid-19.
 - (1.4) Use media tools such as the Internet, social software, and professional newspapers and magazines to increase the Company's visibility and professionalism with the release of new technologies and applications.
 - (1.5) Actively participate in technical forums of foundries or IC design service companies to increase company exposure and access to customer base.
- (2) Long-term
- (2.1) Establish global services and marketing presence to enhance business performance and quality.
 - (2.2) Build a comprehensive M31 brand IP platform to provide customers with a wide range of services and options.
 - (2.3) Proactively develop high value-added products with high technology threshold to explore new blue ocean markets.
 - (2.4) Increase the sales rate of advanced process products and develop new applications for high end, high unit price products to increase future growth opportunities and momentum.
 - (2.5) Strengthen global competitiveness with advanced process foundry partnership strategy development program.

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		2020		2021	
		Amount	%	Amount	%
Domestic Sales		196,542	20.03	265,179	26.21
Export	Mainland China	401,894	40.97	494,188	48.84
	USA	301,189	30.70	185,198	18.30
	Others	81,391	8.30	67,314	6.65
Export Subtotal		784,474	79.97	746,700	73.79
Total		981,016	100.00	1,011,879	100.00

(2) Market Share

According to international research firm ReportLinker, the semiconductor IP market is expected to reach US\$5.5 billion in 2021, and if the Company's market share is measured

by its 2021 sales of US\$36,080,000, the Company's IP market share will be approximately 0.7%. As the Company's market share in the global semiconductor IP market is currently small, it will actively expand its development cooperation with major foundries worldwide to deploy foundation IP for advanced processes and continue to provide more cost-effective customized IP and various new specifications of high-speed interface IP to provide customers with complete, unique and high value-added IP solutions 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 SIP market has gradually grown with the high integration of SoC and the demand for advanced manufacturing processes. The main application markets are mobile communications, general consumer electronics, industrial electronics and automotive electronics. The Company has developed a series of IP products, including artificial intelligence application chips, Internet of Things integration chips, storage device control chips, microcontroller 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 supply and demand situation of the future market from the Company's product technology application, the rapid growth of mobile devices, wearable devices, smart networking applications and automotive electronics in recent years will continue to inject new growth momentum into the Company's revenue.

(3.2) Market growth potentials

System-on-a-Chip (SoC) has become the mainstream trend in IC technology development due to the high level of integration, increasing functionality within a single chip, and the increasing number of IP blocks required; in addition, the proportion of outsourced design is gradually increasing, the cost of advanced process mask and technology development is getting higher, and the high complexity and long design cycle make SIP a key player. As the division of labor in the semiconductor industry becomes more and more specialized, the market segment for SIP is to reduce the burden on customers' design staff, reduce the risk of design failure, significantly shorten the product development period, and accelerate the key competitive advantage of Time-to-Market. According to various market research reports, the IP market will be on a growth trend 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 SIP, IC design, and design automation, as well as two product lines of Foundation IP and High Speed Interface IP. The Company works closely with the world's leading semiconductor companies and is actively involved in the development and validation of advanced processes. Through the cooperation of IC design service providers, the Company is able to provide various types of validated IP products for its end customers to choose to adopt in order 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 key factors influencing the business development of foundries include process technology, quality yield, delivery speed and foundry price, etc. The competitiveness of foundries with leading process technology is even more important.

M31's core technology is designed and validated at the foundry, and the foundry uses M31's technology to strengthen its IP technology platform and provide IC design customers with complete technology resources. M31 and foundries form a strategic alliance and develop a dependency relationship to increase the penetration rate of M31 IP products among foundries, IC design houses and IC products, which will be an important factor in the growth of sales and expansion of market share.

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

(5.1) Favorable factors

(5.1.1) SoC Single Chip Design Complexity

In response to the demand for shorter and thinner, more diverse functions, higher efficiency, lower power consumption, and lower prices for electronic products, the difficulty and complexity of IC design has increased significantly. Therefore, the market demand for different kinds of innovative IP solutions is increasing day by day, which brings challenges as well as opportunities for companies.

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

M31's strong R&D and service team, with experienced professionals in the fields of SIP, integrated circuit design and design automation, not only helps customers to enter into product design and production smoothly, but also provides customers with extended technical services in the testing stage and assists customers in product certification, etc. to meet customer needs.

(5.1.3) Geographic advantage

Since most of the foundries are located in East Asia, especially in Taiwan, China, Korea and Singapore, the semiconductor market for IC design and sales is gradually converging to Asia, thus giving M31, located in Asia's semiconductor hub, a competitive advantage over its competitors in the US 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. In addition, 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, the Company strengthens cooperation with global customers, differentiates itself from its 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 short period of time since the Company was established, the scale of operation is relatively small, and the number of product lines is relatively limited, we still need to actively develop new product lines, build our brand, and increase our visibility.

Responding Measures

- A. Continuously develop new product lines with high correlation to existing products, and continue to expand and extend existing product lines to introduce various IP product combinations to increase product matching and marketing flexibility, as well as increase market share and product penetration
- B. Using the Internet, social software, professional newspapers and magazines, and other media tools, with the release of new technologies and new applications to increase the Company's visibility and professionalism. Also, actively participate in technical forums of foundries and IC design service companies to increase our exposure and access to our customers.

5.2.2 Main products' applications and production flows

(1) Main products' 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 fab customers, which mainly helps them to build new technologies (develop new Standard Cell Library, Memory Compilers or I/O on a specific process) for their customers (IC design companies). The other customer category is directly to IC design companies. When these customers require specifications different from the

general specifications provided by the foundry, M31 will customize the design to meet the specific technical needs of the customer.

(1.2) High Speed Interface IP product line

This product line is a functional IP category, the main function is the interface 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 of MIPI.

When an IC design company is planning its IC specifications, M31 will provide the above-mentioned High Speed Interface IP for the investigation and further provide an Evaluation Board (EVB) for the actual circuit and function evaluation, if all goes well, the IP will be integrated into the design and become part of its multiple functions.

(1.3) IP Integration Service

This product line provides customers with M31 Processor Hardcore Service and design execution services to help customers achieve CPU core implementation of physical IP and standard cell IP library performance refinement in the shortest possible time, and has successfully developed Arm processor IP for machine learning and artificial intelligence applications, including Arm® Cortex® -M55 and Arm® Cortex® -M55 and Arm® Ethos™-U55 (NPU) processor hardcore IP, together with a series of M31 optimized design kits based on Arm processors - OPPA (Optimized PPA) library. It includes customized high-speed and ultra-low leakage memory instances and optimized cell libraries to help customers' chip design teams achieve their processor and SoC design goals in the shortest possible time, allowing customers to focus on IC design differentiation and system-level integration, making their IC products more competitive in terms of performance and cost efficiency.

(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 integrity of all IP.

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 clients in the last two years

Unit : NT\$ thousands ; %

Item	2020				2021			
	Company Name	Amount	Net Sale Percentage (%)	Relationship with the Issuer	Company Name	Amount	Net Sale Percentage (%)	Relationship with the Issuer
1	Company E	68,237	6.96	None	Company E	96,154	9.50	None
2	Company H	122,283	12.46	None	Company H	33,518	3.31	None
3	Others	790,496	80.58	None	Others	882,207	87.19	None
	Net Sales	981,016	100.00		Net Sales	1,011,879	100.00	

Analysis of changes in revenue:

The Company's business expansion, customer operations, end product development and contracts with customers, IP licensing period and mass production of customer's wafers are the main factors.. "Others" means that the amount of revenue for the year does not reach 10% of the total revenue.

5.2.5 Production in the last two years

The Company is a professional company of SIP, which is not engaged in production and manufacturing; therefore, the production is not applicable.

5.2.6 Shipments and sales in the last two years

Unit : NT\$ thousands

Sales Major Product	Year	2020				2021			
		Domestic Sales		Export		Domestic Sales		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Licensing		-	136,127	-	731,575	-	217,035	-	641,926
Royalty		-	60,415	-	52,899	-	48,144	-	104,774
Total		-	196,542	-	784,474	-	265,179	-	746,700

Analysis of changes:

This is mainly due to the increase in demand in the global semiconductor IP market in 2021, the expansion of the licensing scope for foundation and high-speed interface IP technologies, the development of more advanced IP products for a wider range of applications, and the increase in the number of IP licensing contracts signed as customers recognize the Company year by year, as well as the long-term effect of royalty income, resulting in the growth of the Company's operating revenue compared to 2020.

5.3 Human resources in the last two years

Year		2020	2021	2022 (As of March 31)
Number of Employees	R&D	166	184	194
	Sales & Administration	20	29	31
	Total	186	213	225
Average Age		37.37	38.15	38.02
Average Years of Service		3.59	3.54	3.51
Education Distribution (%)	Ph.D.	2.69	3.29	4.00
	Masters	66.67	63.85	62.67
	Bachelor's Degree	27.42	30.52	31.11
	Junior College	2.15	1.40	1.33
	High School	1.07	0.94	0.89
	Below High School	0.00	0.00	0.00

5.4 Environmental Protection Expenditure

The total amount of losses (including compensation) and penalties suffered 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, penalties and compensation that may occur if countermeasures are not taken, and if such estimates cannot be reasonably made, then the facts that they cannot be reasonably made): 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 act and labor-related regulations, the Company provides labor and health insurance and retirement benefits to protect its employees. In order to take well care of our employees, we have established an employee welfare committee to allocate welfare funds in accordance with the law, and the committee coordinates the planning and operation of various welfare measures for our employees to enhance their welfare.

(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 discounts at contracted hotels, etc.

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

- A. Welfare subsidies: birthday cash gift, childbirth subsidy, medical care 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 our company, and to achieve the goal of sustainable management, we have established a comprehensive education and training system to cultivate professional and competitive talents.

- (1.1) 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.
- (1.2) 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 its 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

M31 Technology Corporation dedicates its efforts to ensuring employee health and workplace safety, implementing important measures on safety and health management as follows:

- A. Conducts an annual inspection of all fire-fighting equipment based on fire safety regulations.
- B. Conducts a public safety check of buildings once for every two years based on regulations relevant to the public safety of buildings.
- C. Insure against commercial fire and public accidents to ensure workplace safety for employees.

- D. Implement safety and health education based on relevant regulations on occupational safety and health.
- E. Hold “fire safety lectures” once for every six month
- F. The Occupational Accident Insurance shall be fully paid by the Company to ensure employees’ safety at work.
- G. The office is secured with an access control system 24 hours a day to assure employees a safe 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.

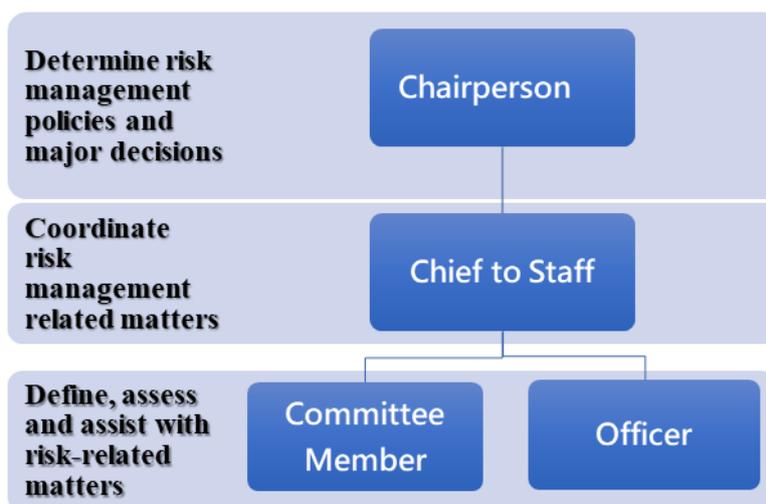
5.6 Information Security Management

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 infrastructure system center 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.

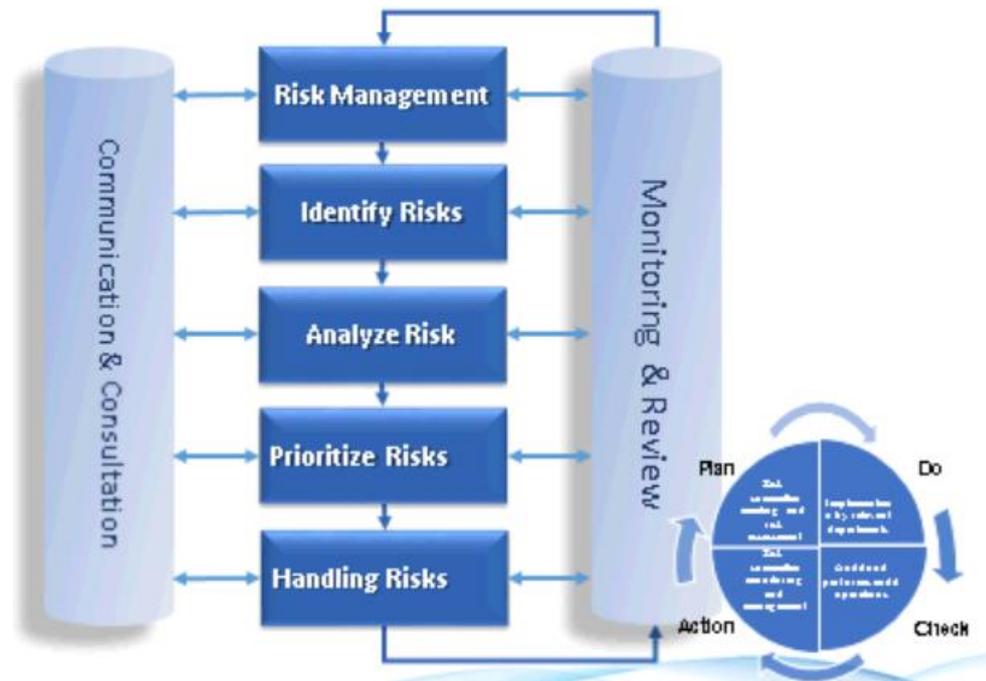
The Risk Management Committee members will be responsible for defining and assessing possible risks and delegating decisions to the relevant departments for implementation. The Risk Management Committee officers will assist and counsel the responsible departments in their implementation and will monitor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

(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.

Type	Item	Prevention Purpose	Information Security Management Resources Description
Staff Management	● Information security advocacy	Prevention reduces the chance of getting virus	● Information security advocacy for new hires ● Regularly share cases of major domestic and international information security abnormalities with employees
Device Control	● Antivirus software ● Untrusted device blocking	Prevention of software virus	● Information Security System Procurement and Implementation ➢ 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.

Type	Item	Prevention Purpose	Information Security Management Resources Description
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 supervisor approval.
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.

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. :

For the FY 2021 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, 2021, the major contracts as follows:

Contract	Company	Starting Date	Main Content	Restrictions
License Contract	HHGrace	2/1/2013~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	MediaTek Inc.	1/23/2015~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Silicon Motion Technology Corp.	8/30/2016~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Dialog Semiconductor	4/27/2017~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Nexchip Semiconductor Corporation	5/5/2017~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	SMIC	6/9/2017~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	ALCOR MICRO, CORP.	1/19/2018~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Cirrus Logic Inc.	8/17/2018~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Panasonic Semiconductor Solutions Co., Ltd.	12/17/2018~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Macroblock, Inc.	12/18/2018~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Shanghai Huali Microelectronics Corporation	4/10/2019~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	GLOBALFOUNDRIES Inc.	6/11/2019~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	SK Hynix Semiconductor Inc.	7/31/2019~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Qualcomm Inc.	7/31/2019~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Synaptics Incorporated	10/16/2019~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	TSMC	12/5/2019~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Innogrit Technologies Co., Ltd.	4/30/2020~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Beijing AI Chip Technology Limited	5/28/2020~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Himax Technologies, Inc.	8/31/2020~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Silicon Laboratories Inc.	04/30/2021~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Morse Micro PTY. LTD.	04/30/2021~	Technology License Agreement	Confidentiality and Intellectual Property Rights Compliance
License Contract	Efinix Inc.	06/07/2021~	Technology License 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)					2022(As of March 31) (Note 2)
		2017	2018	2019	2020	2021	
Current Assets		628,578	780,388	1,395,569	1,520,781	1,132,189	N/A
Property, Plant and		144,121	153,449	168,976	175,035	674,452	
Intangible Assets		4,934	4,565	2,347	7,775	7,640	
Other Assets		13,007	19,838	32,823	53,171	122,414	
Total Assets		790,640	958,240	1,599,715	1,756,762	1,936,695	
Current Liabilities	Before Distribution	210,497	212,943	156,153	246,633	269,620	
	After Distribution	339,377	432,169	391,038	495,489	(Note 3)	
Non-current Liabilities		51	183	1,993	1,095	83,482	
Total Liabilities	Before Distribution	210,548	213,126	158,146	247,728	353,102	
	After Distribution	339,428	432,352	393,031	496,584	(Note 3)	
Equity Attributable to Shareholders of the Parent		580,092	745,114	1,441,569	1,509,034	1,583,593	
Capital Stock		286,400	286,400	313,180	313,180	316,060	
Capital Surplus		41,945	53,851	634,551	634,551	727,719	
Retained Earnings	Before Distribution	251,672	401,316	490,655	586,407	640,124	
	After Distribution	122,792	182,090	255,770	337,551	(Note 3)	
Other Equity		75	3,547	3,183	22,960	(52,246)	
Treasury Stock		-	-	-	(48,064)	(48,064)	
Non-controlling Interest		-	-	-	-	-	
Total Equity	Before Distribution	580,092	745,114	1,441,569	1,509,034	1,583,593	
	After Distribution	451,212	525,888	1,206,684	1,260,178	(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 2021 is a cash dividend of NT\$6.3 per share, pending resolution at the 2022 Annual Meeting of Shareholders.

