

M31 Technology Corporation and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2022 and 2021 and
Independent Auditors' Review Report**

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Independent Auditors' Review Report

The Board of Directors and Shareholders
M31 Technology Corporation

Introductions

We have reviewed the accompanying consolidated balance sheets of M31 Technology Corporation and its subsidiaries (collectively referred to as the "Group") as of June 30, 2022 and 2021, the consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the consolidated statements of changes in equity and the consolidated statements of cash flows for the six months ended June 30, 2022 and 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Group as of June 30, 2022 and 2021, its consolidated financial performance for the three months ended June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 2, 2022

Notice to Readers

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

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2022, DECEMBER 31, 2021, AND JUNE 30, 2021

(In Thousands of New Taiwan Dollars)

ASSETS	JUNE 30, 2022 (Reviewed)		DECEMBER 31, 2021 (Audited)		JUNE 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 405,962	19	\$ 307,421	16	\$ 523,398	25
Financial assets at fair value through profit or loss – current (Note 7)	397,630	19	416,743	22	583,089	28
Financial assets at amortized cost – current (Note 9)	118,880	6	-	-	55,720	3
Notes receivable (Notes 10 and 21)	-	-	-	-	20	-
Accounts receivable (Notes 10, 21 and 29)	208,802	10	319,072	16	154,752	7
Other receivables	1,688	-	1,302	-	1,808	-
Current tax assets (Note 4)	53,385	2	46,501	2	47,589	2
Prepayments (Note 15)	118,779	6	32,411	2	66,633	3
Other current assets (Note 15)	1,516	-	8,739	-	2,654	-
Total current assets	<u>1,306,642</u>	<u>62</u>	<u>1,132,189</u>	<u>58</u>	<u>1,435,663</u>	<u>68</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income – non-current (Note 8)	3,972	-	7,487	-	12,965	1
Financial assets at amortized cost – non-current (Note 9)	114,246	5	106,422	6	-	-
Property, plant and equipment (Notes 12 and 30)	676,123	32	674,452	35	586,879	28
Right-of-use Assets (Note 13)	3,096	-	1,110	-	1,676	-
Intangible assets (Note 14)	11,256	1	7,640	1	6,386	-
Deferred tax assets (Note 4)	366	-	5,672	-	6,423	-
Other non-current assets (Note 15)	2,540	-	1,723	-	74,820	3
Total non-current assets	<u>811,599</u>	<u>38</u>	<u>804,506</u>	<u>42</u>	<u>689,149</u>	<u>32</u>
TOTAL	<u>\$ 2,118,241</u>	<u>100</u>	<u>\$ 1,936,695</u>	<u>100</u>	<u>\$ 2,124,812</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities – current (Note 21)	\$ 262,577	13	\$ 89,002	5	\$ 59,845	3
Accounts payable (Note 17)	2,460	-	5,606	-	70	-
Dividends payable	197,782	9	-	-	248,856	12
Other payables (Note 18)	98,566	5	131,485	7	104,915	5
Current tax liabilities (Note 4)	16,959	1	20,302	1	14,629	-
Lease liabilities – current (Note 13)	1,394	-	1,065	-	1,143	-
Long-term borrowings maturing within one year (Note 16)	-	-	5,821	-	18,548	1
Other current liabilities (Note 18)	4,563	-	16,339	1	3,163	-
Total current liabilities	<u>584,301</u>	<u>28</u>	<u>269,620</u>	<u>14</u>	<u>451,169</u>	<u>21</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 16)	-	-	83,482	4	276,846	13
Deferred tax liabilities (Note 4)	57	-	-	-	-	-
Lease liabilities – non-current (Note 13)	1,631	-	-	-	489	-
Total non-current liabilities	<u>1,688</u>	<u>-</u>	<u>83,482</u>	<u>4</u>	<u>277,335</u>	<u>13</u>
Total liabilities	<u>585,989</u>	<u>28</u>	<u>353,102</u>	<u>18</u>	<u>728,504</u>	<u>34</u>
EQUITY (Note 20)						
Share capital						
Ordinary shares	317,100	15	316,060	16	313,180	15
Capital surplus	755,533	35	727,719	38	634,551	30
Retained earnings						
Legal reserve	155,904	8	125,647	6	125,647	6
Unappropriated earnings	409,943	19	514,477	27	359,790	17
Total retained earnings	565,847	27	640,124	33	485,437	23
Other equity	(58,164)	(3)	(52,246)	(3)	11,204	-
Treasury shares	(48,064)	(2)	(48,064)	(2)	(48,064)	(2)
Total equity	<u>1,532,252</u>	<u>72</u>	<u>1,583,593</u>	<u>82</u>	<u>1,396,308</u>	<u>66</u>
TOTAL	<u>\$ 2,118,241</u>	<u>100</u>	<u>\$ 1,936,695</u>	<u>100</u>	<u>\$ 2,124,812</u>	<u>100</u>

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS AND THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended June 30, 2022		Three Months Ended June 30, 2021		Six Months Ended June 30, 2022		Six Months Ended June 30, 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 21 and 29)	\$ 299,748	100	\$ 214,281	100	\$ 547,470	100	\$ 427,416	100
GROSS PROFIT	299,748	100	214,281	100	547,470	100	427,416	100
OPERATING EXPENSES (Notes 14 and 22)								
Selling and marketing expenses	(17,039)	(6)	(12,108)	(6)	(36,208)	(6)	(27,792)	(7)
General and administrative expenses	(23,073)	(8)	(24,703)	(11)	(49,573)	(9)	(46,611)	(11)
Research and development expenses	(186,539)	(62)	(114,893)	(54)	(364,733)	(67)	(220,839)	(52)
Expected credit loss (Note 10)	-	-	(403)	-	-	-	(1,615)	-
Total operating expenses	(226,651)	(76)	(152,107)	(71)	(450,514)	(82)	(296,857)	(70)
OPERATING INCOME	73,097	24	62,174	29	96,956	18	130,559	30
NON-OPERATING INCOME AND EXPENSES (Note 22)								
Interest income	1,381	1	223	-	2,258	-	529	-
Other income	358	-	403	-	461	-	483	-
Other gains and losses	20,778	7	(14,930)	(7)	43,926	8	(17,621)	(4)
Finance costs	(28)	-	(828)	-	(237)	-	(894)	-
Total non-operating income and expenses	22,489	8	(15,132)	(7)	46,408	8	(17,503)	(4)
PROFIT BEFORE INCOME TAX	95,586	32	47,042	22	143,364	26	113,056	26
INCOME TAX EXPENSE (Notes 4 and 23)	(13,405)	(4)	(4,729)	(2)	(21,403)	(4)	(15,106)	(3)
NET PROFIT FOR THE PERIOD	82,181	28	42,313	20	121,961	22	97,950	23
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)	246	-	(7,557)	(4)	(1,727)	-	38,450	9
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Note 20)	560	-	(349)	-	1,132	-	(338)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 20, and 23)	(112)	-	70	-	(226)	-	68	-
Other comprehensive income (loss) for the period, net of income tax	448	-	(279)	-	906	-	(270)	-
Total other comprehensive income (loss) for the period, net of income tax	694	-	(7,836)	(4)	(821)	-	38,180	9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 82,875	28	\$ 34,477	16	\$ 121,140	22	\$ 136,130	32
EARNINGS PER SHARE (Note 24)								
Basic	\$ 2.64		\$ 1.36		\$ 3.92		\$ 3.15	
Diluted	\$ 2.63		\$ 1.36		\$ 3.90		\$ 3.15	

