

**M31 Technology Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2021 and 2020 and
Independent Auditors' Review Report**

DELOITTE

Independent Auditors' Review Report

The Board of Directors and Shareholders
M31 Technology Corporation

Introductions

We have reviewed the accompanying consolidated balance sheets of M31 Technology Corporation and its subsidiaries (collectively referred to as the "Group") as of September 30, 2021 and 2020, the consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and the consolidated statements of cash flows for the nine months ended September 30, 2021 and 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Statement of Auditing Standards No.65 "Review of Financial Information Performed by the Independent Auditor of the Entity." A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Group as of September 30, 2021 and 2020, its consolidated financial performance for the three months ended September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 2, 2021

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

SEPTEMBER 30, 2021, DECEMBER 31, 2020, AND SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars)

ASSETS	SEPTEMBER 30, 2021 (Reviewed)		DECEMBER 31, 2020 (Audited)		SEPTEMBER 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 366,286	19	\$ 527,760	30	\$ 435,301	28
Financial assets at fair value through profit or loss – current (Note 7)	420,846	22	444,616	25	209,330	13
Financial assets at amortized cost – current (Note 9)	-	-	227,840	13	436,500	28
Accounts receivable (Notes 10 and 21)	235,748	13	254,612	15	192,614	12
Other receivables	10,640	1	95	-	5	-
Current tax assets (Note 4)	39,816	2	41,567	2	39,963	3
Prepayments (Note 15)	60,691	3	15,816	1	30,228	2
Other current assets (Note 15)	2,727	-	8,475	1	2,445	-
Total current assets	<u>1,136,754</u>	<u>60</u>	<u>1,520,781</u>	<u>87</u>	<u>1,346,386</u>	<u>86</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income– non-current (Note 8)	8,754	1	28,000	2	18,000	1
Financial assets at amortized cost – non-current (Note 9)	52,606	3	-	-	-	-
Property, plant and equipment (Note 12)	682,114	36	175,035	10	182,838	12
Right-of-use Assets (Note 13)	1,396	-	4,186	-	6,429	-
Intangible assets (Note 14)	5,493	-	7,775	-	5,726	-
Deferred tax assets (Note 4)	5,747	-	7,867	-	9,201	1
Other non-current assets (Note 15)	98	-	13,118	1	5,446	-
Total non-current assets	<u>756,208</u>	<u>40</u>	<u>235,981</u>	<u>13</u>	<u>227,640</u>	<u>14</u>
TOTAL	<u>\$ 1,892,962</u>	<u>100</u>	<u>\$ 1,756,762</u>	<u>100</u>	<u>\$ 1,574,026</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities – current (Note 21)	\$ 102,139	6	\$ 90,167	5	\$ 73,828	5
Accounts payable (Note 17)	4,536	-	3,085	-	903	-
Other payables (Note 18)	113,307	6	114,637	7	96,279	6
Current tax liabilities (Note 4)	563	-	28,861	2	10,843	1
Lease liabilities – current (Note 13)	1,156	-	3,074	-	5,010	-
Long-term borrowings maturing within one year (Note 16)	13,512	1	-	-	-	-
Other current liabilities (Note 18)	3,682	-	6,809	-	2,958	-
Total current liabilities	<u>238,895</u>	<u>13</u>	<u>246,633</u>	<u>14</u>	<u>189,821</u>	<u>12</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 16)	197,727	10	-	-	-	-
Lease liabilities – non-current (Note 13)	196	-	1,095	-	1,412	-
Total non-current liabilities	<u>197,923</u>	<u>10</u>	<u>1,095</u>	<u>-</u>	<u>1,412</u>	<u>-</u>
Total liabilities	<u>436,818</u>	<u>23</u>	<u>247,728</u>	<u>14</u>	<u>191,233</u>	<u>12</u>
EQUITY (Note 20)						
Share capital						
Ordinary shares	<u>316,060</u>	<u>17</u>	<u>313,180</u>	<u>18</u>	<u>313,180</u>	<u>20</u>
Capital surplus	<u>727,719</u>	<u>38</u>	<u>634,551</u>	<u>36</u>	<u>634,551</u>	<u>40</u>
Retained earnings						
Legal reserve	125,647	6	92,583	6	92,583	6
Unappropriated earnings	<u>392,708</u>	<u>21</u>	<u>493,824</u>	<u>28</u>	<u>377,389</u>	<u>24</u>
Total retained earnings	<u>518,355</u>	<u>27</u>	<u>586,407</u>	<u>34</u>	<u>469,972</u>	<u>30</u>
Other equity	(<u>57,926</u>)	(<u>3</u>)	<u>22,960</u>	<u>1</u>	<u>13,154</u>	<u>1</u>
Treasury shares	(<u>48,064</u>)	(<u>2</u>)	(<u>48,064</u>)	(<u>3</u>)	(<u>48,064</u>)	(<u>3</u>)
Total equity	<u>1,456,144</u>	<u>77</u>	<u>1,509,034</u>	<u>86</u>	<u>1,382,793</u>	<u>88</u>
TOTAL	<u>\$ 1,892,962</u>	<u>100</u>	<u>\$ 1,756,762</u>	<u>100</u>	<u>\$ 1,574,026</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 THREE MONTHS AND THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020		Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 21)	\$ 220,341	100	\$ 270,652	100	\$ 647,757	100	\$ 676,416	100
GROSS PROFIT	220,341	100	270,652	100	647,757	100	676,416	100
OPERATING EXPENSES (Notes 14 and 22)								
Selling and marketing expenses	(12,037)	(5)	(13,083)	(5)	(39,829)	(6)	(40,399)	(6)
General and administrative expenses	(26,551)	(12)	(18,317)	(7)	(73,162)	(11)	(65,884)	(10)
Research and development expenses	(140,940)	(64)	(126,320)	(46)	(361,779)	(56)	(309,469)	(46)
Expected credit (loss) gain (Note 10)	(2,050)	(1)	-	-	(3,665)	(1)	(508)	-
Total operating expenses	(181,578)	(82)	(157,720)	(58)	(478,435)	(74)	(416,260)	(62)
OPERATING INCOME	38,763	18	112,932	42	169,322	26	260,156	38
NON-OPERATING INCOME AND EXPENSES (Note 22)								
Interest income	76	-	1,221	-	605	-	5,958	1
Other income	101	-	2	-	584	-	322	-
Other gains and losses	461	-	(19,150)	(7)	(17,160)	(3)	(28,270)	(4)
Finance costs	(711)	-	(29)	-	(1,605)	-	(113)	-
Total non-operating income and expenses	(73)	-	(17,956)	(7)	(17,576)	(3)	(22,103)	(3)
PROFIT BEFORE INCOME TAX	38,690	18	94,976	35	151,746	23	238,053	35
INCOME TAX EXPENSE (Notes 4 and 23)	(5,772)	(3)	(13,089)	(5)	(20,878)	(3)	(32,240)	(5)
NET PROFIT FOR THE PERIOD	32,918	15	81,887	30	130,868	20	205,813	30
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)	(4,211)	(2)	18,703	7	34,239	5	18,703	3
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Note 20)	(7)	-	(208)	-	(345)	-	(429)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 20, and 23)	1	-	42	-	69	-	86	-
Other comprehensive income (loss) for the period, net of income tax	(6)	-	(166)	-	(276)	-	(343)	-
Total other comprehensive income (loss) for the period, net of income tax	(4,217)	(2)	18,537	7	33,963	5	18,360	3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 28,701	13	\$ 100,424	37	\$ 164,831	25	\$ 224,173	33
EARNINGS PER SHARE (Note 24)								
Basic	\$ 1.06		\$ 2.63		\$ 4.21		\$ 6.60	
Diluted	\$ 1.06		\$ 2.63		\$ 4.21		\$ 6.60	