6.1.2 Consolidated Statement of Comprehensive Income - IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					2022 (As of March 31) (Note 2)
		2017	2018	2019	2020	2021	
Operating Revenue		633,516	763,550	869,077	981,016	1,011,879	N/A
Gross Profit		633,516	763,550	869,077	981,016	1,011,879	
Income from Operations		245,107	305,896	369,893	418,245	312,894	
Non-operating Income and Expenses		(29,006)	22,964	(7,909)	(41,767)	(19,336)	
Income before Tax		216,101	328,860	361,984	376,478	293,558	
Income from Continuing Operations		186,286	279,907	308,565	322,248	252,637	
Loss of Discontinued Operations		-	-	-	-	-	
Net Income (Loss)		186,286	279,907	308,565	322,248	252,637	
Other Comprehensive Income (Income after Tax)		182	2,672	(364)	28,166	32,638	
Total Comprehensive Income		186,468	282,579	308,201	350,414	285,275	
Net Income Attributable to Shareholders of the Parent		186,286	279,907	308,565	322,248	252,637	
Net Income Attributable to Non-controlling Interest		-	-	-	-	-	
Comprehensive Income Attributable to Shareholders of the Parent		186,468	282,579	308,201	350,414	285,275	
Comprehensive Income Attributable to Non-controlling Interest		-	-	-	-	-	
Earnings Per Share		6.51	9.77	9.90	10.34	8.12	

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.

6.1.3 Parent Company Only Balance Sheet - IFRS

Unit : NT\$ thousands

Year		Financial Summary for The Last Five Years (Note 1)				
		2017	2018	2019	2020	2021
Current Assets		616,303	766,551	1,381,083	1,505,086	1,117,123
Property, Plant and Equipment		143,881	153,220	168,841	174,986	674,430
Intangible Assets		4,934	4,565	2,347	7,775	7,640
Other Assets		24,001	35,079	48,701	66,887	137,633
Total Assets		789,119	959,415	1,600,972	1,754,734	1,936,826
Current Liabilities	Before Distribution	208,976	214,118	157,410	245,700	269,751
	After Distribution	337,856	433,344	392,295	494,556	(Note 2)
Non-current Liabilities		51	183	1,993	-	83,482
Total Liabilities	Before Distribution	209,027	214,301	159,403	245,700	353,233
	After Distribution	337,907	433,527	394,288	494,556	(Note 2)
Equity Attributable to Shareholders of the Parent		580,092	745,114	1,441,569	1,509,034	1,583,593
Capital Stock		286,400	286,400	313,180	313,180	316,060
Capital Surplus		41,945	53,851	634,551	634,551	727,719
Retained Earnings	Before Distribution	251,672	401,316	490,655	586,407	640,124
	After Distribution	122,792	182,090	255,770	337,551	(Note 2)
Other Equity		75	3,547	3,183	22,960	(52,246)
Treasury Stock		-	-	-	(48,064)	(48,064)
Non-controlling Interest		-	-	-	-	-
Total Equity	Before Distribution	580,092	745,114	1,441,569	1,509,034	1,583,593
	After Distribution	451,212	525,888	1,206,684	1,260,178	(Note 2)

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

Note 2: The appropriation of earnings for 2021 is a cash dividend of NT\$6.3 per share, pending resolution at the 2022 Annual Meeting of Shareholders.

6.1.4 Parent Company Only Statement of Comprehensive Income - IFRS

Unit : NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note)				
	2017	2018	2019	2020	2021
Operating Revenue	628,603	759,099	867,404	977,942	1,010,911
Gross Profit	628,603	759,099	867,404	977,942	1,010,911
Income from Operations	240,164	301,667	368,694	416,313	311,445
Non-operating Income and Expenses	(24,088)	27,124	(6,735)	(40,616)	(18,328)
Income before Tax	216,076	328,791	361,959	375,697	293,117
Income from Continuing Operations	186,286	279,907	308,565	322,248	252,637
Loss of Discontinued Operations	-	-	-	-	-
Net Income (Loss)	186,286	279,907	308,565	322,248	252,637
Other Comprehensive Income (Income after Tax)	182	2,672	(364)	28,166	32,638
Total Comprehensive Income	186,468	282,579	308,201	350,414	285,275
Net Income Attributable to Shareholders of the Parent	186,286	279,907	308,565	322,248	252,637
Net Income Attributable to Non-controlling Interest	-	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent	186,468	282,579	308,201	350,414	285,275
Comprehensive Income Attributable to Non-controlling Interest	-	-	-	-	-
Earnings Per Share	6.51	9.77	9.90	10.34	8.12

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

6.1.5 Auditors' Opinions from 2017 to 2021

Year	Accounting Firm & CPA	Audit Opinion
2017	Deloitte & Touche Chung-Cheng Chen, Cheng-Chuan Yu	An Unmodified Opinion
2018	Deloitte & Touche Chung-Cheng Chen, Cheng-Chuan Yu	An Unmodified Opinion
2019	Deloitte & Touche Chung-Cheng Chen, Cheng-Chuan Yu	An Unmodified Opinion
2020	Deloitte & Touche Yu-Feng Huang, Mei-Chen Tsai	An Unmodified Opinion
2021	Deloitte & Touche Yu-Feng Huang, Mei-Chen Tsai	An Unmodified Opinion

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – IFRS

Item		Year	Financial Analysis for the Last Five Years (Note 1)					2022 (As of March 31) (Note 2)
			2017	2018	2019	2020	2021	
Financial Structure	Debt-asset ratio (%)		26.63	22.24	9.89	14.10	18.23	N/A
	Ratio of Long-term Capital to Property, Plant and Equipment (%)		402.54	485.70	854.30	862.76	247.17	
Solvency	Current Ratio (%)		298.62	366.48	893.72	616.62	419.92	
	Quick Ratio (%)		290.57	361.17	882.48	610.20	407.90	
	Interest Coverage Ratio (Times)		1,030.05	203.62	1,059.43	2,853.11	153.42	
Operating Performance	Accounts Receivable Turnover (Times)		3.69	3.56	4.12	4.44	3.45	
	Average Collection Period		99	103	89	82	106	
	Inventory Turnover (Times)		-	-	-	-	-	
	Accounts Payable Turnover (Times)		-	-	-	-	-	
	Average Days in Sales		-	-	-	-	-	
	Property, Plant and Equipment Turnover (Times)		6.52	5.13	5.39	5.70	2.38	
	Total Assets Turnover (Times)		0.87	0.87	0.68	0.58	0.55	
Profitability	Return on Total Assets (%)		25.72	32.16	24.15	19.21	13.76	
	Return on Equity (%)		35.21	42.24	28.22	21.84	16.34	
	Pre-tax Income to Paid-in Capital (%)		75.45	114.83	115.58	120.21	92.88	
	Profit Ratio (%)		29.41	36.66	35.50	32.85	24.97	
	Earnings Per Share (NT\$)		6.51	9.77	9.90	10.34	8.12	
Cash Flow	Cash Flow Ratio (%)		80.00	121.75	230.26	156.36	83.27	
	Cash Flow Adequacy Ratio (%)		189.49	176.01	153.63	148.66	83.11	
	Cash Reinvestment Ratio (%)		12.95	16.08	9.19	9.46	(1.37)	
Leverage	Operating Leverage		2.58	2.50	2.35	2.35	3.23	
	Financial Leverage		1.00	1.01	1.00	1.00	1.01	

Analysis of financial ratio differences for the last two years. (If the differences exceed 20%)

- The increase in debt-asset ratio was due to the increase long-term borrowing in 2021.
- The decrease in Ratio of Long-term Capital to Property, Plant and Equipment was due to the significantly increase in net amount of Property, Plant and Equipment.
- The decrease in current ratio and quick ratio were due to the increase in liabilities in 2021.
- The decrease in Interest Coverage Ratio (Times) was due to the decrease net income before tax and the increase in interest expense in 2021.
- The decrease in Accounts Receivable Turnover (Times) was due to the increase in Accounts Receivable in 2021.
- The increase in Average Collection Period was due to the decrease in Accounts Receivable Turnover (Times) in 2021.
- The decrease in Property, Plant and Equipment Turnover (Times) was due to the significantly increase in net amount of Property, Plant and Equipment.
- The decrease in Return on Total Assets was due to the decrease in net income after tax in 2021.
- The decrease in Pre-tax Income to Paid-in Capital was due to the decrease in net income before tax in 2021.
- The decrease in Profit Ratio and Earnings Per Share was due to the decrease in net income after tax in 2021.
- The decrease in Cash Flow Ratio, Cash Flow Adequacy Ratio and Cash Reinvestment Ratio were due to the decrease net cash generated from operating activities and the increase in capital expenditures in 2021.
- The increase in Operating Leverage were due to the increase Operating Revenue in 2021.

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.

6.2.2 Parent Company Only Financial Analysis – IFRS

Item		Year	Financial Analysis for the Last Five Years (Note 1)				
			2017	2018	2019	2020	2021
Financial Structure	Debt-asset ratio (%)		26.49	22.34	9.96	14.00	18.24
	Ratio of Long-term Capital to Property, Plant and Equipment (%)		403.21	486.42	854.98	862.37	247.18
Solvency	Current Ratio (%)		294.92	358.00	877.38	612.57	414.13
	Quick Ratio (%)		286.90	352.79	866.49	606.18	402.16
	Interest Coverage Ratio (Times)		1,029.93	203.58	1,059.36	4,319.36	155.27
Operating Performance	Accounts Receivable Turnover (Times)		3.80	3.71	4.22	4.34	3.40
	Average Collection Period		96	98	86	84	108
	Inventory Turnover (Times)		-	-	-	-	-
	Accounts Payable Turnover (Times)		-	-	-	-	-
	Average Days in Sales		-	-	-	-	-
	Property, Plant and Equipment Turnover (Times)		6.48	5.11	5.39	5.69	2.38
	Total Assets Turnover (Times)		0.86	0.87	0.68	0.58	0.55
Profitability	Return on Total Assets (%)		25.63	32.16	24.12	19.21	13.77
	Return on Equity (%)		35.21	42.24	28.22	21.84	16.34
	Pre-tax Income to Paid-in Capital (%)		75.45	114.80	115.58	119.96	92.74
	Profit Ratio (%)		29.63	36.87	35.57	32.95	24.99
	Earnings Per Share (NT\$)		6.51	9.77	9.90	10.34	8.12
Cash Flow	Cash Flow Ratio (%)		78.69	119.03	228.76	153.66	87.02
	Cash Flow Adequacy Ratio (%)		188.77	174.51	152.92	148.42	82.78
	Cash Reinvestment Ratio (%)		12.56	15.84	9.32	9.04	(0.80)
Leverage	Operating Leverage		2.62	2.52	2.35	2.35	3.25
	Financial Leverage		1.00	1.01	1.00	1.00	1.01

1. The increase in debt-asset ratio was due to the increase long-term borrowing in 2021.
2. The decrease in Ratio of Long-term Capital to Property, Plant and Equipment was due to the significantly increase in net amount of Property, Plant and Equipment.
3. The decrease in current ratio and quick ratio were due to the increase in liabilities in 2021.
4. The decrease in Interest Coverage Ratio (Times) was due to the decrease net income before tax and the increase in interest expense in 2021.
5. The decrease in Accounts Receivable Turnover (Times) was due to the increase in Accounts Receivable in 2021.
6. The increase in Average Collection Period was due to the decrease in Accounts Receivable Turnover (Times) in 2021.
7. The decrease in Property, Plant and Equipment Turnover (Times) was due to the significantly increase in net amount of Property, Plant and Equipment.
9. The decrease in Return on Total Assets was due to the decrease in net income after tax in 2021.
10. The decrease in Pre-tax Income to Paid-in Capital was due to the decrease in net income before tax in 2021.
11. The decrease in Profit Ratio and Earnings Per Share was due to the decrease in net income after tax in 2021.
12. The decrease in Cash Flow Ratio, Cash Flow Adequacy Ratio and Cash Reinvestment Ratio were due to the decrease net cash generated from operating activities and the increase in capital expenditures in 2021.
13. The increase in Operating Leverage were due to the increase Operating Revenue in 2021.

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.

* Glossary

1. Financial Structure

- (1) Debt-Asset Ratio = Total Liabilities / Total Assets
- (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Shareholders' Equity + Non-current Liabilities) / Net Property, Plant and Equipment

2. Solvency

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Interest Coverage Ratio = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance

- (1) Accounts Receivable Turnover = Operating Revenue / Average Accounts Receivables
- (2) Average Collection Period = 365 / Accounts Receivable Turnover
- (3) Inventory Turnover = Cost of Sales / Average Inventory
- (4) Accounts Payable Turnover = Cost of Sales / Average Accounts Payables
- (5) Average Days in Sales = 365 / Inventory Turnover
- (6) Property, Plant and Equipment Turnover = Operating Revenue / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Operating Revenue / Average Total Assets

4. Profitability

- (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
- (2) Return on Equity = Net Income / Average Total Equity
- (3) Profit Ratio = Net Income / Operating Revenue
- (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note 1)

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (3) Cash Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital) (Note 2)

6. Leverage

- (1) Operating Leverage = (Operating Revenue - Variable Cost) / Income from Operations
- (2) Financial Leverage = Income from Operations / (Income from Operations - 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 2021 business report, financial statements, and proposal for distribution of profits. 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 business report, financial statements, and profit distribution proposal 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 24, 2022

6.4 Consolidated Financial Statements for the Years Ended December 31 2021, and Independent Auditors' Report: Please refer to Appendix I.

