M31 Technology Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of a parent and its subsidiaries under International Financial Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of a parent and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

M31 Technology Corporation

By:

Huey-Ling Chen
Chairman
February 24, 2022

DELOITTE

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

M31 Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of M31 Technology Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

<u>Risk of Improper Recognition of Technical Service Revenue</u>

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

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

Due to the fact that these transactions involve manual control, there is a risk that revenue will be recognized if the contractual obligations are not fulfilled due to errors. Therefore, we list the recognition of technical service revenue as a key audit matter. Please refer to Note 4, point 10, for relevant accounting policies.

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

1. Understand the design and operating effectiveness of the Group's internal control systems relevant to the recognition of technical service revenue contracts.
2. Sample the technical service revenue contracts recognized in 2021, checking relevant documents and receivable collections, reviewing critical contract provisions, for the purpose of ensuring the proper timing of revenue recognition.
3. Sample the technical service revenue contracts recognized in a period before/after the balance sheet dates to perform the cut-off test, for the purpose of ensuring proper satisfaction of performance obligations and revenue recognition prior to the balance sheet dates.

Other Matter

We have also audited the parent company only financial statements of M31 Technology Corporation as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 24, 2022

<u>*Notice to Readers*</u>

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

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

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

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

(Continued)

	2021		2020	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain(loss) on investments in equity instruments at fair value through other comprehensive income(Note 20)	$ 32,972	3	$ 28,703	3
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations（Notes 4 and 20）	(417)	-	(671)	-
Income tax relating to items that may be reclassified subsequently to profit or loss（Notes 4, 20 and 23）	83	-	134	-
	(334)	-	(537)	-
Other comprehensive income(loss) for the year, net of income tax	32,638	3	28,166	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 285,275	28	$ 350,414	36
EARNINGS PER SHARE（Note 24）				
Basic	$ 8.12		$ 10.34	
Diluted	$ 8.11		$ 10.34	

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

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

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

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

(Continued)

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

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on February 24, 2022.

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

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

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

3.2 IFRSs recognized by the FSC applicable in 2022.

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

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

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

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

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

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

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

New/Revised/Amended Standards and Interpretations	**Effective Date Announced by IASB** (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 － comparison information	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred income tax relating to assets and liabilities arising from a single transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments are applicable to any deferment for annual reporting periods beginning on or after January 1, 2023.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of compliance

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

4.2 Basis of preparation

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

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

(1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

(2) Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

(3) Level 3 inputs are unobservable inputs for the asset or liability.

4.3 Classification of current and non-current assets and liabilities

Current assets include:

(1) Assets held primarily for the purpose of trading;

(2) Assets expected to be realized within 12 months after the balance sheet dates; and

(3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet dates.

Current liabilities include:

(1) Liabilities held primarily for the purpose of trading;

(2) Liabilities due to be settled within 12 months after the balance sheet dates; and

(3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet dates.

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

4.4 Basis of consolidation

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Please refer to Note 11, Table 5, and Table 6 for the details, the ownership percentage, and the main business of subsidiaries.

4.5 Foreign currencies

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

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

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

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

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

4.6 Property, plant and equipment

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

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

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

4.7 Intangible assets

(1) Intangible assets acquired separately

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

(2) Derecognition of intangible assets

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

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

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

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

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

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

4.9 Financial instruments

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

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

(1) Financial assets

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

(1.1) Measurement categories

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

A. Financial assets at FVTPL

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

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

B. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

C. Investments in equity instruments at FVTOCI

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

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

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

(1.2) Impairment of financial assets

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

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

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

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

A. Internal or external information show that the debtor is unlikely to pay its creditors.

B. When a financial asset is more than 365 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

(1.3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at

FVTOCI, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

(2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

(3) Financial liabilities

(3.1) Subsequent measurement

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

(3.2) Derecognition of financial liabilities

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

4.10 Revenue recognition

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

(1) Revenue from the rendering of services

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

(2) Licensing revenue

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

4.11 Lease

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

<u>The Group as lessee</u>

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

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

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

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

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

4.12 Employee benefits

(1) Short-term employee benefits

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

(2) Retirement benefits

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

4.13 Share-based payment arrangements

<u>Employee share options granted to employees</u>

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

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

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

4.14 Taxation

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

(1) Current tax

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

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

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

(2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

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

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

(3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

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

6. CASH AND CASH EQUIVALENTS

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

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

	December 31, 2021	December 31, 2020
Bank deposits	0.010%~0.300%	0.010%~0.405%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in equity instrument