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 NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)**

	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 nine months ended September 30, 2020	-	-	-	-	205,813	-	-	-	-	205,813
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax (Note 20)	-	-	-	-	-	(343)	18,703	-	-	18,360
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	205,813	(343)	18,703	-	-	224,173
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 SEPTEMBER 30, 2020	<u>31,318</u>	<u>\$ 313,180</u>	<u>\$ 634,551</u>	<u>\$ 92,583</u>	<u>\$ 377,389</u>	<u>(\$ 410)</u>	<u>\$ 13,564</u>	<u>\$ -</u>	<u>(\$ 48,064)</u>	<u>\$ 1,382,793</u>
BALANCE AT JANUARY 1, 2021	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 nine months ended September 30, 2021	-	-	-	-	130,868	-	-	-	-	130,868
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of income tax (Note 20)	-	-	-	-	-	(276)	34,239	-	-	33,963
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	130,868	(276)	34,239	-	-	164,831

(Continued)

	<u>Share Capital</u>		<u>Retained Earnings</u>			<u>Other Equity</u>				<u>Total Equity</u>
	<u>Shares (In Thousands)</u>	<u>Amount</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Unappropriated Earnings</u>	<u>Exchange Difference On Translating the Financial Statements of Foreign Operations</u>	<u>Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income</u>	<u>Unearned Employee Benefits</u>	<u>Amount of Treasury Shares</u>	
Issuance of employee restricted shares	288	2,880	93,168	-	-	-	-	(67,248)	-	28,800
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	2,335	-	2,335
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	49,936	-	(49,936)	-	-	-
BALANCE AT SEPTEMBER 30, 2021	<u>31,606</u>	<u>\$ 316,060</u>	<u>\$ 727,719</u>	<u>\$ 125,647</u>	<u>\$ 392,708</u>	<u>(\$ 880)</u>	<u>\$ 7,867</u>	<u>(\$ 64,913)</u>	<u>(\$ 48,064)</u>	<u>\$ 1,456,144</u>

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 151,746	\$ 238,053
Adjustments for:		
Depreciation expense	26,506	29,391
Amortization expense	2,751	2,102
Expected credit loss	3,665	508
Net gain on fair value changes of financial assets at fair value through profit or loss	(1,035)	(1,261)
Finance costs	1,605	113
Interest income	(605)	(5,958)
Compensation cost of employee restricted shares	2,335	-
Loss on disposal of property, plant and equipment	3,479	-
Unrealized (gain)loss on foreign currency exchange	(7,312)	13,905
Changes in operating assets and liabilities		
Accounts receivable	15,530	(12,688)
Other receivables	(10,637)	477
Prepayments	(44,875)	(12,678)
Other current assets	398	(1)
Contract liabilities	11,972	46,297
Accounts payable	1,386	(1,204)
Other payables	(15,931)	(16,258)
Other current liabilities	(3,127)	(2,656)
Cash generated from operations	137,851	278,142
Interest received	694	5,958
Interest paid	(1,573)	(113)
Income tax paid	(45,305)	(57,478)
Net cash generated from operating activities	91,667	226,509

(Continued)

	<u>Nine Months Ended September 30, 2021</u>	<u>Nine Months Ended September 30, 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	(53,664)	(379,880)
Disposal of financial assets at amortized cost	241,370	-
Acquisition of financial assets at fair value through profit or loss	(465,000)	(180,000)
Disposal of financial assets at fair value through profit or loss	489,805	476,798
Acquisition of property, plant and equipment	(506,752)	(13,798)
Disposal of property, plant and equipment	10	-
Decrease in refundable deposits	5,350	101
Acquisition of intangible assets	(469)	(5,481)
Net cash used in investing activities	<u>(235,865)</u>	<u>(92,207)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term borrowings	300,000	-
Repayment of long-term borrowings	(88,761)	-
Repayment of the principal portion of lease liabilities	(2,775)	(6,688)
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>(11,592)</u>	<u>(289,637)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(5,684)</u>	<u>1,081</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(161,474)	(154,254)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		
	<u>527,760</u>	<u>589,555</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		
	<u>\$ 366,286</u>	<u>\$ 435,301</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 NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (Reviewed, Not Audited) (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 November 2, 2021.