6.5 Parent Company Only Financial Statements for the Years Ended December 31, 2021 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	2021	2020	Difference	
			Amount	%
Current Assets	1,132,189	1,520,781	(388,592)	(25.55)
Property, Plant and Equipment	674,452	175,035	499,417	285.32
Intangible Assets	7,640	7,775	(135)	(1.74)
Other Assets	122,414	53,171	69,243	130.23
Total Assets	1,936,695	1,756,762	179,933	10.24
Current Liabilities	269,620	246,633	22,987	9.32
Non-current Liabilities	83,482	1,095	82,387	7,523.93
Total Liabilities	353,102	247,728	105,374	42.54
Equity Attributable to Shareholders of the Parent	1,583,593	1,509,034	74,559	4.94
Capital Stock	316,060	313,180	2,880	0.92
Capital Surplus	727,719	634,551	93,168	14.68
Retained Earnings	640,124	586,407	53,717	9.16
Other Equity	(52,246)	22,960	(75,206)	(327.55)
Treasury Stock	(48,064)	(48,064)	-	-
Non-controlling Interest	-	-	-	-
Total Equity	1,583,593	1,509,034	74,559	4.94
<p>Analysis of Deviation over 20%:</p> <ol style="list-style-type: none"> 1. The decrease in Current Assets was mainly due to the decrease in cash and cash equivalents in 2021. 2. The increase in Property, Plant and Equipment was due to purchase of new office building in 2021. 3. The increase in Other Assets was due to the Financial assets at amortized cost non-current in 2021. 4. The increase in Non-current Liabilities was due to the increase in long-term borrowing in 2021. 5. The increase in Total Liabilities was due to the increase in Non-current Liabilities in 2021. 6. The decrease in Other Equity was due to the increase in unearned employee benefits of restricted employee share in 2021. <p>The above were normal trading activities and had no significant impact on the Company's financial position.</p>				

7.2 Financial Performance

Unit: NT\$ thousands ; %

Item \ Year	2021	2020	Difference	%
Operating Revenue	1,011,879	981,016	30,863	3.15
Gross Profit	1,011,879	981,016	30,863	3.15
Income from Operations	312,894	418,245	(105,351)	(25.19)
Non-operating Income and Expenses	(19,336)	(41,767)	22,431	(53.71)
Income before Tax	293,558	376,478	(82,920)	(22.03)
Income from Continuing Operations	252,637	322,248	(69,611)	(21.60)
Loss of Discontinued Operations	-	-	-	-
Net Income (Loss)	252,637	322,248	(69,611)	(21.60)
Other Comprehensive Income (Income after Tax)	32,638	28,166	4,472	15.88
Total Comprehensive Income	285,275	350,414	(65,139)	(18.59)
Net Income Attributable to Shareholders of the Parent	252,637	322,248	(69,611)	(21.60)
Net Income Attributable to Non-controlling Interest	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent	285,275	350,414	(65,139)	(18.59)
Comprehensive Income Attributable to Non-controlling Interest	-	-	-	-
Earnings Per Share	8.12	10.34	(2.22)	(21.47)

Analysis of Deviation over 20% :

1. The decrease in Income from Operations was due to the increase in operating expenses in 2021.
2. The decrease in Non-operating Income and Expenses was due to the decrease in exchange loss in 2021.
3. The decrease in Income before Tax, Net Income and Comprehensive Income Attributable to Shareholders of the Parent were due to the increase in operating expenses in 2021.

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

7.3 Cash Flow

7.3.1 Cash Flow Analysis for 2021 and 2020 :

Unit : NT\$ thousands

Item	Year	Net Cash Generated from/(Used in)		Cash Surplus (Deficit)
		2021	2020	
Operating Activities		224,520	385,631	(161,111)
Investing Activities		(313,779)	(145,322)	(168,457)
Financing Activities		(133,808)	(291,836)	158,028
Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies		2,728	(10,268)	12,996
Analysis of Cash Flow: 1. The decrease in net cash generated from operating activities was due to decrease in Income before Tax in 2021. 2. The increase in net cash used in investing activities was due to increase in Acquisition of Property, Plant and Equipment in 2021. 3. The decrease in net cash used in financing activities was due to long-term borrowing in 2021. 4. The Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies was mainly due to the slowdown in the appreciation of the NTD against the USD and the re-evaluation of foreign currency cash and cash equivalents.				

7.3.2 Remedial Actions for Liquidity Shortfall: N/A.

7.3.3 Cash Flow Projection for 2022:

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
307,421	344,622	(340,686)	311,357	-	-
Analysis of Cash Flow : 1. Operating Activities: The net cash generated from operating activities will be mainly due to the expected growth of revenue and operating profit in 2022. 2. Investing Activities: The net cash used in investing activities will be mainly due to purchase of new Equipment and computer software of NT\$ 53,601 thousand. 3. Financing Activities: The net cash used in financing activities will be mainly due to repay long-term loan of NT\$89,303 thousand and payment of cash dividends of NT\$197,782 thousand.					

7.4 Major Capital Expenditure Items : The major capital expenditures in 2021 are mainly for the acquisition of land, building and construction amounting to \$504,883 thousand. The Company used its own funds and long-term bank loans to finance these expenditures, which will have a positive impact on its financial operations as it will save on office rental expenses..

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	2021 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	1,081	SIP revenue from technical services and marketing services.	None	None
Sirius Venture Ltd.	Investment Holdings	(337)	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	(285)	The decrease in revenue from marketing services.	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 uses a conservative approach in the use of capital, mainly through fixed deposits and the purchase of money-based funds and foreign bonds with good credit ratings. The Company has sufficient capital and the long-term borrowing balance in 2021 is not high, so the impact of changes in interest rates on the Company's profit and loss is not 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 its 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) 7nm 12-Track standard cell library and high performance memory compiler.

(1.2) eUSB2, USB 4.0, PCIe 5.0, MIPI M PHY V4.0, PAM4 SerDes and other latest specifications for high-speed interface transfer.

(1.3) Magnetoresistive Random Access Memory (RAM) compiler.

(1.4) Analog IP development.

(1.5) OnFi 4.1 and eMMC 5.0 next generation flash memory IO interface.

(1.6) CPU Hard Core IP2.

(2) The Company expects to invest NT\$778,335 thousand in research and development in the coming year to support various research and development 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

Our company is a R&D-oriented professional SIP 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 85 to 88 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 research, development and sales company of Silicon IP and does not

engage in the production of physical goods. On March 22, 2021, the Company purchased a new office building to save rental expenses.

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 Silicon IP, and has no physical goods, so this assessment is not applicable to the purchase of raw materials.

(2) Sales

The highest proportion of sales to a single customer was 12.46% and 9.5% in 2020 and 2021, respectively. The Company's top sales customer in each year was less than 50%, and its sales customers are still widely dispersed. 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 2020 and 2021 shall not be 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.

Through the annual management training, we share the latest management thinking and the trend of the times through external experts, new technology knowledge and model companies, and on the other hand, we share the organizational culture and management leadership practices through the years of leadership experience of internal senior executives.

Each year, we hold a strategic consensus meeting for senior executives to discuss the Company's future growth goals and strategies, including system thinking, strategic thinking and planning, and leadership business growth, performance management, talent development and leadership succession.

In addition, in planning the succession plan, the successor must not only possess excellent working ability, but also have values that are in line with the Company's culture. At the same time, through job rotation or practical training in different tasks,

each business unit supervisor develops cross-disciplinary professional and leadership skills to lead his or her team to achieve the set annual goals, so that the Company can develop and grow sustainably through the implementation of succession planning.

The Company appropriately arranges for directors to attend lectures, seminars, symposiums or refresher courses covering topics related to corporate governance, such as finance, risk management, business, legal affairs, 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

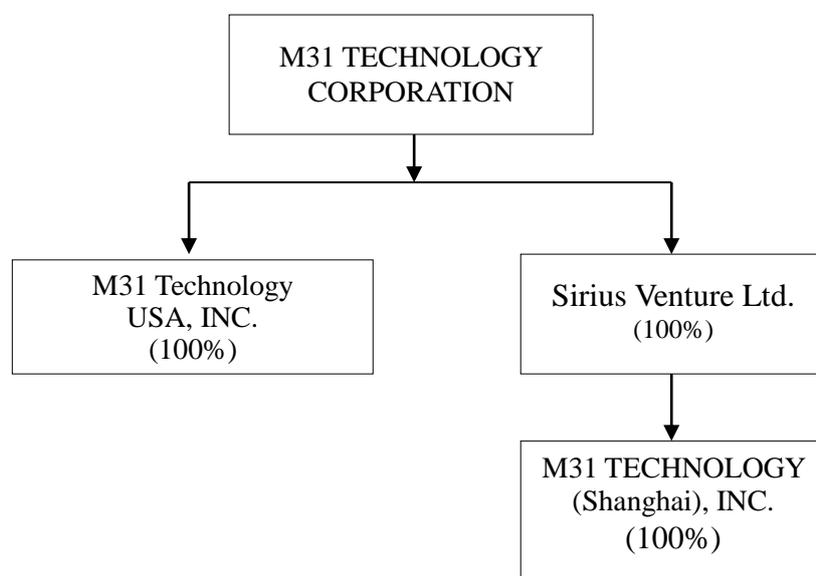
As a company with R&D achievements as its most important asset, the Company has been actively establishing the intellectual property management system and mechanism (Please refer to the Intellectual Property Management on the Company's corporate website) since its establishment, and promoting various 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 :

3/31/2022 Unit : USD thousands

Company Name	Date of Establishment	Address	Capital	Main Businesses and Products
M31 TECHNOLOGY USA, INC.	Dec. 18, 2013	1900 McCarthy Boulevard, Suite 105, Milpitas, State of California	450	Product marketing and technical services
Sirius Venture Ltd.	Mar. 12, 2015	1st Floor, #5 DEKK House, De Zippora Street, Providence Industrial Estate, Mahe', Republic of Seychelles	167	Investment holding
M31 Technology (Shanghai) Inc	Dec. 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:

3/31/2022 Unit: thousand shares

Company Name	Title	Name or Representative	Holding Shares	%
M31 TECHNOLOGY USA, INC.	Chairman	M31 TECHNOLOGY CORPORATION (Representative : Yuan-Hsun Chang)	450	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 :

12/31/2021 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.	13,531	72,033	57,716	14,317	112,771	1,531	1,081	-
Sirius Venture Ltd.	5,364	2,110	-	2,110	-	(52)	(337)	-
M31 Technology (Shanghai) Inc	3,340	2,011	-	2,011	-	-	(285)	-

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, 2021 and 2020 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, 2021 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 24, 2022

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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, 2021 and 2020, 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, 2021 and 2020, 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 generally accepted 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, 2021. 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, 2021 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 10, 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 2021, 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, 2021 and 2020 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 generally accepted 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 generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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, 2021 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 Yu-Feng Huang and Mei-Chen Tsai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2022

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, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 307,421	16	\$ 527,760	30
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	416,743	22	444,616	25
Financial assets at amortized cost - current (Notes 4 and 9)	-	-	227,840	13
Accounts receivable (Notes 4, 5, 10 and 21)	319,072	16	254,612	15
Other receivables	1,302	-	95	-
Current tax assets (Notes 4 and 23)	46,501	2	41,567	2
Prepayments (Note 15)	32,411	2	15,816	1
Other current assets (Notes 15 and 30)	8,739	-	8,475	1
Total current assets	<u>1,132,189</u>	<u>58</u>	<u>1,520,781</u>	<u>87</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	7,487	-	28,000	2
Financial assets at amortized cost - non-current (Notes 4 and 9)	106,422	6	-	-
Property, plant and equipment (Notes 4, 12 and 30)	674,452	35	175,035	10
Right-of-use assets (Notes 4 and 13)	1,110	-	4,186	-
Intangible assets (Notes 4 and 14)	7,640	1	7,775	-
Deferred tax assets (Notes 4 and 23)	5,672	-	7,867	-
Other non-current assets (Note 15)	1,723	-	13,118	1
Total non-current assets	<u>804,506</u>	<u>42</u>	<u>235,981</u>	<u>13</u>
TOTAL	<u>\$ 1,936,695</u>	<u>100</u>	<u>\$ 1,756,762</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Note 21)	\$ 89,002	5	\$ 90,167	5
Accounts payable (Note 17)	5,606	-	3,085	-
Other payables (Note 18)	131,485	7	114,637	7
Current tax liabilities (Notes 4 and 23)	20,302	1	28,861	2
Lease liabilities - current (Notes 4 and 13)	1,065	-	3,074	-
Long-term borrowings maturing within one year (Note 16)	5,821	-	-	-
Other current liabilities (Note 18)	16,339	1	6,809	-
Total current liabilities	<u>269,620</u>	<u>14</u>	<u>246,633</u>	<u>14</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	83,482	4	-	-
Lease liabilities - non-current (Notes 4 and 13)	-	-	1,095	-
Total non-current liabilities	<u>83,482</u>	<u>4</u>	<u>1,095</u>	<u>-</u>
Total liabilities	<u>353,102</u>	<u>18</u>	<u>247,728</u>	<u>14</u>
EQUITY (Note 20)				
Share capital				
Ordinary shares	316,060	16	313,180	18
Capital surplus	727,719	38	634,551	36
Retained earnings				
Legal reserve	125,647	6	92,583	6
Unappropriated earnings	514,477	27	493,824	28
Total retained earnings	<u>640,124</u>	<u>33</u>	<u>586,407</u>	<u>34</u>
Other equity	(52,246)	(3)	22,960	1
Treasury shares	(48,064)	(2)	(48,064)	(3)
Total equity	<u>1,583,593</u>	<u>82</u>	<u>1,509,034</u>	<u>86</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,936,695</u>	<u>100</u>	<u>\$ 1,756,762</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 21)	\$ 1,011,879	100	\$ 981,016	100
GROSS PROFIT	1,011,879	100	981,016	100
OPERATING EXPENSES (Notes 14 and 22)				
Selling and marketing expenses	(53,713)	(5)	(50,918)	(6)
General and administrative expenses	(99,678)	(10)	(89,343)	(9)
Research and development expenses	(541,929)	(54)	(420,785)	(43)
Expected credit loss (Note 10)	(3,665)	-	(1,725)	-
Total operating expenses	(698,985)	(69)	(562,771)	(58)
OPERATING INCOME	312,894	31	418,245	42
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 22)	1,399	-	6,844	1
Other income (Notes 4 and 22)	1,811	-	1,075	-
Other gains and losses (Notes 4 and 22)	(20,620)	(2)	(49,554)	(5)
Finance costs (Note 22)	(1,926)	-	(132)	-
Total non-operating income and expenses	(19,336)	(2)	(41,767)	(4)
PROFIT BEFORE INCOME TAX	293,558	29	376,478	38
INCOME TAX EXPENSE (Notes 4 and 23)	(40,921)	(4)	(54,230)	(5)
NET PROFIT FOR THE YEAR	252,637	25	322,248	33

(Continued)

	2021		2020	
	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)	\$ 32,972	3	\$ 28,703	3
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 20)	(417)	-	(671)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 20 and 23)	83	-	134	-
	(334)	-	(537)	-
Other comprehensive income(loss) for the year, net of income tax	32,638	3	28,166	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 285,275	28	\$ 350,414	36
EARNINGS PER SHARE (Note 24)				
Basic	\$ 8.12		\$ 10.34	
Diluted	\$ 8.11		\$ 10.34	

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus	Retained Earnings		Exchange Difference on Translating the Financial Statements of Foreign Operations	Other Equity			Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings		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, 2020	31,318	\$ 313,180	\$ 634,551	\$ 61,727	\$ 428,928	(\$ 67)	\$ 3,250	\$ -	\$ -	\$ 1,441,569
Appropriations of 2019 earnings										
Legal reserve	-	-	-	30,856	(30,856)	-	-	-	-	-
Cash dividends	-	-	-	-	(234,885)	-	-	-	-	(234,885)
Net profit for the year ended December 31, 2020	-	-	-	-	322,248	-	-	-	-	322,248
Other comprehensive income(loss) for the year ended December 31, 2020, net of income tax (Note 20)	-	-	-	-	-	(537)	28,703	-	-	28,166
Total comprehensive income(loss) for the year ended December 31, 2020	-	-	-	-	322,248	(537)	28,703	-	-	350,414
Buy-back of treasury shares (Note 20)	-	-	-	-	-	-	-	-	(48,064)	(48,064)
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	8,389	-	(8,389)	-	-	-
BALANCE AT DECEMBER 31, 2020	31,318	313,180	634,551	92,583	493,824	(604)	23,564	-	(48,064)	1,509,034
Appropriations of 2020 earnings										
Legal reserve	-	-	-	33,064	(33,064)	-	-	-	-	-
Cash dividends	-	-	-	-	(248,856)	-	-	-	-	(248,856)
Net profit for the year ended December 31, 2021	-	-	-	-	252,637	-	-	-	-	252,637
Other comprehensive income(loss) for the year ended December 31, 2021, net of income tax (Note 20)	-	-	-	-	-	(334)	32,972	-	-	32,638
Total comprehensive income(loss) for the year ended December 31, 2021	-	-	-	-	252,637	(334)	32,972	-	-	285,275
Issuance of employee restricted shares	288	2,880	93,168	-	-	-	-	(67,248)	-	28,800
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	9,340	-	9,340
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	49,936	-	(49,936)	-	-	-
BALANCE AT DECEMBER 31, 2021	31,606	\$ 316,060	\$ 727,719	\$ 125,647	\$ 514,477	(\$ 938)	\$ 6,600	(\$ 57,908)	(\$ 48,064)	\$ 1,583,593

