



Stock Code : 6643

M31 Technology Corporation

2020 ANNUAL REPORT

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

Published on April 10, 2021

Notice to Readers

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

1. Spokesperson

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Title : Director

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2. Acting Spokesperson

Name : Gavin Ge

Title : Director

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3. M31 Address and Tel Number

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4. Stock Transfer Agent

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

Tel : (02)2381-6288

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

5. Independent Auditor

Accounting Firm : Deloitte & Touche

Auditors : Yu-Feng Huang and Mei-Chen Tsai

Address : 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City, Taiwan

Tel : (02) 2725-9988

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

6. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None

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

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Appendix II: Parent Company Only Financial Statements for the Year Ended December 31, 2020

I. Letter to Shareholders

Dear Shareholders,

We would like to thank our shareholders for their long term support and care for M31 Technology. We would like to report on the results of operations for FY2020 and a summary of the business plan for FY2021.

1. FY2020 Operating Results

A. Business Plan Implementation Results

- a. Operating revenue for the year was NT\$981,016 thousand, an annual increase of 12.88% compared to the operating revenue of NT\$869,077 thousand in 2019. The gross profit margin for both years was 100%. 88.45% of the revenue from technical services and 11.55% of the revenue from royalties were generated in FY2020.
- b. Net income after tax was NT\$322,248 thousand, with a net profit margin of 32.85%, an annual increase of 4.43% compared to the net income after tax of NT\$308,565 thousand in 2019, and earnings per share of NT\$10.34 in 2020.

B. Financial Budget: M31 did not prepare the annual financial projection for the year 2020.

C. Analysis of financial income and profitability

Item		Year		
		FY 2020	FY 2019	Difference
Finance Income (NTD in Thousands)	Net cash generated from operating activities	385,631	359,557	26,074
	Net cash used in investing activities	(145,322)	(458,465)	313,143
	Net cash generated from/(used in) financing activities	(291,836)	339,897	-631,733
Profitability (%)	Return on Assets	19.21	24.15	-20.46%
	Return on Equity	21.84	28.22	-22.61%
	Net income before tax as a percentage of paid-in capital	120.21	115.58	4.01%
	Net profit ratio	32.85	35.50	-7.46%
	Earnings per share (NT\$)	10.34	9.90	4.44%

D. Research and development

M31 Technology Corporation's research and development this year can be divided into the following two main product lines:

- **Functional IP:** M31 has two existing categories: the high-speed interface IP and analog IP. Among the high-speed interface IP, PCIe, USB, MIPI, SerDes PHY have been developed on a series of 12nm, 16nm, 22nm and 28nm advanced process platforms, and the first 7nm eUSB2 PHY has been launched this year, and has been certified and adopted by the US major manufacturers. The latest high-end versions of USB4.0, PCIe5.0, and MIPI M-PHY4.0 have also completed the design phase, and the future layout of advanced processes and high-end applications are becoming more mature and complete. Besides, analog IP, including ADC, PLL, PVT Sensor, etc. have been completed 22nm and 28nm design, and into the 12nm and 16nm development. Functional IP products are used in

various applications, such as smartphones, cloud storage, automotive electronics, artificial intelligence, network communication, IoT, and wearable devices.

- Foundation IP: We have three existing categories: Standard Cell, I/O, and Memory Compiler. This year, we have completed a special process of 28nm High-Voltage for OLED driver, 28nm embedded Flash for automotive/industrial microcontroller, and 90nm BCD+ for power management IC. In addition to the special process, we have also completed various fundamental IPs for the 22nm and 28nm logic process, which are mainly used in the design of mid-range and high-end consumer electronic products and have been adopted by many international IC design majors.

By the end of 2020, M31 Technology has developed over 260 sets of fundamental IP and over 180 sets of high speed interface IP and analog IP, about half of which are for TSMC process platforms and 1/3 of which are for 28nm and below advanced process technologies.

2. Business Plan Outline for 2021

A. Current year's Operating Policy

In the era of 5G big data, high frequency and high speed are the future trends of design and application. In order to keep up with the new industry trends, M31 continues to deploy more advanced process IP, leading-edge technology applications, and more diversified products and services to deepen its innovation and technology capabilities and actively expands its physical IP development cooperation with major global foundries and IC design houses to continue to provide high-performance silicon solutions for the global semiconductor industry, and continuously inject new revenue growth momentum. M31 Technology will continue to maintain a positive growth target in 2021.

B. Growth and Sales Expectation

The future of semiconductor industry is driven by 5G, AI, high-speed computing, etc. The development trend is based on big data. According to the market research report, the global IP market will grow at a CAGR (compound annual growth rate) of 6~10%, and the CAGR of high-speed transmission interface is as high as 14~15%. M31 Technology continues to focus on the industry trend of high frequency and high speed, advanced process technology and leading edge technology in R&D and sales. With more complete product layout and improved product performance, the overall sales volume and value are expected to exceed 2020 in 2021, and the annual growth continues to rise.

C. Production and Marketing

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

Mainland China: Semiconductor is a national strategic industry, including IC production and design. New foundries and IC design companies are rapidly increasing, with a wide range of end products covering high, medium, and low end applications. In addition to the demand for advanced logic process high speed transmission such as CPU, networking, AI, 5G Station, etc., there is also a huge market for special process power ICs, display driver ICs, and microcontroller ICs. The overall design and marketing strategy is a comprehensive IP product layout.

United States: Customer IP demand has mostly moved into high-end applications such as mobile computing, artificial intelligence, high-end storage, and cloud servers, with marketing strategies focused on advanced processes and high-speed computing transmission products and services.

Taiwan : In addition to TSMC's new process fundamental IP development, Taiwan's IC

design mostly belongs to consumer electronics, logic process technology locked in 22nm, 28nm and 40nm, special process, HV for LCD, LED, OLED driver IC, BCD for Power IC, e-Flash for MCU, is also an important application market for Taiwan's design houses.

3. Future Development Strategies

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

- Breadth

Expanding product lines and services is a direct way to increase revenue. We will develop and design new product lines with different types and specifications according to the market demand and trend of Interface IP, Memory IP, and Analog IP. In addition, we will utilize our existing resources to expand the scope and content of our custom IP services to maximize the benefits for both our customers and M31 Technologies.

- Depth

Continuing to advance to more advanced processes is a demonstration of R&D capability, especially for physical IP, and the integration of fab process technology is an indicator of competitiveness and profitability. Below 10nm (7nm, 5nm, 4nm and 3nm) is the new blue ocean market for chip leaders; 12nm~16nm is an important technology platform for high speed computing applications; 22nm and 28nm is the manufacturing process for mid to high end consumer ICs to optimize cost and performance. These three process technology platforms are the focus of M31's long-term growth.

- Integration

M31 Technology is currently focusing on four types of IP products (Foundation IP, Interface IP, Memory IP and Analog IP), and with the progress of the development of each product, the logic process of 22nm and 28nm has been designed and validated, and formed a Platform IP that can integrate a variety of IP solutions. In addition to providing customers with multiple choices and convenience, can also increase the penetration rate of IP within ICs. In the future, we will continue to build more Platform IPs in more advanced processes (12nm and 16nm) to integrate a more complete IP portfolio.

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

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

II. Company Profile

2.1 Date of Incorporation: Oct. 21, 2011

2.2 Corporate Milestones

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

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

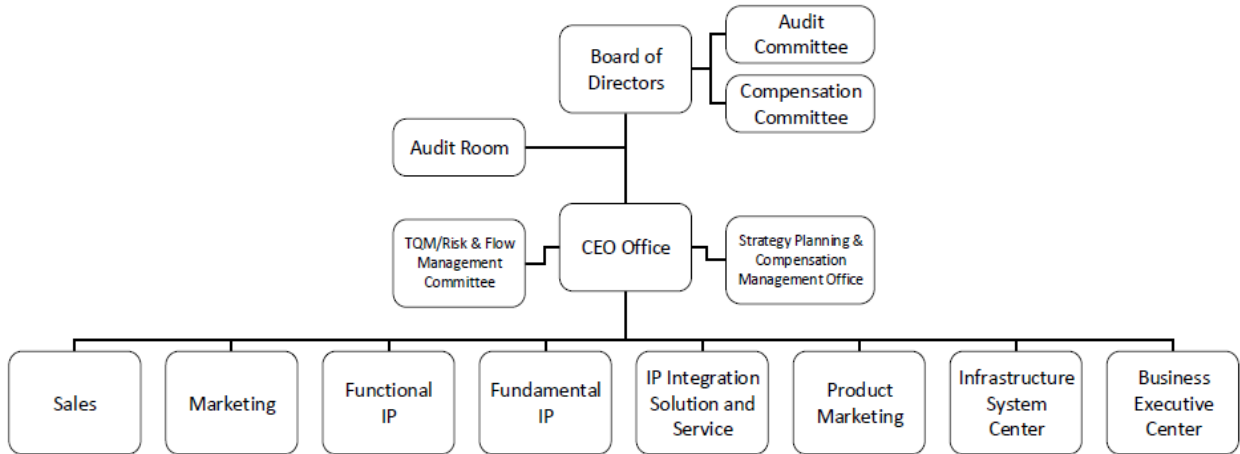
<u>Year</u>	<u>Month</u>	<u>Milestones</u>
2016	Oct.	M31 Receives TSMC's 2016 Partner of the Year Award for Specialty Technology IP.
2017	Jan.	The employee stock options converted into shares of NT\$37,210 thousand and the paid-in capital increased to NT\$285,610 thousand.
	Mar.	M31 Deploys a Full Range of IP for TSMC 16nm FFC Process.
	Jun.	The employee stock options converted into shares of NT\$790 thousand and the paid-in capital increased to NT\$286,400 thousand.
	Jun.	M31 approved the shares for public offering.
	Sep.	M31 approved to list on the emerging stock market.
	Oct.	M31 Technology and Corigine have launched the world's first USB-IF certified 28 nm Superspeed+ USB 3.1 Gen 2 IP Solution.
	Nov.	M31 Technology's "Optimization Design Flow for High-speed SoC Circuits" Won the Innovation Technology Award from Small Business Innovation Research (SBIR) Development Program of Ministry of Economic Affairs.
2018	Feb.	M31 and Innovative Logic USB 3.1 Gen 2 IP got Certification from USB-IF.
	Mar.	M31 and Macroblock work together to deploy the global LED driver IC market.
	Apr.	M31 Technology Deploys the Full Range of IP for TSMC 22nm ULP/ULL Process.
	Jun.	M31 Receives ISO 26262 Development Process Certification and Enters Advanced Automotive Electronics Market.
	Sep.	M31 MIPI M-PHY is certified with ASIL-B safety level of ISO 26262 to provide safe and reliable automotive SoC design.
	Oct.	M31 diversified TSMC 28HPC+ ULL Memory Compilers empower more flexible SoC design architecture.
	Oct.	M31 receives TSMC's 2018 Partner of the Year Award for Specialty Process IP.
	Nov.	M31 AIoE leads IPs into the new era of deep intelligence applications.
2019	Jan.	M31 approved to be listed on the stock exchange.
	Feb.	Cash capital increased by NT\$26,780 thousand and paid-in capital increased to NT\$313,180 thousand.
	Apr.	M31 develops SRAM compilers on TSMC's 28nm embedded Flash process providing High Performance and Low Power solutions.
	May	Efinix® and M31 partner to address demand for emerging AI Edge computing requirements.
	Jun.	ASPEED adopts M31 Technology MIPI D-PHY IP to provide global 360-degree imaging SoC solution.
	Sep.	InnoGrit adopts M31's PCIe 4.0/3.0 and ONFi 4.1 I/O for AI Storage chips.
	Sep.	M31 Develops Optimized IP Solutions on Multiple TSMC Specialty Processes.