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 SIX MONTHS ENDED JUNE 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Share Capital				Retained Earnings		Other Equity				
	Shares (In Thousands)	Amount	Share Capital Pending Cancellation	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, 2021	31,318	\$ 313,180	\$ -	\$ 634,551	\$ 92,583	\$ 493,824	(\$ 604)	\$ 23,564	\$ -	(\$ 48,064)	\$ 1,509,034
Appropriations of 2020 earnings											
Legal capital reserve	-	-	-	-	33,064	(33,064)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(248,856)	-	-	-	-	(248,856)
Net profit for the six months ended June 30, 2021	-	-	-	-	-	97,950	-	-	-	-	97,950
Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax (Note 20)	-	-	-	-	-	-	(270)	38,450	-	-	38,180
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	97,950	(270)	38,450	-	-	136,130
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	-	49,936	-	(49,936)	-	-	-
BALANCE AT JUNE 30, 2021	31,318	\$ 313,180	\$ -	\$ 634,551	\$ 125,647	\$ 359,790	(\$ 874)	\$ 12,078	\$ -	(\$ 48,064)	\$ 1,396,308
BALANCE AT JANUARY 1, 2022	31,606	\$ 316,060	\$ -	\$ 727,719	\$ 125,647	\$ 514,477	(\$ 938)	\$ 6,600	(\$ 57,908)	(\$ 48,064)	\$ 1,583,593
Appropriations of 2021 earnings											
Legal capital reserve	-	-	-	-	30,257	(30,257)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(197,782)	-	-	-	-	(197,782)
Net profit for the six months ended June 30, 2022	-	-	-	-	-	121,961	-	-	-	-	121,961
Other comprehensive income (loss) for the six months ended June 30, 2022, net of income tax (Note 20)	-	-	-	-	-	-	906	(1,727)	-	-	(821)
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	-	121,961	906	(1,727)	-	-	121,140
Issuance of employee restricted shares	110	1,100	-	29,755	-	-	-	-	(19,855)	-	11,000
Compensation cost of employee restricted shares (Note 20)	-	-	-	-	-	-	-	-	14,901	-	14,901
Employee restricted shares pending cancellation (Note 20)	(3)	(30)	(30)	(1,941)	-	-	-	-	1,401	-	(600)
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	-	1,544	-	(1,544)	-	-	-
BALANCE AT JUNE 30, 2022	31,713	\$ 317,130	(\$ 30)	\$ 755,533	\$ 155,904	\$ 409,943	(\$ 32)	\$ 3,329	(\$ 61,461)	(\$ 48,064)	\$ 1,532,252

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 143,364	\$ 113,056
Adjustments for:		
Depreciation expenses	20,846	16,750
Amortization expenses	2,112	1,858
Expected credit loss	-	1,615
Net loss(gain) on fair value changes of financial assets at fair value through profit or loss	3,266	(702)
Finance costs	237	894
Interest income	(2,258)	(529)
Compensation cost of employee restricted shares	14,901	-
Loss on disposal of property, plant and equipment	-	3,444
Unrealized gain on foreign currency exchange	(27,381)	(2,209)
Changes in operating assets and liabilities		
Accounts receivable	114,523	98,254
Other receivables	648	(1,802)
Prepayments	(86,368)	(50,817)
Other current assets	6,828	477
Contract liabilities	173,575	(30,322)
Accounts payable	(3,146)	(3,056)
Other payables	(44,964)	(32,314)
Other current liabilities	(11,710)	(3,646)
Cash generated from operations	304,473	110,951
Interest received	1,374	618
Interest paid	(253)	(839)
Income tax paid	(26,493)	(33,916)
Net cash generated from operating activities	279,101	76,814

(Continued)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of financial assets at fair value through other comprehensive income	\$ 1,788	\$ 53,485
Acquisition of financial assets at amortized cost	(113,980)	-
Disposal of financial assets at amortized cost	-	180,890
Acquisition of financial assets at fair value through profit or loss	(124,308)	(325,000)
Disposal of financial assets at fair value through profit or loss	140,155	187,229
Acquisition of property, plant and equipment	(10,171)	(407,034)
Decrease in refundable deposits	239	5,344
Acquisition of intangible assets	(3,612)	(469)
Increase in prepayments for equipment	(2,286)	(61,704)
Net cash used in investing activities	<u>(112,175)</u>	<u>(367,259)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term borrowings	-	300,000
Repayment of long-term borrowings	(89,303)	(4,606)
Repayment of the principal portion of lease liabilities	(745)	(2,495)
Issuance of employee restricted shares	11,000	-
Payment for buy-back of employee restricted shares	<u>(600)</u>	<u>-</u>
Net cash (used in) generate from financing activities	<u>(79,648)</u>	<u>292,899</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>11,263</u>	<u>(6,816)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	98,541	(4,362)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		
	<u>307,421</u>	<u>527,760</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		
	<u>\$ 405,962</u>	<u>\$ 523,398</u>

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 2, 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 2023.

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by International Accounting Standards Board (IASB)</u>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred income tax relating to assets and liabilities arising from a single transaction”	January 1, 2023 (Note 3)

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

Note 2: 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 3: 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 of the consolidated financial statements were authorized for issue, the Group is still evaluating the impact of the amendments to other standards and interpretations on its financial position and financial performance. The related impact will be disclosed when the evaluation is completed.

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

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 – comparison information	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. The consolidated financial statements do not present all required disclosures for a complete set of annual consolidated financial statements prepared under the IFRSs.

4.2 Basis of preparation

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

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

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

4.3 Basis of consolidation

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

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

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

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

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

Please refer to Note 11, Table 4, and Table 5 for the details, the ownership percentage, and the main business of subsidiaries.

4.4 Other significant accounting policies

Except for the following, please refer to the summary of significant accounting policies in the Company's consolidated financial statements for the year ended December 31, 2021.

Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group has taken the recent development of the COVID-19 outbreak 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. Please refer to the Critical Accounting Judgments and Key Sources of Estimation Uncertainty in the Company's consolidated financial statements for the year ended December 31, 2021.

6. CASH AND CASH EQUIVALENTS

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash on hand	\$ 60	\$ 40	\$ 70
Checking accounts and demand deposits	287,022	307,381	495,468
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	118,880	-	27,860
	<u>\$ 405,962</u>	<u>\$ 307,421</u>	<u>\$ 523,398</u>

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Bank deposits	0.010%~1.800%	0.010%~0.300%	0.010%~0.200%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Current</u>			
Mandatorily measured at FVTPL			
Non-derivative financial assets			
– Fund beneficiary certificate	\$ 351,416	\$ 391,041	\$ 583,089
– Listed shares and emerging market shares	46,214	25,702	-
	<u>\$ 397,630</u>	<u>\$ 416,743</u>	<u>\$ 583,089</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in equity instrument

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Non-current</u>			
Domestic investment			
Listed shares and emerging market shares			
Ordinary shares –			
iSTART-TEK Inc.	\$ <u>3,972</u>	\$ <u>7,487</u>	\$ <u>12,965</u>

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

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

	<u>Six Months Ended June 30, 2022</u>	<u>Six Months Ended June 30, 2021</u>
Balance, beginning of period	\$ 7,487	\$ 28,000
Recognized in other comprehensive income	(1,727)	38,450
Disposal	(<u>1,788</u>)	(<u>53,485</u>)
Balance, end of period	\$ <u>3,972</u>	\$ <u>12,965</u>

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months (Note 1)	\$ <u>118,880</u>	\$ <u>-</u>	\$ <u>55,720</u>
<u>Non-current</u>			
Foreign investments			
Foreign Corporate Bonds (Note 2)	\$ <u>114,246</u>	\$ <u>106,422</u>	\$ <u>-</u>

Note1 : The ranges of interest rates for time deposits with original maturities of more than 3 months were 1.37% ~2.65 and 0.500% as of June 30, 2022 and 2021.

Note2 : 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%.

Note3 : For information on credit risk management and impairment assessment related to financial assets measured at amortized cost, please refer to Note 28.

10. ACCOUNTS RECEIVABLE

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ -	\$ -	\$ 20
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>
 <u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	\$ 217,040	\$ 327,537	\$ 161,147
Less: Allowance for impairment loss	<u>(8,238)</u>	<u>(8,465)</u>	<u>(6,395)</u>
	<u>\$ 208,802</u>	<u>\$ 319,072</u>	<u>\$ 154,752</u>

Accounts receivable

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

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

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

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis

of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operate and an assessment of both the current as well as the forecasted direction of economic conditions at the balance sheet dates. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

June 30, 2022

	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%~0.40%	0%~3.31%	0%~13.68%	0%~19.16%	0%~29.07%	0%~100%	
Gross carrying amount	\$ 154,938	\$ 24,719	\$ 29,805	\$ 3,685	\$ 2,645	\$ 1,248	\$ 217,040
Loss allowance (lifetime ECL)	(621)	(818)	(4,076)	(706)	(769)	(1,248)	(8,238)
Amortized cost	<u>\$ 154,317</u>	<u>\$ 23,901</u>	<u>\$ 25,729</u>	<u>\$ 2,979</u>	<u>\$ 1,876</u>	<u>\$ -</u>	<u>\$ 208,802</u>

December 31, 2021

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

June 30, 2021

	Not Past Due	1 to 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected Credit Losses rate	0%~0.29%	0%~1.20%	0%~5.08%	0%	0%~12.15%	0%~100%	
Gross carrying amount	\$ 95,995	\$ 19,957	\$ 3,861	\$ 3,053	\$ 37,111	\$ 1,170	\$ 161,147
Loss allowance (lifetime ECL)	(282)	(239)	(196)	-	(4,508)	(1,170)	(6,395)
Amortized cost	<u>\$ 95,713</u>	<u>\$ 19,718</u>	<u>\$ 3,665</u>	<u>\$ 3,053</u>	<u>\$ 32,603</u>	<u>\$ -</u>	<u>\$ 154,752</u>

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

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Balance, beginning of period	\$ 8,465	\$ 4,711
Add: Net remeasurement of loss allowance	-	1,615
Effect of exchange rate changes	(227)	69
Balance, end of period	<u>\$ 8,238</u>	<u>\$ 6,395</u>

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

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

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			June 30, 2022	December 31, 2021	June 30, 2021	
The Company	M31 Technology USA, INC.	Product marketing and technical services	100%	100%	100%	(1)
	Sirius Venture Ltd.	Investment holding	100%	100%	100%	(1)
Sirius Venture Ltd.	M31 Technology (Shanghai) Inc.	Product marketing and technical services	100%	100%	100%	(2)

Remark:

- (1) The main 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
<u>Cost</u>						
Balance at January 1, 2022	\$ 225,293	\$ 391,461	\$ 75,041	\$ -	\$ 111,621	\$ 803,416
Additions	-	170	15,148	-	6,474	21,792
Disposals	-	-	(408)	-	-	(408)
Net exchange differences	-	-	21	-	15	36
Balance at June 30, 2022	<u>\$ 225,293</u>	<u>\$ 391,631</u>	<u>\$ 89,802</u>	<u>\$ -</u>	<u>\$ 118,110</u>	<u>\$ 824,836</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ 6,312	\$ 58,696	\$ -	\$ 63,956	\$ 128,964
Depreciation expense	-	6,368	3,683	-	10,072	20,123
Disposals	-	-	(408)	-	-	(408)
Net exchange differences	-	-	21	-	13	34
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ 12,680</u>	<u>\$ 61,992</u>	<u>\$ -</u>	<u>\$ 74,041</u>	<u>\$ 148,713</u>
Carrying amounts at June 30, 2022	<u>\$ 225,293</u>	<u>\$ 378,951</u>	<u>\$ 27,810</u>	<u>\$ -</u>	<u>\$ 44,069</u>	<u>\$ 676,123</u>
Carrying amounts at December 31, 2021, and January 1, 2022	<u>\$ 225,293</u>	<u>\$ 385,149</u>	<u>\$ 16,345</u>	<u>\$ -</u>	<u>\$ 47,665</u>	<u>\$ 674,452</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ 98,853	\$ -	\$ 69,642	\$ 10,890	\$ 98,447	\$ 277,832
Additions	126,440	300,626	2,254	-	251	429,571
Disposals	-	-	-	(10,890)	-	(10,890)
Net exchange differences	-	-	(6)	-	(5)	(11)
Balance at June 30, 2021	<u>\$ 225,293</u>	<u>\$ 300,626</u>	<u>\$ 71,890</u>	<u>\$ -</u>	<u>\$ 98,693</u>	<u>\$ 696,502</u>