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 293,558	\$ 376,478
Adjustments for:		
Depreciation expenses	36,689	39,382
Amortization expenses	3,686	2,783
Expected credit loss	3,665	1,725
Net gain on fair value changes of financial assets at fair value through profit or loss	(1,293)	(1,548)
Finance costs	1,926	132
Interest income	(1,399)	(6,844)
Compensation cost of employee restricted shares	9,340	-
Loss(gain) on disposal of property, plant and equipment	3,479	(867)
Unrealized (gain)loss on foreign currency exchange	(14,861)	20,770
Changes in operating assets and liabilities		
Accounts receivable	(67,364)	(75,988)
Other receivables	(1,277)	387
Prepayments	(16,595)	1,734
Other current assets	(7,827)	(3)
Contract liabilities	(1,165)	62,636
Accounts payable	2,480	992
Other payables	24,651	18,444
Other current liabilities	9,474	1,195
Cash generated from operations	<u>277,167</u>	<u>441,408</u>
Interest received	1,399	6,844
Interest paid	(1,910)	(132)
Income tax paid	(52,136)	(62,489)
Net cash generated from operating activities	<u>224,520</u>	<u>385,631</u>

(Continued)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of financial assets at fair value through other comprehensive income	\$ 53,485	\$ 10,053
Acquisition of financial assets at amortized cost	(108,818)	(484,850)
Disposal of financial assets at amortized cost	241,370	318,760
Acquisition of financial assets at fair value through profit or loss	(490,664)	(415,000)
Disposal of financial assets at fair value through profit or loss	519,830	476,799
Acquisition of property, plant and equipment	(531,379)	(30,141)
Disposal of property, plant and equipment	10	867
Decrease (Increase) in refundable deposits	7,563	(97)
Acquisition of intangible assets	(3,551)	(8,211)
Increase in other finance assets	-	(484)
Increase in prepayments for equipment	(1,625)	(13,018)
Net cash used in investing activities	<u>(313,779)</u>	<u>(145,322)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term borrowings	300,000	-
Repayment of long-term borrowings	(210,697)	-
Repayment of the principal portion of lease liabilities	(3,055)	(8,887)
Dividends paid	(248,856)	(234,885)
Payment for buy-back of treasury shares	-	(48,064)
Issuance of employee restricted shares	<u>28,800</u>	<u>-</u>
Net cash used in financing activities	<u>(133,808)</u>	<u>(291,836)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>2,728</u>	<u>(10,268)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(220,339)	(61,795)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>527,760</u>	<u>589,555</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 307,421</u>	<u>\$ 527,760</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, 2021 AND 2020 (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 24, 2022.

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”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The application of the IFRSs 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 recognized by the FSC applicable in 2022.

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by International Accounting Standards Board (IASB)</u>
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. IAS 41 “Agriculture” amendments are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1, “First-time Adoptions of IFRSs”, are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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 issued by IASB but not yet endorsed and issued into effect by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred income tax relating to assets and liabilities arising from a single transaction”	January 1, 2023 (Note 4)

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: The amendments are applicable to any deferment for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning on or after January 1, 2023.

Note 4: The amendments are applicable to transactions occurring after January 1, 2022, except for the recognition of deferred income taxes on temporary

differences between leases and decommissioning obligations as of January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group 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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs 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 11, 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 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 other financial assets - current 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. 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.

4.10 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.

4.11 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.

4.12 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

4.13 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.

4.14 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 has taken the recent development of the COVID-19 outbreak in Taiwan and its possible impact on the economic environment into consideration in making significant accounting estimates related to cash flow projections, growth rates, discount rates, profitability, etc. Management will continue to review the estimates and underlying assumptions. If a revision to an estimate affects only the current period, it is recognized in the period in which it is made; if a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which it is revised and in the future period.

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, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 40	\$ 70
Checking accounts and demand deposits	307,381	280,210
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	-	247,480
	<u>\$307,421</u>	<u>\$527,760</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank deposits	0.010%~0.300%	0.010%~0.405%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Mandatorily measured at FVTPL		
Non-derivative financial assets		
– Fund beneficiary certificate	\$391,041	\$444,616
– Listed shares and emerging market shares	25,702	-
	<u>\$416,743</u>	<u>\$444,616</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in equity instrument

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Domestic investment		
Listed shares and emerging market shares		
Ordinary shares – iSTART-TEK Inc.	\$ 7,487	\$ 28,000

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 income or loss, and the related information for the year ended December 31, 2021 is as follows:

	Year Ended December 31, 2021
Balance, beginning of period	\$ 28,000
Recognized in other comprehensive income	32,972
Disposal	(53,485)
Balance, end of period	<u>\$ 7,487</u>

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (Note 1)	\$ _____ -	<u>\$227,840</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Foreign investments		
Foreign Corporate Bonds (Note 2)	<u>\$106,422</u>	\$ _____ -

Note 1: The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.325% ~ 0.520% as of December 31, 2020.

Note 2: In September and October 2021, the Company purchased APPLE INC. bonds for \$53,664 thousand and \$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 \$28,905 thousand, with a maturity date of January 23, 2026, and a coupon rate of 4.500%.

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, 2021</u>	<u>December 31, 2020</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$327,537	\$259,323
Less: Allowance for impairment loss	(<u>8,465</u>)	(<u>4,711</u>)
	<u>\$319,072</u>	<u>\$254,612</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, 2021

	Not Past Due	1 to 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected Credit Losses rate	0%~0.67%	0%~3.68%	0%~6.15%	0%~21.25%	-	0%~100%	
Gross carrying amount	\$ 212,376	\$ 73,919	\$ 31,205	\$ 5,840	\$ 3,034	\$ 1,163	\$ 327,537
Loss allowance (lifetime ECL)	(1,421)	(2,722)	(1,918)	(1,241)	-	(1,163)	(8,465)
Amortized cost	<u>\$ 210,955</u>	<u>\$ 71,197</u>	<u>\$ 29,287</u>	<u>\$ 4,599</u>	<u>\$ 3,034</u>	<u>\$ -</u>	<u>\$ 319,072</u>

December 31, 2020

	Not Past Due	1 to 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected Credit Losses rate	0%~0.21%	0%~1.63%	0%~3.27%	0%~12.17%	0%~13.99%	0%~100%	
Gross carrying amount	\$ 166,371	\$ 73,315	\$ 13,044	\$ 4,101	\$ 293	\$ 2,199	\$ 259,323
Loss allowance (lifetime ECL)	(350)	(1,195)	(427)	(499)	(41)	(2,199)	(4,711)
Amortized cost	<u>\$ 166,021</u>	<u>\$ 72,120</u>	<u>\$ 12,617</u>	<u>\$ 3,602</u>	<u>\$ 252</u>	<u>\$ -</u>	<u>\$ 254,612</u>

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at January 1	\$ 4,711	\$ 2,820
Add: Net remeasurement of loss allowance	3,665	1,725
Effect of exchange rate changes	89	166
Balance at December 31	<u>\$ 8,465</u>	<u>\$ 4,711</u>

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

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

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31, 2021	December 31, 2020	
The Company	M31 Technology USA, INC.	Product marketing and technical services	100%	100%	(1)
	Sirius Venture Ltd.	Investment holding	100%	100%	(1)
Sirius Venture Ltd.	M31 Technology (Shanghai) Inc.	Product marketing and technical services	100%	100%	(2)

Remark:

- (1) The main operational risk is the exchange rate risk.
- (2) The main operational risks are the exchange rate risk and political risk led by changes in political policies and cross-strait relations.

12. 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, 2021	\$ 98,853	\$ -	\$ 69,642	\$ 10,890	\$ 98,447	\$ 277,832
Additions	126,440	378,443	5,407	-	13,264	523,554
Disposals	-	-	-	(10,890)	(84)	(10,974)
Reclassification	-	13,018	-	-	-	13,018
Net exchange differences	-	-	(8)	-	(6)	(14)
Balance at December 31, 2021	<u>\$ 225,293</u>	<u>\$ 391,461</u>	<u>\$ 75,041</u>	<u>\$ -</u>	<u>\$ 111,621</u>	<u>\$ 803,416</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ -	\$ 52,306	\$ 6,100	\$ 44,391	\$ 102,797
Depreciation expense	-	6,312	6,398	1,346	19,608	33,664
Disposals	-	-	-	(7,446)	(39)	(7,485)
Net exchange differences	-	-	(8)	-	(4)	(12)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 6,312</u>	<u>\$ 58,696</u>	<u>\$ -</u>	<u>\$ 63,956</u>	<u>\$ 128,964</u>
Carrying amounts at December 31, 2021	<u>\$ 225,293</u>	<u>\$ 385,149</u>	<u>\$ 16,345</u>	<u>\$ -</u>	<u>\$ 47,665</u>	<u>\$ 674,452</u>
<u>Cost</u>						
Balance at January 1, 2020	\$ 98,853	\$ -	\$ 70,816	\$ 23,433	\$ 79,087	\$ 272,189
Additions	-	-	866	-	35,786	36,652
Disposals	-	-	(2,025)	(12,543)	(16,417)	(30,985)
Net exchange differences	-	-	(15)	-	(9)	(24)
Balance at December 31, 2020	<u>\$ 98,853</u>	<u>\$ -</u>	<u>\$ 69,642</u>	<u>\$ 10,890</u>	<u>\$ 98,447</u>	<u>\$ 277,832</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ -	\$ -	\$ 46,571	\$ 14,604	\$ 42,038	\$ 103,213
Depreciation expense	-	-	7,775	4,039	18,776	30,590
Disposals	-	-	(2,025)	(12,543)	(16,417)	(30,985)
Net exchange differences	-	-	(15)	-	(6)	(21)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,306</u>	<u>\$ 6,100</u>	<u>\$ 44,391</u>	<u>\$ 102,797</u>
Carrying amounts at December 31, 2020	<u>\$ 98,853</u>	<u>\$ -</u>	<u>\$ 17,336</u>	<u>\$ 4,790</u>	<u>\$ 54,056</u>	<u>\$ 175,035</u>

No impairments or reversal of losses were recognized for the years ended December 31, 2021 and 2020.

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 years

13. LEASE AGREEMENTS

13.1 Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Carrying amounts</u>		
Buildings	<u>\$ 1,110</u>	<u>\$ 4,186</u>
	<u>Year Ended</u>	<u>Year Ended</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Additions to the right of use assets	<u>\$ -</u>	<u>\$ 3,634</u>
Depreciation of right-of-use assets		
Buildings	<u>\$ 3,025</u>	<u>\$ 8,792</u>

13.2 Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Carrying amounts</u>		
Current	<u>\$ 1,065</u>	<u>\$ 3,074</u>
Non-current	<u>\$ -</u>	<u>\$ 1,095</u>

Discount rate for lease liabilities is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Buildings	1.60%	1.60%

13.3 Other lease information

	<u>Year Ended</u>	<u>Year Ended</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Expenses relating to short-term leases	<u>\$ 24,959</u>	<u>\$ 1,215</u>
Total cash outflow for leases	<u>(\$ 28,043)</u>	<u>(\$ 10,234)</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, 2021</u>	<u>December 31, 2020</u>
Lease commitments	<u>\$ 149</u>	<u>\$ 16,101</u>

14. INTANGIBLE ASSETS

	<u>Software</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 16,677
Separately acquired	<u>3,551</u>
Balance at December 31, 2021	<u>\$ 20,228</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 8,902
Amortization expense	<u>3,686</u>
Balance at December 31, 2021	<u>\$ 12,588</u>
Carrying amounts at December 31, 2021	<u>\$ 7,640</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 8,466
Separately acquired	<u>8,211</u>
Balance at December 31, 2020	<u>\$ 16,677</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$ 6,119
Amortization expense	<u>2,783</u>
Balance at December 31, 2020	<u>\$ 8,902</u>
Carrying amounts at December 31, 2020	<u>\$ 7,775</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, 2021</u>	<u>Year Ended December 31, 2020</u>
General and administrative expenses	\$ 1,212	\$ 337
Research and development expenses	<u>2,474</u>	<u>2,446</u>
	<u>\$ 3,686</u>	<u>\$ 2,783</u>

15. OTHER ASSETS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Prepayments	\$ 32,411	\$ 15,816
Refundable deposits	424	7,987
Other financial assets – restricted assets (Note 30)	-	484
Others	<u>8,315</u>	<u>4</u>
	<u>\$ 41,150</u>	<u>\$ 24,291</u>
 <u>Non-current</u>		
Prepayments for equipment	\$ 1,625	\$ 13,018
Refundable deposits	<u>98</u>	<u>100</u>
	<u>\$ 1,723</u>	<u>\$ 13,118</u>

Market interest rate on balance sheet date is set out as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other financial assets – restricted assets	-	0.25%

16. BORROWINGS

Long-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Guaranteed loans (Note 30)</u>		
Bank Loans	\$ 89,303	\$ -
Less: Long-term borrowings maturing within one year	(<u>5,821</u>)	<u>-</u>
Long-term borrowings	<u>\$ 83,482</u>	<u>\$ -</u>

In March 2021, the Group obtained a newly appropriated bank loan of NT\$300,000 thousand with an interest rate of 1.10% to be repaid monthly over 15 years, which was used to purchase land and buildings.

17. ACCOUNTS PAYABLE

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Accounts payable</u>		
Operating	<u>\$ 5,606</u>	<u>\$ 3,085</u>

18. OTHER LIABILITIES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 95,603	\$ 87,874
Payables for annual leave	7,880	5,782
Payables for investments	7,672	-
Payables for retirement benefits	3,591	3,031
Payables for insurance	3,535	2,821
Payables for business taxes	2,528	1,101
Payables for purchases of equipment	2,386	10,211
Payables for professional service fees	1,667	1,160
Payables for taxes	157	218
Others	6,466	2,439
	<u>\$131,485</u>	<u>\$114,637</u>
Other liabilities		
Temporary collection	\$ 8,304	\$ -
Collection	8,035	6,809
	<u>\$ 16,339</u>	<u>\$ 6,809</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, 2021</u>	<u>December 31, 2020</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>31,606</u>	<u>31,318</u>
Shares issued	<u>\$316,060</u>	<u>\$313,180</u>

20.2 Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$630,511	\$630,511
Employee share options (2)	4,040	4,040
<u>Not to be used for any purpose</u>		
Employee restricted shares	<u>93,168</u>	<u>-</u>
	<u>\$727,719</u>	<u>\$634,551</u>

- (1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a 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

The Company's Articles of Incorporation state that, where the Company made profit in a fiscal year, the profit shall be first utilized in the following order:

- (1) Paying taxes.
- (2) Offsetting losses 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 and regulations.
- (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 2020 and 2019 earnings and dividends per share have been approved by the Company's shareholders in its meeting held on August 5, 2021 and May 29, 2020, respectively. The appropriations and dividends per share were set out as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Legal reserve	<u>\$ 33,064</u>	<u>\$ 30,856</u>
Cash dividends	<u>\$248,856</u>	<u>\$234,885</u>
Cash dividends per share (NT\$)	\$ 8.0	\$ 7.5

The appropriations of earnings for 2021 had been proposed by the Company's board of directors on February 24, 2022. The appropriations and dividends per share are set out as follows:

	Year Ended December 31, 2021
Legal reserve	<u>\$ 30,257</u>
Cash dividends	<u>\$197,782</u>
Dividends per share (NT\$)	\$ 6.3

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on May 26, 2022.

The company and its subsidiaries' appropriation of earnings is based on the articles of incorporation and relevant regulations, not being limited by contracts.