<u>Year</u>	<u>Month</u>	<u>Milestones</u>
2019	Oct.	M31 Won TSMC's 2019 Partner of the Year Award for Specialty Process IP.
	Oct.	M31 Memory Compiler and GPIO are certified with ASIL-D safety level of ISO 26262.
	Dec.	All M31 Automotive IP Products Received ISO 26262 Certifications.
	Dec.	M31 Hsiao-Ping Lin, Chairman and CEO, won the "Manager Excellence Award" award.
2020	Jan.	M31 Wins Customers' Choice Award at TSMC Open Innovation Platform® (OIP) Ecosystem Forum.
	Jul.	M31 Completes the Comprehensive Physical IP Platform on TSMC 22nm Process.
	Oct.	M31 Technology Receives 2020 TSMC OIP Partner of the Year Award for Specialty Process IP.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
Audit Office	<ul style="list-style-type: none"> ■ Establish and revise the internal control system. ■ Plan and execute the audit of internal control and follow up the improvement.
President Office	<ul style="list-style-type: none"> ■ Responsible for the planning, formulation, and supervision of the implementation of the Company's medium- and long-term strategies, annual policies, and operational objectives. ■ Promote and supervise total quality management. ■ Control and management of operational risks.
Sales	<ul style="list-style-type: none"> ■ Preparation of business plan. ■ Business promotion and sales. ■ Establish and maintain customers relationship. ■ Supervise the regular collection of accounts receivable; handle customer discounts, returns and customer complaints. ■ Provide technical services and support to customers. ■ Responsible for providing specifications and recommendations on technical parts of contracts. ■ Responsible for handling all customers' problems and tracking the timeliness and results. ■ Gather information about customers' mass production schedule and output.
Marketing	<ul style="list-style-type: none"> ■ External relations such as media public relations (press releases, interview arrangements, advertising planning). ■ Responsible for industrial relations matters (company and product promotion design, trade show and product launch conference planning, external website planning). ■ Responsible for joint marketing activities with strategic partners.
Product Marketing	<ul style="list-style-type: none"> ■ New product marketing and management. ■ Preliminary technical market research, control and analysis of market peer or related industry development trends.
Functional IP	<ul style="list-style-type: none"> ■ Develop annual product development plans for analog design and digital design, implement, review and track. ■ Formulation, revision and control of product standards and specifications. ■ Research, implementation and preparation of intellectual property/patents.
Fundamental IP	<ul style="list-style-type: none"> ■ Develop annual product development plans for memory and standard library design, implement, review and track. ■ Formulation, revision and control of product standards and specifications. ■ Research, implementation and preparation of intellectual property/patents.
IP Integration Service	<ul style="list-style-type: none"> ■ IP design platform development. ■ Collaborative development for Fundamental and Functional Intellectual Property. ■ IP automation design and development.
Infrastructure System Center	<ul style="list-style-type: none"> ■ To maintain the effective operation and continuous improvement of the quality management system in accordance with ISO international quality standards. ■ Manage all kinds of documents and contracts in accordance with company standards. ■ Planning, development and maintenance management of information system software and hardware.
Business Executive Center	<ul style="list-style-type: none"> ■ Manage all kinds of documents and contracts in accordance with company standards. ■ Execution of transaction contracts, including revenue management, accounts receivable collection, royalty management, etc. ■ Preparation and analysis of all accounting transactions and financial statements. ■ Manage the preparation and execution of annual budget. ■ Management of stock operations, arrangement and execution of stock transactions. ■ Control of financial funds. ■ Prepare and analyze the effectiveness of long and short-term investments. ■ Responsible for human resources strategy planning and implementation of policies for talent selection, employment, training and retention. ■ Planning and execution of administrative system and other related matters as assigned.

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

3.2.1 Directors and Supervisors

(1) Directors and Supervisors

3/29/2021 Unit: Shares; %

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
Chairman	R.O.C.	Yuan-Hsun Chang	Male	5/29/2020	3 Years	5/18/2015	269,000	0.86	180,000	0.57	-	-	-	-	- M.S., Institute of Electronic Engineering, National Chiao Tung University - B.S., Department of Electronic Engineering, National Chiao Tung University - R&D Manager, Faraday Technology Corporation	- CEO, M31 Technology Corporation - Chairman, M31 TECHNOLOGY USA, INC. - Chairman, M31 TECHNOLOGY (Shanghai), INC.	-	-	-	1
Director	R.O.C.	Tsung-Hsi Ko	Male	5/29/2020	3 Years	8/18/2017	-	-	-	-	-	-	-	-	- Master of Management Science, National Chiao Tung University - B.S. in Electrical Engineering, Feng Chia University - President, Yongsheng Energy Co., Ltd. - Vice President, UMC	- President/Director, EXOJET Technology Co., LTD - Independent Director, Episil Technologies Inc. - VP, Giga Solar Materials Corp.	-	-	-	-
Director	R.O.C.	Li-Kuo Liu	Male	5/29/2020	3 Years	6/28/2016	-	-	-	-	-	-	-	-	- Master of Electrical Engineering, State University of New York at Stony Brook, U.S.A. - B.S. in Electrical Engineering, National Cheng Kung University - R&D VP, Faraday Technology Corporation	- Chairman/President, JMicon - Chairman, JMicon International (SAMOA) Ltd. - Chairman, KaiKutech Inc. - Independent Director, Cmedia	-	-	-	-

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
Independent Director	R.O.C.	Jun-Ji Lin	Male	5/29/ 2020	3 Years	8/18/ 2017	-	-	-	-	-	-	-	-	- M.S., Institute of Applied Chemistry, Tsinghua University - EMBA, College of Management, National Taiwan University - B.S., Department of Chemistry, National Cheng Kung University - Executive VP, GUC - President, Xintec - President, VisEra Technology Ltd. - Senior Director, TSMC	- Chairman, TEMIC - Chairman, Chi Chi Investment Co. - Director, Taiflex Scientific Co., Ltd. - Director, SG Biomedical - Director, Stek co., Ltd - Director, Shui Mu Investment Co., Ltd. - Director, TEN Incubation Corporation - Independent Director, Silicon Optronics Inc. - Director, PentalPro Materials	-	-	-	-
Independent Director	R.O.C.	Ching-Te Chuang	Male	5/29/ 2020	3 Years	5/24/ 2018	-	-	-	-	-	-	-	-	- Ph.D. in Electrical Engineering, University of California, Berkeley, U.S.A. - B.S. in Electrical Engineering, National Taiwan University - Professor, Department of Electrical Engineering, National Chiao Tung University - Manager, IBM Watson Research Center	None	-	-	-	-
Independent Director	R.O.C.	Shih-Ying Huang	Female	5/29/ 2020	3 Years	11/13/ 2018	-	-	-	-	-	-	-	-	- Ph.D. in Financial Management, School of Management, JINAN University, China - Master's degree in College of Law, National Chengchi University - M.S., Graduate School of Accounting, Chinese Culture University - B.S., Department of Accounting, Chinese Culture University - CPA, Partner, Diwan & Company	- CPA, Partner, ZHIXIN CO., Independent Director, UniPharma	-	-	-	-

Note 1: The Chairman of the Board and the President are the same person, because the former Chairman of the Board, Hsiao-Ping Lin, passed away suddenly, and the current directors elected Yuan-Hsun Chang as the Chairman of the Board, who is an industry professional. In order to strengthen the independence of the Company, one more independent director is added, and half of the directors are not concurrently employees or managers.

(2) Major shareholders of corporate shareholders: None.

(3) Directors and Supervisors' Professional qualifications and independence analysis:

Name (Note 1)	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note 1)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department Of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Yuan-Hsun Chang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tsung-Hsi Ko			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Li-Kuo Liu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Jun-Ji Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ching-Te Chuang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shih-Ying Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note:1.Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, ranks as of its top 5 shareholders, or has representative director(s) serving on the Company's board based on Paragraph 1 or 2 Article 27 of the Company Act. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the Company. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or

- with the laws of the country of the parent or subsidiary.
- (7) Not a director, supervisor, or employee of a company of which the Chairman or President (or equivalent) themselves or their spouse also serve as the Company's Chairman or President (or equivalent). Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
 - (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary holds 20% or more and no more than 50% of the total number of issued shares of the Company and as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
 - (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
 - (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
 - (11) Not been a person of any conditions defined in Article 30 of the Company Act.
 - (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

3.2.2 Management Team

3/29/2021 Unit : Shares ; %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Yuan-Hsun Chang	Male	1/1/2021	180,000	0.57	-	-	-	-	- M.S., Institute of Electronic Engineering, National Chiao Tung University - B.S., Department of Electronic Engineering, National Chiao Tung University - R&D Manager, Faraday Technology	- Chairman, M31 TECHNOLOGY USA, INC. - Chairman, M31 TECHNOLOGY (Shanghai), INC.	-	-	-	1
Chief Operating Officer	R.O.C.	David Lyou	Male	1/1/2021	-	-	-	-	-	-	- Master degree of Science of Computer Engineering, University of Southern California in USA - Bachelor degree of Computer Engineering, National Chiao Tung University, Taiwan - Vice Director, Macronix - Senior Director, Synopsis - President, Socle Technology Corp. - Executive Vice President of ALi Tech. - Executive Vice President, Himax Technology, Inc. - Special Assistant to Chairman, M31 Technology Corp.	None	-	-	-	-
Vice President	R.O.C.	Patrick Lien	Male	2/11/2019	49,000	0.16	-	-	-	-	- Ph.D., Institute of Telecommunications Engineering, National Chiao Tung University - B.S., Department of Electronic Physics, National Chiao Tung University - Senior Engineer, Faraday Technology - R&D Engineer, UMC - Product Engineer, TSMC	None	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President	R.O.C.	Grace Liu	Female	1/1/2021	49,000	0.16	-	-	-	-	- Master of Laws, University of Minnesota, USA - Bachelor of Law, Chung Hsing University - Special Assistant to President, Advantest Corporation - Deputy Director, Faraday Technology - Deputy Director, IROC CO., LTD - Chief Legal Officer, M31 TECHNOLOGY, INC.	- Director, M31 TECHNOLOGY USA, INC.	-	-	-	-
Finance Manager	R.O.C.	Sally Lo	Female	3/4/2019	-	-	-	-	-	-	- B.S. in Accounting, National Cheng Kung University - Deputy Manager, Deloitte & Touche - Accounting Lead, Mustek System Inc. - Manager, Vtron - Finance Manager, Incentia Design Systems Corp.	None	-	-	-	-

Note 1: The Chairman of the Board and the President are the same person, because the former Chairman of the Board, Hsiao-Ping Lin, passed away suddenly, and the current directors elected Yuan-Hsun Chang as the Chairman of the Board, who is an industry professional. In order to strengthen the independence of the Company, one more independent director is added, and half of the directors are not concurrently employees or managers.

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

(1) Remuneration of Directors

Unit : NT\$ thousands ; %

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration Paid to Directors from Non-consolidated Affiliates or Parent Company	
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)							
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements		
Chairman	Hsiao-Ping Lin (Note)																						
Director	Tsung-Hsi Ko	-	-	-	-	2,400	2,400	46	46	0.76	0.76	9,043	9,043	108	108	-	-	-	-	3.60	3.60	-	
Director	Yuan-Hsun Chang																						
Director	Li-Kuo Liu																						
Independent Director	Jun-Ji Lin																						
Independent Director	Ching-Te Chuang	-	-	-	-	1,800	1,800	30	30	0.57	0.57	-	-	-	-	-	-	-	-	0.57	0.57	-	
Independent Director	Shih-Ying Huang																						

Note: The information is as of December 31, 2020. Chairman Hsiao-Ping Lin passed away on January 09, 2021.

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

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D)	
	The Company	Companies in the consolidated financial statements H	The Company	Companies in the consolidated financial statements I
Under NT% 1,000,000	Hsiao-Ping Lin (Note), Tsung-Hsi Ko, Yuan-Hsun Chang, Li-Kuo Liu, Jun-Ji Lin, Ching-Te Chuang, Shih-Ying Huang	Hsiao-Ping Lin (Note), Tsung-Hsi Ko, Yuan-Hsun Chang, Li-Kuo Liu, Jun-Ji Lin, Ching-Te Chuang, Shih-Ying Huang	Tsung-Hsi Ko, Li-Kuo Liu, Jun-Ji Lin, Ching-Te Chuang, Shih-Ying Huang	Tsung-Hsi Ko, Li-Kuo Liu, Jun-Ji Lin, Ching-Te Chuang, Shih-Ying Huang
NT\$ 1,000,000~NT\$ 2,000,000	-	-	-	-
NT\$2,000,000~NT\$3,500,000	-	-	-	-
NT\$3,500,000~NT\$5,000,000	-	-	Yuan-Hsun Chang	Yuan-Hsun Chang
NT\$5,000,000~NT\$10,000,000	-	-	Hsiao-Ping Lin (Note)	Hsiao-Ping Lin (Note)
NT\$10,000,000~NT\$15,000,000	-	-	-	-
NT\$15,000,000~NT\$30,000,000	-	-	-	-
NT\$30,000,000~NT\$50,000,000	-	-	-	-
NT\$50,000,000~NT\$100,000,000	-	-	-	-
NT\$100,000,000 or above	-	-	-	-
Total	7	7	7	7

Note: The information is as of December 31, 2020. Chairman Hsiao-Ping Lin passed away on January 09, 2021.

(2) Remuneration of Supervisors : None

(3) Remuneration of the President and Vice Presidents

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Remuneration Paid to the President and Vice Presidents From Non-consolidated Affiliates or Parent Company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Hsiao- Ping Lin (Note 1)	13,682	13,682	324	324	5,084	5,084	-	-	-	-	5.92	5.92	None
Executive Vice President	Yuan-Hsun Chang (Note 1)													
Executive Vice President	Willis Shih (Note 2)													
Vice President	Patrick Lien													

Note: The information is as of December 31, 2020.

Note 1: President Hsiao-Ping Lin stepped down from his position on January 01, 2021, and was replaced by Executive Vice President Yuan-Hsun Chang as President.

Note 2: Executive Vice President, Willis Shih was reassigned as Special Assistant to the Chairman on January 21, 2021.