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

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

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

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2021	December 31, 2020
Current		
Domestic investments		
Time deposits with original maturities of more than 3 months (Note 1)	$ -	$227,840

	December 31, 2021	December 31, 2020
Non-current		
Foreign investments		
Foreign Corporate Bonds (Note 2)	$106,422	$ -

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

Note 2: In September and October 2021, the Company purchased APPLE INC. bonds for $53,664 thousand and $26,254 thousand, respectively, with a maturity date of August 20, 2050, and a coupon rate of 2.400%; in October 2021, the Company purchased Petróleos Mexicanos bonds for $28,905 thousand, with a maturity date of January 23, 2026, and a coupon rate of 4.500%.

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

10. ACCOUNTS RECEIVABLE

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

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 derails the loss allowance of accounts receivable based on the Group's provision matrix.

December 31, 2021

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

December 31, 2020

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

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

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

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

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

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

Remark:

(1) The main operational risk is the exchange rate risk.

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

12. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Group

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

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

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

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

13. LEASE AGREEMENTS

13.1 Right-of-use assets

	December 31, 2021	December 31, 2020
Carrying amounts		
Buildings	$ 1,110	$ 4,186

	Year Ended December 31, 2021	Year Ended December 31, 2020
Additions to the right of use assets	$ -	$ 3,634
Depreciation of right-of-use assets		
Buildings	$ 3,025	$ 8,792

13.2 Lease liabilities

	December 31, 2021	December 31, 2020
Carrying amounts		
Current	$ 1,065	$ 3,074
Non-current	$ -	$ 1,095

Discount rate for lease liabilities is as follows:

	December 31, 2021	December 31, 2020
Buildings	1.60%	1.60%

13.3 Other lease information

	Year Ended December 31, 2021	Year Ended December 31, 2020
Expenses relating to short-term leases	$ 24,959	$ 1,215
Total cash outflow for leases	($ 28,043)	($ 10,234)

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:

	December 31, 2021	December 31, 2020
Lease commitments	$ 149	$ 16,101

14. INTANGIBLE ASSETS

	Software
Cost	
Balance at January 1, 2021	$ 16,677
Separately acquired	3,551
Balance at December 31, 2021	$ 20,228
Accumulated amortization	
Balance at January 1, 2021	$ 8,902
Amortization expense	3,686
Balance at December 31, 2021	$ 12,588
Carrying amounts at December 31, 2021	$ 7,640
Cost	
Balance at January 1, 2020	$ 8,466
Separately acquired	8,211
Balance at December 31, 2020	$ 16,677
Accumulated amortization	
Balance at January 1, 2020	$ 6,119
Amortization expense	2,783
Balance at December 31, 2020	$ 8,902
Carrying amounts at December 31, 2020	$ 7,775

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

An analysis of amortization expense by function:

	Year Ended December 31, 2021	Year Ended December 31, 2020
General and administrative expenses	$ 1,212	$ 337
Research and development expenses	2,474	2,446
	$ 3,686	$ 2,783

15. OTHER ASSETS

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

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

	December 31, 2021	December 31, 2020
Other financial assets－restricted assets	-	0.25%

16. BORROWINGS

Long-term borrowings

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

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

	December 31, 2021	December 31, 2020
Accounts payable		
Operating	$ 5,606	$ 3,085

18. OTHER LIABILITIES

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

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

	December 31, 2021	December 31, 2020
Number of shares authorized (in thousands)	50,000	50,000
Shares authorized	$500,000	$500,000
Number of shares issued and fully paid (in thousands)	31,606	31,318
Shares issued	$316,060	$313,180

20.2 Capital surplus

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

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

(2) Such capital surplus refers to the amount transferred from Capital surplus－employee share options during the execution of employee share options.