(Continued)

	<u>Land</u>	<u>Buildings</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Other Facilities</u>	<u>Total</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ -	\$ 52,306	\$ 6,100	\$ 44,391	\$ 102,797
Depreciation expense	-	-	3,048	1,346	9,889	14,283
Disposals	-	-	-	(7,446)	-	(7,446)
Net exchange differences	-	-	(7)	-	(4)	(11)
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,347</u>	<u>\$ -</u>	<u>\$ 54,276</u>	<u>\$ 109,623</u>
Carrying amounts at June 30, 2021	\$ 225,293	\$ 300,626	\$ 16,543	\$ -	\$ 44,417	\$ 586,879

No impairments or reversal of losses were recognized for the six months ended June 30, 2022 and 2021.

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 AGREEMENT

13.1 Right-of-use assets

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Carrying amounts</u>			
Buildings	<u>\$ 3,096</u>	<u>\$ 1,110</u>	<u>\$ 1,676</u>
	<u>Three Months Ended June 30, 2022</u>	<u>Three Months Ended June 30, 2021</u>	<u>Six Months Ended June 30, 2022</u>
Additions of right-of-use assets	<u>\$ 2,647</u>	<u>\$ -</u>	<u>\$ 2,647</u>
Depreciation of right-of-use assets			
Buildings	<u>\$ 442</u>	<u>\$ 281</u>	<u>\$ 723</u>
			<u>Six Months Ended June 30, 2021</u>
			<u>\$ 2,467</u>

Except for the aforementioned addition and recognized depreciation expenses, the Group has no significant subleasing and impairment losses in right-of-use assets for the six months ended June 30, 2022 and 2021.

13.2 Lease liabilities

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Carrying amounts</u>			
Current	\$ <u>1,394</u>	\$ <u>1,065</u>	\$ <u>1,143</u>
Non-current	\$ <u>1,631</u>	\$ <u>-</u>	\$ <u>489</u>

Discount rate for lease liabilities is as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Buildings	1.36%~1.60%	1.60%	1.60%

13.3 Other lease information

	<u>Three Months Ended June 30, 2022</u>	<u>Three Months Ended June 30, 2021</u>	<u>Six Months Ended June 30, 2022</u>	<u>Six Months Ended June 30, 2021</u>
Expenses relating to short-term leases	\$ <u>561</u>	\$ <u>2,411</u>	\$ <u>20,787</u>	\$ <u>2,976</u>
Total cash outflow for leases	(\$ <u>1,022</u>)	(\$ <u>2,698</u>)	(\$ <u>21,544</u>)	(\$ <u>5,489</u>)

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

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Lease commitments	\$ <u>74</u>	\$ <u>149</u>	\$ <u>743</u>

14. INTANGIBLE ASSETS

	<u>Software</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 20,228
Separately acquired	<u>5,728</u>
Balance at June 30, 2022	\$ <u>25,956</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 12,588
Amortization expense	<u>2,112</u>
Balance at June 30, 2022	\$ <u>14,700</u>
Carrying amounts at June 30, 2022	\$ <u>11,256</u>
Carrying amounts at December 31, 2021 and January 1, 2022	\$ <u>7,640</u>

	<u>Software</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 16,677
Separately acquired	<u>469</u>
Balance at June 30, 2021	<u>\$ 17,146</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 8,902
Amortization expense	<u>1,858</u>
Balance at June 30, 2021	<u>\$ 10,760</u>
Carrying amounts at June 30, 2021	<u>\$ 6,386</u>

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

An analysis of amortization expense by function:

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
General and administrative expenses	\$ 436	\$ 300	\$ 868	\$ 595
Research and development expenses	<u>657</u>	<u>647</u>	<u>1,244</u>	<u>1,263</u>
	<u>\$ 1,093</u>	<u>\$ 947</u>	<u>\$ 2,112</u>	<u>\$ 1,858</u>

15. OTHER ASSETS

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Current</u>			
Prepayments	\$ 118,779	\$ 32,411	\$ 66,633
Refundable deposits	29	424	2,643
Others	<u>1,487</u>	<u>8,315</u>	<u>11</u>
	<u>\$ 120,295</u>	<u>\$ 41,150</u>	<u>\$ 69,287</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 2,286	\$ 1,625	\$ 74,722
Refundable deposits	<u>254</u>	<u>98</u>	<u>98</u>
	<u>\$ 2,540</u>	<u>\$ 1,723</u>	<u>\$ 74,820</u>

16. BORROWINGS

Long-term borrowings

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Guaranteed loans (Note 30)</u>			
Bank loans	\$ -	\$ 89,303	\$ 295,394
Less: Long-term borrowings maturing within one year	-	(5,821)	(18,548)
Long-term borrowings	<u>\$ -</u>	<u>\$ 83,482</u>	<u>\$ 276,846</u>

On 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, and the long-term loan was repaid in advance.

17. ACCOUNTS PAYABLE

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Accounts payable</u>			
Operating	<u>\$ 2,460</u>	<u>\$ 5,606</u>	<u>\$ 70</u>

18. OTHER LIABILITIES

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Current</u>			
Other payables			
Payables for salaries or bonuses	\$ 58,699	\$ 95,603	\$ 50,428
Payables for purchases of equipment	14,461	2,386	32,748
Payables for annual leave	9,784	7,880	6,307
Payables for insurance	4,127	3,535	3,406
Payables for retirement benefits	4,110	3,591	3,411
Payables for professional service fees	1,172	1,667	2,280
Payables for business taxes	711	2,528	-
Payables for investments	-	7,672	-
Payables for taxes	-	157	-
Others	<u>5,502</u>	<u>6,466</u>	<u>6,335</u>
	<u>\$ 98,566</u>	<u>\$ 131,485</u>	<u>\$ 104,915</u>
Other liabilities			
Collection	\$ 4,281	\$ 8,035	\$ 3,163
Temporary collection	<u>282</u>	<u>8,304</u>	<u>-</u>
	<u>\$ 4,563</u>	<u>\$ 16,339</u>	<u>\$ 3,163</u>

19. RETIREMENT BENEFIT PLANS

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

20. EQUITY

20.1 Share capital

Ordinary shares

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Number of shares authorized (in thousands)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Shares authorized	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Number of shares issued and fully paid (in thousands)	<u>31,713</u>	<u>31,606</u>	<u>31,318</u>
Shares issued	<u>\$ 317,130</u>	<u>\$ 316,060</u>	<u>\$ 313,180</u>
Share capital pending cancellation	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ -</u>

For the six months ended June 30, 2022, 6,000 shares of new employee restricted shares have been withdrawn due to the termination of employment. However, 3,000 shares have not yet been registered for change to the Ministry of Economic Affairs as the date of capital reduction resolved by the board of directors on August 9, 2022, so these shares are temporarily listed under capital stock pending cancellation, please refer to Note 25.