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 continues in evaluating the impact 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.

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

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to 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 consolidated financial statements were authorized for issue, the Group continues in evaluating the impact 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 IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. The consolidated financial statements do not present all required disclosures for a complete set of annual consolidated financial statements prepared under the IFRSs.

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 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.

4.4 Other significant accounting policies

Except for the following, please refer to the summary of significant accounting policies in the Company's consolidated financial statements for the year ended December 31, 2020.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group has taken into account the recent development of Covid-19 pandemic in Taiwan and the possible impact on the economic environment in its consideration of significant accounting estimates related to cash flow projections, growth rates, discount rates, profitability, etc. Management will continue to review estimates and underlying assumptions. Please refer to the Critical Accounting Judgments and Key Sources of Estimation Uncertainty in the Company's consolidated financial statements for the year ended December 31, 2020.

6. CASH AND CASH EQUIVALENTS

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand	\$ 60	\$ 70	\$ 70
Checking accounts and demand deposits	338,376	280,210	289,731
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	<u>27,850</u>	<u>247,480</u>	<u>145,500</u>
	<u>\$ 366,286</u>	<u>\$ 527,760</u>	<u>\$ 435,301</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Bank deposits	0.010%~0.200%	0.010%~0.405%	0.010%~0.400%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Current</u>			
Mandatorily measured at FVTPL			
Non-derivative financial assets			
-fund beneficiary certificate	<u>\$ 420,846</u>	<u>\$ 444,616</u>	<u>\$ 209,330</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in equity instrument

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Non-current</u>			
Domestic investment			
Listed shares and emerging market shares			
Ordinary shares –			
iSTART-TEK Inc.	\$ 8,754	\$ 28,000	\$ 18,000

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 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 nine months ended September 30, 2021 is as follows:

	<u>Nine Months Ended September 30, 2021</u>
Balance, beginning of period	\$ 28,000
Recognized in other comprehensive income	34,239
Disposal	(53,485)
Balance, end of period	<u>\$ 8,754</u>

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months (Note 1)			
	\$ -	\$ 227,840	\$ 436,500
<u>Non-current</u>			
Foreign investments			
Foreign Corporate Bonds (Note 2)			
	\$ 52,606	\$ -	\$ -

Note 1: The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.325% ~ 0.520% and 0.420% ~ 1.275% as of December 31, 2020 and September 30, 2020, respectively.

Note 2: In September 2021, the Company purchased corporate bonds issued by APPLE INC. for NT\$ 53,664 thousand with a maturity date of August 20, 2050, at the interest rate of 2.400%.

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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	\$ 244,194	\$ 259,323	\$ 196,039
Less: Allowance for impairment loss	(8,446)	(4,711)	(3,425)
	<u>\$ 235,748</u>	<u>\$ 254,612</u>	<u>\$ 192,614</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.

September 30, 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%~0.28%	0%~1.99%	0%~8.26%	-	0%~15.46%	0%~22.57%	
Gross carrying amount	\$ 153,637	\$ 40,271	\$ 5,542	\$ 3,426	\$ 36,138	\$ 5,180	\$ 244,194
Loss allowance (lifetime ECLs)	(431)	(800)	(458)	-	(5,588)	(1,169)	(8,446)
Amortized cost	<u>\$ 153,206</u>	<u>\$ 39,471</u>	<u>\$ 5,084</u>	<u>\$ 3,426</u>	<u>\$ 30,550</u>	<u>\$ 4,011</u>	<u>\$ 235,748</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 ECLs)	(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>

September 30, 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%~0.22%	0%~1.40%	0%~5.33%	-	0%~17.10%	0%~100%	
Gross carrying amount	\$ 148,541	\$ 38,786	\$ 5,438	\$ -	\$ 1,222	\$ 2,052	\$ 196,039
Loss allowance (lifetime ECLs)	(332)	(542)	(290)	-	(209)	(2,052)	(3,425)
Amortized cost	<u>\$ 148,209</u>	<u>\$ 38,244</u>	<u>\$ 5,148</u>	<u>\$ -</u>	<u>\$ 1,013</u>	<u>\$ -</u>	<u>\$ 192,614</u>

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Balance, beginning of period	\$ 4,711	\$ 2,820
Add: Net remeasurement of loss allowance	3,665	508
Effect of exchange rate changes	70	97
Balance, end of period	<u>\$ 8,446</u>	<u>\$ 3,425</u>

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

The subjects of the consolidated financial statements are as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	M31 Technology USA, INC.	Product marketing and technical services	100%	100%	100%	(1)
	Sirius Venture Ltd.	Investment holding	100%	100%	100%	(1)
Sirius Venture Ltd.	M31 Technology (Shanghai) Inc.	Product marketing and technical services	100%	100%	100%	(2)

Remark:

- (1) The main operating 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	377,408	4,199	-	13,264	521,311
Disposals	-	-	-	(10,890)	(84)	(10,974)
Reclassification	-	13,018	-	-	-	13,018
Net exchange differences	-	-	(6)	-	(5)	(11)
Balance at September 30, 2021	<u>\$ 225,293</u>	<u>\$ 390,426</u>	<u>\$ 73,835</u>	<u>\$ -</u>	<u>\$ 111,622</u>	<u>\$ 801,176</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ -	\$ 52,306	\$ 6,100	\$ 44,391	\$ 102,797
Depreciation expense	-	3,049	4,670	1,346	14,695	23,760
Disposals	-	-	-	(7,446)	(39)	(7,485)
Net exchange differences	-	-	(6)	-	(4)	(10)
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 3,049</u>	<u>\$ 56,970</u>	<u>\$ -</u>	<u>\$ 59,043</u>	<u>\$ 119,062</u>
Carrying amounts at September 30, 2021	<u>\$ 225,293</u>	<u>\$ 387,377</u>	<u>\$ 16,865</u>	<u>\$ -</u>	<u>\$ 52,579</u>	<u>\$ 682,114</u>
Carrying amounts at December 31, 2020 and January 1, 2021	<u>\$ 98,853</u>	<u>\$ -</u>	<u>\$ 17,336</u>	<u>\$ 4,790</u>	<u>\$ 54,056</u>	<u>\$ 175,035</u>

	<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, 2020	\$ 98,853	\$ -	\$ 70,816	\$ 23,433	\$ 79,087	\$ 272,189
Additions	-	-	866	-	35,787	36,653
Disposals	-	-	(225)	-	(16,087)	(16,312)
Net exchange differences	-	-	(9)	-	(6)	(15)
Balance at September 30, 2020	<u>\$ 98,853</u>	<u>\$ -</u>	<u>\$ 71,448</u>	<u>\$ 23,433</u>	<u>\$ 98,781</u>	<u>\$ 292,515</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ -	\$ -	\$ 46,571	\$ 14,604	\$ 42,038	\$ 103,213
Depreciation expense	-	-	6,024	3,359	13,406	22,789
Disposals	-	-	(225)	-	(16,087)	(16,312)
Net exchange differences	-	-	(9)	-	(4)	(13)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,361</u>	<u>\$ 17,963</u>	<u>\$ 39,353</u>	<u>\$ 109,677</u>
Carrying amounts at September 30, 2020	<u>\$ 98,853</u>	<u>\$ -</u>	<u>\$ 19,087</u>	<u>\$ 5,470</u>	<u>\$ 59,428</u>	<u>\$ 182,838</u>

No impairment or reversal of losses was recognized for the nine months ended September 30, 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	
<u>Carrying amounts</u>				
Buildings	\$ <u>1,396</u>	\$ <u>4,186</u>	\$ <u>6,429</u>	
	<u>Three Months Ended September 30, 2021</u>	<u>Three Months Ended September 30, 2020</u>	<u>Nine Months Ended September 30, 2021</u>	<u>Nine Months Ended September 30, 2020</u>
Additions of right-of-use assets	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,634</u>
Depreciation of right-of-use assets Buildings	\$ <u>279</u>	\$ <u>2,197</u>	\$ <u>2,746</u>	\$ <u>6,602</u>

Expect for the aforementioned addition and recognized depreciation expenses, the Group has no significant subleasing and impairment losses in right-of-use assets for the nine months ended September 30, 2021 and 2020.

13.2 Lease liabilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Carrying amounts</u>			
Current	\$ <u>1,156</u>	\$ <u>3,074</u>	\$ <u>5,010</u>
Non-current	\$ <u>196</u>	\$ <u>1,095</u>	\$ <u>1,412</u>

Discount rate for lease liabilities is as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Buildings	1.60%	1.60%	1.60%

13.3 Other lease information

	<u>Three Months Ended September 30, 2021</u>	<u>Three Months Ended September 30, 2020</u>	<u>Nine Months Ended September 30, 2021</u>	<u>Nine Months Ended September 30, 2020</u>
Expenses relating to short-term leases	\$ <u>1,042</u>	\$ <u>276</u>	\$ <u>4,018</u>	\$ <u>962</u>
Total cash outflow for leases	(\$ <u>1,328</u>)	(\$ <u>2,504</u>)	(\$ <u>6,817</u>)	(\$ <u>7,763</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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Lease commitments	\$ <u>54</u>	\$ <u>16,101</u>	\$ <u>21,190</u>

14. INTANGIBLE ASSETS

	<u>Software</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 16,677
Separately acquired	<u>469</u>
Balance at September 30, 2021	<u>\$ 17,146</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 8,902
Amortization expense	<u>2,751</u>
Balance at September 30, 2021	<u>\$ 11,653</u>
Carrying amounts at September 30, 2021	<u>\$ 5,493</u>
Carrying amounts at December 31, 2020 and January 1, 2021	<u>\$ 7,775</u>
	<u>Software</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 8,466
Separately acquired	<u>5,481</u>
Balance at September 30, 2020	<u>\$ 13,947</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$ 6,119
Amortization expense	<u>2,102</u>
Balance at September 30, 2020	<u>\$ 8,221</u>
Carrying amounts at September 30, 2020	<u>\$ 5,726</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>Three Months Ended September 30, 2021</u>	<u>Three Months Ended September 30, 2020</u>	<u>Nine Months Ended September 30, 2021</u>	<u>Nine Months Ended September 30, 2020</u>
General and administrative expenses	\$ 250	\$ 84	\$ 845	\$ 272
Research and development expenses	<u>643</u>	<u>682</u>	<u>1,906</u>	<u>1,830</u>
	<u>\$ 893</u>	<u>\$ 766</u>	<u>\$ 2,751</u>	<u>\$ 2,102</u>