20.3 Retained earnings and dividend policy

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

(1) Paying taxes.

(2) Offsetting losses of previous years.

(3) Setting aside as legal reserve 10% of the remaining profit until the amount of the accumulated legal reserve equals the amount of the Company's capital.

(4) Setting aside or reversing a special reserve in accordance with the laws and regulations.

(5) Any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

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

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

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

The appropriations of 2020 and 2019 earnings and dividends per share have been approved by the Company's shareholders in its meeting held on August 5, 2021 and May 29, 2020, respectively. The appropriations and dividends per share were set out as follows:

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

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

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

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

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

20.4 Other equity items

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

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

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at January 1	$ 23,564	$ 3,250
Recognized for the year		
Unrealized gain(loss)		
Equity instruments	32,972	28,703
Other comprehensive income (loss) for the year	32,972	28,703
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	(49,936)	(8,389)
Balance at December 31	$ 6,600	$ 23,564

(3) Unearned employee benefits

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

	Year Ended December 31, 2021
Balance at January 1	$ -
Issuance of shares	(67,248)
Share-based payment expenses recognized	9,340
Balance at December 31	($ 57,908)

20.5 Treasury shares

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

In March 16, 2020, the Board of Directors approved the Company’s first repurchase of shares that authorized the purchase of up to 250 thousand shares from March 17, 2020 to May 16, 2020. The Company has repurchased 211 thousand shares in total with an average cost of 227.79 dollars.

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

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

21. REVENUE

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

21.1 Contract information

(1) Technical service revenue

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

(2) Royalty revenue

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

21.2 Contract balances

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at January 1	$ 90,167	$ 27,531
Contract liabilities from the beginning of year recognized as income	(59,704)	(21,309)
New contract liabilities for the year	58,539	83,945
Balance at December 31	$ 89,002	$ 90,167

22. NET PROFIT FROM CONTINUING OPERATIONS

The net profit from continuing operations comprises the following items:

22.1 Interest income

	Year Ended December 31, 2021	Year Ended December 31, 2020
Financial assets at amortized cost	$ 743	$ -
Bank deposits	605	6,766
Imputed interest on deposit	51	78
	$ 1,399	$ 6,844

22.2 Other income

	Year Ended December 31, 2021	Year Ended December 31, 2020
Other income	$ 1,811	$ 1,075

22.3 Other gains and losses

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

22.4 Finance costs

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

22.5 Depreciation and amortization

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

22.6 Employee benefits expenses

	Year Ended December 31, 2021	Year Ended December 31, 2020
Short-term employee benefits	$408,959	$349,342
Post-employment benefits		
Defined contribution plans	14,404	12,171
Share-based payment		
Equity-settled	9,340	-
Other employee benefits		
Labor and health insurance	23,780	18,724
Other employee benefits	9,086	7,572
Total employee benefits expenses	$465,569	$387,809
An analysis of employee benefits expense by function		
Operating expenses	$465,569	$387,809

22.7 Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The estimated compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 were approved by the Company's Board of Directors on February 24, 2022 and February 23, 2021, respectively, are set out as follows.

Accrual rate

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

Amount

	Year Ended December 31, 2021	Year Ended December 31, 2020
	Cash	Cash
Employees' compensation	$ 3,680	$ 4,200
Remuneration of directors	$ 3,680	$ 4,200

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

22.8 Gains or losses on foreign currency exchange

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

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

23.1 Income tax recognized in profit or loss

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

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

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

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

23.2 Income tax recognized in other comprehensive income

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

23.3 Current tax assets and liabilities

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

23.4 Deferred tax assets and liabilities

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

Year ended December 31, 2021

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

Year ended December 31, 2020

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

23.5 Income tax assessments

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

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

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	Year Ended December 31, 2021	Year Ended December 31, 2020
Basic earnings per share		
From continuing operations	$ 8.12	$ 10.34
Diluted earnings per share		
From continuing operations	$ 8.11	$ 10.34

Net Profit for the Year

	Year Ended December 31, 2021	Year Ended December 31, 2020
Net profit used in the computation of basic and diluted earnings per share	$252,637	$322,248

Number of Shares (in thousands of shares)

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

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Restricted Shares

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

Date of Approval of Shareholders' Meeting	Estimated Number of Shares to be Issued (In Thousands)	Number of Shares Resolved by the Board of Directors (In Thousands)	Shares Granted Date	Capital Increase 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:

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

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

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

(1) If the employee is unable to continue to work due to a physical disability caused by an occupational disaster, the employee may acquire all of the new employee restricted shares not yet vested upon termination of employment.