20.2 Capital surplus

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Shares issuance premium	\$ 630,511	\$ 630,511	\$ 630,511
Employee share options (2)	4,040	4,040	4,040
<u>Not to be used for any purpose</u>			
Employee restricted shares	<u>120,982</u>	<u>93,168</u>	<u>-</u>
	<u>\$ 755,533</u>	<u>\$ 727,719</u>	<u>\$ 634,551</u>

(1) Such capital surplus may be used to offset losses, and may also be used to distribute cash or allocate share capital when the company has no losses, provided that the allocation of share capital is limited to a certain ratio of the paid-in share capital each year.

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

20.3 Retained earnings and dividend policy

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

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

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.

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

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

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

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

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

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

The appropriations of 2021 and 2020 earnings have been proposed and approved by the shareholders' meeting held on May 26, 2022, and August 5, 2021, respectively. The appropriations and dividends per share were set out as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Legal reserve	<u>\$ 30,257</u>	<u>\$ 33,064</u>
Cash dividends	<u>\$197,782</u>	<u>\$248,856</u>
Cash dividends per share (NT\$)	\$ 6.3	\$ 8.0

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

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Balance, beginning of period	(\$ 938)	(\$ 604)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	1,132	(338)
Income tax on translating the financial statements of foreign operations	(226)	68
Other comprehensive income (loss) for the period	<u>906</u>	<u>(270)</u>
Balance, end of period	<u>(\$ 32)</u>	<u>(\$ 874)</u>

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

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Balance, beginning of period	<u>\$ 6,600</u>	<u>\$ 23,564</u>
Recognized for the period		
Unrealized gain (loss)		
Equity instruments	(<u>1,727</u>)	<u>38,450</u>
Other comprehensive income		
(loss) for the period	(<u>1,727</u>)	<u>38,450</u>
Cumulative unrealized gain of		
equity instruments transferred		
to retained earnings due to		
disposal	(<u>1,544</u>)	(<u>49,936</u>)
Balance, beginning of period	<u>\$ 3,329</u>	<u>\$ 12,078</u>

(3) Unearned employee benefits

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

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Balance, beginning of period	(\$ 57,908)	\$ -
Granted during the period	(19,855)	-
Share-based payment expenses		
recognized	14,901	-
Employee restricted shares		
cancellation	<u>1,401</u>	<u>-</u>
Balance, end of period	<u>(\$ 61,461)</u>	<u>\$ -</u>

20.5 Treasury shares

<u>Purpose of Buy-back</u>	<u>Shares Transferred to Employees (In Thousands of Shares)</u>
Number of shares at January 1, 2022 and June 30, 2022	<u>211</u>
Number of shares at January 1, 2021 and June 30, 2021	<u>211</u>

On March 16, 2020, the board of directors approved the Company's first repurchase of shares that authorized the purchase of up to 250 thousand shares from March 17, 2020 to May 16, 2020. The Company has repurchased 211 thousand shares in total with an average cost of NT\$227.79. On August 2, 2022, the board of directors resolved that the transfer price shall be NT\$228 to the employees and the employee subscription date set on August 2, 2022.

On August 2, 2022, the board of directors resolved to repurchase treasury shares in order to motivate employees and boost their motivation. The repurchase period is from August

3, 2022 to October 2, 2022, and the number of shares to be repurchased is 300 thousand shares at a price range of NT\$180 to NT\$350 per share. When the share price falls below the lower limit of the range, the Company will continue to repurchase shares, and the total amount of shares to be repurchased is capped at NT\$105,000 thousand.

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

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

21. REVENUE

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Technical service revenue	\$ 258,589	\$ 185,843	\$ 471,011	\$ 362,762
Royalty revenue	<u>41,159</u>	<u>28,438</u>	<u>76,459</u>	<u>64,654</u>
	<u>\$ 299,748</u>	<u>\$ 214,281</u>	<u>\$ 547,470</u>	<u>\$ 427,416</u>

21.1 Contract information

(1) Technical service revenue

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

(2) Royalty revenue

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

21.2 Contract balances

	June 30, 2022	December 31, 2021	June 30, 2021	January 1, 2021
Notes and accounts receivable (Note 10)	<u>\$ 208,802</u>	<u>\$ 319,072</u>	<u>\$ 154,772</u>	<u>\$ 254,612</u>
Contract liabilities - current Technical service revenue	<u>\$ 262,577</u>	<u>\$ 89,002</u>	<u>\$ 59,845</u>	<u>\$ 90,167</u>

The changes in the contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment. The changes for the six months ended June 30, 2022 and 2021 are as follows :

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Balance, beginning of period	\$ 89,002	\$ 90,167
Contract liabilities from the beginning of year recognized as income	(3,116)	(39,282)
New contract liabilities for the period	<u>176,691</u>	<u>8,960</u>
Balance, end of period	<u>\$262,577</u>	<u>\$ 59,845</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

The net profit from continuing operations comprises the following items:

22.1 Interest income

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Financial assets at amortized cost	\$ 851	\$ -	\$ 1,666	\$ -
Bank deposits	530	220	592	481
Imputed interest on deposit	-	3	-	48
	<u>\$ 1,381</u>	<u>\$ 223</u>	<u>\$ 2,258</u>	<u>\$ 529</u>

22.2 Other income

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Other income	<u>\$ 358</u>	<u>\$ 403</u>	<u>\$ 461</u>	<u>\$ 483</u>

22.3 Other gains and losses

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net foreign exchange gains (losses)	\$ 23,481	(\$ 11,860)	\$ 47,194	(\$ 14,879)
Net gains(losses) from financial assets at fair value through profit or loss	(2,703)	374	(3,266)	702
Losses on disposal of property, plant and equipment	-	(3,444)	-	(3,444)
Others	-	-	(2)	-
	<u>\$ 20,778</u>	<u>(\$ 14,930)</u>	<u>\$ 43,926</u>	<u>(\$ 17,621)</u>

22.4 Finance costs

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Interest on bank loans	\$ 20	\$ 821	\$ 225	\$ 876
Interest on lease liabilities	<u>8</u>	<u>7</u>	<u>12</u>	<u>18</u>
	<u>\$ 28</u>	<u>\$ 828</u>	<u>\$ 237</u>	<u>\$ 894</u>