Range of Remuneration	Name of President and Vice Presidents	
	The Company	Companies in the Consolidated Financial Statements (E)
Under \$NT1,000,000	-	-
\$NT 1,000,000 ~ \$NT 2,000,000	-	-
\$NT 2,000,000 ~ \$NT 3,500,000	-	-
\$NT 3,500,000 ~ \$NT 5,000,000	Willis Shih, Yuan-Hsun Chang, Patrick Lien	Willis Shih, Yuan-Hsun Chang, Patrick Lien
\$NT 5,000,000 ~ \$NT 10,000,000	Hsiao-Ping Lin	Hsiao-Ping Lin
\$NT 10,000,000 ~ \$NT 15,000,000	-	-
\$NT 15,000,000 ~ \$NT 30,000,000	-	-
\$NT 30,000,000 ~ \$NT 50,000,000	-	-
\$NT 50,000,000 ~ \$NT 100,000,000	-	-
\$NT 100,000,000 and above	-	-
Total	4	4

Note: The information is as of December 31, 2020.

(4) Employee Compensation to Executive Officers

12/31/2020 Unit : NT\$ thousands

Title		Name	Employee Compensation - in Stock	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Hsiao-Ping Lin (Note 1)	0	0	0	0.00%
	Executive Vice President	Yuan-Hsun Chang (Note 1)				
	Executive Vice President	Willis Shih (Note 2)				
	Vice President	Patrick Lien				
	Accounting and Financial Manager	Sally Lo				

Note : The Board of Directors resolved on February 23, 2021 to allocate directors' remuneration and employees' compensation.

Note1: President Hsiao-Ping Lin stepped down on January 01, 2021, and was replaced by Executive Vice President, Yuan-Hsun Chang, as President.

Note2: Executive Vice President, Willis Shih, was reassigned to the position of Special Assistant to the Chairman on January 21, 2021.

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

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

12/31/2020 ; Unit : %

Year Item	2019		2020	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	4.08	4.08	4.17	4.17
President and vice presidents	6.40	6.40	5.92	5.92

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

Note 2: Since the Company's president and vice president are directors, the remuneration of directors includes the remuneration received by employees.

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

A. Principles of remuneration for directors and supervisors

The compensation policy for directors is in accordance with Article 23 of the Company's Articles of Incorporation, which stipulates that the Company shall set aside

not less than 1% of the earnings as compensation to employees and not more than 1.5% of the earnings as remuneration to directors. If the Company makes a profit according to the annual financial statements, the remuneration of the directors shall be based on the results of the Company's operations and the evaluation of individual directors, and shall be reviewed by the Remuneration Committee and approved by the Board of Directors.

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

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

B. Remuneration for president and vice presidents

The appointment, dismissal and compensation of the President and Vice President shall be in accordance with the Company's regulations. The remuneration standards are determined by the human resources department in accordance with the relevant rules of the Company's personnel performance appraisal, individual performance and contribution to the Company's overall operations, and with reference to market peer group standards, after review by the Remuneration Committee and approval by the Board of Directors.

The performance of the President is evaluated based on the achievement of the Company's overall annual goals, including the achievement of the Company's consolidated revenue, net profit after tax, new product and technology development, systematic process management, customer satisfaction, market competitiveness, and talent cultivation, etc., and is calculated based on the number of weights.

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

C. Business performance and future risks

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

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

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in 2020. The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Hsiao-Ping Lin	5	2	71.43%	
Director	Tsung-Hsi Ko	6	1	85.71%	
Director	Yuan-Hsun Chang	6	1	85.71%	
Director	Li-Kuo Liu	6	1	85.71%	
Independent Director	Jun-Ji Lin	7	0	100.00%	
Independent Director	Ching-Te Chuang	5	1	71.43%	
Independent Director	Shih-Ying Huang	7	0	100.00%	

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act:

Date of Board Meeting (Session)	Motion Contents and Follow-up	The matters listed in the Securities and Exchange Act 14-3	Independent directors oppose or reserve their opinions
Feb. 19, 2020 The 19th meeting of 3rd term	<ol style="list-style-type: none"> 1. Amendment to the "Performance Evaluation Method for Board of Directors and Managers". 2. To evaluate the remuneration of the directors and managers for the year 2020. 3. To evaluate the remuneration of the independent directors for the year 2020. 4. The allocation of the remuneration of directors and compensation of employees for the year 2019. 5. The Statement of Internal Control System for 2019. 6. Amendment to the "Procedures for Lending Funds to Other Parties". 7. Amendment to the "Procedures for Endorsement and Guarantee". 8. Amendment to the "Rules of Procedures for Shareholders' Meetings". 9. Amendment to the "Corporate Governance Practice Principles". 10. Amendment to the "Ethical Corporate Management Practice Principles". 11. Evaluation and Appointment of the independence and performance of certified public accountant. 12. Amendment to the "Rules of Procedure for Board of Directors Meetings". 13. Amendment to the "Audit Committee Charter". 14. Amendment to the "Remuneration Committee Charter". 	Yes	No

Date of Board Meeting (Session)	Motion Contents and Follow-up	The matters listed in the Securities and Exchange Act 14-3	Independent directors oppose or reserve their opinions
Feb. 19, 2020 The 19th meeting of 3rd term	Independent directors' opinion: None		
	The Company's handling of independent directors' opinions: None		
	1&14. Resolution: The proposal has been reviewed and approved by the Remuneration Committee, and the Chairman of the Board of Directors consulted all directors present, and the proposal was approved without any objection.		
	2. Resolution: The Chairman of the Board of Directors, Hsiao-Ping Lin / Director Tsung-Hsi Ko / Director Yuan-Hsun Chang / Director Li-Kuo Liu, are the assignees of the proposal that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director, Jun-Ji Lin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee without any objection.		
	3. Resolution: The independent directors of the Remuneration Committee, Ching-Te Chuang, appointed independent director, Jun-Ji Lin, to attend the meeting by proxy. Jun-Ji Lin and Shih-Ying Huang are the assignees of the proposal that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After the Chairman of the board of directors inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee without any objection.		
	4. Each director, due to his or her own interests, enter into recusal pursuant to the law, and shall not participate in the discussion and vote (except for independent director Jun-Ji Lin and independent director Shih-Ying Huang). After the Chairman of the Board of Directors (or the Acting Chairman, Independent Director Jun-Ji Lin) inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee without any objection.		
Mar. 16, 2020 The 20th meeting of 3rd term	1. Adopted the "First Time Shares Repurchase and Transfer to Employees in 2020".	Yes	No
	2. First time share repurchase in 2020.		
	Independent directors' opinion: None		
	The Company's handling of independent directors' opinions: None 1~2. Resolution: The proposal has been reviewed and approved by the Audit Committee, and the Chairman of the Board of Directors consulted all directors present, and the proposal was approved without any objection.		
Jun. 8, 2020 The 1st meeting of 4th term	1. Acquisition of currency-based funds.	Yes	No
	Independent directors' opinion: None		
	The Company's handling of independent directors' opinions: None Resolution: The proposal has been reviewed and approved by the Audit Committee, and the Chairman of the Board of Directors consulted all directors present, and the proposal was approved without any objection.		
Aug. 4, 2020 The 2nd meeting of 4th term	1. Amendment of the "Corporate Governance Practice Principles".	Yes	No
	2. Adopted the "Risk Management Policies and Procedures"		
	Independent directors' opinion: None		
	The Company's handling of independent directors' opinions: None Resolution: The proposal has been reviewed and approved by the Audit Committee, and the Chairman of the Board of Directors consulted all directors present, and the proposal was approved without any objection.		

Date of Board Meeting (Session)	Motion Contents and Follow-up	The matters listed in the Securities and Exchange Act 14-3	Independent directors oppose or reserve their opinions
Nov. 3, 2020 The 3rd meeting of 4th term	1. Amendment of the internal control related regulations. 2. Purchase of new office building. 3. Review of the 2020 year-end bonuses for the management team. Independent directors' opinion: None The Company's handling of independent directors' opinions: None 1~2 Resolution: The proposal has been reviewed and approved by the Audit Committee, and the Chairman of the Board of Directors (represented by Director Yuan-Hsun Chang) consulted all directors present, and the proposal was approved without any objection. 3. Resolution: The Chairman Yuan-Hsun Chang is the manager in this proposal that he shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director, Jun-Ji Lin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee without any objection.	Yes	No
Dec.22, 2020 The 4rd meeting of 4th term	1. Appointment of the President. Independent directors' opinion: None The Company's handling of independent directors' opinions: None 1. Resolution: The Chairman Yuan-Hsun Chang is the persons this proposal, that he shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director, Jun-Ji Lin. After inquiring the other Directors attended at the meeting, this proposal was approved without any objection.	Yes	No
Feb 23, 2021 The 6th meeting of 4th term	1. Amendment to the "Articles of Incorporation". 2. Proposal of Removing the Prohibition on Directors from Participation in Competitive Business Newly Added. 3. Evaluation and Appointment of the independence and performance of certified public accountant. 4. Review of the remuneration of the managers for 2021. 5. Review of the Company's employee compensation tool. 6. Purchase of R&D software. Independent directors' opinion: None The Company's handling of independent directors' opinions: None 1, 3 & 5~6 Resolution: The proposal has been reviewed and approved by the Audit Committee, and the Chairman of the Board of Directors consulted all directors present, and the proposal was approved without any objection. 2. Resolution: The Chairman Yuan-Hsun Chang, Directors Tsung-Hsi Ko and Li-Kuo Liu are the persons this proposal, that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director, Jun-Ji Lin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee without any objection. 4. Resolution: The Chairman Yuan-Hsun Chang is the manager of this proposal, that he shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director, Jun-Ji Lin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee without any objection.	Yes	No

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors:None.

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

section 1 above of each director's recusal from the discussion and vote on his/her remuneration.

3. TWSE/TPEX listed companies shall disclose information on the periodicity and duration, scope, method and content of the evaluation of the self- (or peer) evaluation by the board of directors, and fill in the following table on the implementation of the board evaluation.

Evaluation Cycle	Evaluation period	Evaluation scope	Evaluation Method	Evaluation Content
Performed once a year	01/01/2020 ~ 12/31/2020	Board of Directors	Internal self-assessment by the Board of Directors	Board of Directors' Evaluation Items. 1. Involvement in the operation of the Company 2. Enhancement of the quality of board decisions. 3. Composition and structure of the board of directors. 4. Directors' election and continuing education 5. Internal control
Performed once a year	01/01/2020 ~ 12/31/2020	Self-evaluation by individual board members	Self-assessment by Board members	Board Member Evaluation Items. 1. Understanding of the Company's objectives and tasks 2. Awareness of directors' responsibilities 3. Involvement in the operation of the Company 4. Internal relationship management and communication 5. Professional and continuing education 6. Internal control
Performed once a year	01/01/2020 ~ 12/31/2020	Audit Committee	Internal Self-Assessment of Audit Committee	Audit Committee Evaluation Items. 1. Involvement in the Company's operation 2. Awareness of the Audit Committee's responsibilities 3. Enhancement of the quality of the Audit Committee's decision making 4. Composition and selection of audit committee members 5. Internal control
Performed once a year	01/01/2020 ~ 12/31/2020	Remuneration Committee	Internal Self-Assessment of Remuneration Committee	Remuneration Committee Evaluation Items. 1. Involvement in company operations 2. Awareness of the responsibilities of the remuneration committee 3. Enhancement of the quality of remuneration committee decisions 4. Composition and selection of Remuneration committee members 5. Internal control

The performance of the Board of Directors and Board members in 2020 is assessed as "exceeding standards", which is considered as "operating effectively" and reported to the Board of Directors.

4. The targets of enhancing the competence of Board of Directors in current year and latest year (ex. establishing the Audit Committee, enhancing the information transparency etc.) and the assessment of execution:

- (1) In order to comply with the principle of corporate governance, the Company has voluntarily established an audit committee to replace the supervisors and to exercise the functions and powers stipulated in the Securities and Exchange Act, the Company Act and other laws and regulations.
- (2) The Remuneration Committee had been established by the Company, who takes charge of assisting the Board of Directors in assessing and establish the salary and remuneration of Directors and managers periodically, and on a regular schedule review the performance assessment of Directors and managers and the remuneration policy, system, standards and structure.
- (3) The Company's corporate website provides a CSR section, an investor section, and a corporate governance section to provide financial and business-related information and establish a contact channel for stakeholders.

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

(1) Audit Committee annual priorities and operations:

Three independent directors were elected in 2020, and the second Audit Committee was formed by these three independent directors. The Committee shall meet at least once a quarter for the purpose of overseeing the following matters:

- (1.1) Reviewing and approving the annual and quarterly financial reports.
- (1.2) Reviewing and approving the independence and performance of certified public accountant.
- (1.3) Assessing the effectiveness of internal control system.
- (1.4) Compliance with relevant laws and regulations.
- (1.5) Control over the existence or potential risks of the Company.

● Main duties and responsibilities are as follows:

- (1.1) To establish or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- (1.2) Assessment of the effectiveness of the internal control system.
- (1.3) To establish or amend procedures for the acquisition or disposal of assets, derivative transactions, lending of funds to others, endorsement or guarantee of others in accordance with Article 36-1 of the Securities and Exchange Act.
- (1.4) Review of matters involving directors' own interests.
- (1.5) Audit significant asset or derivative transactions.
- (1.6) To audit significant loans, endorsements or guarantees of funds.
- (1.7) To audit the raising, issuance or private placement of equity securities.
- (1.8) To audit the appointment, dismissal or compensation of the accountant.
- (1.9) Audit Finance, Accounting or the appointment and removal of internal audit supervisor.
- (1.10) Annual financial report signed or stamped by the Chairman, manager and accounting supervisor, and the second quarter financial report subject to verification by accountants.
- (1.11) To audit other significant matters stipulated by the Company or the competent authorities.