(2) If the employee dies as a result of an occupational disaster or dies in general, the unvested new employee restricted shares are deemed to be fully vested. The successor may apply to receive his or her shares or disposed interests after completing the necessary legal procedures and providing relevant documents.

25.3 Transfer to affiliates

(1) If the employee requests to transfer to an affiliated company, the Company may buy-back the new employee restricted shares (including their stock dividends and related equities) that have not been vested at the issue price.

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

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

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

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

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

(1) The employee may not sell, pledge, transfer, donate, set up, or otherwise dispose of the new employee restricted shares before the vesting condition is met.

(2) Until the vesting conditions are met, the new employee restricted shares may still participate in the allotment and dividend distribution.

(3) Upon the issuance of new employee restricted shares, employees shall immediately deliver them to the Trust and shall not request the Trustee to return the new employee restricted shares for any reason or in any manner until the vested conditions have been fulfilled.

Other contractual matters are as follows:

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

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

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

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

26. CASH FLOW INFORMATION

26.1 Non-cash transactions

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

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

26.2 Changes in liabilities arising from financing activities

Year Ended December 31, 2021

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

Year Ended December 31, 2020

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

27. CAPITAL MANAGEMENT

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

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

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

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

28. FINANCIAL INSTRUMENTS

28.1 Fair value of financial instruments not measured at fair value

December 31, 2021

	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost－Foreign Corporate Bonds	$106,422	$104,370	$ -	$ -	$104,370

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

(1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Beneficiary certificate of funds	$ 391,041	$ -	$ -	$ 391,041
Listed shares and emerging market shares	25,702	-	-	25,702
	$ 416,743	$ -	$ -	$ 416,743
Financial assets at FVTOCI				
Investments in equity instruments				
– Listed shares and emerging market shares	$ 7,487	$ -	$ -	$ 7,487

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Beneficiary certificate of funds	$ 444,616	$ -	$ -	$ 444,616
Financial assets at FVTOCI				
Investments in equity instruments				
– Listed shares and emerging market shares	$ -	$ -	$ 28,000	$ 28,000

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

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

Year Ended December 31, 2020

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

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

Financial Instruments Category	Evaluation Techniques and Input Values
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

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

(1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost-current, accounts receivable, other receivables, other financial assets (recognized in other current assets) and refundable deposits (recognized in other current assets and other non-current assets), financial assets carried at amortized cost – non-current.

(2) The balances include financial liabilities measured at amortized cost, which comprise accounts payable, and other payables (not including payables for salaries or bonuses, payables for annual leave, payables for retirement benefit, payables for insurance, and payables for tax expense) and long-term borrowings (including long-term borrowings maturing within one year).

28.4 Financial risk management objectives and policies

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

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

(1) Market risk

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

(1.1) Foreign currency risks

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

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

<u>Sensitivity analysis</u>

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

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

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

	USD Impact	
	Year Ended December 31, 2021	**Year Ended December 31, 2020**
Profit or loss	$ 6,360	$ 6,563

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

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

(1.2) Interest rate risk

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

	December 31, 2021	**December 31, 2020**
Fair value interest rate risk		
－Financial assets	$106,422	$475,320
－Financial liabilities	1,065	4,169
Cash flow interest rate risk		
－Financial assets	304,677	278,690
－Financial liabilities	89,303	-

Sensitivity analysis

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

If interest rates had been 100 basis points increase/decrease and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would increase by $2,154 thousands and $2,787 thousands, respectively, mainly resulting from the Group's variable-rate bank deposits and long-term borrowings.