22.5 Depreciation and amortization

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
An analysis of depreciation by function				
Operating expenses	<u>\$ 10,666</u>	<u>\$ 7,289</u>	<u>\$ 20,846</u>	<u>\$ 16,750</u>
An analysis of amortization by function				
Operating expenses	<u>\$ 1,093</u>	<u>\$ 947</u>	<u>\$ 2,112</u>	<u>\$ 1,858</u>

22.6 Employee benefits expenses

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Short-term employee benefits	\$ 118,124	\$ 90,228	\$ 233,525	\$ 184,488
Post-employment benefits				
Defined contribution plans	4,234	3,543	8,274	7,194
Share-based payment				
Equity-settled	8,067	-	14,901	-
Other employee benefits				
Labor and health insurance	6,336	7,110	13,853	12,126
Other employee benefits	<u>2,239</u>	<u>2,035</u>	<u>5,353</u>	<u>4,550</u>
Total employee benefits expenses	<u>\$ 139,000</u>	<u>\$ 102,916</u>	<u>\$ 275,906</u>	<u>\$ 208,358</u>
An analysis of employee benefits expense by function				
Operating expenses	<u>\$ 139,000</u>	<u>\$ 102,916</u>	<u>\$ 275,906</u>	<u>\$ 208,358</u>

22.7 Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the

remuneration of directors for the six months ended June 30, 2022 and 2021 are set out as follows:

Accrual rate

	<u>Six Months Ended June 30, 2022</u>	<u>Six Months Ended June 30, 2021</u>
Employees' compensation	1.19%	1.21%
Remuneration of directors	1.19%	1.21%

Amount

	<u>Three Months Ended June 30, 2022</u>	<u>Three Months Ended June 30, 2021</u>	<u>Six Months Ended June 30, 2022</u>	<u>Six Months Ended June 30, 2021</u>
Employees' compensation	\$ <u>1,170</u>	\$ <u>590</u>	\$ <u>1,750</u>	\$ <u>1,400</u>
Remuneration of directors	\$ <u>1,170</u>	\$ <u>590</u>	\$ <u>1,750</u>	\$ <u>1,400</u>

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

The employees' compensation and the remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on February 24, 2022 and February 23, 2021, respectively, were set out as follows:

Amount

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

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, 2021 and 2020.

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

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Foreign exchange gains	\$ 15,510	\$ 3,184	\$ 91,068	\$ 60,382
Foreign exchange losses	<u>7,971</u>	<u>(15,044)</u>	<u>(43,874)</u>	<u>(75,261)</u>
Net gains (losses)	<u>\$ 23,481</u>	<u>(\$ 11,860)</u>	<u>\$ 47,194</u>	<u>(\$ 14,879)</u>

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

23.1 Income tax recognized in profit or loss

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

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Current Tax				
In respect of the current period	\$ 12,920	\$ 7,051	\$ 17,277	\$ 14,816
Adjustments for prior year	(1,066)	(1,641)	(1,066)	(1,641)
Non-deductible foreign tax	<u>55</u>	<u>419</u>	<u>55</u>	<u>419</u>
	11,909	5,829	16,266	13,594
Deferred Tax				
In respect of the current period	<u>1,496</u>	<u>(1,100)</u>	<u>5,137</u>	<u>1,512</u>
Income tax expense recognized in profit or loss	<u>\$ 13,405</u>	<u>\$ 4,729</u>	<u>\$ 21,403</u>	<u>\$ 15,106</u>

23.2 Income tax recognized in other comprehensive income

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
<u>Deferred Tax</u>				
In respect of the current period				
Translation of foreign operations	<u>\$ 112</u>	<u>(\$ 70)</u>	<u>\$ 226</u>	<u>(\$ 68)</u>
Income tax recognized in other comprehensive income	<u>\$ 112</u>	<u>(\$ 70)</u>	<u>\$ 226</u>	<u>(\$ 68)</u>

23.3 Income tax assessments

The tax authorities have examined income tax returns of the Company through 2019. The Group has no pending tax litigation as of June 30 2022.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Basic earnings per share				
From continuing operations	\$ <u>2.64</u>	\$ <u>1.36</u>	\$ <u>3.92</u>	\$ <u>3.15</u>
Diluted earnings per share				
From continuing operations	\$ <u>2.63</u>	\$ <u>1.36</u>	\$ <u>3.90</u>	\$ <u>3.15</u>

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

Net Profit for the Period

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net profit used in the computation of basic and diluted earnings per share	\$ <u>82,181</u>	\$ <u>42,313</u>	\$ <u>121,961</u>	\$ <u>97,950</u>

Number of Shares (in thousands of shares)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	31,107	31,107	31,107	31,107
Effect of potentially dilutive ordinary shares:				
Employee restricted shares	140	-	146	-
Employees' compensation	<u>7</u>	<u>4</u>	<u>11</u>	<u>7</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>31,254</u>	<u>31,111</u>	<u>31,264</u>	<u>31,114</u>

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Restricted Shares

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

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

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

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

<u>Vested Period</u>	<u>Proportion of Vested Shares</u>
Two years from the granted date	50%
Three years from the granted date	50%

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

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

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

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

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

25.3 Transfer to affiliates

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

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

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

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

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

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

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

Other contractual matters are as follows:

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

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

	2021-1 New Employee Restricted Shares	2021-2 New Employee Restricted Shares
	<u>(In Thousands)</u>	<u>(In Thousands)</u>
<u>Six months ended June 30, 2022</u>		
Shares outstanding at the beginning of the period	288	-
Shares granted for the period	-	110
Shares cancelled for the period	(3)	-
Shares pending cancellation for the period	(<u>3</u>)	<u>-</u>
Shares outstanding at the end of the period	<u>282</u>	<u>110</u>
Employees shares vested	<u>-</u>	<u>-</u>
Weighted-average fair value of shares granted (NTD)	<u>\$ 333.5</u>	<u>\$ 280.5</u>

For the six months ended June 30, 2022, 6,000 shares of new employee restricted shares have been withdrawn due to the termination of employment. However, 3,000 shares have not yet been registered for change to the Ministry of Economic Affairs as the date of capital reduction resolved by the board of directors on August 9, 2022, so these shares are temporarily listed under capital stock pending cancellation.

For the six months ended June 30, 2022 and 2021, the compensation costs recognized for the new employee restricted shares were \$14,901 thousand and \$0, respectively.

26. CASH FLOW INFORMATION

26.1 Non-cash transactions

Except as disclosed in other notes, the Group conducted the following non-cash transaction investment and financing activities for the six months ended June 30, 2022 and 2021:

On June 30, 2022, December 31, 2021, and June 30 2021, the Group respectively acquired property, plant and equipment of \$14,461 thousand, \$2,386 thousand, and \$32,748 thousand, which are recognized as payables for purchase of equipment. Please refer to Note 18.