15. OTHER ASSETS

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Current</u>			
Prepayments	\$ 60,691	\$ 15,816	\$ 30,228
Refundable deposits	2,637	7,987	2,443
Other financial assets—restricted assets (Note 30)	-	484	-
Others	<u>90</u>	<u>4</u>	<u>2</u>
	<u>\$ 63,418</u>	<u>\$ 24,291</u>	<u>\$ 32,673</u>
 <u>Non-current</u>			
Refundable deposits	\$ 98	\$ 100	\$ 5,446
Prepayments for equipment	<u>-</u>	<u>13,018</u>	<u>-</u>
	<u>\$ 98</u>	<u>\$ 13,118</u>	<u>\$ 5,446</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other financial assets — restricted assets	-	0.25%	-

16. BORROWINGS

Long-term borrowings

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Guaranteed loans (Note 30)</u>			
Bank Loans	\$ 211,239	\$ -	\$ -
Less: Long-term borrowings maturing within one year	(<u>13,512</u>)	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ 197,727</u>	<u>\$ -</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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Accounts payable</u>			
Operating	<u>\$ 4,536</u>	<u>\$ 3,085</u>	<u>\$ 903</u>

18. OTHER LIABILITIES

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
<u>Current</u>			
Other payables			
Payables for salaries or bonuses	\$ 54,564	\$ 87,874	\$ 51,725
Payables for purchases of equipment	24,770	10,211	29,374
Payables for annual leave	7,307	5,782	5,360
Payables for retirement benefits	3,406	3,031	2,883
Payables for insurance	3,390	2,821	2,688
Payables for professional service fees	1,886	1,160	1,191
Payables for taxes	-	218	-
Others	<u>17,984</u>	<u>3,540</u>	<u>3,058</u>
	<u>\$ 113,307</u>	<u>\$ 114,637</u>	<u>\$ 96,279</u>
Other liabilities			
Collection	<u>\$ 3,682</u>	<u>\$ 6,809</u>	<u>\$ 2,958</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>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Number of shares authorized (in thousands)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Shares authorized	<u>\$ 500,000</u>	<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>	<u>31,318</u>
Shares issued	<u>\$ 316,060</u>	<u>\$ 313,180</u>	<u>\$ 313,180</u>

20.2 Capital surplus

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 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	\$ 630,511
<u>May be used to offset a deficit only (2)</u>			
Employee share options	4,040	4,040	4,040
<u>Not to be used for any purpose</u>			
Employee restricted shares	<u>93,168</u>	<u>-</u>	<u>-</u>
	<u>\$ 727,719</u>	<u>\$ 634,551</u>	<u>\$ 634,551</u>

- (1) Such capital surplus may be used to offset a deficit; in addition, when the Group 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

20.4 Other equity items

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Balance, beginning of period	(<u>\$ 604</u>)	(<u>\$ 67</u>)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	(345)	(429)
Income tax on translating the financial statements of foreign operations	<u>69</u>	<u>86</u>
Other comprehensive income (loss) for the period	(<u>276</u>)	(<u>343</u>)
Balance, end of period	(<u>\$ 880</u>)	(<u>\$ 410</u>)

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Balance, beginning of period	<u>\$ 23,564</u>	<u>\$ 3,250</u>
Recognized for the period		
Unrealized gain (loss)		
Equity instruments	<u>34,239</u>	<u>18,703</u>
Other comprehensive income (loss) for the period	<u>34,239</u>	<u>18,703</u>
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	(<u>49,936</u>)	(<u>8,389</u>)
Balance, end of period	<u>\$ 7,867</u>	<u>\$ 13,564</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).

	<u>Nine Months Ended September 30, 2021</u>
Balance, beginning of period	\$ -
Issuance of shares	(67,248)
Share-based payment expenses recognized	<u>2,335</u>
Balance, end of period	<u><u>(\$ 64,913)</u></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 September 30, 2021	<u>211</u>
Number of shares at January 1, 2020	-
Increase during the period	<u>211</u>
Number of shares at September 30, 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>Three Months Ended September 30, 2021</u>	<u>Three Months Ended September 30, 2020</u>	<u>Nine Months Ended September 30, 2021</u>	<u>Nine Months Ended September 30, 2020</u>
Technical service revenue	\$ 186,234	\$ 235,767	\$ 548,996	\$ 591,118
Royalty revenue	<u>34,107</u>	<u>34,885</u>	<u>98,761</u>	<u>85,298</u>
	<u>\$ 220,341</u>	<u>\$ 270,652</u>	<u>\$ 647,757</u>	<u>\$ 676,416</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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	<u>January 1, 2020</u>
Accounts receivable (Note 10)	\$ 235,748	\$ 254,612	\$ 192,614	\$ 179,282
Contract liabilities - current				
Technical service revenue	\$ 102,139	\$ 90,167	\$ 73,828	\$ 27,531

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 nine months ended September 30, 2021 and 2020 are as follows :

	<u>Nine Months Ended September 30, 2021</u>	<u>Nine Months Ended September 30, 2020</u>
Balance, beginning of period	\$ 90,167	\$ 27,531
Contract liabilities from the beginning of period recognized as income	(45,500)	(21,309)
New contract liabilities for the period	<u>57,472</u>	<u>67,606</u>
Balance, end of period	<u>\$102,139</u>	<u>\$ 73,828</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

The net profit from continuing operations comprises the following items:

22.1 Interest income

	<u>Three Months Ended September 30, 2021</u>	<u>Three Months Ended September 30, 2020</u>	<u>Nine Months Ended September 30, 2021</u>	<u>Nine Months Ended September 30, 2020</u>
Bank deposits	\$ 73	\$ 1,217	\$ 554	\$ 5,884
Imputed interest on deposit	<u>3</u>	<u>4</u>	<u>51</u>	<u>74</u>
	<u>\$ 76</u>	<u>\$ 1,221</u>	<u>\$ 605</u>	<u>\$ 5,958</u>