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

(1.3) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, the pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by $4,167 thousands and $4,446 thousands, respectively, resulting from the changes in fair value of financial assets at FVTPL. The pre-tax other comprehensive income for years ended December 31, 2021 and 2020 would have increased/decreased by $75 thousands and $280 thousands respectively, resulting from the changes in fair value of financial assets at FVTOCI.

(2) Credit risks

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

The Group has adopted a policy of only dealing with creditworthy counterparties.

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

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

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

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

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

The Group’s concentration of credit risk was mainly attributable to the Group’s three largest customers, which accounted for 35% and 58% of total accounts receivable as of December 31, 2021and 2020, respectively.

(3) Liquidity risk

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

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

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

December 31, 2021

	Less than 3 Months	**3 Months to 1 Year**	**1 to 5 Years**	**Over 5 Years**
Non-derivative financial liabilities				
Non-interest bearing	$ 26,325	$ -	$ -	$ -
Long-term borrowings	1,449	4,372	23,933	59,549
Lease liabilities	292	779	-	-
	$ 28,066	$ 5,151	$ 23,933	$ 59,549

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

	Less than 1 Year	1 to 5 Years	Over 5 Years
Long-term borrowings	$ 5,821	$ 23,933	$ 59,549
Lease liabilities	$ 1,071	$ -	$ -

December 31, 2020

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

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

	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	$ 3,103	$ 1,102	$ -

(3.2) Financing Amount

	December 31, 2021	December 31, 2020
Secured bank loan amount		
－Amount utilized	$ 89,303	$ -
－Unutilized amount	210,697	300,000
	$300,000	$300,000

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Short-term employee benefits	$ 17,659	$ 22,717
Post-employment benefits	318	324
Share-based payment	389	-
	$ 18,366	$ 23,041

The remuneration of directors and key management personnel, as determined by the remuneration committee, was based on the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31, 2021	December 31, 2020
Property, plant and equipment	$423,884	$ -
Pledged time deposits (classified as other financial assets – current)	-	484
	$423,884	$ 484

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group’s significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 23,564	27.680（USD：NTD）	$652,252
CNY	5	4.344（CNY：NTD）	22
Financial liabilities			
Monetary items			
USD	586	27.680（USD：NTD）	16,220

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 23,177	28.480（USD：NTD）	$660,081
CNY	61	4.377（CNY：NTD）	267
Financial liabilities			
Monetary items			
USD	132	28.480（USD：NTD）	3,759

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

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

32. SEPARATELY DISCLOSED ITEMS

32.1 Significant transactions and 32.2 Information about investees:

(1) Financing provided to others: None.

(2) Endorsements/guarantees provided: None.

(3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Table 1.

(4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Table 2.

(5) Acquisition of individual real estate at costs of at least NT $300 million or 20% of the paid-in capital: Table 3.

(6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

(7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4.

(8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

(9) Trading in derivative instruments: None.

(10) Others: intercompany relationships and significant intercompany transactions: Table 5.

(11) Information on investees: Table 6.

32.3 Information on investments in mainland China

(1) The name of the investee company in mainland China, the principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current profit and loss, recognized investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7.

(2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 7.

(2.1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.

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

(2.3) The amount of property transactions and the amount of the resultant gains or losses.

(2.4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.

(2.5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.

(2.6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

32.4 Required disclosure of a whole affiliation in accordance with the Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations:

1) The name of the subsidiaries, the relationship between the holding company and the subsidiaries, the business nature, the holding company's shareholding or capital contribution ratio: Note 11.

2) Increases, decreases, or changes in the subsidiaries included in the current consolidated financial statements of affiliated enterprises: Note 11.

3) The name, shareholding or capital contribution ratio, and the reasons for the exclusion of subsidiaries not included in the current consolidated financial statements of affiliated enterprises: None.

4) Adjustment for subsidiaries with balance sheet dates different from those of the holding company: None.

5) An explanation of any differences in accounting policies between the subsidiaries and the holding company. The method and substance of adjustments adopted in the event of any non-conformity with the Generally Accepted Accounting Principles of the Republic of China: None.