26.2 Changes in liabilities arising from financing activities

Six Months Ended June 30, 2022

	January 1, 2022	Cash Flows	Non-cash Changes		June 30, 2022
			New Leasing	Exchange Rate Changes	
Lease liabilities	\$ 1,065	(\$ 745)	\$ 2,647	\$ 58	\$ 3,025
Long-term borrowings	<u>89,303</u>	<u>(89,303)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 90,368</u>	<u>(\$ 90,048)</u>	<u>\$ 2,647</u>	<u>\$ 58</u>	<u>\$ 3,025</u>

Six Months Ended June 30, 2021

	January 1, 2021	Cash Flow	Non-Cash Changes Exchange Rate Changes	June 30, 2021
Lease liabilities	\$ 4,169	(\$ 2,495)	(\$ 42)	\$ 1,632
Long-term borrowings	-	295,394	-	295,394
	<u>\$ 4,169</u>	<u>\$ 292,899</u>	<u>(\$ 42)</u>	<u>\$ 297,026</u>

27. CAPITAL MANAGEMENT

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

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

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

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

28. FINANCIAL INSTRUMENTS

28.1 Fair value of financial instruments not measured at fair value

June 30, 2022

	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost— Foreign Corporate Bonds	\$114,246	\$87,576	\$ -	\$ -	\$87,576

December 31, 2021

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

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

June 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Beneficiary certificate of funds	\$ 351,416	\$ -	\$ -	\$ 351,416
Listed shares	<u>46,214</u>	<u>-</u>	<u>-</u>	<u>46,214</u>
	<u>\$ 397,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,630</u>
 <u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
– Listed shares and emerging market shares	<u>\$ 3,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,972</u>

December 31, 2021

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

June 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Beneficiary certificate of funds	\$ 583,089	\$ -	\$ -	\$ 583,089
 <u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
– Listed shares and emerging market shares	<u>\$ 12,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,965</u>

There were no transfers between levels 1 and 2 for the six months ended June 30, 2022 and 2021.

28.3 Categories of financial instruments

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at			
FVTPL	\$ 397,630	\$ 416,743	\$ 583,089
Amortized cost (1)	849,861	734,739	738,439
FVTOCI			
Investment in equity			
instrument	3,972	7,487	12,965
<u>Financial liabilities</u>			
Amortized cost (2)	222,088	115,628	585,683

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

28.4 Financial risk management objectives and policies

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

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

(1) Market risk

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

(1.1) Foreign currency risks

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

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

Sensitivity analysis

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

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

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

	USD Impact	
	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Profit or loss	\$ 7,120	\$ 4,722

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

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

(1.2) Interest rate risk

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

	June 30, 2022	December 31, 2021	June 30, 2021
Fair value interest rate risk			
– Financial assets	\$ 352,006	\$ 106,422	\$ 83,580
– Financial liabilities	3,025	1,065	1,632
Cash flow interest rate risk			
– Financial assets	285,406	304,677	491,916
– Financial liabilities	-	89,303	295,394

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 six months ended June 30, 2022 and 2021 would increase(decrease) by \$1,427 thousands and \$983 thousands, respectively, mainly resulting from the Group's variable-rate bank deposits and long-term borrowings.

The Group's sensitivity to interest rates increased during the current year mainly due to the increase in variable-rate bank deposits and the decrease 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 six months ended June 30, 2022 and 2021 would have increased/decreased by \$3,976 thousands and \$5,831 thousands, respectively, resulting from the changes in fair value of financial assets at FVTPL. The pre-tax other comprehensive income for the six months ended June 30, 2022 and 2021 would have increased/decreased by \$40 thousands and \$130 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 18%, 35% and 12% of total accounts receivable as of June 30, 2022, December 31, 2021 and June 30 2021, 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.

June 30, 2022

	Less than 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 222,088	\$ -	\$ -	\$ -
Lease liabilities	539	884	1,650	-
	<u>\$ 222,627</u>	<u>\$ 884</u>	<u>\$ 1,650</u>	<u>\$ -</u>

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

	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	<u>\$ 1,423</u>	<u>\$ 1,650</u>	<u>\$ -</u>

December 31, 2021

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

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

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

June 30, 2021

	Less than 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 290,289	\$ -	\$ -	\$ -
Long-term borrowings	4,618	13,930	76,267	200,579
Lease liabilities	286	874	490	-
	<u>\$ 295,193</u>	<u>\$ 14,804</u>	<u>\$ 76,757</u>	<u>\$ 200,579</u>

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

	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>
Long-term borrowings	\$ 18,548	\$ 76,276	\$ 200,579
Lease liabilities	\$ 1,160	\$ 490	-

(3.2) Financing Amount

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Secured bank loan amount			
– Amount utilized	\$ -	\$ 300,000	\$ 300,000
– Unutilized amount	-	-	-
	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

29. TRANSACTIONS WITH RELATED PARTIES

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

29.1 Name and relationship of related parties

<u>Name of the related party</u>	<u>Relationship</u>
MSquare (Shanghai) Ltd.	Related party

29.2 Operating Revenue

<u>Financial Statement Accounts</u>	<u>Related Party Category/Name</u>	<u>Three Months Ended June 30, 2022</u>	<u>Three Months Ended June 30, 2021</u>	<u>Six Months Ended June 30, 2022</u>	<u>Six Months Ended June 30, 2021</u>
Service revenue	Related party MSquare (Shanghai) Ltd.	\$ 2,577	\$ -	\$ 2,577	\$ -

The price for services provided to the related party is mutually agreed upon after referencing general market rates, with a payment term of 60 days. As stipulated in the contracts, for the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021, payments for services rendered by the Group to non-related parties shall be received within 30 to 90 days after the completion of each phase.

29.3 Receivables from Related Parties

Financial Statement Accounts	Related Party Category/Name	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivable	Related party MSquare (Shanghai) Ltd.	\$ <u>3,195</u>	\$ <u>47,056</u>	\$ <u>-</u>

Outstanding receivables from related parties were not secured by guarantees. For the six months ended June 30, 2022, no loss allowance was recognized for receivables from related parties.