22.2 Other income

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Other income	<u>\$ 101</u>	<u>\$ 2</u>	<u>\$ 584</u>	<u>\$ 322</u>

22.3 Other gains and losses

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net interest from financial assets at fair value through profit or loss	\$ 333	\$ 180	\$ 1,035	\$ 1,261
Net foreign exchange gains (losses)	163	(19,330)	(14,716)	(29,531)
Loss on disposal of property, plant and equipment	(<u>35</u>)	<u>-</u>	(<u>3,479</u>)	<u>-</u>
	<u>\$ 461</u>	<u>(\$ 19,150)</u>	<u>(\$ 17,160)</u>	<u>(\$ 28,270)</u>

22.4 Finance costs

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Interest on bank loans	\$ 705	\$ -	\$ 1,581	\$ -
Interest on lease liabilities	<u>6</u>	<u>29</u>	<u>24</u>	<u>113</u>
	<u>\$ 711</u>	<u>\$ 29</u>	<u>\$ 1,605</u>	<u>\$ 113</u>

22.5 Depreciation and amortization

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
An analysis of depreciation by function				
Operating expenses	<u>\$ 9,756</u>	<u>\$ 9,713</u>	<u>\$ 26,506</u>	<u>\$ 29,391</u>
An analysis of amortization by function				
Operating expenses	<u>\$ 893</u>	<u>\$ 766</u>	<u>\$ 2,751</u>	<u>\$ 2,102</u>

22.6 Employee benefits expenses

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Short-term employee benefits	\$ 110,826	\$ 97,776	\$ 295,314	\$ 251,362
Post-employment benefits				
Defined contribution plans	3,520	3,013	10,714	9,024
Share-based payment (Note 25)				
Equity-settled	2,335	-	2,335	-
Other employee benefits				
Labor and health insurance	5,657	4,459	17,783	13,854
Other employee benefits	<u>2,391</u>	<u>1,922</u>	<u>6,941</u>	<u>5,901</u>
Total employee benefits expenses	<u>\$ 124,729</u>	<u>\$ 107,170</u>	<u>\$ 333,087</u>	<u>\$ 280,141</u>
An analysis of employee benefits expense by function				
Operating expenses	<u>\$ 124,729</u>	<u>\$ 107,170</u>	<u>\$ 333,087</u>	<u>\$ 280,141</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 employees' compensation and the remuneration of directors for the three months ended March 31, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020 are set out as follows:

Accrual rate

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Employees' compensation	1.20%	1.20%
Remuneration of directors	1.20%	1.20%

Amount

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Employees' compensation	<u>\$ 460</u>	<u>\$ 1,156</u>	<u>\$ 1,860</u>	<u>\$ 2,910</u>
Remuneration of directors	<u>\$ 460</u>	<u>\$ 1,156</u>	<u>\$ 1,860</u>	<u>\$ 2,910</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.

The employees' compensation and the remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on February 23, 2021 and February 19, 2020, respectively, are set out as follows:

Amount

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 4,200	\$ 4,100
Remuneration of directors	\$ 4,200	\$ 4,100

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>Three Months Ended September 30, 2021</u>	<u>Three Months Ended September 30, 2020</u>	<u>Nine Months Ended September 30, 2021</u>	<u>Nine Months Ended September 30, 2020</u>
Foreign exchange gains	\$ 174	\$ 3,728	\$ 60,556	\$ 27,837
Foreign exchange losses	(11)	(23,058)	(75,272)	(57,368)
Net profit (loss)	<u>\$ 163</u>	<u>(\$ 19,330)</u>	<u>(\$ 14,716)</u>	<u>(\$ 29,531)</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>Three Months Ended September 30, 2021</u>	<u>Three Months Ended September 30, 2020</u>	<u>Nine Months Ended September 30, 2021</u>	<u>Nine Months Ended September 30, 2020</u>
Current Tax				
In respect of the current period	\$ 5,041	\$ 14,665	\$ 19,857	\$ 35,208
Adjustments for prior year	-	-	(1,641)	(3,491)
Non-deductible foreign tax	<u>54</u>	<u>94</u>	<u>473</u>	<u>1,857</u>
	5,095	14,759	18,689	33,574
Deferred Tax				
In respect of the current period	<u>677</u>	<u>(1,670)</u>	<u>2,189</u>	<u>(1,334)</u>
Income tax expense recognized in profit or loss	<u>\$ 5,772</u>	<u>\$ 13,089</u>	<u>\$ 20,878</u>	<u>\$ 32,240</u>

23.2 Income tax recognized in other comprehensive income

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
<u>Deferred Tax</u>				
In respect of the current period				
Translation of foreign operations	(\$ 1)	(\$ 42)	(\$ 69)	(\$ 86)
Income tax recognized in other comprehensive income	(\$ 1)	(\$ 42)	(\$ 69)	(\$ 86)

23.3 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 September 30, 2021.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Basic earnings per share				
From continuing operations	\$ 1.06	\$ 2.63	\$ 4.21	\$ 6.60
Diluted earnings per share				
From continuing operations	\$ 1.06	\$ 2.63	\$ 4.21	\$ 6.60

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 Period

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Earnings used in the computation of basic and diluted earnings per share	\$ 32,918	\$ 81,887	\$ 130,868	\$ 205,813

Number of Shares (in thousands of shares)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	31,107	31,107	31,107	31,186
Effect of potentially dilutive ordinary shares:				
Employee restricted shares	12	-	4	-
Employees' compensation	<u>5</u>	<u>10</u>	<u>7</u>	<u>12</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>31,124</u>	<u>31,117</u>	<u>31,118</u>	<u>31,198</u>

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Restricted Shares

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

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

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

After employees are allotted new employee restricted shares, they will receive the new shares in accordance with the following schedule and in proportion to the shares they have acquired upon the expiration of their term of office and if their performance in that year during the vesting period is up to the expectations.