● Total of 7 meetings were held in 2020, with the following resolutions:

- (1.1) To adopt and amend the internal control system.
- (1.2) Assessment of the effectiveness of the internal control system - Statement of Internal Control.
- (1.3) To amend the procedures for lending and endorsement of funds to other parties.
- (1.4) To audit matters involving directors' own interests.
- (1.5) To audit significant asset transactions - acquisition of new office buildings and funds.
- (1.6) To audit the procedures and operations of the stock repurchase and transfer to employees.
- (1.7) To audit the appointment, dismissal or compensation of the accountant.
- (1.8) To audit the quarterly financial reports.

A total of 7 (A) Audit Committee meetings were held in 2020. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director	Jun-Ji Lin	7	0	100.00%	
Independent Director	Ching-Te Chuang	5	1	71.43%	
Independent Director	Shih-Ying Huang	7	0	100.00%	

Other mentionable items:

1. If the Audit Committee operates under any of the following circumstances, it shall state the date and session of the Board of Directors' meeting, the content of the motion, the results of the Audit Committee's resolution, and the handling of the Audit Committee's opinion.

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

Date of Board Meeting (Session)	Motion Contents	Resolution of the Audit Committee	Company's Handling of the Audit Committee's Opinion
Feb. 19, 2020 The 19th meeting of 3rd term	1. Recognition of the Company's 2019 annual financial statements and business report. 2. The distribution of the Company's earnings for the year 2019. 3. The 2019 Statement of Internal Control System. 4. Amendment to the Company's "Procedures for Lending Funds to Other Parties". 5. Amendment to the Company's "Procedures for Endorsement and Guarantee". 6. Amendment to the "Rules and Procedures of the Shareholders' Meeting". 7. Amendment to the "Corporate Governance Practice Principles". 8. Amendment to the "Ethical Corporate Management Practice Principles". 9. Evaluation and Appointment of the independence and performance of certified public accountant. 10. Amendments to the "Rules of Procedure of the Board of Directors". 11. Amendment to the "Audit Committee Charter".	Approved by all Members of the Audit Committee.	Approved by all directors present.
Mar. 16, 2020 The 20th meeting of 3rd term	1. Adopted the "First Time Shares Repurchase and Transfer to Employees in 2020". 2. First time share repurchase in the year 2020.	Approved by all Members of the Audit Committee.	Approved by all directors present.
May 4, 2020 The 21st meeting of 3rd term	1. The consolidated financial statements for the first quarter of 2020.	Approved by all Members of the Audit Committee.	Approved by all directors present.
Jun. 8, 2020 The 1st meeting of 4th term	1. The bank credit line. 2. Acquisition of currency-based funds.	Approved by all Members of the Audit Committee.	Approved by all directors present.

Date of Board Meeting (Session)	Motion Contents	Resolution of the Audit Committee	Company's Handling of the Audit Committee's Opinion
Aug. 4, 2020 The 2nd meeting of 4th term	1. The consolidated financial statements for the second quarter of 2020. 2. Amendment of the Company's "Corporate Governance Practice Principles". 3. Adoption of the Company's "Risk Management Policies and Procedures". 4. The bank credit line.	Approved by all Members of the Audit Committee.	Approved by all directors present.
Nov. 3, 2020 The 3rd meeting of 4th term	1. The consolidated financial statements for the third quarter of 2020. 2. Amendment of the internal control related regulations. 3. The purchased a new office building.	Approved by all Members of the Audit Committee.	Approved by all directors present.
Dec. 22, 2020 The 4th meeting of 4th term	1. The bank credit line.	Approved by all Members of the Audit Committee.	Approved by all directors present.
Feb. 23, 2021 The 6th meeting of 4th term	1. The financial statements and business report for 2020. 2. Earnings distribution for 2020. 3. The Statement of Internal Control System for 2020. 4. Amendment to the Company's Articles of Incorporation. 5. The bank credit line. 6. Evaluation and Appointment of the independence and performance of certified public accountant. 7. Purchase of R&D software.	Approved by all Members of the Audit Committee.	Approved by all directors present.

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

2. Any recusal of Directors due to conflicts of interests, shall state the name of the independent director, the content of the motion, the reasons for the recusal and the circumstances under which he/she participated in the vote: Please refer to "Board of Directors" on page 22~24 of this Annual Report.

3 The Communication Situation Between the Independent Directors and Internal Audit Officer and CPA (shall include the communicated material matters, style and result in terms of financial, business status of the Company):

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

Date	Communication Method	Matters of communication, opinions of independent directors and follow-up actions
Feb 19, 20.20	The 15th meeting of 1st Audit Committee	The audit supervisor reported the audit items and results for the fourth quarter of 2019; the independent directors agreed with the contents of the report.
May 4, 2020	The 17th meeting of 1st Audit Committee	The audit supervisor reported the audit items and results for the first quarter of 2020; the independent directors agreed with the contents of the report.
Jun. 8, 2020	The 1st meeting of 2nd Audit Committee	The audit supervisor reported the audit items and results for April 2020; the independent directors agreed with the contents of the report.
Aug. 4, 2020	The 2nd meeting of 2nd Audit Committee	The audit supervisor reported the audit items and results for May to June 2020; the independent directors agreed with the contents of the report.
Nov. 3, 2020	The 3rd meeting of 2nd Audit Committee	The audit supervisor reported the audit items and results for the third quarter of 2020; the independent directors agreed with the contents of the report.
Dec. 22, 2020	The 4th meeting of 2nd Audit Committee	The audit supervisor reported the audit items and results for October to November 2020; the independent directors agreed with the contents of the report.

Date	Communication Method	Matters of communication, opinions of independent directors and follow-up actions
Feb. 23, 2021	The 5th meeting of 2nd Audit Committee	<ol style="list-style-type: none"> 1. The audit supervisor reported the audit items and results for December 2020; the independent directors agreed with the contents of the report. 2. The independent directors remind the audit director to conduct audits on important risk items when necessary.
(2) Communication between independent directors and accountants:		
Date	Communication Method	Matters of communication, opinions of independent directors and follow-up actions
Feb. 19, 2020	The 15th meeting of 1st Audit Committee	<ol style="list-style-type: none"> 1. The accountants report on the key audited items in the financial statements for the year ended December 31, 2019. 2. The accountants reminded the governing bodies of their responsibilities (including self-preparation of financial statements).
May 4, 2020	The 17th meeting of 1st Audit Committee	The accountants report the results of their assessment of the consolidated financial statements as of and for the first quarter of 2020.
Jun. 8, 2020	The 1st meeting of 2nd Audit Committee	The CPA attends and provides explanations of the Audit Committee's motions.
Aug. 4, 2020	The 2nd meeting of 2nd Audit Committee	<ol style="list-style-type: none"> 1. The accountants report on the results of their assessment of the consolidated financial statements as of and for the second quarter of 2019. 2. The accountants' other disclosures and statements of independence.
Nov. 3, 2020	The 3rd meeting of 2nd Audit Committee	<ol style="list-style-type: none"> 1. The accountants report the results of their assessment of the consolidated financial statements for the third quarter of 2019. 2. The accountants' other disclosures (management's judgment and accounting estimates) and statements of independence. 3. Year-end audit planning (materiality, Significant Risk, KAM).
Feb. 23 2021	The 5th meeting of 2nd Audit Committee	<ol style="list-style-type: none"> 1. The scope and methodology of the auditor's report, the significant accounting policies and estimates and significant events or transactions, and the significant risks and key judgments contained in the auditor's report for the year ended December 31, 2020. 2. The accountants' independence statement and the summary of conclusions on the financial statements for the year ended December 31, 2020.

(2) Supervisors' participation in the operation of the Board of Directors: Not applicable.

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

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
1. Does the Company establish and disclose the Corporate Governance Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company had established the “Corporate Governance Best-Practice Principles” based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” which has been approved by the Board of Directors and publicly disclosed on the corporate website and the Market Observation Post System.	None
2. Shareholding structure & Shareholders’ rights (1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the Company possess the list of its major shareholders, as well as the ultimate owners of those shares? (3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the Company establish internal rules against insiders trading with undisclosed information?	✓ ✓ ✓ ✓		(1) The Company had established a "Corporate Governance Best-Practice Principles" with a spokesperson system and delegated specific person to take charge of shareholder services and handle the proposals submitted by shareholders or the legal inquiries. (2) The Company appoints a professional stock agent to update the register of shareholders and the list of substantial shareholders on a regular basis, so as to fully grasp the list of substantial shareholders who actually control the Company and the ultimate controllers of the substantial shareholders. (3) The business and financial transactions between the Company and its affiliates are governed by the relevant regulations of the competent authorities and are governed by written regulations. (4) The Company has established the "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" and established written regulations in accordance with the relevant regulations of the competent authorities to effectively prohibit insiders from using undisclosed information in the market to trade marketable securities.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p> <p>(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Has the Company established a method for evaluating the performance of the Board of Directors and how to evaluate it, and conducts performance evaluation annually and regularly, and submits the results of the performance evaluation to the Board of Directors and uses them as reference for remuneration of individual directors and their nomination for reappointment?</p> <p>(4) Does the Company regularly evaluate the independence of CPAs?</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>		<p>(1) The six board members of the Company have professional backgrounds including four in the industry, one in academia and one in accounting, with expertise in management, leadership, industry knowledge, academia, accounting and finance, etc. The percentage of directors who are employees is 16.7% and the percentage of independent directors is 50%. The Company pays attention to the gender distribution of its board members and aims to have at least one female director, of which there is currently one female director, accounting for 16.7%. In terms of age distribution, the target is to have at least one young adult director, and the Company currently has two young adult directors, accounting for 33.3% of the total, please refer Note 1.</p> <p>(2) In addition to the Remuneration Committee and the Audit Committee, the Company plans to establish other functional committees in the current year.</p> <p>(3) The Company has established the Board of Directors' performance evaluation method and its evaluation method in 2018, and the performance evaluation of the Board of Directors and the members of the Board of Directors in 2020 will be "exceeded the standard", which is the result of "effective operation" and will be reported to the Board of Directors and used as reference for individual directors' salary compensation and nomination for reappointment.</p> <p>(4) The Company's 2020 and 2021 evaluations and the appointment of certified public accountants were approved by the Audit Committee and the Board of Directors on February 19, 2020 and February 23, 2021, respectively. In addition to the declaration of independence issued by the certified public accountants, which must meet the Company's evaluation criteria, please refer to Note 2.</p>	<p>Except for the voluntary establishment of the Remuneration Committee and the Audit Committee, the Company has not established any other functional committees composed of directors, and there are no other significant differences.</p>

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
4. Does the listed company have a suitable and appropriate number of corporate governance personnel and designate a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their duties, assisting directors and supervisors to comply with laws and regulations, conducting board and shareholders' meeting related matters in accordance with the law, and preparing minutes of board and shareholders' meetings, etc.)?		√	The Company has a cross-departmental corporate governance working group responsible for corporate governance-related matters, and plans to establish a corporate governance director in the current year.	The Company has not yet assigned a supervisor of corporate governance.
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	√		The Company has a spokesperson and a proxy spokesperson to handle related matters, and has set up a CSR section on the corporate website with management objectives, identification, issues of concern, communication and contact information for stakeholders (including investors, customers, employees, suppliers and government agencies) so that the Company can better understand the issues of concern to stakeholders and respond appropriately.	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	√		The Company has delegated a professional stockbroker, the "Brokerage Registry and Transfer Services Department of SinoPac Securities" to handle shareholder meetings and stock-related matters.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>7. Information Disclosure</p> <p>(1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?</p> <p>(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has a corporate website to disclose both financial standings and the status of corporate governance.</p> <p>(2) The Company has established a spokesperson system and will disclose information about the Company's corporate presentation on the Company's corporate website and the "Market Observation Post System" in accordance with the regulations.</p> <p>(3) The financial statements for the year 2020 were announced and reported in February 2021, and the financial reports for the first, second and third quarters and the operations for each month were announced and reported by the prescribed deadline.</p>	None
<p>8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p>	<p>✓</p>		<p>1. In addition to the Employee Welfare Committee and the pension system, the Company also plans employee group insurance and arranges regular health checks for employees, and actively encourages employees to participate in various training courses.</p> <p>2. The Company has established various internal rules and regulations in accordance with the law to carry out various risk management and evaluation.</p> <p>3. The Company has purchased liability insurance for the directors.</p> <p>4. The directors' continuing education status is detailed in Attached Table 1.</p> <p>5. The Company's corporate website provides a CSR section, an investor section, and a corporate governance section to provide related information.</p>	None

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
<p>9. Please explain the improvements that have been made to the results of the corporate governance assessment released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, and provide priorities and measures to enhance those that have not yet been improved: The priority enhancements and measures that were not achieved by the Company's 2020 corporate governance evaluation targets are as follows:</p> <ol style="list-style-type: none"> 1. Disclosure of Directors' Diversity Policy. 2. Disclosure of Accountants' Evaluation Items. 3. Establish a corporate governance director. 4. Establish an other functional committees. 				