20.4 Other equity items

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at January 1	<u>(\$ 604)</u>	<u>(\$ 67)</u>
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(417)	(671)
Income tax on translating the financial statements of foreign operations	<u>83</u>	<u>134</u>
Other comprehensive income (loss) for the year	(<u>334</u>)	(<u>537</u>)
Balance at December 31	<u>(\$ 938)</u>	<u>(\$ 604)</u>

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at January 1	\$ 23,564	\$ 3,250
Recognized for the year		
Unrealized gain(loss)		
Equity instruments	<u>32,972</u>	<u>28,703</u>
Other comprehensive income		
(loss) for the year	<u>32,972</u>	<u>28,703</u>
Cumulative unrealized gain of		
equity instruments transferred		
to retained earnings due to		
disposal	(49,936)	(8,389)
Balance at December 31	<u>\$ 6,600</u>	<u>\$ 23,564</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, 2021
Balance at January 1	\$ -
Issuance of shares	(67,248)
Share-based payment expenses	
recognized	<u>9,340</u>
Balance at December 31	<u>(\$ 57,908)</u>

20.5 Treasury shares

<u>Purpose of Buy-back</u>	<u>Shares Transferred to Employees (In Thousands of Shares)</u>
Number of shares at January 1, 2021 and December 31, 2021	<u>211</u>
Number of shares at January 1, 2020	-
Increase during the year	<u>211</u>
Number of shares at December 31, 2020	<u>211</u>

In 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 227.79 dollars.

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 amendment registration of eliminating shares shall be processed.

21. REVENUE

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Technical service revenue	\$ 858,961	\$ 867,702
Royalty revenue	<u>152,918</u>	<u>113,314</u>
	<u>\$ 1,011,879</u>	<u>\$ 981,016</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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Accounts receivable (Note 10)	<u>\$ 319,072</u>	<u>\$ 254,612</u>	<u>\$ 179,282</u>
Contract liabilities - current			
Technical service revenue	<u>\$ 89,002</u>	<u>\$ 90,167</u>	<u>\$ 27,531</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 year ended December 31, 2021 and 2020 are as follows :

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at January 1	\$ 90,167	\$ 27,531
Contract liabilities from the beginning of year recognized as income	(59,704)	(21,309)
New contract liabilities for the year	<u>58,539</u>	<u>83,945</u>
Balance at December 31	<u>\$ 89,002</u>	<u>\$ 90,167</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, 2021	Year Ended December 31, 2020
Financial assets at amortized cost	\$ 743	\$ -
Bank deposits	605	6,766
Imputed interest on deposit	<u>51</u>	<u>78</u>
	<u>\$ 1,399</u>	<u>\$ 6,844</u>

22.2 Other income

	Year Ended December 31, 2021	Year Ended December 31, 2020
Other income	<u>\$ 1,811</u>	<u>\$ 1,075</u>

22.3 Other gains and losses

	Year Ended December 31, 2021	Year Ended December 31, 2020
Net interest from financial assets at fair value through profit or loss	\$ 1,293	\$ 1,548
(Loss) Gain on disposal of property, plant and equipment	(3,479)	867
Net foreign exchange losses	(18,429)	(51,965)
Others	<u>(5)</u>	<u>(4)</u>
	<u>(\$ 20,620)</u>	<u>(\$ 49,554)</u>

22.4 Finance costs

	Year Ended December 31, 2021	Year Ended December 31, 2020
Interest on bank loans	\$ 1,897	\$ -
Interest on lease liabilities	<u>29</u>	<u>132</u>
	<u>\$ 1,926</u>	<u>\$ 132</u>

22.5 Depreciation and amortization

	Year Ended December 31, 2021	Year Ended December 31, 2020
An analysis of depreciation by function		
Operating expenses	<u>\$ 36,689</u>	<u>\$ 39,382</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 3,686</u>	<u>\$ 2,783</u>

22.6 Employee benefits expenses

	Year Ended December 31, 2021	Year Ended December 31, 2020
Short-term employee benefits	\$408,959	\$349,342
Post-employment benefits		
Defined contribution plans	14,404	12,171
Share-based payment		
Equity-settled	9,340	-
Other employee benefits		
Labor and health insurance	23,780	18,724
Other employee benefits	<u>9,086</u>	<u>7,572</u>
Total employee benefits expenses	<u>\$465,569</u>	<u>\$387,809</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$465,569</u>	<u>\$387,809</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, 2021 and 2020 were approved by the Company's Board of Directors on February 24, 2022 and February 23, 2021, respectively, are set out as follows.

Accrual rate

	<u>Year Ended</u> <u>December 31, 2021</u>	<u>Year Ended</u> <u>December 31, 2020</u>
Employees' compensation	1.22%	1.09%
Remuneration of directors	1.22%	1.09%

Amount

	<u>Year Ended</u> <u>December 31, 2021</u> <u>Cash</u>	<u>Year Ended</u> <u>December 31, 2020</u> <u>Cash</u>
Employees' compensation	<u>\$ 3,680</u>	<u>\$ 4,200</u>
Remuneration of directors	<u>\$ 3,680</u>	<u>\$ 4,200</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, 2020 and 2019.

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

	<u>Year Ended</u> <u>December 31, 2021</u>	<u>Year Ended</u> <u>December 31, 2020</u>
Foreign exchange gains	\$ 62,291	\$ 34,121
Foreign exchange losses	(80,720)	(86,086)
Net loss	<u>(\$ 18,429)</u>	<u>(\$ 51,965)</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:

	<u>Year Ended</u> <u>December 31, 2021</u>	<u>Year Ended</u> <u>December 31, 2020</u>
Current tax		
In respect of the current year	\$ 39,702	\$ 53,640
Adjustments for prior years	(1,641)	(3,491)
Non-deductible foreign income tax	<u>582</u>	<u>4,033</u>
	38,643	54,182
Deferred tax		
In respect of the current year	<u>2,278</u>	<u>48</u>
Income tax expense recognized in profit or loss	<u>\$ 40,921</u>	<u>\$ 54,230</u>

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Profit before tax from continuing operations	<u>\$293,558</u>	<u>\$376,478</u>
Income tax expense calculated at the statutory rate	\$ 59,065	\$ 75,921
Tax-exempt income	(259)	(310)
Non-deductible foreign income tax	582	4,033
Unrecognized deductible temporary differences	-	730
Current research and development tax credit	(16,826)	(22,653)
Adjustments for prior years' tax	(<u>1,641</u>)	(<u>3,491</u>)
Income tax expense recognized in profit or loss	<u>\$ 40,921</u>	<u>\$ 54,230</u>

23.2 Income tax recognized in other comprehensive income

	Year Ended December 31, 2021	Year Ended December 31, 2020
<u>Deferred Tax</u>		
In respect of the current year		
Translation of foreign operations	(\$ <u>83</u>)	(\$ <u>134</u>)
Income tax recognized in other comprehensive income	(\$ <u>83</u>)	(\$ <u>134</u>)

23.3 Current tax assets and liabilities

	December 31, 2021	December 31, 2020
Current tax assets		
Prepaid Mainland China income tax	\$ 45,037	\$ 40,770
Prepaid foreign income tax	<u>1,464</u>	<u>797</u>
	<u>\$ 46,501</u>	<u>\$ 41,567</u>
Current tax liabilities		
Income tax payable	<u>\$ 20,302</u>	<u>\$ 28,861</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, 2021

	Balance at January 1, 2021	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31, 2021
<u>Deferred Tax Assets</u>				
Temporary differences				
Amortization of				
Intangibles	\$ 1,363	(\$ 119)	\$ -	\$ 1,244
Payables for annual leave	1,157	419	-	1,576
Investment income under				
equity method	408	(149)	-	259
Exchange differences				
on translation of				
foreign operations	149	-	83	232
Allowance for impairment				
loss	1,038	619	-	1,657
Unrealized exchange				
losses	3,752	(3,048)	-	704
	<u>\$ 7,867</u>	<u>(\$ 2,278)</u>	<u>\$ 83</u>	<u>\$ 5,672</u>

Year ended December 31, 2020

	Balance at January 1, 2020	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31, 2020
<u>Deferred Tax Assets</u>				
Temporary differences				
Amortization of				
Intangibles	\$ 1,482	(\$ 119)	\$ -	\$ 1,363
Payables for annual leave	919	238	-	1,157
Investment income				
Under equity method	555	(\$ 147)	-	408
Exchange differences				
on translation of				
foreign operations	75	-	74	149
Allowance for impairment				
loss	1,588	(550)	-	1,038
Unrealized exchange				
losses	3,222	530	-	3,752
	<u>\$ 7,841</u>	<u>(\$ 48)</u>	<u>\$ 74</u>	<u>\$ 7,867</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Exchange differences on				
translation of foreign				
operations	<u>\$ 60</u>	<u>\$ -</u>	<u>(\$ 60)</u>	<u>\$ -</u>

23.5 Income tax assessments

The tax authorities have examined income tax returns of the Company through 2019.

The Group has no pending tax litigation as of December 31, 2021.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	Year Ended December 31, 2021	Year Ended December 31, 2020
Basic earnings per share		
From continuing operations	\$ <u>8.12</u>	\$ <u>10.34</u>
Diluted earnings per share		
From continuing operations	\$ <u>8.11</u>	\$ <u>10.34</u>
 <u>Net Profit for the Year</u>		
	Year Ended December 31, 2021	Year Ended December 31, 2020
Net profit used in the computation of basic and diluted earnings per share	<u>\$252,637</u>	<u>\$322,248</u>
 <u>Number of Shares (in thousands of shares)</u>		
	Year Ended December 31, 2021	Year Ended December 31, 2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	31,107	31,166
Effect of potentially dilutive ordinary shares:		
Employees' compensation	11	14
Employee restricted shares	<u>46</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>31,164</u>	<u>31,180</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 Base 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

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:

	New Employee Restricted Shares in 2021
	<u>(In Thousands)</u>
<u>Year Ended December 31, 2021</u>	
Shares outstanding at the beginning of the year	-
Shares granted for the year	<u>288</u>
Shares outstanding at the end of the year	<u>288</u>
Employees shares vested	<u>-</u>
Weighted-average fair value of shares granted (NTD)	<u>\$ 333.5</u>

The compensation cost recognized for new employee restricted shares for the year ended December 31, 2021 was NT\$9,340 thousand.

26. CASH FLOW INFORMATION

26.1 Non-cash transactions

Except as disclosed in other notes, the Group made the following non-cash investing and financing activities for the years ended December 31, 2021 and 2020:

On December 31, 2021 and 2020, the Group respectively acquired property, plant and equipment of \$2,386 thousand and \$10,211 thousand, which are recognized as payables on equipment (refer to Note 18).

26.2 Changes in liabilities arising from financing activities

Year Ended December 31, 2021

	January 1, 2021	Cash Flows	Non-cash Changes Exchange Rate Changes	December 31, 2021
Lease liabilities	\$ 4,169	(\$ 3,055)	(\$ 49)	\$ 1,065
Long-term borrowings	-	<u>89,303</u>	-	<u>89,303</u>
	<u>\$ 4,169</u>	<u>\$ 86,248</u>	<u>(\$ 49)</u>	<u>\$ 90,368</u>

Year Ended December 31, 2020

	January 1, 2020	Cash Flow	Non-Cash Changes		December 31, 2020
			New Leases	Exchange Rate Changes	
Lease liabilities	<u>\$ 9,585</u>	<u>(\$ 8,887)</u>	<u>\$ 3,634</u>	<u>(\$ 163)</u>	<u>\$ 4,169</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, 2021

	<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	\$106,422	\$104,370	\$ -	\$ -	\$104,370

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

(1) Fair value hierarchy

December 31, 2021

	<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	\$ 391,041	\$ -	\$ -	\$ 391,041
Listed shares and emerging market shares	<u>25,702</u>	<u>-</u>	<u>-</u>	<u>25,702</u>
	<u>\$ 416,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 416,743</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
– Listed shares and emerging market shares	<u>7,487</u>	<u>-</u>	<u>-</u>	<u>7,487</u>

December 31, 2020

	<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	\$ 444,616	\$ -	\$ -	\$ 444,616
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-- Listed shares and emerging market shares	\$ -	\$ -	\$ 28,000	\$ 28,000

There were no transfers between Levels 1 and 2 in for the years ended December 31, 2021 and 2020.

(2) Reconciliation of Level 3 fair value measurements of financial instruments

Year Ended December 31, 2020

<u>Financial Assets</u>	<u>Financial Assets at FVTOCI Equity Instruments</u>
Balance at January 1	\$ 9,350
Recognized in other comprehensive income	28,703
Disposals	(10,053)
Balance at December 31	<u>\$ 28,000</u>

(3) Valuation techniques and inputs applied for Level 3 fair value measurement

<u>Financial Instruments Category</u>	<u>Evaluation Techniques and Input Values</u>
Unlisted shares	It is based on the estimated value of its assets and liabilities in order to obtain the target or end-of-period observable share price consideration, comparing the assets and liabilities or income statement items, calculating the implied value multiplier of the price, and estimating the value of the target.

28.3 Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 416,743	\$ 444,616
Amortized cost (1)	734,739	1,018,878
FVTOCI		
Investment in equity instrument	7,487	28,000
<u>Financial liabilities</u>		
Amortized cost (2)	115,628	17,996

- (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, other financial assets (recognized in other current assets) and refundable deposits (recognized in other current assets and other non-current assets), 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 benefit, payables for insurance, and payables for tax expense) and long-term borrowings (including long-term borrowings maturing within one year).

28.4 Financial risk management objectives and policies

The Group's major instruments include equity investments, accounts receivable, accounts payable, borrowings 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	Year Ended
	December 31, 2021	December 31, 2020
Profit or loss	\$ 6,360	\$ 6,563

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 decreased during the current year mainly due to the decrease 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, 2021	December 31, 2020
Fair value interest rate risk		
– Financial assets	\$106,422	\$475,320
– Financial liabilities	1,065	4,169
Cash flow interest rate risk		
– Financial assets	304,677	278,690
– Financial liabilities	89,303	-

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, 2021 and 2020 would increase by \$2,154 thousands and \$2,787 thousands, respectively, mainly resulting from the Group's variable-rate bank deposits and long-term borrowings.

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

(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, 2021 and 2020 would have increased/decreased by \$4,167 thousands and \$4,446 thousands, respectively, resulting from the changes in fair value of financial assets at FVTPL. The pre-tax other comprehensive income for years ended December 31, 2021 and 2020 would have increased/decreased by \$75 thousands and \$280 thousands respectively, 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 35% and 58% of total accounts receivable as of December 31, 2021 and 2020, 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, 2021

	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	\$ 26,325	\$ -	\$ -	\$ -
Long-term borrowings	1,449	4,372	23,933	59,549
Lease liabilities	292	779	-	-
	<u>\$ 28,066</u>	<u>\$ 5,151</u>	<u>\$ 23,933</u>	<u>\$ 59,549</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>
Long-term borrowings	\$ 5,821	\$ 23,933	\$ 59,549
Lease liabilities	\$ 1,071	\$ -	\$ -

December 31, 2020

	<u>Less than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 to 5 Years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 17,996	\$ -	\$ -
Lease liabilities	2,227	876	1,102
	<u>\$ 20,223</u>	<u>\$ 876</u>	<u>\$ 1,102</u>

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

	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>
Lease liabilities	\$ 3,103	\$ 1,102	\$ -

(3.2) Financing Amount

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured bank loan amount		
— Amount utilized	\$ 89,303	\$ -
— Unutilized amount	210,697	300,000
	<u>\$300,000</u>	<u>\$300,000</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, 2021</u>	<u>Year Ended December 31, 2020</u>
Short-term employee benefits	\$ 17,659	\$ 22,717
Post-employment benefits	318	324
Share-based payment	389	-
	<u>\$ 18,366</u>	<u>\$ 23,041</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, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	\$423,884	\$ -
Pledged time deposits (classified as other financial assets – current)	<u>-</u>	<u>484</u>
	<u>\$423,884</u>	<u>\$ 484</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, 2021

	<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	\$ 23,564	27.680 (USD : NTD)	\$652,252
CNY	5	4.344 (CNY : NTD)	22
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	586	27.680 (USD : NTD)	16,220

December 31, 2020

	<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	\$ 23,177	28.480 (USD : NTD)	\$660,081
CNY	61	4.377 (CNY : NTD)	267
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	132	28.480 (USD : NTD)	3,759

The significant unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Exchange Rate	Net Foreign Exchange Gains	Exchange Rate	Net Foreign Exchange Losses
USD	28.009 (USD : NTD)	\$ 14,861	29.549 (USD : NTD)	(\$ 20,770)

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: Table 3.
- (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 4.
- (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 5.
- (11) Information on investees: Table 6.