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

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

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.

2. Disability, death due to an occupational disaster or general death

(2.1) 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 .

(2.2) 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.

3. Transfer to affiliates

(3.1) 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.

(3.2) 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.

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>Nine months ended September 30, 2021</u>	
Shares outstanding at the beginning of the period	-
Shares granted for the period	<u>288</u>
Shares outstanding at the end of the period	<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 nine months ended September 30, 2021 was NT\$2,335 thousand.

26. CASH FLOW INFORMATION

26.1 Non-cash transactions

For the nine months ended September 30, 2021 and 2020, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows.

On September 30, 2021, December 31, 2020, and September 30 2020, the Group respectively acquired property, plant and equipment of NT\$24,769 thousand, NT\$10,211 thousand, and NT\$29,374 thousand, which are recognized as payables on equipment. Please refer to Note 18.

26.2 Changes in liabilities arising from financing activities

Nine Months Ended September 30, 2021

	<u>January 1, 2021</u>	<u>Cash Flows</u>	<u>Non-cash Changes Exchange Rate Changes</u>	<u>September 30, 2021</u>
Lease liabilities	\$ 4,169	(\$ 2,775)	(\$ 42)	\$ 1,352
Long-term borrowings	-	211,239	-	211,239
	<u>\$ 4,169</u>	<u>\$ 208,464</u>	<u>(\$ 42)</u>	<u>\$ 212,591</u>

Nine Months Ended September 30, 2020

	<u>January 1, 2020</u>	<u>Cash Flows</u>	<u>New Leases</u>	<u>Non-cash Changes Exchange Rate Changes</u>	<u>September 30, 2020</u>
Lease liabilities	\$ 9,585	(\$ 6,688)	\$ 3,634	(\$ 109)	\$ 6,422

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

September 30, 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	\$ 52,606	\$ 51,177	\$ -	\$ -	\$ 51,177

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

(1) Fair value hierarchy

September 30, 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	\$ 420,846	\$ -	\$ -	\$ 420,846
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
– Listed shares and emerging market shares	\$ 8,754	\$ -	\$ -	\$ 8,754

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

September 30, 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	\$ 209,330	\$ -	\$ -	\$ 209,330
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
– Listed shares and emerging market shares	\$ -	\$ -	\$ 18,000	\$ 18,000

There were no transfers between levels 1 and 2 for the nine months ended September 30, 2021 and 2020.

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

Nine Months Ended September 30, 2020

<u>Financial Assets</u>	<u>Financial Assets at FVTOCI</u> <u>Equity Instruments</u>
Balance, beginning of period	\$ 9,350
Recognized in other comprehensive income	18,703
Disposals	(10,053)
Balance, end of period	<u>\$ 18,000</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>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 420,846	\$ 444,616	\$ 209,330
Amortized cost (1)	668,015	1,018,878	1,072,309
FVTOCI			
Investment in equity instrument	8,754	28,000	18,000
<u>Financial liabilities</u>			
Amortized cost (2)	260,415	17,996	34,526

(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	
	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Profit or loss	\$ 4,477	\$ 8,869

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:

	September 30, 2021	December 31, 2020	September 30, 2020
Fair value interest rate risk			
– Financial assets	\$ 27,850	\$ 475,320	\$ 582,000
– Financial liabilities	1,352	4,169	6,422
Cash flow interest rate risk			
– Financial assets	335,643	278,690	289,551
– Financial liabilities	211,239	-	-

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 nine months ended September 30, 2021 and 2020 would increase/decrease by \$933 thousands and \$2,172 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 period 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 nine months ended September 30, 2021 and 2020 would have increased/decreased by \$4,208 thousands and \$2,093 thousands, respectively, resulting from the changes in fair value of financial assets at FVTPL. The pre-tax other comprehensive income for the nine months ended September 30, 2021 and

2020 would have increased/decreased by \$88 thousands and \$180 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 38%, 58%, and 40% of total accounts receivable as of September 30, 2021, December 31, 2020, and September 30, 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.

September 30, 2021

	Less than 3 Months	3 Months to 1 Year	Over 1 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 49,176	\$ -	\$ -
Long-term borrowings	3,364	10,148	197,727
Lease liabilities	<u>285</u>	<u>882</u>	<u>196</u>
	<u>\$ 52,825</u>	<u>\$ 11,030</u>	<u>\$ 197,923</u>

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

	Less than 1 Year	1 to 5 Years
Long-term borrowings	\$ 13,512	\$197,727
Lease liabilities	<u>1,167</u>	<u>196</u>
	<u>\$ 14,679</u>	<u>\$197,923</u>

December 31, 2020

	Less than 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 17,996	\$ -	\$ -
Lease liabilities	<u>2,227</u>	<u>876</u>	<u>1,102</u>
	<u>\$ 20,223</u>	<u>\$ 876</u>	<u>\$ 1,102</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>
Lease liabilities	<u>\$ 3,103</u>	<u>\$ 1,102</u>

September 30, 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	\$ 34,526	\$ -	\$ -
Lease liabilities	<u>2,224</u>	<u>2,830</u>	<u>1,424</u>
	<u>\$ 36,750</u>	<u>\$ 2,830</u>	<u>\$ 1,424</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>
Lease liabilities	<u>\$ 5,054</u>	<u>\$ 1,424</u>

(3.2) Financing Amount

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Secured bank loan amount			
— Amount utilized	\$ 300,000	\$ -	\$ -
— Unutilized amount	<u>-</u>	<u>300,000</u>	<u>-</u>
	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>

29. TRANSACTIONS WITH RELATED PARTIES

The transactions, balances, gains and losses between the Company and its subsidiaries (which are related parties of the Company) have been written off in full upon consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed as follows.