Note 1: The "Corporate Governance Practice Principles" stipulates that the diversity of board composition should be taken into account. In addition to the fact that the number of directors who are also managers of the Company should not exceed one-third of the total number of directors, appropriate diversity guidelines should be formulated with respect to the Company's operation, business model and development needs, which should include but not limited to the following two major criteria:

1. Basic criteria and values: gender, age, nationality and culture, etc.
2. Expertise and skills: Professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

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

1. Business judgment skills
2. Accounting and financial analysis skills
3. Business management skills
4. Risk management skills
5. Industry knowledge
6. International market perspective
7. Leadership skills
8. Decision-making ability

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

Note 2: The following is a list of the items evaluated by the CPA, and the results of the evaluation are consistent with independence.

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

Table 1: "Directors' Training Status in 2020"

Title	Name	Date	Organizer	Course Name	Training Hours
Chairman	Hsiao-Ping Lin	08/11/2020	Taiwan Corporate Governance Association	Trends and Challenges in Information Security Governance	3
Director	Li-Kuo Liu	08/07/2020	Taiwan Corporate Governance Association	5G and IoT key technologies and market applications	3
Director	Li-Kuo Liu	09/08/2020	Taiwan Corporate Governance Association	Management Rights Competition and Case Studies	3
Director	Tsung-Hsi Ko	07/29/2020	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Management Workshop	3
Independent Director	Jun-Ji Lin	07/29/2020	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Management Workshop	3
Independent Director	Jun-Ji Lin	09/18/2020	Securities and Futures Institute, SFI	2020 Insider Trading Prevention and Insider Stock Trading Promotion Seminar	3
Independent Director	Ching-Te Chuang	07/29/2020	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Management Workshop	3
Independent Director	Ching-Te Chuang	08/26/2020	Taipei Exchange	Briefing session for insiders on stock ownership	3
Independent Director	Ching-Te Chuang	09/24/2020	Taipei Exchange	Agenda of the "Corporate Governance 3.0 - A Blueprint for Sustainable Development" Summit	3
Independent Director	Shih-Ying Huang	04/01/2020	CPA Associations R.O.C.	Key points and doubts of business tax returns	7

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

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

Title (Note 1)	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Jun-Ji Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent Director	Ching-Te Chuang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-	
Independent Director	Shih-Ying Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-	

Note 1: Please enter your status as a director, independent director or other.

Note 2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, ranks as of its top 5 shareholders, or has representative director(s) serving on the Company's board based on Paragraph 1 or 2 Article 27 of the Company Act. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the Company. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (7) Not a director, supervisor, or employee of a company of which the Chairman or President (or equivalent) themselves or their spouse also serve as the Company's Chairman or President (or equivalent). Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary holds 20% or more and no more than 50% of the total number of issued shares of the Company and as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the

Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not been a person of any conditions defined in Article 30 of the Company Act.

(2) Operations of the Remuneration Committee

Scope of Remuneration Committee:

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

The highlights of the work in 2020 are as follows:

2.1 Audit the remuneration of directors and managers for 2020.

2.2 Audit the remuneration of independent directors for 2020.

2.3 Audit the allocation of directors' remuneration and employees' compensation for 2019.

2.4 Reviewed the 2020 year-end bonuses for the managers.

2.5 Audit and amended the "Performance Evaluation Regulations of the Board of Directors and Managers".

2.6 Audit and amended the "Remuneration Committee Charter".

(2.1) There are 3 members in the Remuneration Committee

(2.2) Term of office: May 29, 2020 to May 28, 2023. The most recent annual remuneration committee met three times (A) and the qualifications and attendance of the members are as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】 (Note)	Remarks
Convener	Jun-Ji Lin	3	0	100.00%	
Committee Member	Ching-Te Chuang	2	1	66.67%	
Committee Member	Shih-Ying Huang	3	0	100.00%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3. The discussion and resolution of the Remuneration Committee and the handling of members' opinions:

Remuneration Committee Date (Session)	Motion Contents and Follow-up
<p>Feb 19, 2020 The 10th meeting of 1st Remuneration Committee</p>	<p>1. Amendment to the the "Performance Evaluation Regulations of the Board of Directors and Managers". 2. Review the compensation package for directors and managers for 2020. 3. Review the compensation of the Company's independent directors for 2020. 4. Review the distribution of directors' remuneration and employees' compensation for 2019. 5. Amendment to the the "Remuneration Committee Charter".</p> <p>Resolution: Except for the 3rd and 4th motions, in which the independent directors were the assignees and recused themselves from the resolutions due to their own interests, the other motions were approved by all members present.</p> <p>The Company handling the resolution of the Remuneration Committee: (Resolution of the Board of Directors on Feb 19, 2020)</p> <p>1. Approved by the Chairman of the Board of Directors, in consultation with the other directors present, based on the recommendation of the Remuneration Committee. 2. Chairman Hsiao-Ping Lin, Director Tsung-Hsi Ko, Director Yuan-Hsun Chang, and Director Li-Kuo Liu are the assignees of the Company and are recused from the discussion and voting on the matter due to their own interests. The Acting Chairman, Independent Director Jun-Ji Lin, consulted the other Directors present and approved the proposal of the Remuneration Committee. 3. The independent directors, Jun-Ji Lin, Ching-Te Chuang, and Shih-Ying Huang, who are the assignees of this case, recused themselves from the discussion and voting due to their own interests. The Chairman of the Board of Directors consulted the other directors present and approved the resolution based on the recommendation of the Remuneration Committee. 4. Each director is recused from the discussion and resolution due to his or her own interest, and the resolution is approved by the other directors present without objection. 5. Approved by the Chairman of the Board of Directors, in consultation with the other directors present, based on the recommendation of the Remuneration Committee.</p>
<p>Nov. 3, 2020 The 2nd meeting of 2nd Remuneration Committee</p>	<p>1. To review the 2020 year-end bonuses for the managers. Resolution: Approved by consensus of all members present.</p> <p>The Company handling the resolution of the Remuneration Committee: (Resolution of the Board of Directors on Nov. 3, 2020) Director Yuan-Hsun Chang (Acting Chairman Hsiao-Ping Lin) recused himself from the discussion and vote due to his own interest as a manager, and the Acting Chairman, Independent Director Jun-Ji Lin, consulted the other directors present and approved the recommendation of the Remuneration Committee.</p>
<p>Feb. 23, 2021 The 3rd meeting of 2nd Remuneration Committee</p>	<p>1. To review the 2020 year-end bonuses for the managers. 2. To review the remuneration of the managers for 2021. Resolution: Approved by consensus of all members present.</p> <p>The Company handling the resolution of the Remuneration Committee: (Resolution of the Board of Directors on Feb. 23, 2021)</p> <p>1. The Chairman of the Board of Directors, in consultation with the other directors present, approved the total amount of the distribution based on the recommendation of the Remuneration Committee. 2. Director Yuan-Hsun Chang recused himself from the discussion and vote due to his own interest as a manager, and the Acting Chairman, Independent Director Jun-Ji Lin, consulted the other directors present and approved the commendation of the Remuneration Committee.</p>

3.3.5 Corporate Social Responsibility Implementation Status and Deviations from “the Corporate Social Responsibility Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the Company make the risk assessment on the issues concerning environment, society and corporate governance which are related to the operation of Company according to the materiality principle, and establish relevant risk management policies or strategy?	√		The Company has established a Risk Control Committee and established "Risk Control and Management Procedures" approved by the Board of Directors. Risk issues are regularly evaluated and reviewed by various departments. These departments report the evaluation results to the Risk Control Committee, and the Committee discusses major risk issues and solutions. The Company regularly evaluates the risks of environmental, social and corporate governance issues related to the operations in accordance with the materiality principle (risk evaluates and management policies refer M31 website), which does not result in significant risks to the Company. Therefore, the Company expects to evaluate relevant factors annually for control reference and report significant risks to the Board of Directors on a regular basis.	None
2. Does the Company establish a dedicated (part-time) team to promote CSR, which is delegated by the board of directors to senior management, and report to the board of directors on the handling of the situation?	√		The Company has set up a cross-departmental CSR promotion team to actively fulfill its commitments to society, employees and shareholders, and to implement information disclosure and transparency, and to report annually to the Board of Directors on its handling of the matter (see Assessment Item 7 for details).	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>3. Environment Topic</p> <p>(1) Does the Company establish proper environmental management systems based on the characteristics of their industries?</p> <p>(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p> <p>(3) Does the Company evaluate the potential risk and opportunity caused by the climate change currently and in the future, and take measures corresponding to the climate relevant issues?</p> <p>(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The main business of the Company is Silicon IP (SIP) licensing, which is a non-polluting business with no physical products.</p> <p>(2) The Company complies with relevant environmental protection laws and regulations, and cleans and recycles resource waste daily in order to implement the sustainable management policy of environmental protection and resource reuse.</p> <p>(3) The Company’s General Service Department is in charge of environment maintainment. The Company has no special sources of pollution and has contracted with a cleaning service company to perform the daily cleaning and recycle the resource waste. We monitor the temperature of the air conditioner on a daily basis and practice the concept of energy saving and carbon reduction.</p> <p>(4) The main business of the Company is SIP licensing, which is non-polluting business; therefore, the verification of Environmental Management System is not applicable.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>4. Society Topic</p> <p>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Does the Company establish and implement rational employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the corporate business performance or achievements in the employee remuneration policy?</p> <p>(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p> <p>(4) Does the Company provide its employees with career development and training sessions?</p> <p>(5) Has the Company complied with relevant laws and regulations and international standards for the health and safety of customers, customer privacy, marketing and labeling of products and services, and formulated relevant consumer protection policies and complaint procedures?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company protects employee rights policies (refer to the Company’s Website) in accordance with the United Nations Universal Declaration of Human Rights to establishes work rules, Complaint and Report Procedures, workplace sexual harassment prevention measures, complaint and disciplinary measures, and other related management policies and procedures in accordance with the Labor Standards Law and related labor laws and regulations to protect the legitimate rights and interests of employees.</p> <p>(2) The Company has established a reasonable salary and compensation policy and a clear system of rewards and penalties. Annual salary adjustments, year-end bonuses, employee compensation and performance bonuses are based on the Company's operating conditions, individual employee and departmental performance, and other relevant factors to determine the amount of bonuses to be distributed.</p> <p>(3) The Company regularly promotes labor safety to its employees, and in times of flu epidemics, promote the wearing of masks and have disinfectant alcohol available at the entrance and exit for employees to use.</p> <p>(4) The Company arranges on-the-job training from time to time according to the needs of employees and work.</p> <p>(5) The Company has established procedures for handling customer complaints and a customer-oriented quality system to assess customer satisfaction with the Company's products and services to achieve the goal of sustainable business operation.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(6) Does the Company establish supplier management policy and request suppliers to comply with related standards on the topics of environmental protection, occupational safety and health or labor right, and their implementation status?	√		(6) The Company has established a Supplier Management Standards, which requires suppliers to sign a "Manufacturer's Agreement" to implement Corporate Social Responsibility (CSR), as well as Environmental Protection and Safety and Integrity Policies, for new suppliers starting in 2020.	None
5. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquired 3 rd certification party verification or statement of assurance?		√	The Company has not yet prepared the CSR report, but has disclosed related information on the Company Website.	The Company has not yet prepared the CSR report.
6. If the Company has established the corporate social responsibility principles based on the “Corporate Social Responsibility Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has established a "Corporate Social Responsibility Practice Principles" to fulfill its commitment to society, employees and shareholders by actively implementing information disclosure and transparency.				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>7. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices:</p> <ul style="list-style-type: none"> ➤ Communicate through routine investor conference meetings, domestic and foreign corporate meetings, and investor calls/replies to better understand our investors' concerns. ➤ Continuously improve product energy efficiency and reduce product power consumption. ➤ Donations and supplies to social welfare organizations: <ol style="list-style-type: none"> 1. Jun. 2020, donated NT\$50,000 to the Saint Joseph Social Welfare Foundation in Hsinchu City. 2. Aug. 2020, donated NT\$50,000 to the "1919 Food Bank" organized by Taipei Exchange. 3. Oct. 2020, donated NT\$50,000 to Taiwan Wilderness Society's "Walking with Frogs" in Hsinchu. 4. Oct. 2020, donated NT\$50,000 to "Children's Bookstore" in Taitung. 5. Oct. 2020, donated NT\$50,000 to Hsinchu City Intellectual Disability Welfare Association. 6. Oct. 2020, donated NT\$50,000 to ST. Camillus Center For Interllectual Disability. 7. Oct. 2020, donated 300 Kg of rice to Taiwan Motor Neuron Disease Association. ➤ To support environmental protection, the Company requires its employees to use electronic files instead of paper as much as possible, and to reuse the blank side of waste documents before recycling and for other social responsibilities and social welfare, etc., in the long run, we will be dedicated to repay to the society in a timely manner. ➤ Campus Industry-Academia Exchange Seminar: Our senior executives gave lectures at National Taipei University and National Chiao Tung University to help students understand the IP industry and help them plan their future employment. ➤ Participation in regional kindergarten activities: About 20 colleagues participated in regional kindergarten activities. 				