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 7.
- (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 7.
 - (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 11.
- 2) Increases, decreases, or changes in the subsidiaries included in the current consolidated financial statements of affiliated enterprises: Note 11.
- 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 11.
- 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 trading 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, 6 and 7.
- 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 (%)
Hsiao-Ping Lin	6,604,000	20.89%
Huey-Ling Chen	4,596,000	14.54%
Jui-Chun Investment Company Limited	1,642,000	5.19%

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 in two principal areas - Taiwan and the United States (USA). 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, 2021	Year Ended December 31, 2020	December 31, 2021	December 31, 2020
Taiwan	\$ 923,779	\$ 782,922	\$ 683,695	\$ 197,681
USA	88,100	198,094	1,230	2,433
	<u>\$ 1,011,879</u>	<u>\$ 981,016</u>	<u>\$ 684,925</u>	<u>\$ 200,114</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

Single customers contributing 10% or more to the Group's revenue are set out as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Customer E	\$ 96,154	\$ 68,237
Customer H	<u>33,518</u>	<u>122,283</u>
	<u>\$ 129,672</u>	<u>\$ 190,520</u>

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(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, 2021				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> iSTART-TEK INC.	—	Financial assets at fair value through other comprehensive income— non-current	80	\$ 7,487	0.36	\$ 7,487	—
	Fubon Financial Holding Co., Ltd. (Type C)	—	Financial assets at fair value through profit or loss— current	300	18,030	-	18,030	—
	China Development Financial Holding Corporation (Type B)	—	Financial assets at fair value through profit or loss— current	800	7,672	-	7,672	—
	<u>Fund beneficiary certificate</u> Taishin 1699 Money Market Fund	—	Financial assets at fair value through profit or loss— current	11,749	160,714	-	160,714	—
	Jih Sun Money Market Fund	—	Financial assets at fair value through profit or loss— current	11,354	170,170	-	170,170	—
	FSITC Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss— current	3,888	60,157	-	60,157	—
	<u>Corporate Bond</u> APPLE INC.	—	Financial assets at amortized cost— non-current	-	78,082	-	76,588	—
	Petróleos Mexicanos	—	Financial assets at amortized cost— non-current	-	28,340	-	27,782	—

Note: For relevant information on investment in subsidiaries, please refer to Table 5 and Table 6.

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, 2021

(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	<u>Fund beneficiary certificate</u> Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss – current	4,425	\$ 60,389	7,324	\$ 100,000	-	\$ -	\$ -	\$ -	11,749	\$ 160,714
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss – current	-	-	20,041	300,000	8,687	130,126	130,000	126	11,354	170,170
	FSITC Money Market Fund	Financial assets at fair value through profit or loss – current	1,291	232,149	-	-	1,291	232,475	231,834	641	-	-
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss – current	7,144	117,067	2,441	40,000	9,585	157,229	157,000	229	-	-
	<u>Corporate Bond</u> APPLE INC.	Financial assets at amortized cost – non-current	-	-	-	78,082	-	-	-	-	-	78,082

Note: The amount per book at fair value at the end of the year.

TABLE 3**M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
The Company	Land and buildings	3/22/2021	\$ 437,758	\$ 437,758	Winsome Development	—	N/A	N/A	N/A	N/A	Decided by mutual agreement	Operational use	None

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, 2021
(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	\$ 87,132	8.61%	30 – 90 Days	\$ -	—	\$ 56,652	17.87%	—

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, 2021
(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	\$ 87,132	Decided by mutual agreement based on market price	9
			1	Accounts receivable- related-party	56,652	Net 90 days from the end of the transaction month	3
1	M31 Technology USA, INC.	M31 Technology Corporation	2	Accounts receivable- related-party	1,196	Net 30 days from the end of the transaction month	-
			2	Marketing revenue	24,500	Decided by mutual agreement based on market price	2

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, 2021
(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, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
The Company	M31 Technology USA , INC.	USA	Product marketing and technical service	\$ 13,531	\$ 13,531	450,000	100	\$ 14,317	\$ 1,081	\$ 1,081	Subsidiaries accounted by USD
	Sirius Venture Ltd.	Republic of Seychelles	Investment Holdings	5,364	5,364	167,000	100	2,110	(337)	(337)	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 7.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	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, 2021 (Note 2 and Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
M31 Technology (Shanghai) Inc.	Product marketing and technical service	USD 100	(2)	\$ 3,340	\$ -	\$ -	\$ 3,340	(\$ 285)	100	(\$ 285)	\$ 2,011	\$ -	—

2. Limit on the amount of investment in the mainland China:

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	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	\$ 950,156

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 Gain (Loss) on the investment in the Investee Company M31 Technology (Shanghai) Inc. for the year ended December 31, 2021 and the Carrying Value as of December 31, 2021.

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, 2021 and 2020 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, 2021 and 2020, 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, 2021 and 2020, 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 generally accepted 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, 2021. 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, 2021 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 10, 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 2021, 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 generally accepted 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 generally accepted 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, 2021 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 Yu-Feng Huang and Mei-Chen Tsai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2022

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 generally accepted 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, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 294,591	15	\$ 503,171	29
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	416,743	22	444,616	25
Financial assets at amortized cost - current (Notes 4 and 9)	-	-	227,840	13
Accounts receivable (Notes 4, 5, 10 and 21)	260,406	13	176,919	10
Accounts receivable - related parties (Notes 4, 21 and 29)	56,652	3	86,850	5
Other receivables (Note 29)	1,278	-	89	-
Current tax assets (Notes 4 and 23)	46,416	2	41,393	2
Prepayments (Note 15)	32,298	2	15,700	1
Other current assets (Notes 15 and 30)	8,739	1	8,508	1
Total current assets	<u>1,117,123</u>	<u>58</u>	<u>1,505,086</u>	<u>86</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	7,487	-	28,000	2
Financial assets at amortized cost - non-current (Notes 4 and 9)	106,422	6	-	-
Investments accounted for using the equity method (Notes 4 and 11)	16,427	1	16,100	1
Property, plant and equipment (Notes 4, 12 and 30)	674,430	35	174,986	10
Right-of-use assets (Notes 4 and 13)	-	-	1,902	-
Intangible assets (Notes 4 and 14)	7,640	-	7,775	-
Deferred tax assets (Notes 4 and 23)	5,672	-	7,867	-
Other non-current assets (Note 15)	1,625	-	13,018	1
Total non-current assets	<u>819,703</u>	<u>42</u>	<u>249,648</u>	<u>14</u>
TOTAL	<u>\$ 1,936,826</u>	<u>100</u>	<u>\$ 1,754,734</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Note 21)	\$ 89,002	5	\$ 90,167	5
Accounts payable (Note 17)	5,606	-	3,085	-
Other payables (Note 18)	131,485	7	113,498	7
Other payables - related parties (Note 29)	1,196	-	1,347	-
Current tax liabilities (Notes 4 and 23)	20,302	1	28,861	2
Lease liabilities - current (Notes 4 and 13)	-	-	1,933	-
Long-term borrowings maturing within one year (Note 16)	5,821	-	-	-
Other current liabilities (Note 18)	16,339	1	6,809	-
Total current liabilities	<u>269,751</u>	<u>14</u>	<u>245,700</u>	<u>14</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	83,482	4	-	-
Total non-current liabilities	<u>83,482</u>	<u>4</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>353,233</u>	<u>18</u>	<u>245,700</u>	<u>14</u>
EQUITY (Note 20)				
Share capital				
Ordinary shares	316,060	16	313,180	18
Capital surplus	727,719	38	634,551	36
Retained earnings				
Legal reserve	125,647	6	92,583	6
Unappropriated earnings	514,477	27	493,824	28
Total retained earnings	640,124	33	586,407	34
Other equity	(52,246)	(3)	22,960	1
Treasury shares	(48,064)	(2)	(48,064)	(3)
Total equity	<u>1,583,593</u>	<u>82</u>	<u>1,509,034</u>	<u>86</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,936,826</u>	<u>100</u>	<u>\$ 1,754,734</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 29)	<u>\$ 1,010,911</u>	<u>100</u>	<u>\$ 977,942</u>	<u>100</u>
GROSS PROFIT	<u>1,010,911</u>	<u>100</u>	<u>977,942</u>	<u>100</u>
OPERATING EXPENSES (Notes 14, 22 and 29)				
Selling and marketing expenses	(54,194)	(5)	(49,776)	(5)
General and administrative expenses	(99,678)	(10)	(89,343)	(9)
Research and development expenses	(541,929)	(54)	(420,785)	(43)
Expected credit loss (Note 10)	(3,665)	-	(1,725)	(1)
Total operating expenses	<u>(699,466)</u>	<u>(69)</u>	<u>(561,629)</u>	<u>(58)</u>
OPERATING INCOME	<u>311,445</u>	<u>31</u>	<u>416,313</u>	<u>42</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 22)	1,376	-	6,802	1
Other income (Notes 4 and 22)	1,806	-	1,059	-
Other gains and losses (Notes 4 and 22)	(20,354)	(2)	(49,124)	(5)
Finance costs (Note 22)	(1,900)	-	(87)	-
Share of profit of subsidiaries (Note 4)	<u>744</u>	<u>-</u>	<u>734</u>	<u>-</u>
Total non-operating income and expenses	<u>(18,328)</u>	<u>(2)</u>	<u>(40,616)</u>	<u>(4)</u>
PROFIT BEFORE INCOME TAX	293,117	29	375,697	38
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(40,480)</u>	<u>(4)</u>	<u>(53,449)</u>	<u>(5)</u>
NET PROFIT FOR THE YEAR	<u>252,637</u>	<u>25</u>	<u>322,248</u>	<u>33</u>

(Continued)

	2021		2020	
	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)	\$ 32,972	3	\$ 28,703	3
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 20)	(417)	-	(671)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 20 and 23)	83	-	134	-
	(334)	-	(537)	-
Other comprehensive income(loss) for the year, net of income tax	<u>32,638</u>	<u>3</u>	<u>28,166</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 285,275</u>	<u>28</u>	<u>\$ 350,414</u>	<u>36</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 8.12</u>		<u>\$ 10.34</u>	
Diluted	<u>\$ 8.11</u>		<u>\$ 10.34</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Retained Earnings		Exchange Difference on Translating the Financial Statements of Foreign Operations	Other Equity		Unearned Employee Benefits	Amount of Treasury Shares	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings		Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2020	31,318	\$ 313,180	\$ 634,551	\$ 61,727	\$ 428,928	(\$ 67)	\$ 3,250	\$ -	\$ -	\$ 1,441,569	
Appropriations of 2019 earnings											
Legal reserve	-	-	-	30,856	(30,856)	-	-	-	-	-	
Cash dividends	-	-	-	-	(234,885)	-	-	-	-	(234,885)	
Net profit for the year ended December 31, 2020	-	-	-	-	322,248	-	-	-	-	322,248	
Other comprehensive income(loss) for the year ended December 31, 2020, net of income tax (Note 20)	-	-	-	-	-	(537)	28,703	-	-	28,166	
Total comprehensive income(loss) for the year ended December 31, 2020	-	-	-	-	322,248	(537)	28,703	-	-	350,414	
Buy-back of treasury shares (Note 20)	-	-	-	-	-	-	-	-	(48,064)	(48,064)	
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	8,389	-	(8,389)	-	-	-	
BALANCE AT DECEMBER 31, 2020	31,318	313,180	634,551	92,583	493,824	(604)	23,564	-	(48,064)	1,509,034	
Appropriations of 2020 earnings											
Legal reserve	-	-	-	33,064	(33,064)	-	-	-	-	-	
Cash dividends	-	-	-	-	(248,856)	-	-	-	-	(248,856)	
Net profit for the year ended December 31, 2021	-	-	-	-	252,637	-	-	-	-	252,637	
Other comprehensive income(loss) for the year ended December 31, 2021, net of income tax (Note 20)	-	-	-	-	-	(334)	32,972	-	-	32,638	
Total comprehensive income(loss) for the year ended December 31, 2021	-	-	-	-	252,637	(334)	32,972	-	-	285,275	
Issuance of employee restricted shares	288	2,880	93,168	-	-	-	-	(67,248)	-	28,800	
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	9,340	-	9,340	
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	49,936	-	(49,936)	-	-	-	
BALANCE AT DECEMBER 31, 2021	31,606	\$ 316,060	\$ 727,719	\$ 125,647	\$ 514,477	(\$ 938)	\$ 6,600	(\$ 57,908)	(\$ 48,064)	\$ 1,583,593	

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 293,117	\$ 375,697
Adjustments for:		
Depreciation expenses	35,541	38,114
Amortization expenses	3,686	2,783
Expected credit loss	3,665	1,725
Net gain on fair value changes of financial assets at fair value through profit or loss	(1,293)	(1,548)
Finance costs	1,900	87
Interest income	(1,376)	(6,802)
Compensation cost of employee restricted shares	9,340	-
Share of profit of subsidiaries	(744)	(734)
Loss(gain) on disposal of property, plant and equipment	3,479	(867)
Unrealized (gain)loss on foreign currency exchange	(15,126)	21,512
Changes in operating assets and liabilities		
Accounts receivable	(86,391)	1,373
Accounts receivable - related parties	30,463	(83,013)
Other receivables	(1,259)	393
Prepayments	(16,598)	1,443
Other current assets	(7,794)	(36)
Contract liabilities	(1,165)	62,636
Accounts payable	2,480	992
Other payables	25,790	17,348
Other payables - related parties	(151)	71
Other current liabilities	9,474	1,195
Cash generated from operations	287,038	432,369
Interest received	1,376	6,802
Interest paid	(1,884)	(87)
Income tax paid	(51,784)	(61,534)
Net cash generated from operating activities	<u>234,746</u>	<u>377,550</u>

(Continued)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of financial assets at fair value through other comprehensive income	\$ 53,485	\$ 10,053
Acquisition of financial assets at amortized cost	(108,818)	(484,850)
Disposal of financial assets at amortized cost	241,370	318,760
Acquisition of financial assets at fair value through profit or loss	(490,664)	(415,000)
Disposal of financial assets at fair value through profit or loss	519,830	476,799
Acquisition of property, plant and equipment	(531,379)	(30,141)
Disposal of property, plant and equipment	10	867
Decrease (Increase) in refundable deposits	7,563	(156)
Acquisition of intangible assets	(3,551)	(8,211)
Increase in other finance assets	-	(484)
Increase in prepayments for equipment	(1,625)	(13,018)
Net cash used in investing activities	<u>(313,779)</u>	<u>(145,381)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term borrowings	300,000	-
Repayment of long-term borrowings	(210,697)	-
Repayment of the principal portion of lease liabilities	(1,933)	(7,652)
Dividends paid	(248,856)	(234,885)
Payment for buy-back of treasury shares	-	(48,064)
Issuance of employee restricted shares	<u>28,800</u>	<u>-</u>
Net cash used in financing activities	<u>(132,686)</u>	<u>(290,601)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>3,139</u>	<u>(9,601)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(208,580)</u>	<u>(68,033)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>503,171</u>	<u>571,204</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 294,591</u>	<u>\$ 503,171</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, 2021 AND 2020 (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 24, 2022.

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”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The application of the amended IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies

3.2 IFRSs recognized by the FSC applicable in 2022.

New/Revised/Amended Standards and Interpretations	Effective Date Announced by International Accounting Standards Board (IASB)
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. IAS 41 “Agriculture” amendments are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1, “First-time Adoptions of IFRSs”, are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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 issued by IASB but not yet endorsed and issued into effect by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred income tax relating to assets and liabilities arising from a single transaction"	January 1, 2023 (Note 4)

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: The amendments are applicable to any deferral for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning on or after January 1, 2023.

Note 4: The amendments are applicable to transactions occurring after January 1, 2022, except for the recognition of deferred income taxes on temporary differences between leases and decommissioning obligations as of January 1, 2022.

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 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, and other financial assets - current 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. 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.

4.10 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.

4.11 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.

4.12 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

4.13 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.

4.14 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 has taken the recent development of the COVID-19 outbreak in Taiwan and its possible impact on the economic environment into consideration in making significant accounting estimates related to cash flow projections, growth rates, discount rates, profitability, etc. Management will continue to review the estimates and underlying assumptions. If a revision to an estimate affects only the current period, it is recognized in the period in which it is made; if a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which it is revised and in the future period.