Compensation of key management personnel

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Short-term employee benefits	\$ 3,776	\$ 5,409	\$ 9,887	\$ 13,606
Post-employment benefits	66	81	237	243
Share-based payment	<u>97</u>	<u>-</u>	<u>97</u>	<u>-</u>
	<u>\$ 3,939</u>	<u>\$ 5,490</u>	<u>\$ 10,221</u>	<u>\$ 13,849</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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Property, plant and equipment	\$ 425,475	\$ -	\$ -
Pledged time deposits (classified as other financial assets – current)	<u>-</u>	<u>484</u>	<u>-</u>
	<u>\$ 425,475</u>	<u>\$ 484</u>	<u>\$ -</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:

September 30, 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	\$ 16,581	27.850 (USD : NTD)	\$ 461,781
CNY	205	4.305 (CNY : NTD)	883
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	507	27.850 (USD : NTD)	14,120

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

September 30, 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	\$ 30,599	29.100 (USD : NTD)	\$ 890,431
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	123	29.100 (USD : NTD)	3,579

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

<u>Foreign Currency</u>	<u>Three Months Ended September 30, 2021</u>		<u>Three Months Ended September 30, 2020</u>	
	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>
USD	27.858 (USD : NTD)	\$ 5,103	29.450 (USD : NTD)	(\$ 12,719)

<u>Foreign Currency</u>	<u>Nine Months Ended September 30, 2021</u>		<u>Nine Months Ended September 30, 2020</u>	
	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>
USD	28.067 (USD : NTD)	\$ 7,312	29.817 (USD : NTD)	(\$ 13,905)

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: None.
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- (9) Trading in derivative instruments: None.
- (10) Others: intercompany relationships and significant intercompany transactions: Table 4.
- (11) Information on investees: Table 5.

32.3 Information on investments in mainland China

- (1) The name of the investee company in mainland China, the principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current profit and loss, recognized investment income or loss, carrying amount of the investment at the end of the period, 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 period.

(2.2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

(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 period 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 (Shares)	Percentage of Ownership (%)
Hsiao-Ping Lin	6,604,000	21.08%
Huey-Ling Chen	4,596,000	14.67%
Jui-Chun Investment Company Limited	1,642,000	5.24%

33. SEGMENT INFORMATION

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 resource allocation and performance assessment. Therefore, the operational information does not need to be disclosed by segments.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)

SEPTEMBER 30, 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	September 30, 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	\$ 8,754	0.36	\$ 8,754	—
	<u>Fund beneficiary certificate</u> Taishin 1699 Money Market Fund	—	Financial assets at fair value through profit or loss — current	11,749	160,624	-	160,624	—
	Jih Sun Money Market Fund	—	Financial assets at fair value through profit or loss — current	13,358	200,099	-	200,099	—
	FSITC Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss — current	3,888	60,123	-	60,123	—
	<u>Corporate Bond</u> APPLE INC.	—	Financial assets at amortized cost — non-current	-	52,606	-	51,177	—

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 NINE MONTHS ENDED SEPTEMBER 30, 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	Fund beneficiary certificate 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	\$ 160,624
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss – current	-	-	20,041	300,000	6,683	100,101	100,000	101	13,358	200,099
	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	-	-
	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	-	-

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

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 NINE MONTHS ENDED SEPTEMBER 30, 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

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 58,688	Decided by mutual agreement based on market price	9
			1	Accounts receivable- related-party	41,109	Net 90 days from the end of the transaction month	2
1	M31 Technology USA, INC.	M31 Technology Corporation	2	Accounts receivable- related-party	1,198	Net 30 days from the end of the transaction month	-
			2	Marketing revenue	20,931	Decided by mutual agreement based on market price	3

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 that involves foreign currencies will be translated into NTD at the exchange rate on balance sheet dates, while the amount related to gains and losses are translated into NTD at the average exchange rate in the first quarter, second quarter, and third quarter.

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 NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2021	September 30, 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	\$ 14,168	\$ 842	\$ 842	Subsidiaries accounted by USD
	Sirius Venture Ltd.	Republic of Seychelles	Investment Holdings	5,364	5,364	167,000	100	2,147	(281)	(281)	Subsidiaries accounted by USD

Note 1: The above transaction have been written off when the consolidated financial statement was prepared.

Note 2: For relevant information on investee companies in mainland China, please refer to Table 6.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 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 September 30, 2021 (Note 2 and Note 3)	Accumulated Repatriation of Investment Income as of September 30, 2021	Note
					Outward	Inward							
M31 Technology (Shanghai) Inc.	Product marketing and technical service	USD 100	(2)	\$ 3,340	\$	\$	\$ 3,340	(\$ 254)	100	(\$ 254)	\$ 2,023	\$ -	—

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

Accumulated Outward Remittance for Investments in Mainland China as of September 30, 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	\$ 873,686

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 as of September 30, 2021:

Sirius Venture Ltd. had recognized the Investment Gain (Loss) on the investment in the Investee Company M31 Technology (Shanghai) Inc. for the nine months ended September 30, 2021 and the carrying value as of September 30, 2021.

Note 3: Calculated based on the reviewed quarterly 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 period: None.
- (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: 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 period 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 period or on the financial position, such as the rendering or receipt of services: None.