29.4 Compensation of key management personnel

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Short-term employee benefits	\$ 6,636	\$ 1,951	\$ 10,104	\$ 6,111
Post-employment benefits	81	72	162	171
Share-based payment	<u>292</u>	<u>-</u>	<u>584</u>	<u>-</u>
	<u>\$ 7,009</u>	<u>\$ 2,023</u>	<u>\$ 10,850</u>	<u>\$ 6,282</u>

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	June 30, 2022	December 31, 2021	June 30, 2021
Property, plant and equipment	<u>\$ 420,702</u>	<u>\$ 423,884</u>	<u>\$ 427,066</u>

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 24,453	29.720 (USD : NTD)	\$ 726,743
CNY	5	4.439 (CNY : NTD)	22
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	495	29.720 (USD : NTD)	14,711

December 31, 2021

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

June 30, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 17,012	27.860 (USD : NTD)	\$ 473,954
CNY	11	4.309 (CNY : NTD)	47
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	64	27.860 (USD : NTD)	1,783

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

Foreign Currency	Three Months Ended June 30, 2022		Three Months Ended June 30, 2021	
	Exchange Rate	Net Foreign Exchange Gains	Exchange Rate	Net Foreign Exchange Gains
USD	29.455 (USD : NTD)	\$ 8,197	27.977 (USD : NTD)	\$ 9,167

Foreign Currency	Six Months Ended June 30, 2022		Six Months Ended June 30, 2021	
	Exchange Rate	Net Foreign Exchange Gains	Exchange Rate	Net Foreign Exchange Gains
USD	28.725 (USD : NTD)	\$ 27,381	28.172 (USD : NTD)	\$ 2,209

32. SEPARATELY DISCLOSED ITEMS

32.1 Significant transactions and 32.2 Information about investees:

- (1) Financing provided to others: None.
- (2) Endorsements/guarantees provided: None.
- (3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Table 1.
- (4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 2.
- (5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None.
- (6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- (7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- (9) Trading in derivative instruments: None.
- (10) Others: intercompany relationships and significant intercompany transactions: Table 3.
- (11) Information on investees: Table 4.

32.3 Information on investments in mainland China

- (1) The name of the investee company in mainland China, the principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current profit and loss, recognized investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 5.

- (2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 5.
- (2.1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
 - (2.2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - (2.3) The amount of property transactions and the amount of the resultant gains or losses.
 - (2.4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
 - (2.5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
 - (2.6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

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

Shareholder Name	Shares	
	Shares Held (Shares)	Percentage of Ownership (%)
Huey-Ling Chen	6,762,000	21.39%
Yi-Chen Lin	1,995,000	6.31%
Chen-An Lin	1,990,500	6.29%
Jui-Chun Investment Company Limited	1,650,000	5.22%

33. SEGMENT INFORMATION

Industrial financial information

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2022

(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	June 30, 2022				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> iSTART-TEK INC.	—	Financial assets at fair value through other comprehensive income — non-current	58	\$ 3,972	0.23	\$ 3,972	—
	Fubon Financial Holding Co., Ltd. (Type C)	—	Financial assets at fair value through profit or loss — current	300	17,790	-	17,790	—
	China Development Financial Holding Corporation (Type B)	—	Financial assets at fair value through profit or loss — current	3,400	28,424	-	28,424	—
	<u>Fund beneficiary certificate</u> Taishin 1699 Money Market Fund	—	Financial assets at fair value through profit or loss — current	11,749	160,982	-	160,982	—
	Jih Sun Money Market Fund	—	Financial assets at fair value through profit or loss — current	5,338	80,128	-	80,128	—
	FSITC Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss — current	7,118	110,306	-	110,306	—
	<u>Corporate Bond</u> APPLE INC.	—	Financial assets at amortized cost — non-current	-	83,899	-	62,198	—
	Petróleos Mexicanos	—	Financial assets at amortized cost — non-current	-	30,347	-	25,378	—

Note: For relevant information on investment in subsidiaries, please refer to Table 4 and Table 5.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars, Thousands of Units)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Number of Units	Amount	Number of Units	Amount	Number of Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Units	Amount (Note)
The Company	<u>Fund beneficiary certificate</u> Jih Sun Money Market Fund	Financial assets at fair value through profit or loss – current	11,354	\$ 170,170	3,334	\$ 50,000	9,350	\$ 140,155	\$ 140,000	\$ 155	5,338	\$ 80,128

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount (Note 5)	Payment Terms	Percentage of Total Sales or Assets (Note 3)
0	M31 Technology Corporation	M31 Technology USA, INC.	1	Service revenue	\$ 88,750	Decided by mutual agreement based on market price	16
			1	Accounts receivable- related-party	41,788	Net 90 days from the end of the transaction month	2
1	M31 Technology USA, INC.	M31 Technology Corporation	2	Accounts receivable- related-party	2,288	Net 30 days from the end of the transaction month	-
			2	Marketing revenue	14,019	Decided by mutual agreement based on market price	3

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

- (1) Number 0 represents the parent company.
- (2) Subsidiaries are numbered in sequence from Number 1.

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

- (1) Transactions from parent company to subsidiary.
- (2) Transactions from subsidiary to parent company.
- (3) Transactions from subsidiary to subsidiary.

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

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

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE SIX MONTHS ENDED JUNE 30, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		As of June 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	M31 Technology USA, INC.	USA	Product marketing and technical service	\$ 13,531	\$ 13,531	450,000	100	\$ 16,465	\$ 1,065	\$ 1,065	Subsidiaries accounted by USD
	Sirius Venture Ltd.	Republic of Seychelles	Investment Holdings	5,364	5,364	167,000	100	2,039	(120)	(120)	Subsidiaries accounted by USD

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

Note 2: For relevant information on investee companies in mainland China, please refer to Table 5.

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2 and Note 3)	Carrying Amount as of June 30, 2022 (Note 2 and Note 3)	Accumulated Repatriation of Investment Income as of June 30, 2022	Note
					Outward	Inward							
M31 Technology (Shanghai) Inc.	Product marketing and technical service	USD 100	(2)	\$ 3,340	\$ -	\$ -	\$ 3,340	(\$ 111)	100	(\$ 111)	\$ 1,943	\$ -	—

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

Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2022	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	\$ 919,351

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

- (1) Direct investment in mainland China companies.
- (2) Indirect investment in mainland China companies through a company in a third region (Sirius Venture Ltd.).
- (3) Other methods of investing in mainland China.

Note 2: Columns for the current Investment Gain (Loss) and the Carrying Value as of June 30, 2022:

Sirius Venture Ltd. had recognized the Investment Gain (Loss) on the investment in the Investee Company M31 Technology (Shanghai) Inc. for the six months ended June 30, 2022 and the Carrying Value as of June 30, 2022.

Note 3: Calculated based on the reviewed quarterly financial report of the parent company in Taiwan.

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

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

- (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
- (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
- (3) The amount of property transactions and the amount of the resultant gains or losses: None.
- (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
- (5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.
- (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None.