6) Special operational risks of overseas subordinate companies, such as exchange rate fluctuations: Note 11.

7) Statutory or contractual restrictions on distribution of earning by the various affiliates: Note 20.

8) Amortization methods and period for consolidated borrowings (loans): None.

9) Other matters of significance or explanations that would contribute to the fair presentation of the consolidated financial statements of affiliated enterprise: None.

32.5 The holding company and the subsidiaries shall make disclosure as follows in accordance with the Consolidated Business Reports Covering the Affiliated Enterprises, the Consolidated Financial Statements Covering the Affiliated Enterprises and Reports on Affiliations:

1) Information regarding financing, endorsements, and guarantees: None.

2) Information regarding reading in derivative products: None.

3) Significant contingent matters: None.

4) Significant subsequent events: None.

5) Names of bills and securities held, and their quantities, cost, market value (or net par value if a bill or security does not have a market value), shareholding or capital contribution ratio, description of any pledges, and the highest amount of shareholding or capital contribution during the period: Table 1, 6 and 7.

6) Other matters of significance or explanations that would contribute to a fair presentation of the consolidated financial statements of the affiliates: None.

32.6 Subsidiaries holding shares in its parent company shall detail the name of the subsidiary, the shares held, the amount, and the reasons: None.

32.7 Major shareholder information: The name, the number and percentage of shareholding of shareholders whose percentage of ownership is more than 5%.

Shareholder Name	**Shares**	
	Shares Held (Shares)	**Percentage of Ownership (%)**
Hsiao-Ping Lin	6,604,000	20.89%
Huey-Ling Chen	4,596,000	14.54%
Jui-Chun Investment Company Limited	1,642,000	5.19%

33. SEGMENT INFORMATION

33.1 Industrial financial information

The Group is regarded a significant operating segment that offers services of Silicon IP design. Furthermore, the Group's chief operating decision maker reviews the Group's financial reports for resources allocation and performance assessment. Therefore, the operational information does not need to be disclosed by segments.

33.2 Geographical information

The Group operates in two principal areas - Taiwan and the United States (USA). The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		**Non-current Assets**	
	Year Ended December 31, 2021	**Year Ended December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Taiwan	$ 923,779	$ 782,922	$ 683,695	$ 197,681
USA	88,100	198,094	1,230	2,433
	$ 1,011,879	$ 981,016	$ 684,925	$ 200,114

Non-current assets exclude financial assets at fair value through other comprehensive income, financial assets at amortized cost and deferred tax assets.

33.3 Information about major customers

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

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

TABLE 1

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Thousands of Shares/Units)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Shares							
The Company	iSTART-TEK INC.	—	Financial assets at fair value through other comprehensive income－non-current	80	$ 7,487	0.36	$ 7,487	—
	Fubon Financial Holding Co., Ltd. (Type C)	—	Financial assets at fair value through profit or loss－current	300	18,030	-	18,030	—
	China Development Financial Holding Corporation (Type B)	—	Financial assets at fair value through profit or loss－current	800	7,672	-	7,672	—
	Fund beneficiary certificate							
	Taishin 1699 Money Market Fund	—	Financial assets at fair value through profit or loss－current	11,749	160,714	-	160,714	—
	Jih Sun Money Market Fund	—	Financial assets at fair value through profit or loss－current	11,354	170,170	-	170,170	—
	FSITC Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss－current	3,888	60,157	-	60,157	—
	Corporate Bond							
	APPLE INC.	—	Financial assets at amortized cost－non-current	-	78,082	-	76,588	—
	Petróleos Mexicanos	—	Financial assets at amortized cost－non-current	-	28,340	-	27,782	—