3.3.6 Ethical Corporate Management Implementation Status and Deviations from “the Ethical Corporate Management Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company establish the ethical corporate management policies which are approved by the Board of Directors, and clearly specify in the rules and external documents the ethical corporate management policies and measures, and the commitment made by the Board of Directors and senior management on rigorous and thorough implementation of such policies?</p> <p>(2) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs, which at least include preventive measures against the conducts provided for in paragraph 2 of Article 7 of the “Ethical Corporate Management Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>(3) Does the Company specify the operating procedures, conduct guidelines, disciplinary and complaint systems for violations in its unethical conduct prevention program, and thorough implementation of such programs, and periodically review and revise the previously disclosed program?</p>	<p>√</p> <p>√</p> <p>√</p>		<p>(1) The Company has established "Ethical Management Principles" approved by the Board of Directors to implement the Ethical Management Policy, which is publicly disclosed on the corporate website and the Market Observation Post System, and all managers and employees are required to comply with this code of conduct in any of the activities they engage in.</p> <p>(2) The Board of Directors has approved the amendment of the "Ethical Management Principles" as its policy on ethical management, and has set up an integrity management team to promote ethical management activities and to report to the Board of Directors on a regular basis. The Board of Directors' Meeting on February 23, 2021 reported on the ethical management of the Company in 2020: The amended the "Ethical Management Principles", established the "Complaint and Reporting Procedures", established the integrity Management Group and conducted internal integrity management seminars. The Company has no violation of the "Ethical Management Principles" and has not received any complaints or reports of unethical behavior.</p> <p>(3) The Company has established the "Ethical Management Principles", "Work Rules" and "Complaint and Reporting Procedures" to specifically regulate the matters to which the employees should pay attention when performing business. The Company has also established rules for employee rewards and punishments to discipline employees for unethical behavior and provide a channel for employees to file complaints and handle opinions of employees who consider unfair and unreasonable treatment.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the Company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the Company establish a dedicated unit that is under the Board of Directors and responsible for establishing the ethical corporate management, and report to the Board of Directors the ethical corporate management policies, prevention programs and the status of implementation under supervising periodically (at least on an annual basis)?</p> <p>(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Does the Company had established effective accounting system, internal control system for rigorous and thorough implementation of ethical management, and based on the results of assessment of the risk of involvement in unethical conducts under internal control operation, does the internal auditor devise internal audit plans and perform the examination on the compliance with programs of preventing from unethical conducts, or delegate a certified public accountant to perform the examination?</p> <p>(5) Does the Company regularly hold internal and external educational trainings on operational integrity?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) Prior to the purchase or sale, the Company conducts credit operations for the counter-parties in accordance with the internal control system and learns through various channels whether the counter-parties have engaged in any unethical transactions before.</p> <p>(2) The Board of Directors has approved the amendments to the "Ethical Management Principles" and has established an Ethical Management Group to promote ethical management activities and to report regularly to the Board of Directors on the Company's ethical operations.</p> <p>(3) The Company has established a " Complaint and Reporting Procedures" to implement a policy to prevent conflict of interest and to provide appropriate channels for all employees to indicate whether they have potential conflict of interest with the Company.</p> <p>(4) In order to implement ethical management, the Company has established and effectively implemented an accounting system and an internal control system. Based on the results of the assessment of the risk of unethical conduct, the internal auditors prepare a relevant audit plan and check its compliance.</p> <p>(5) The Company promotes and enables its employees through various channels to make them clearly understand the ethical management philosophy and standards. The external education and training of the ethical management course totaled 3 persons and 12 hours; the internal training of the ethical management promotion totaled 86 persons and 29 hours.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>3. Operation of the Corporate Reporting System</p> <p>(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the Company establish the standard operational procedures for investigation when whistle-blowing case occurs, the follow-up measures as well as the confidential mechanism after the investigation?</p> <p>(3) Does the Company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has established the "Complaint and Reporting Procedures", which specify the rewards and punishments, complaints, disciplinary system, reporting channels, and the personnel responsible for receiving complaints.</p> <p>(2) The Company has established the "Complaint and Reporting Procedures", which specify the standard operating procedures for investigation, follow-up measures to be taken after the completion of the investigation and the relevant confidentiality mechanism.</p> <p>(3) The Company has specified in the "Complaint and Reporting Procedures" that the Company shall adopt absolute confidentiality and undertake to protect the whistleblower from improper treatment as a result of the complaint.</p>	None
<p>4. Strengthening information disclosure</p> <p>(1) Does the Company disclose its Ethical Management Principles and the results of its implementation on the Company’s website and MOPS?</p>	<p>✓</p>		<p>The Company discloses the contents and implementation of the Ethical Management Principles in its annual report and website.</p>	None
<p>5. If the Company has established the Ethical Management Principles based on the “Ethical Corporate Management Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation : None.</p>				
<p>6. Other important information that is helpful to understand the operation of the ethical management of the Company (such as the review and amendment of the Ethical Management Principles, etc.): The Company always pays attention to the development of the domestic and international ethical management related regulations and encourages directors, managers and employees to make suggestions to review and improve the ethical management principles and measures established by the Company in order to enhance the effectiveness of the implementation of the ethical management of the Company.</p>				

3.3.7 Corporate Governance Guidelines and Regulations

Company's Governance Practices Principles and related regulations can be found on the Market Observation Post System or on the Company's corporate website.

3.3.8 Other Important Information Regarding Corporate Governance

In order to prevent the Company or its insiders from violating insider trading regulations due to misunderstanding of laws and regulations or intentionally violating insider trading regulations, which may lead to litigation and damage to the reputation of the Company or its insiders. The Company has established the "Management Practices with respect to Handling Internal Material Information and Preventing Insider Trading" to protect investors and safeguard the rights and interests of the Company. The Company regularly educates its employees on the relevant laws and regulations through corporate events, including the prevention of insider trading, which is reinforced at the Company's employee seminars and posted on the Company's corporate website for inquiries

3.3.9 Internal Control System Execution Status

(1) Statement of Internal Control System

M31 Technology Corporation

Statement of Internal Control System

Feb. 23, 2021

Based on the results of the self-assessment, the Company's internal control system for the year 2020 is stated as follows:

1. M31's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and M31 takes immediate remedial actions in response to any identified deficiencies.
3. M31 evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. M31 has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, M31 believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of M31's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement was approved by the Board of Directors at its meeting held on February 23, 2021. Of the six directors present, none held an opposing view and the rest agreed to the contents of this statement and hereby declare.

M31 Technology Corporation

Chairman: Yuan-Hsun Chang

President: Yuan-Hsun Chang

(2) If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

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

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

(1) Major Resolutions of Shareholders' Meeting on May 29, 2020

Major Resolutions	Status of Execution
(1) Adoption of the Business Report of 2019 and Financial Statements	(1) Declared in accordance with the law.
(2) Adoption of the Proposal for Distribution of 2019 Profit	(2) The allocation has been made in accordance with the resolution, and June 29, 2020 has been set as the distribution base date and the cash dividends will be paid on July 17, 2020.
(3) Approval of the amendment to the "Procedures for Lending Funds to Other parties"	(3) The resolution has been amended in accordance with the approved contents and the operation has been followed.
(4) Approval of the amendment to the "Procedures for Endorsement and Guarantee"	(4) The resolution has been amended in accordance with the approved contents and the operation has been followed.
(5) Approval of the amendment to the "Rules of Procedure of the Shareholders' Meeting"	(5) The resolution has been amended in accordance with the approved contents and the operation has been followed.
(6) General re-election of 7 directors (including 3 independent directors)	(6) The registration of the new 4th director was approved by the Ministry of Economic Affairs on June 22, 2020.
(7) Approval of the removing prohibition on new Directors from participation in Competitive Business	(7) Removing the prohibition on new directors from participation in competitive business in accordance with the approved resolution.

(2) Major Resolutions of Board Meetings

Date/Session	Major Resolutions and Execution
Feb. 19, 2020 The 19th meeting of 3rd term (1st in 2020)	<p>(1) Approved the amendment of the "Performance Evaluation Regulations for the Board of Directors and Managers"</p> <p>(2) Approved the review of the remuneration for directors and managers of the Company for 2020</p> <p>(3) Approved the review of the remuneration of the independent directors for 2020</p> <p>(4) Approved the allocation of directors' remuneration and employees' compensation for 2019</p> <p>(5) Approved the recognition of the 2019 financial statements and business report</p> <p>(6) Approved the distribution of the 2019 earnings</p> <p>(7) Approved the convening of the 2020 Annual Meeting of Shareholders</p> <p>(8) Approval of the 2019 Statement of Internal Control System</p> <p>(9) Approved the amendment of the "Procedures for Lending Funds to Other parties"</p> <p>(10) Approved the amendment of the "Procedures for Endorsement and Guarantee".</p> <p>(11) Approved the amendment to the "Rules of Procedure of the Shareholders' Meeting"</p>

Date/Session	Major Resolutions and Execution
	(12) Approved the amendment of the "Corporate Governance Practice Principles" (13) Approved the amendment of the "Ethical Management Principles" (14) Approved the general re-election of directors of the Company (15) Approved the nomination of candidates for Directors (including independent Directors) (16) Approved of removing the prohibition on new directors from participation in competitive business (17) Approved the evaluation of the independence and performance of the certified public accountant (18) Approved the amendment of the "Rules of Procedure of the Board of Directors" (19) Approved the amendment to the "Audit Committee Charter" (20) Approved the amendment of the "Remuneration Committee Charter"
Mar. 16, 2020 The 20th meeting of 3rd term (2nd in 2020)	(1) Approved the "First Time Shares Repurchase and Transfer to Employees in 2020" (2) Approved First time share repurchase in the year 2020
May 4, 2020 The 21st meeting of 3rd term (3rd in 2020)	(1) Approved the consolidated financial statements for the first quarter of 2020
Jun. 8, 2020 The 1st meeting of 4th term (4th in 2020)	(1) Approved the election of the Chairman of the Board of Directors (2) Approved the appointment of members of the Second Session of the Remuneration Committee (3) Approved the setting of the ex-dividend date for cash dividends (4) Approved the Company's bank credit line (5) Approved the acquisition of currency-based funds
Aug. 4, 2020 The 2nd meeting of 4th term (5th in 2020)	(1) Approval of the consolidated financial statements for the second quarter of 2020 (2) Approved the amendment of the "Corporate Governance Practice Principles" (3) Approved the establishment of the "Risk Management Policies and Procedures" (4) Approved the Company's bank credit line
Nov. 3, 2020 The 3rd meeting of 4th term (6th in 2020)	(1) Approval of the consolidated financial statements for the third quarter of 2020 (2) Approved the amendment of the internal control regulations (3) Approved the purchase of a new office building (4) Approval of the audit plan for 2021 (5) Approval of the budget for 2021 (6) Approved the review of the 2020 year-end bonus for the managers
Dec. 22, 2020 The 4th meeting of 4th term (7th in 2020)	(1) Approved the appointment of the president (2) Approved the bank credit line (3) Approved the appointment of the managers

Date/Session	Major Resolutions and Execution
Jan. 19, 2021 The 5th meeting of 4th term (1st in 2021)	(1) Approved the election of the Chairman of the board of directors (2) Approved the appointment of the Chairman and directors of the subsidiary M31 TECHNOLOGY USA, INC. (3) Approved the appointment of the Chairman of the board of directors of Sirius Venture Ltd. (4) Approved the appointment of the Chairman and directors of the subsidiary, M31 TECHNOLOGY (Shanghai), INC.
Feb. 23, 2021 The 6th meeting of 4th term (2nd in 2021)	(1) Approved the appropriation of directors' remuneration and employees' compensation for the year 2020 (2) Approval of the Company's financial statements and business report for 2020. (3) Approved the appropriation of the 2020 earnings (4) Approval of the Statement of Internal Control System for 2020 (5) Approved the amendment of the "Articles of Incorporation" (6) Approved the by-election of the fourth term of directors (7) Approved the nomination of the director candidates (8) Approved of removing the prohibition on new and existing directors from participation in competitive business (9) Approved the convening of the 2021 Annual Meeting of Shareholders (10) Approval of the bank credit line of the Company (11) Approved the evaluation of the independence and performance of the certified public accountant (12) Approved the review of the remuneration of the managers for 2021 (13) Approved the employee compensation tool (14) Approved the purchase of significant research and development software

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

3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D :

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Chairman	Hsiao-Ping Lin	10/05/2011	01/09/2021	Passed Away
President	Hsiao-Ping Lin	10/05/2011	01/01/2021	Succession Planning

3.4 Information Regarding the Company's Audit Fee and Independence

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Yu-Feng Huang	Mei-Chen Tsai	01/01/2020 to 12/31/2020	—

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000		—	✓	—
2	NT\$2,000,000~ NT\$4,000,000		✓	—	✓
3	NT\$4,000,000~ NT\$6,000,000		—	—	—
4	NT\$6,000,000~ NT\$8,000,000		—	—	—
5	NT\$8,000,000~ NT\$10,000,000		—	—	—
6	NT\$10,000,000 or above		—	—	—

3.4.1 Non-Audit Fee Paid to Auditors and the Accounting Firm Accounted for More Than One-Fourth of Total Audit Fee Shall Disclose the Amount and the Service Item: None.