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, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 40	\$ 70
Checking accounts and demand deposits	294,551	255,621
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	-	247,480
	<u>\$294,591</u>	<u>\$503,171</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank deposits	0.010%~0.030%	0.010%~0.405%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Mandatorily measured at FVTPL		
Non-derivative financial assets		
– Fund beneficiary certificate	\$391,041	\$444,616
– Listed shares and emerging market shares	25,702	-
	<u>\$416,743</u>	<u>\$444,616</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in equity instrument

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Domestic investment		
Listed shares and emerging market shares		
Ordinary shares –		
iSTART-TEK Inc.	\$ 7,487	\$ 28,000

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 investment strategy to liquidate a portion of its investments in equity instruments measured at fair value through other comprehensive income or loss, and the related information for the year ended December 31, 2021 is as follows:

	Year Ended December 31, 2021
Balance, beginning of period	\$ 28,000
Recognized in other comprehensive income	32,972
Disposal	(53,485)
Balance, end of period	<u>\$ 7,487</u>

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (Note 1)	\$ _____ -	<u>\$227,840</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Foreign investments		
Foreign Corporate Bonds (Note 2)	<u>\$106,422</u>	\$ _____ -

Note 1: The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.325% ~ 0.520% as of December 31, 2020.

Note 2: In September and October 2021, the Company purchased APPLE INC. bonds for \$53,664 thousand and \$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 \$28,905 thousand, with a maturity date of January 23, 2026, and a coupon rate of 4.500%.

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, 2021</u>	<u>December 31, 2020</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$268,871	\$181,630
Less: Allowance for impairment loss	(<u>8,465</u>)	(<u>4,711</u>)
	<u>\$260,406</u>	<u>\$176,919</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, 2021

	Not Past Due	1 to 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected Credit Losses rate	0%~0.77%	0%~4.17%	0%~17.01%	0%~21.25%	-	0%~100%	
Gross carrying amount	\$ 185,283	\$ 65,310	\$ 11,275	\$ 5,840	\$ -	\$ 1,163	\$ 268,871
Loss allowance (lifetime ECL)	(1,421)	(2,722)	(1,918)	(1,241)	-	(1,163)	(8,465)
Amortized cost	<u>\$ 183,862</u>	<u>\$ 62,588</u>	<u>\$ 9,357</u>	<u>\$ 4,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,406</u>

December 31, 2020

	Not Past Due	1 to 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected Credit Losses rate	0%~0.37%	0%~1.63%	0%~5.81%	0%~12.17%	0%~13.99%	0%~100%	
Gross carrying amount	\$ 94,374	\$ 73,315	\$ 7,348	\$ 4,101	\$ 293	\$ 2,199	\$ 181,630
Loss allowance (lifetime ECL)	(350)	(1,195)	(427)	(499)	(41)	(2,199)	(4,711)
Amortized cost	<u>\$ 94,024</u>	<u>\$ 72,120</u>	<u>\$ 6,921</u>	<u>\$ 3,602</u>	<u>\$ 252</u>	<u>\$ -</u>	<u>\$ 176,919</u>

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at January 1	\$ 4,711	\$ 2,820
Add: Net remeasurement of loss allowance	3,665	1,725
Effect of exchange rate changes	89	166
Balance at December 31	<u>\$ 8,465</u>	<u>\$ 4,711</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2021	December 31, 2020
Investments in subsidiaries		
— M31 Technology USA, INC.	\$ 14,317	\$ 13,632
— Sirius Venture Ltd.	2,110	2,468
	<u>\$ 16,427</u>	<u>\$ 16,100</u>

At the balance sheet dates, the proportions of ownership and voting rights in subsidiaries held by the Corporation are set out as follows:

Name of Subsidiaries	Proportion of Ownership and Voting Rights	
	December 31, 2021	December 31, 2020
M31 Technology USA, INC.	100%	100%
Sirius Venture Ltd.	100%	100%

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.

12. 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, 2021	\$ 98,853	\$ -	\$ 69,350	\$ 10,890	\$ 98,234	\$ 277,327
Additions	126,440	378,443	5,407	-	13,264	523,554
Disposals	-	-	-	(10,890)	(84)	(10,974)
Reclassification	-	13,018	-	-	-	13,018
Balance at December 31, 2021	<u>\$ 225,293</u>	<u>\$ 391,461</u>	<u>\$ 74,757</u>	<u>\$ -</u>	<u>\$ 111,414</u>	<u>\$ 802,925</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ -	\$ 52,015	\$ 6,100	\$ 44,226	\$ 102,341
Depreciation expense	-	6,312	6,397	1,346	19,584	33,639
Disposals	-	-	-	(7,446)	(39)	(7,485)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 6,312</u>	<u>\$ 58,412</u>	<u>\$ -</u>	<u>\$ 63,771</u>	<u>\$ 128,495</u>
Carrying amounts at December 31, 2021	<u>\$ 225,293</u>	<u>\$ 385,149</u>	<u>\$ 16,345</u>	<u>\$ -</u>	<u>\$ 47,643</u>	<u>\$ 674,430</u>
<u>Cost</u>						
Balance at January 1, 2020	\$ 98,853	\$ -	\$ 70,509	\$ 23,433	\$ 78,865	\$ 271,660
Additions	-	-	866	-	35,786	36,652
Disposals	-	-	(2,025)	(12,543)	(16,417)	(30,985)
Balance at December 31, 2020	<u>\$ 98,853</u>	<u>\$ -</u>	<u>\$ 69,350</u>	<u>\$ 10,890</u>	<u>\$ 98,234</u>	<u>\$ 277,327</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ -	\$ -	\$ 46,308	\$ 14,604	\$ 41,907	\$ 102,819
Depreciation expense	-	-	7,732	4,039	18,736	30,507
Disposals	-	-	(2,025)	(12,543)	(16,417)	(30,985)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,015</u>	<u>\$ 6,100</u>	<u>\$ 44,226</u>	<u>\$ 102,341</u>
Carrying amounts at December 31, 2020	<u>\$ 98,853</u>	<u>\$ -</u>	<u>\$ 17,335</u>	<u>\$ 4,790</u>	<u>\$ 54,008</u>	<u>\$ 174,986</u>

No impairments or reversal of losses were recognized for the years ended December 31, 2021 and 2020.

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 years

13. LEASE AGREEMENTS

13.1 Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Carrying amounts</u>		
Buildings	\$ <u> -</u>	\$ <u> 1,902</u>
	<u>Year Ended</u>	<u>Year Ended</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Depreciation of right-of-use assets		
Buildings	\$ <u> 1,902</u>	\$ <u> 7,607</u>

13.2 Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Carrying amounts</u>		
Current	\$ <u> -</u>	\$ <u> 1,933</u>

Discount rate for lease liabilities is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Buildings	1.60%	1.60%

13.3 Other lease information

	<u>Year Ended</u>	<u>Year Ended</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Expenses relating to short-term leases	\$ <u> 24,959</u>	\$ <u> 1,215</u>
Total cash outflow for leases	(\$ <u> 26,895</u>)	(\$ <u> 8,954</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, 2021</u>	<u>December 31, 2020</u>
Lease commitments	\$ <u> 149</u>	\$ <u> 16,101</u>

14. INTANGIBLE ASSETS

	<u>Software</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 16,677
Separately acquired	<u>3,551</u>
Balance at December 31, 2021	<u>\$ 20,228</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 8,902
Amortization expense	<u>3,686</u>
Balance at December 31, 2021	<u>\$ 12,588</u>
Carrying amounts at December 31, 2021	<u>\$ 7,640</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 8,466
Separately acquired	<u>8,211</u>
Balance at December 31, 2020	<u>\$ 16,677</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$ 6,119
Amortization expense	<u>2,783</u>
Balance at December 31, 2020	<u>\$ 8,902</u>
Carrying amounts at December 31, 2020	<u>\$ 7,775</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, 2021</u>	<u>Year Ended December 31, 2020</u>
General and administrative expenses	\$ 1,212	\$ 337
Research and development expenses	<u>2,474</u>	<u>2,446</u>
	<u>\$ 3,686</u>	<u>\$ 2,783</u>

15. OTHER ASSETS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Prepayments	\$ 32,298	\$ 15,700
Refundable deposits	424	7,987
Other financial assets – restricted assets (Note 30)	-	484
Others	<u>8,315</u>	<u>37</u>
	<u>\$ 41,037</u>	<u>\$ 24,208</u>
 <u>Non-current</u>		
Prepayments for equipment	<u>\$ 1,625</u>	<u>\$ 13,018</u>

Market interest rate on balance sheet date is set out as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other financial assets – restricted assets	-	0.25%

16. BORROWINGS

Long-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Guaranteed loans (Note 30)</u>		
Bank Loans	\$ 89,303	\$ -
Less: Long-term borrowings maturing within one year	(<u>5,821</u>)	<u>-</u>
Long-term borrowings	<u>\$ 83,482</u>	<u>\$ -</u>

In March 2021, the Company obtained a newly appropriated bank loan of NT\$300,000 thousand with an interest rate of 1.10% to be repaid monthly over 15 years, which was used to purchase land and buildings.

17. ACCOUNTS PAYABLE

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Accounts payable</u>		
Operating	<u>\$ 5,606</u>	<u>\$ 3,085</u>

18. OTHER LIABILITIES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 95,603	\$ 86,735
Payables for annual leave	7,880	5,782
Payables for investments	7,672	-
Payables for retirement benefits	3,591	3,031
Payables for insurance	3,535	2,821
Payables for business taxes	2,528	1,101
Payables for purchases of equipment	2,386	10,211
Payables for professional service fees	1,667	1,160
Payables for taxes	157	218
Others	<u>6,466</u>	<u>2,439</u>
	<u>\$131,485</u>	<u>\$113,498</u>
Other liabilities		
Temporary collection	\$ 8,304	\$ -
Collection	<u>8,035</u>	<u>6,809</u>
	<u>\$ 16,339</u>	<u>\$ 6,809</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. 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, 2021</u>	<u>December 31, 2020</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>31,606</u>	<u>31,318</u>
Shares issued	<u>\$316,060</u>	<u>\$313,180</u>

20.2 Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$630,511	\$630,511
Employee share options(2)	4,040	4,040
<u>Not to be used for any purpose</u>		
Employee restricted shares	<u>93,168</u>	<u>-</u>
	<u>\$727,719</u>	<u>\$634,551</u>

- (1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a 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

The Company's Articles of Incorporation state that, where the Company made profit in a fiscal year, the profit shall be first utilized in the following order:

- (1) Paying taxes.
- (2) Offsetting losses 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 and regulations.
- (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 2020 and 2019 earnings and dividends per share have been approved by the Company's shareholders in its meeting held on August 5, 2021 and

May 29, 2020, respectively. The appropriations and dividends per share were set out as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Legal reserve	<u>\$ 33,064</u>	<u>\$ 30,856</u>
Cash dividends	<u>\$248,856</u>	<u>\$234,885</u>
Cash dividends per share (NT\$)	\$ 8.0	\$ 7.5

The appropriations of earnings for 2021 had been proposed by the Company's board of directors on February 24, 2022. The appropriations and dividends per share are set out as follows:

	Year Ended December 31, 2021
Legal reserve	<u>\$ 30,257</u>
Cash dividends	<u>\$197,782</u>
Dividends per share (NT\$)	\$ 6.3

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on May 26, 2022.

20.4 Other equity items

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at January 1	(\$ 604)	(\$ 67)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(417)	(671)
Income tax on translating the financial statements of foreign operations	<u>83</u>	<u>134</u>
Other comprehensive income (loss) for the year	(<u>334</u>)	(<u>537</u>)
Balance at December 31	(<u>\$ 938</u>)	(<u>\$ 604</u>)

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at January 1	<u>\$ 23,564</u>	<u>\$ 3,250</u>
Recognized for the year		
Unrealized gain(loss)		
Equity instruments	<u>32,972</u>	<u>28,703</u>
Other comprehensive income (loss) for the year	<u>32,972</u>	<u>28,703</u>
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(49,936)</u>	<u>(8,389)</u>
Balance at December 31	<u>\$ 6,600</u>	<u>\$ 23,564</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, 2021
Balance at January 1	\$ -
Issuance of shares	(67,248)
Share-based payment expenses recognized	<u>9,340</u>
Balance at December 31	<u>(\$ 57,908)</u>

20.5 Treasury shares

<u>Purpose of Buy-back</u>	<u>Shares Transferred to Employees (In Thousands of Shares)</u>
Number of shares at December 31, 2021	<u>211</u>
Number of shares at January 1, 2020	-
Increase during the year	<u>211</u>
Number of shares at December 31, 2020	<u>211</u>

In 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 227.79 dollars.

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 amendment registration of eliminating shares shall be processed.

21. REVENUE

	Year Ended December 31, 2021	Year Ended December 31, 2020
Technical service revenue	\$ 857,993	\$ 864,628
Royalty revenue	<u>152,918</u>	<u>113,314</u>
	<u>\$ 1,010,911</u>	<u>\$ 977,942</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, 2021	December 31, 2020	January 1, 2020
Accounts receivable (Note 10)	<u>\$ 260,406</u>	<u>\$ 176,919</u>	<u>\$ 179,282</u>
Accounts receivables – related parties (Note 29)	<u>\$ 56,652</u>	<u>\$ 86,850</u>	<u>\$ 4,272</u>
Contract liabilities – current Technical service revenue	<u>\$ 89,002</u>	<u>\$ 90,167</u>	<u>\$ 27,531</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 year ended December 31, 2021 and 2020 are as follows :

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at January 1	\$ 90,167	\$ 27,531
Contract liabilities from the beginning of year recognized as income	(59,704)	(21,309)
New contract liabilities for the year	<u>58,539</u>	<u>83,945</u>
Balance at December 31	<u>\$ 89,002</u>	<u>\$ 90,167</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, 2021	Year Ended December 31, 2020
Financial assets at amortized cost	\$ 743	\$ -
Bank deposits	582	6,724
Imputed interest on deposit	<u>51</u>	<u>78</u>
	<u>\$ 1,376</u>	<u>\$ 6,802</u>

22.2 Other income

	Year Ended December 31, 2021	Year Ended December 31, 2020
Other income	<u>\$ 1,806</u>	<u>\$ 1,059</u>

22.3 Other gains and losses

	Year Ended December 31, 2021	Year Ended December 31, 2020
Net interest from financial assets at fair value through profit or loss	\$ 1,293	\$ 1,548
(Loss) Gain on disposal of property, plant and equipment	(3,479)	867
Net foreign exchange losses	<u>(18,168)</u>	<u>(51,539)</u>
	<u>\$ 20,354</u>	<u>\$ 49,124</u>

22.4 Finance costs

	Year Ended December 31, 2021	Year Ended December 31, 2020
Interest on bank loans	\$ 1,897	\$ -
Interest on lease liabilities	<u>3</u>	<u>87</u>
	<u>\$ 1,900</u>	<u>\$ 87</u>

22.5 Depreciation and amortization

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 35,541</u>	<u>\$ 38,114</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 3,686</u>	<u>\$ 2,783</u>

22.6 Employee benefits expenses

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Short-term employee benefits	\$392,319	\$335,203
Post-employment benefits		
Defined contribution plans	13,645	11,617
Share-based payment (Note 25)		
Equity-settled	9,340	-
Other employee benefits		
Labor and health insurance	23,248	18,255
Other employee benefits	<u>7,876</u>	<u>6,376</u>
Total employee benefits expenses	<u>\$446,428</u>	<u>\$371,451</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$446,428</u>	<u>\$371,451</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, 2021 and 2020 were approved by the Company's Board of Directors on February 24, 2022 and February 23, 2021, respectively, are set out as follows.

Accrual rate

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Employees' compensation	1.22%	1.09%
Remuneration of directors	1.22%	1.09%

Amount

	Year Ended December 31, 2021	Year Ended December 31, 2020
	Cash	Cash
Employees' compensation	<u>\$ 3,680</u>	<u>\$ 4,200</u>
Remuneration of directors	<u>\$ 3,680</u>	<u>\$ 4,200</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, 2020 and 2019.