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

TABLE 2

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Thousands of Units)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Number of Units	Amount	Number of Units	Amount	Number of Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Units	Amount (Note)
	Fund beneficiary certificate											
The Company	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss－current	4,425	$ 60,389	7,324	$ 100,000	-	$ -	$ -	$ -	11,749	$ 160,714
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss－current	-	-	20,041	300,000	8,687	130,126	130,000	126	11,354	170,170
	FSITC Money Market Fund	Financial assets at fair value through profit or loss－current	1,291	232,149	-	-	1,291	232,475	231,834	641	-	-
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss－current	7,144	117,067	2,441	40,000	9,585	157,229	157,000	229	-	-
	Corporate Bond											
	APPLE INC.	Financial assets at amortized cost－non-current	-	-	-	78,082	-	-	-	-	-	78,082

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

TABLE 3

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLIONS OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company	Counterparty	Relationship	Transaction Details				The Transaction Terms Different From Normal Transactions		Notes&Accounts Receivable (Payable)		Note
			Purchase (Sales)	Amount	Percentage of Total Purchase (Sales)	Credit Terms	Unit Price	Credit Terms	Balance	Percentage of Total Notes& Accounts Receivable and Notes&Accounts Payable	
The Company	M31 Technology USA,INC.	Subsidiaries	Sales	$ 87,132	8.61%	30 – 90 Days	$ -	—	$ 56,652	17.87%	—

Note : If the terms of the related party transaction are different from the normal terms of the transaction, the differences and the reasons for the differences should be described in the columns of unit price and credit period.

TABLE 5

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount (Note 5)	Payment Terms	% of Total Sales or Assets (Note 3)
0	M31 Technology Corporation	M31 Technology USA, INC.	1	Service revenue	$ 87,132	Decided by mutual agreement based on market price	9
			1	Accounts receivable-related-party	56,652	Net 90 days from the end of the transaction month	3
1	M31 Technology USA, INC.	M31 Technology Corporation	2	Accounts receivable-related-party	1,196	Net 30 days from the end of the transaction month	-
			2	Marketing revenue	24,500	Decided by mutual agreement based on market price	2

Note 1: Transactions between parent company and subsidiaries should be detailed on the column of No. The meaning of the numbers are as follow:

(1) Number 0 represents the parent company.

(2) Subsidiaries are numbered in sequence from Number 1.

Note 2: The transaction relationships are classified as the following three types. Just mark the number of the relationship type:

(1) Transactions from parent company to subsidiary.

(2) Transactions from subsidiary to parent company.

(3) Transactions from subsidiary to subsidiary.

Note 3: In the computation of percentage of consolidated revenue/assets, if the amount is the ending balance of assets or liabilities, the accounts percentage will be calculated by dividing the consolidated assets; if the amount is the amount of income or expense, the accounts percentage will be cumulated by dividing the consolidated revenues in the same period.

Note 4: This form is presented in New Taiwan Dollar (NTD). The amount involves foreign currencies will be translated into NTD at the exchange rate on balance sheet date, while the amount related to gains and losses are translated into NTD at the average annual exchange rate.

Note 5: This table only shows one-way transaction information. The above transactions have been written off when the consolidated financial statement was prepared.

TABLE 6

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

Note 2: For relevant information on investee companies in mainland China, please refer to Table 7.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars or United States Dollars)

1. The name of investee companies in mainland China, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment gain or loss, carrying amount of the investment, repatriations of investment income:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2 and Note 3)	Carrying Amount as of December 31, 2021 (Note 2 and Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
M31 Technology (Shanghai) Inc.	Product marketing and technical service	USD 100	(2)	$ 3,340	$ -	$ -	$ 3,340	($ 285)	100	($ 285)	$ 2,011	$ -	—

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

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$ 3,340	$ 3,340	$ 950,156

Note 1: Three investment methods are listed below. Just mark the method number.

(1) Direct investment in mainland China companies.

(2) Indirect investment in mainland China companies through a company in a third region (Sirius Venture Ltd.).

(3) Other methods of investing in mainland China.

Note 2: Columns for the current Investment Gain (Loss) and the Carrying Value:

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

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

Note 4: The above transactions have been written off when the consolidated financial statement was prepared.

3. Significant transaction with investee companies in mainland China, either directly or indirectly through a third party:

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: None.

(3) The amount of property transactions and the amount of the resultant gains or losses: None.

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.

(5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.

(6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.