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit
			System of Design	Company Registration	Human Resource	Others	Subtotal	
Deloitte & Touche	Yu-Feng Huang	2,020	None	None	None	178	178	2020
	Mei-Chen Tsai							

Note: Non-audit public fee-other: 2020Q1~Q4 XBRL total NT\$100,000 + 2020 annual report review NT\$30,000 + 2019 non-executive salary check NT\$20,000 + 2020 travel and printing NT\$28,000.

3.4.2 When the Company Changes Its Accounting Firm and the Audit Fees Paid for the Fiscal Year in Which Such Change Took Place Are Lower Than Those for the Previous Year, The Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(s) Therefore Shall be Disclosed: None.

3.4.3 When the Audit Fees Paid for the Current Year Are Lower Than Those for the Previous Fiscal Year by 15 Percent or More, the Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(s) Therefore Shall be Disclosed: None.

3.5 Replacement of CPA

3.5.1 Regarding the former CPA

Replacement Date	Approved by the Board of Directors of the Company on February 19, 2020		
Replacement reasons and explanations	In order to meet the needs of the internal restructuring of CPA firm, effective from the first quarter of 2020, the CPAs were replaced by Yu-Feng Huang and Mei-Chen Tsai from chung cheng chen and cheng chuan yu.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	N/A	N/A
	No longer accepted (continued) appointment	N/A	N/A
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the Company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	No	✓	
	Remarks/specify details:		
Other Revealed Matters	<p>1. The former accountant had informed the Company that the lack of a proper internal control system made the financial statements unreliable: None.</p> <p>2. The former accountant has informed the Company that he/she cannot rely on the Company's statement or does not want to have any association with the Company's financial report: None.</p> <p>3. The previous accountant notified the Company of the need to expand the scope of the audit, or information indicating that an expansion of the scope of the audit might impair the credibility of previously issued or to be issued financial statements, but the previous accountant did not expand the scope of the audit due to a change in accountant or other reasons: None.</p> <p>4. The former accountant has informed the Company that the credibility of the financial statements issued or to be issued may be impaired based on the information collected, but the former accountant has not addressed the matter due to a change in accountant or other reasons: None.</p>		

3.5.2 Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Yu-Feng Huang, Mei-Chen Tsai
Date of appointment	Q1, 2020
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to the engagement	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.5.3 Reply letter from the former CPA respond to the Article 10, paragraph 6, first item and third of second item : None.

3.6 The Chairman, President, Chief Financial Officer, and Managers in charge of its finance and accounting operations, who has worked in the firm of the certified public accountant or its affiliated companies during 2020: None

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

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

Title	Name	2020		2020 (As of March 29)	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Hsiao-Ping Lin (Note 1)	—	—	—	—
Chairman	Yuan-Hsun Chang (Note 1)	(125,000)	—	—	—
Director	Tsung-Hsi Ko	—	—	—	—
Director	Li-Kuo Liu	—	—	—	—
Independent Director	Jun-Ji Lin	—	—	—	—
Independent Director	Ching-Te Chuang	—	—	—	—
Independent Director	Shih-Ying Huang	—	—	—	—
More than 10% Shareholders	Huey-Ling Chen	15,000	—	3,000	—
More than 10% Shareholders	Jui-Chun Investment Co., Ltd.	32,000	—	—	—
Chief Operating Officer	David Lyou (Note 2)	—	—	—	—
Vice President	Patrick Lien	(7,000)	—	—	—
Vice President	Grace Liu (Note 3)	—	—	—	—
Chief Financial Officer	Sally Lo	—	—	—	—
Executive Vice President	Willis Shih (Note 4)	(18,000)	—	—	—

Note 1: Chairman Hsiao-Ping Lin passed away on January 09, 2021. He was succeeded by President Yuan-Hsun Chang on January 19, 2021.

Note 2: Davie Lyou, Chief Operating Officer, was newly appointed on January 01, 2021.

Note 3: Grace Liu, Vice President, was newly appointed on January 01, 2021.

Note 4: Willis Shih, Executive Vice Manager, was appointed as Special Assistant to the Chairman on January 21, 2021.

3.7.2 Shares Trading with Related Parties: None.

3.7.3 Shares Pledge with Related Parties: None.

3.8 Relationship among the Top Ten Shareholders

3/29/2021 Unit : Share

Name	Current Shareholding		Spouse's /minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hsiao-Ping Lin	6,604,000	21.09	4,557,000	14.55	-	-	Huey-Ling Chen	Spouse	-
							Huey-Kuan Chen	Second degree of kinship	-
							Chien-Chih Chen	Second degree of kinship	-
							Huey-Wen Chen	Second degree of kinship	-
							Jui-Chun Investment Co., Ltd.	The spouse of Hsiao-Ping Lin is Huey-Ling Chen, in charge of Jui-Chun Investment Co., Ltd.	-
							Chen-An Lin	Father & Son	-
Huey-Ling Chen	4,557,000	14.55	6,604,000	21.09	-	-	Hsiao-Ping Lin	Spouse	-
							Huey-Kuan Chen	Second degree of kinship	-
							Chien-Chih Chen	Second degree of kinship	-
							Huey-Wen Chen	Second degree of kinship	-
							Jui-Chun Investment Co., Ltd.	The person in charge of Jui-Chun Investment Co., Ltd is Huey-Ling Chen	-
							Chen-An Chen	Mother & Son	-

Name	Current Shareholding		Spouse's /minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Jui-Chun Investment Co., Ltd. (Person in charge: Huey-Ling Chen)	1,642,000	5.24	-	-	-	-	Hsiao-Ping Lin	The spouse of Hsiao-Ping Lin is Huey-Ling Chen, in charge of Jui-Chun Investment Co., Ltd.	-
							Huey-Ling Chen	In charge of Jui-Chun Investment Co., Ltd	-
							Huey-Kuan Chen	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is the second degree relative of Huey-Kuan Chen	-
							Chien-Chih Chen	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is the second degree relative of Chien-Chih Chen	-
							Huey-Wen Chen	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is the second degree relative of Huey-Wen Chen	-
							Chen-An Chen	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is Chen-An Chen's mother	-
DNCA Investment Funds	1,100,000	3.51	-	-	-	-	-	-	-

Name	Current Shareholding		Spouse's /minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Huey-Kuan Chen	420,000	1.34	-	-	-	-	Hsiao-Ping Lin	Second degree of kinship	-
							Huey-Ling Chen	Second degree of kinship	-
							Jui-Chun Investment Co., Ltd.	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is the second degree relative of Huey-Kuan Chen	-
							Chien-Chih Chen	Second degree of kinship	-
							Huey-Wen Chen	Second degree of kinship	-
Chien-Chih Chen	411,000	1.31	-	-	-	-	Hsiao-Ping Lin	Second degree of kinship	-
							Huey-Ling Chen	Second degree of kinship	-
							Jui-Chun Investment Co., Ltd.	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is the second degree relative of Chien-Chih Chen	-
							Huey-Kuan Chen	Second degree of kinship	-
							Huey-Wen Chen	Second degree of kinship	-
Huey-Wen Chen	386,000	1.23	-	-	-	-	Hsiao-Ping Lin	Second degree of kinship	-
							Huey-Ling Chen	Second degree of kinship	-
							Jui-Chun Investment Co., Ltd.	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is the second degree relative of Chun-Chih Chen	-
							Huey-Kuan Chen	Second degree of kinship	-
							Chien-Chih Chen	Second degree of kinship	-

Name	Current Shareholding		Spouse's /minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
First Japan Trust Bank World Fund	378,000	1.21	-	-	-	-	-	-	-
Chen-An Chen	376,000	1.20	-	-	-	-	Hsiao-Ping Lin	Father & Son	-
							Huey-Ling Chen	Mother & Son	-
							Jui-Chun Investment Co., Ltd.	Huey-Ling Chen, who is in charge Jui-Chun Investment Co., Ltd. is Chen-An Chen's mother	-
Swedbank Robur Globalfond	376,000	1.20	-	-	-	-	-	-	-

Note 1: All top ten shareholders should be listed, and the names of corporate shareholders and representatives should be listed separately if they are corporate shareholders.

Note 2: The calculation of the percentage of shareholding refers to the calculation of the percentage of shareholding in the name of oneself, spouse, minor children or the use of others.

Note 3: The shareholders listed in the preceding paragraph include both legal and natural persons, and the relationship between them should be disclosed in accordance with the Guidelines Governing the Preparation of Financial Reports by Issuers.

3.9 Ownership of Shares in Affiliated Enterprises

3/31/2021 Unit: Thousand shares

Affiliated Enterprises (Note 1)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
M31 TECHNOLOGY USA, INC.	450	100%	-	-	450	100%
Sirius Venture Ltd.	167	100%	-	-	167	100%
M31 Technology (Shanghai) Inc.	(Note 2)	100%	-	-	(Note 2)	100%

Note 1 : Investments accounted for using equity method.

Note 2 :This is a company in which 100% of the Company's investment is indirectly transferred through Sirius Venture Ltd. and is a limited company with no shares issued.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

(1) Share Capital Formation

Unit: Thousand shares / NT\$ thousands

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital (Amount)	Capital Increased by Assets Other than Cash (Amount)	Other
Oct 2011	10	5,000	50,000	500	5,000	Set up Capital : 5,000	None	Note 1
Mar 2012	10	36,000	360,000	4,500	45,000	Cash Offering : 40,000	None	Note 2
Apr 2012	10	36,000	360,000	10,568	105,680	Cash Offering : 60,680	None	Note 3
May 2012	10	36,000	360,000	16,573	165,730	Cash Offering : 60,050	None	Note 4
Jun 2012	10	36,000	360,000	23,000	230,000	Cash Offering : 64,270	None	Note 5
Sep 2016	19.5	36,000	360,000	24,840	248,400	Cash Offering : 18,400	None	Note 6
Jan 2017	15~ 16.5	36,000	360,000	28,561	285,610	Exercise of Employee Stock : 37,210	None	Note 7
Jun 2017	15~ 16.5	36,000	360,000	28,640	286,400	Exercise of Employee Stock : 790	None	Note 8
Feb 2019	198~ 269	50,000	500,000	31,318	313,180	Cash Offering : 26,780	None	Note 9

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

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

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

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

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

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

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

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

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

(2) Share Type

3/31/2021 Unit : Share

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	31,318,000	18,682,000	50,000,000	TPEX stocks

(3) If the issuance of marketable securities is approved under the omnibus reporting system, information on the approved amount, scheduled issuance and issued marketable securities should also be disclosed: None.

4.1.2 Status of Shareholders

3/29/2021

Structure Items	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	13	30	4,164	36	4,243
Shareholding (shares)	-	469,159	2,110,000	25,291,608	3,447,233	31,318,000
Percentage (%)	-	1.50	6.73	80.76	11.01	100.00

Note: The IPO companies shall disclose the percentage of their shareholding by Mainland China investors; Mainland Investment refers to the people, legal entities, organizations, and other institutions in Mainland China or their companies invested in a third region as stipulated in Article 3 of the Regulations on the Permission for People to Invest in Taiwan.

4.1.3 Shareholding Distribution Status

NT\$ 10 per Share ; 3/29/2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 — 999	848	83,701	0.27
1,000 — 5,000	3,012	4,966,460	15.86
5,001 — 10,000	192	1,466,591	4.68
10,001 — 15,000	49	628,739	2.01
15,001 — 20,000	38	678,121	2.17
20,001 — 30,000	34	875,000	2.79
30,001 — 50,000	22	852,000	2.72
50,001 — 100,000	16	1,249,388	3.99
100,001 — 200,000	13	1,799,000	5.74
200,001 — 400,000	13	3,985,000	12.73
400,001 — 600,000	2	831,000	2.65
600,001 — 800,000	-	-	-
800,001 — 1,000,000	-	-	-
1,000,001 or above	4	13,903,000	44.39
Total	4,243	31,318,000	100.00

Preferred stock: None

4.1.4 List of Major Shareholders

3/29/2021

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
Hsiao-Ping Lin	6,604,000	21.09
Huey-Ling Chen	4,557,000	14.55
Jui-Chun Investment Co., Ltd.	1,642,000	5.24
DNCA Investment Funds	1,100,000	3.51
Huey-Kuan Chen	420,000	1.34
Chien-Chih Chen	411,000	1.31
Huey-Wen Chen	386,000	1.23
First Japan Trust Bank World Fund	378,000	1.21
Chen-An Chen	376,000	1.20
Swedbank Robur Globalfond	376,000	1.20

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit : NT\$; Thousand shares

Items		Year		2021 (As of March 31) (Note 6)	
		2019	2020		
Market Price per Share (Note 1)	Highest Market Price	408.00	419.50	398.00	
	Lowest Market Price	270.50	175.50	300.50	
	Average Market Price	333.92	326.24	348.99	
Net Worth per Share (Note 2)	Before Distribution	46.03	48.18	N/A	
	After Distribution	38.53	(Note 2)	N/A	
Earnings per Share	Weighted Average Shares		31,171	31,166	N/A
	Earnings Per Share	Before Distribution	9.90	10.34	N/A
		After Distribution	N/A	N/A	N/A
Dividends per Share (Note 2)	Cash Dividends(per share)		7.50	8.00(Note 2)	N/A
	Stock Dividends	Dividends from Retained Earnings(per share)	-	-	N/A
		Dividends from Capital Surplus	-	-	N/A
	Accumulated Undistributed Dividends		-	-	N/A
Return on Investment	Price / Earnings Ratio (Note 3)		33.73	31.55	N/A
	Price / Dividend Ratio (Note 4)		44.52	40.78	N/A
	Cash Dividend Yield Rate (Note 5)		2.25%	2.45%	N/A

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

Note 2: Information on 2019 is based on the resolution of the Shareholders' Meeting in 2020; the distribution of profits for 2020 is cash dividend of NT\$8.0 per share, still pending on the final resolution of the Shareholders' Meeting in 2021.