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, 2021	Year Ended December 31, 2020
Foreign exchange gains	\$ 62,291	\$ 34,062
Foreign exchange losses	(80,459)	(85,601)
Net loss	<u>(\$ 18,168)</u>	<u>(\$ 51,539)</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, 2021	Year Ended December 31, 2020
Current tax		
In respect of the current year	\$ 39,261	\$ 52,859
Adjustments for prior years	(1,641)	(3,491)
Non-deductible foreign income tax	<u>582</u>	<u>4,033</u>
	38,202	53,401
Deferred tax		
In respect of the current year	<u>2,278</u>	<u>48</u>
Income tax expense recognized in profit or loss	<u>\$ 40,480</u>	<u>\$ 53,449</u>

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

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Profit before tax from continuing operations	<u>\$293,117</u>	<u>\$375,697</u>
Income tax expense calculated at the statutory rate	\$ 58,624	\$ 75,140
Tax-exempt income	(259)	(310)
Non-deductible foreign income tax	582	4,033
Unrecognized deductible temporary differences	-	730
Current research and development tax credit	(16,826)	(22,653)
Adjustments for prior years' tax	(1,641)	(3,491)
Income tax expense recognized in profit or loss	<u>\$ 40,480</u>	<u>\$ 53,449</u>

23.2 Income tax recognized in other comprehensive income

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
<u>Deferred Tax</u>		
In respect of the current year		
Translation of foreign operations	(\$ 83)	(\$ 134)
Income tax recognized in other comprehensive income	(\$ 83)	(\$ 134)

23.3 Current tax assets and liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current tax assets		
Prepaid Mainland China income tax	\$ 45,037	\$ 40,770
Prepaid foreign income tax	<u>1,379</u>	<u>623</u>
	<u>\$ 46,416</u>	<u>\$ 41,393</u>
Current tax liabilities		
Income tax payable	<u>\$ 20,302</u>	<u>\$ 28,861</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, 2021

	Balance at January 1, 2021	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31, 2021
Deferred Tax Assets				
<u>Temporary differences</u>				
Amortization of Intangibles	\$ 1,363	(\$ 119)	\$ -	\$ 1,244
Payables for annual leave	1,157	419	-	1,576
Investment income under equity method	408	(149)	-	259
Exchange differences on translation of foreign operations	149	-	83	232
Allowance for impairment loss	1,038	619	-	1,657
Unrealized exchange losses	3,752	(3,048)	-	704
	<u>\$ 7,867</u>	<u>(\$ 2,278)</u>	<u>\$ 83</u>	<u>\$ 5,672</u>

Year ended December 31, 2020

	Balance at January 1, 2020	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31, 2020
Deferred Tax Assets				
<u>Temporary differences</u>				
Amortization of Intangibles	\$ 1,482	(\$ 119)	\$ -	\$ 1,363
Payables for annual leave	919	238	-	1,157
Investment income under equity method	555	(147)	-	408
Exchange differences on translation of foreign operations	75	-	74	149
Allowance for impairment loss	1,588	(550)	-	1,038
Unrealized exchange losses	3,222	530	-	3,752
	<u>\$ 7,841</u>	<u>(\$ 48)</u>	<u>\$ 74</u>	<u>\$ 7,867</u>
Deferred Tax Liabilities				
<u>Temporary differences</u>				
Exchange differences on translation of foreign operations	\$ 60	\$ -	(\$ 60)	\$ -

23.5 Income tax assessments

The tax authorities have examined income tax returns of the Company through 2019.

The Company has no pending tax litigation as of December 31, 2021.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>Year Ended</u> <u>December 31, 2021</u>	<u>Year Ended</u> <u>December 31, 2020</u>
Basic earnings per share		
From continuing operations	\$ <u>8.12</u>	\$ <u>10.34</u>
Diluted earnings per share		
From continuing operations	\$ <u>8.11</u>	\$ <u>10.34</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</u> <u>December 31, 2021</u>	<u>Year Ended</u> <u>December 31, 2020</u>
Net profit used in the computation of basic and diluted earnings per share	\$ <u>252,637</u>	\$ <u>322,248</u>

Number of Shares (in thousands of shares)

	<u>Year Ended</u> <u>December 31, 2021</u>	<u>Year Ended</u> <u>December 31, 2020</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	31,107	31,166
Effect of potentially dilutive ordinary shares:		
Employees' compensation	11	14
Employee restricted shares	<u>46</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>31,164</u>	<u>31,180</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 Base 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

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:

	New Employee Restricted Shares in 2021
	<u>(In Thousands)</u>
<u>Year Ended December 31, 2021</u>	
Shares outstanding at the beginning of the year	-
Shares granted for the year	<u>288</u>
Shares outstanding at the end of the year	<u>288</u>
Employees shares vested	<u>-</u>
Weighted-average fair value of shares granted (NTD)	<u>\$ 333.5</u>

The compensation cost recognized for new employee restricted shares for the year ended December 31, 2021 was NT\$9,340 thousand.

26. CASH FLOW INFORMATION

26.1 Non-cash transactions

Except as disclosed in other notes, the Company made the following non-cash investing and financing activities for the years ended December 31, 2021 and 2020:

On December 31, 2021 and 2020, the Company respectively acquired property, plant and equipment of \$2,386 thousand and \$10,211 thousand, which are recognized as payables on equipment (refer to Note 18).

26.2 Changes in liabilities arising from financing activities

Year Ended December 31, 2021

	January 1, 2021	Cash Flows	December 31, 2021
Lease liabilities	\$ 1,933	(\$ 1,933)	\$ -
Long-term borrowings	<u>-</u>	<u>89,303</u>	<u>89,303</u>
	<u>\$ 1,933</u>	<u>\$ 87,370</u>	<u>\$ 89,303</u>

Year Ended December 31, 2020

	January 31, 2020	Cash Flows	December 31, 2020
Lease liabilities	\$ 9,585	(\$ 7,652)	\$ 1,933

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, 2021

	<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	\$ 106,422	\$ 104,370	\$ -	\$ -	\$ 104,370

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

(1) Fair value hierarchy

December 31, 2021

	<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	\$ 391,041	\$ -	\$ -	\$ 391,041
Listed shares	<u>25,702</u>	<u>-</u>	<u>-</u>	<u>25,702</u>
	<u>\$ 416,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 416,743</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-- Listed shares and emerging market shares	<u>7,487</u>	<u>-</u>	<u>-</u>	<u>7,487</u>

December 31, 2020

	<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	\$ 444,616	\$ -	\$ -	\$ 444,616
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-- Listed shares and emerging market shares	\$ -	\$ -	\$ 28,000	\$ 28,000

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

(2) Reconciliation of Level 3 fair value measurements of financial instruments

Year Ended December 31, 2020

<u>Financial Assets</u>	<u>Financial Assets at FVTOCI Equity Instruments</u>
Balance at January 1	\$ 9,350
Recognized in other comprehensive income	28,703
Disposals	(10,053)
Balance at December 31	<u>\$ 28,000</u>

(3) Valuation techniques and inputs applied for Level 3 fair value measurement

<u>Financial Instruments Category</u>	<u>Evaluation Techniques and Input Values</u>
Unlisted shares	It is based on the estimated value of its assets and liabilities in order to obtain the target or end-of-period observable share price consideration, comparing the assets and liabilities or income statement items, calculating the implied value multiplier of the price, and estimating the value of the target.

28.3 Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 416,743	\$ 444,616
Amortized cost (1)	719,773	1,003,340
FVTOCI		
Investment in equity instrument	7,487	28,000
<u>Financial liabilities</u>		
Amortized cost (2)	116,824	19,343

- (1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost-current, accounts receivable, account receivables-related parties, other receivables, other financial assets (recognized in other current assets) and refundable deposits (recognized in other current assets), 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 benefit, payables for insurance, and payables for tax expense), other payables- related parties and long-term borrowings (including long-term borrowings maturing within one year).

28.4 Financial risk management objectives and policies

The Company's major instruments include equity investments, accounts receivable, accounts payable, borrowings 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 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 USD. For a 1% strengthening of the functional currency against USD, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	Year Ended	Year Ended
	December 31, 2021	December 31, 2020
Profit or loss	\$ 6,915	\$ 6,563

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, 2021	December 31, 2020
Fair value interest rate risk		
– Financial assets	\$106,422	\$475,320
– Financial liabilities	-	1,933
Cash flow interest rate risk		
– Financial assets	294,551	255,621
– Financial liabilities	89,303	-

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, 2021 and 2020 would increase by \$2,052 thousands and \$2,556 thousands, respectively, mainly resulting from the Company's variable-rate bank deposits and long-term borrowings.

The Company's sensitivity to interest rates decreased during the current year mainly due to the decrease in variable-rate bank deposits and the increase in long-term borrowings.

(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, 2021 and 2020 would have increased/decreased by \$4,167 thousands and \$4,446 thousands, respectively, resulting from the changes in fair value of financial assets at FVTPL. The pre-tax other comprehensive income for years ended December 31, 2021 and 2020 would have increased/decreased by \$75 thousands and \$280 thousands respectively, 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 26% and 31% of total accounts receivable as of December 31, 2021 and 2020, 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, 2021

	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	\$ 27,521	\$ -	\$ -	\$ -
Long-term borrowings	<u>1,449</u>	<u>4,372</u>	<u>23,933</u>	<u>59,549</u>
	<u>\$ 28,970</u>	<u>\$ 4,372</u>	<u>\$ 23,933</u>	<u>\$ 59,549</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
Long-term borrowings	<u>\$ 5,821</u>	<u>\$ 23,933</u>	<u>\$ 59,549</u>

December 31, 2020

	<u>Less than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 to 5 Years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 19,343	\$ -	\$ -
Lease liabilities	<u>1,935</u>	<u>-</u>	<u>-</u>
	<u>\$ 21,278</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>
Lease liabilities	<u>\$ 1,935</u>	<u>\$ -</u>

(3.2) Financing Amount

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured bank loan amount		
— Amount utilized	\$ 89,303	\$ -
— Unutilized amount	<u>210,697</u>	<u>300,000</u>
	<u>\$300,000</u>	<u>\$300,000</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.	Subsidiaries
Sirius Venture Ltd.	Subsidiaries
M31 Technology (Shanghai) Inc.	Sub-subsidiaries

29.2 Operating revenue

<u>List Items</u>	<u>Related Party Category/Name</u>	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Service revenue	Subsidiaries	<u>\$ 87,132</u>	<u>\$ 195,020</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, 2021 and 2020, 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)

<u>List Items</u>	<u>Related Party Category/Name</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	Subsidiaries M31 Technology USA,INC.	<u>\$ 56,652</u>	<u>\$ 86,850</u>
Other receivables	Subsidiaries	<u>\$ -</u>	<u>\$ 34</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for receivables from related parties.

29.4 Payables to related parties (excluding loans from related parties)

<u>List Items</u>	<u>Related Party Category/Name</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payables	Subsidiaries	<u>\$ 1,196</u>	<u>\$ 1,347</u>

The outstanding accounts payables to related parties are unsecured.

29.5 Other transactions with related parties

<u>List Items</u>	<u>Related Party Category/Name</u>	<u>Service Category</u>	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Operating expense	Subsidiaries	Service Rendering	<u>\$ 24,500</u>	<u>\$ 19,419</u>
Operating expense	Sub-subsidiaries	Service Rendering	<u>\$ -</u>	<u>\$ 813</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

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Short-term employee benefits	\$ 17,659	\$ 22,717
Post-employment benefits	318	324
Share-based payment	389	-
	<u>\$ 18,366</u>	<u>\$ 23,041</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, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	\$423,884	\$ -
Pledged time deposits (classified as other financial assets – current)	-	484
	<u>\$423,884</u>	<u>\$ 484</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, 2021

	<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	\$ 25,610	27.680 (USD : NTD)	\$708,885
CNY	5	4.344 (CNY : NTD)	22
<u>Non-monetary items</u>			
Subsidiaries accounted for using the equity method			
USD	593	27.680 (USD : NTD)	16,427
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	629	27.680 (USD : NTD)	17,411

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 23,177	28.480 (USD : NTD)	\$660,081
CNY	61	4.377 (CNY : NTD)	267
<u>Non-monetary items</u>			
Subsidiaries accounted for using the equity method			
USD	565	28.480 (USD : NTD)	16,100
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 132	28.480 (USD : NTD)	\$ 3,759

The significant unrealized foreign exchange gains (losses) were as follows:

	<u>Year Ended December 31, 2021</u>		<u>Year Ended December 31, 2020</u>	
	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>
<u>Foreign Currency</u>				
USD	28.009 (USD : NTD)	\$ 15,126	29.549 (USD : NTD)	(\$ 21,512)

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: Table 3.
- (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 4.
- (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 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 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
Hsiao-Ping Lin	6,604,000	20.89%
Huey-Ling Chen	4,596,000	14.54%
Jui-Chun Investment Company Limited	1,642,000	5.19%

M31 TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)

DECEMBER 31, 2021

(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, 2021				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> iSTART-TEK INC.	—	Financial assets at fair value through other comprehensive income — non-current	80	\$ 7,487	0.36	\$ 7,487	—
	Fubon Financial Holding Co., Ltd. (Type C)	—	Financial assets at fair value through profit or loss — current	300	18,030	-	18,030	—
	China Development Financial Holding Corporation (Type B)	—	Financial assets at fair value through profit or loss — current	800	7,672	-	7,672	—
	<u>Fund beneficiary certificate</u> Taishin 1699 Money Market Fund	—	Financial assets at fair value through profit or loss — current	11,749	160,714	-	160,714	—
	Jih Sun Money Market Fund	—	Financial assets at fair value through profit or loss — current	11,354	170,170	-	170,170	—
	FSITC Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss — current	3,888	60,157	-	60,157	—
	<u>Corporate Bond</u> APPLE INC.	—	Financial assets at amortized cost — non-current	-	78,082	-	76,588	—
	Petróleos Mexicanos	—	Financial assets at amortized cost — non-current	-	28,340	-	27,782	—

Note: For relevant information on investment in subsidiaries, please refer to Table 5 and Table 6.

TABLE 2**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, 2021****(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	<u>Fund beneficiary certificate</u> Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss – current	4,425	\$ 60,389	7,324	\$ 100,000	-	\$ -	\$ -	\$ -	11,749	\$ 160,714
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss – current	-	-	20,041	300,000	8,687	130,126	130,000	126	11,354	170,170
	FSITC Money Market Fund	Financial assets at fair value through profit or loss – current	1,291	232,149	-	-	1,291	232,475	231,834	641	-	-
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss – current	7,144	117,067	2,441	40,000	9,585	157,229	157,000	229	-	-
	<u>Corporate Bond</u> APPLE INC.	Financial assets at amortized cost – non-current	-	-	-	78,082	-	-	-	-	-	78,082

Note: The amount per book at fair value at the end of the year.

M31 TECHNOLOGY CORPORATION

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
The Company	Land and buildings	3/22/2021	\$ 437,758	\$ 437,758	Winsome Development	—	N/A	N/A	N/A	N/A	Decided by mutual agreement	Operational use	None

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, 2021
(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	\$ 87,132	8.62%	30 – 90 Days	\$ -	—	\$ 56,652	17.87%	—

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

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
The Company	M31 Technology USA , INC.	USA	Product marketing and technical service	\$ 13,531	\$ 13,531	450,000	100	\$ 14,317	\$ 1,081	\$ 1,081	Subsidiaries accounted by USD
	Sirius Venture Ltd.	Republic of Seychelles	Investment Holdings	5,364	5,364	167,000	100	2,110	(337)	(337)	Subsidiaries accounted by USD

Note: For relevant information on investee companies in mainland China, please refer to Table 6

M31 TECHNOLOGY CORPORATION

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	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, 2021 (Note 2 and Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
M31 Technology (Shanghai) Inc.	Product marketing and technical service	USD 100	(2)	\$ 3,340	\$ -	\$ -	\$ 3,340	(\$ 285)	100	(\$ 285)	\$ 2,011	\$ -	-

2. Limit on the amount of investment in the mainland China:

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	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	\$ 950,156

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 Gain (Loss) on the investment in the Investee Company M31 Technology (Shanghai) Inc. for the year ended December 31, 2021 and the Carrying Value as of December 31, 2021.

Note 3: Calculated based on the audited annual financial report of the parent company in Taiwan.

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.