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

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

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

Note 6: Net worth per share and earnings per share are not available as of the date of the annual report; the rest of the columns are as of March 31, 2021.

4.1.6 Dividend Policy and Implementation Status

(1) Dividend Policy

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

(2) Implementation Status: On February 23, 2021, the Board of Directors resolved to distribute shareholders' bonuses of NT\$8.0 per share, which will be processed in accordance with the relevant regulations after the resolution of the Annual Meeting of Shareholders on May 27, 2021.

4.1.7 Impact to 2019 Business Performance and EPS Resulting from Stock Dividend Distribution: Not Applicable.

4.1.8 Compensation of Employees, Directors and Supervisors

(1) Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

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

(2) The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period

Cash compensation payable to employees for 2020 approved by the Company on February 23, 2021 is recorded at a certain rate based on the current year's profitability. If the estimated amount differs from the actual amount paid, the difference is treated as a change in accounting estimate and adjusted in the year in which the amount is paid.

(3) Distribution of Compensation Approved in the Board of Directors Meeting

(3.1) Employee compensation sharing, stock dividend, and remuneration to the directors and the supervisors in the year of recognition varied with the estimation, disclose the differences, specify the cause, and the settlement of the problem: The board of directors resolved on February 23, 2021 to allocate employee compensation of NT\$4,200 thousand and director compensation of NT\$4,200 thousand for fiscal 2020, which is the same as the estimated amount of fiscal 2020 expenses with no difference.

(3.2) The amount of employee stock compensation planned to be released in proportion to the net income of the individual financial statements of The Company and to total employee compensation: Not applicable.

(4) Information of 2019 Distribution of Compensation of Employees, Directors and Supervisors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated

	Resolution of the Board of Directors (2/19/2020)	Distribution
	Amount(NT\$)	Amount(NT\$)
Remuneration of Directors	4,100,000	4,100,000
Employees' Compensation	4,100,000	4,100,000
Total	8,200,000	8,200,000

Note: The above-mentioned employees' remuneration was expensed for 2019 and there was no difference between the amount recorded and the resolution of the Board of Directors.

4.1.9 Status of Repurchase of Shares

A. Having been completely excuted

3/31/2021

Number of times	First Time
Purpose	Transferring the shares to employees
Actual period of the repurchase	3/17/2020~5/16/2020
Estimated price range for repurchase	176.50~265
The amount of actually repurchased shares (shares)	Common Shares 211,000 shares
The total amount of actually repurchased shares (NT\$)	NT\$ 48,064,037
The ratio of the quantity repurchased to the planned repurchase quantity (%)	84.40%
Shares deregistered and transferred (shares)	0
Cumulative holding (shares)	211,000 shares
Cumulated holding as a percentage of total issued shares (%)	0.67%

4.2 Status of Corporate Bonds: Not applicable.

4.3 Status of preferred stocks: Not applicable.

4.4 Status of Global Depository Receipts (GDRs): Not applicable.

4.5 Status of Employee Stock Options:

4.5.1 Not yet Issuance of Employee Stock Options: Not applicable.

4.5.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options: Not applicable.

4.6 Status of New Restricted Employee Shares: Not applicable.

4.7 Status of New Share Issuance in Connection with Mergers and Acquisitions: Not applicable.

4.8 Financing Plans and Implementation: Not applicable.

V. Business Overview

5.1 Business Activities

5.1.1 Scope of business

(1). Main business activities

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

(2) Revenue composition

Unit : NT\$ thousands

Revenue Streams	2019		2020	
	Net Revenue	Revenue Contribution	Net Revenue	Revenue Contribution
Licensing	787,641	90.63%	867,702	88.45%
Royalty	81,436	9.37%	113,314	11.55%
Total	869,077	100.00%	981,016	100.00%

(3) Current Products (Services)

Products	Functions
Foundation IP	<p>Our primary service targets are foundries and IC design companies, and we have corresponding product solutions for different wafer processes. Our product categories include Standard Cell Library, Memory Compilers, and I/O Standard Library, providing low-power, high-density memory compilers and the optimal modularization library IP design and licensing.</p> <p>Currently, we have developed IPs for microcontroller ICs, smart card ICs, power management ICs, panel driver ICs, Internet of Things ICs, and other related products.</p>
High Speed Interface IP	<p>The main service targets are IC design companies, and the product categories include:</p> <p>USB : USB 1.1/2.0/3.0/3.1/3.2/4.0 PCIe : PCI ExpressG2/G3/G4/G5 SATA : SATA 2/3 MIPI : M-PHY 、C-PHY and D-PHY</p> <p>Interface specifications of various high-speed interface IP design and development and licensing.</p> <p>Wide applications range including mobile devices, storage devices, automotive electronics, artificial intelligence, Internet of Things, and related products for high-speed computing applications.</p>
Analog IP	<p>The main service targets are IC design companies, and the product categories include ADC, PLL, PVT Sensor, LDO, and other analog IP design and development and licensing.</p> <p>Applications mainly focus on IoT and wearable device applications.</p>

(4). New products (services) development plan

- (4.1) USB 4.0, PCIe 5.0, MIPI M PHY V4.0, DDR4, 28G SerDes: The latest next-generation high-speed interface transmission specifications to meet the faster interface bandwidth requirements of future computing devices.
- (4.2) Analog Front End: Interface sensors for analog and digital systems.
- (4.3) 5/7nm 12-Track Standard Cell Library, High Performance SRAM: The latest advanced process for the development of high performance and high performance foudation IP to meet the needs of high-end computing function ICs.
- (4.4) MRAM Compiler: Emerging non-volatile memory compiler.
- (4.5) OnFi 4.1, eMMC 5.0: New generation of flash memory IO interface.

5.1.2 Industry overview

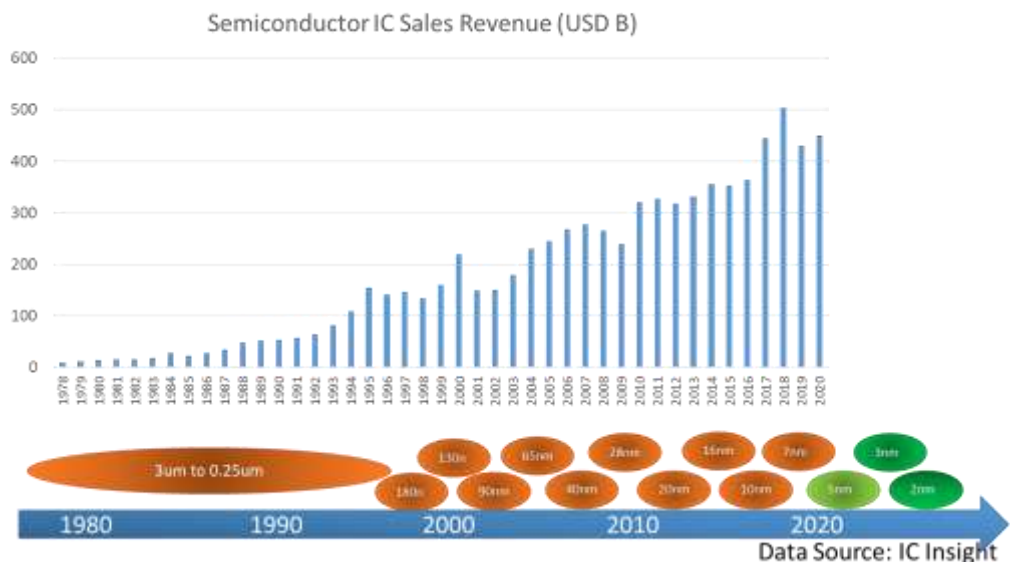
(1) Industry Development and Current Status

Electronic products from the early days of home appliances to personal computers,

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



IC is a key component of electronic products, and the upgrade of IC products is driven by wafer fabrication technology. The more advanced the process is, the faster the speed, the less power consumption and the smaller the area. TSMC's 5nm will be in mass production by 2020, and the future 4/3/2nm roadmap is also planned. The future thrust of the entire semiconductor technology evolution is still there, and the growth momentum is expected to continue to grow the overall industry.

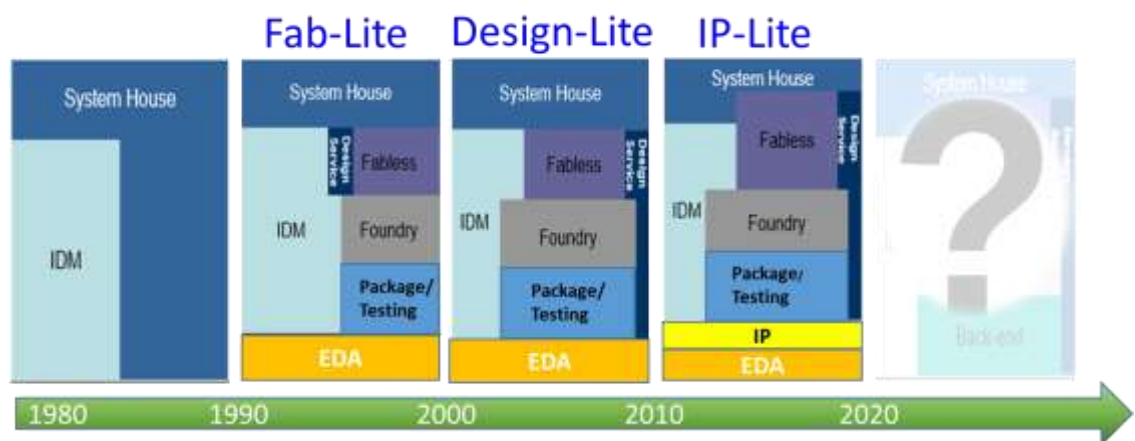


The global semiconductor IP market continues to show a growth trend, regardless of the COVID-19 pandemic last year. According to Technavio research data, the annual growth rate in 2020 is 4.78%, and the IP market is estimated to grow by US\$1.43 billion between 2020 and 2024, with a CAGR estimated at over 5%.

Today's electronic device manufacturers are developing high-performance and multifunctional electronic products. To meet the demands of the electronics market, semiconductor IC design manufacturers are offering new complex IC designs with multi-core technologies. However, this integration of complex designs prolongs the overall semiconductor product development timeline and increases cost risk, while semiconductor IP can bridge the time-to-market gap between design complexity and volume production, thus leading to high adoption of semiconductor IP licensing. The future of IC design is becoming more complex and the R&D cost is becoming more expensive, and the demand for semiconductor IP licensing market is also increasing.

(2) Evolution of the semiconductor supply chain

Back in the 1980s, IDM was the only supplier of semiconductors. After the emergence of foundries such as TSMC and UMC in the 1990s, fabless development opportunities arose. In addition, IDMs are gradually changing to the fab-lite model, taking into account the operating costs of the fabs. Recently, even Intel is planning to place orders with TSMC for high-end process products. In the 2000s, IC design services companies such as Faraday, C-TECH, and Alchip were established to provide "Spec-in" or "RTL-in" design services to system manufacturers and IC design houses. Design outsourcing can reduce the cost of maintaining a large amount of R&D workforce and is known as the Design-Lite model. In the 2010s, due to the complexity of IC design functional integration, third-party IP licensing allows IC designers to focus on core areas of strength, effectively reducing the operating costs of IC design companies and moving into the "IP-Lite" model. The division of labor between expertise and services links up the economic benefits of the overall semiconductor industry chain.



(3) R&D status and product development trends:

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

(3.1) Artificial Intelligence

AI is broadly categorized into three major aspects: cloud (infrastructure), network (technology level and middleware) and end (application area), covering

from chips, high-speed computing platforms, algorithms, deep learning, voice recognition and big data analysis at the technology level to financial technology, smart manufacturing, smart medical and smart transportation at the application level. The global market is in a phase of significant technological transformation, where artificial intelligence, machine learning and automation are relevant to all aspects of daily life, and the evolution of technology will rely on the ability to collect, manage, analyze, and transmit big data. 5G wireless transmission is an important driving force for real-time data management and processing, and the popularity of 5G, fiber optic networks and cameras is bound to drive AI applications everywhere, especially in edge computing. M31 high-speed interface IP, including PCIe, USB, MIPI, SerDes, etc., is responsible for the fast data transfer of large amount of data. High Speed SRAM, High Performance Library, provides the Foundation IP required for AI high-speed computing engine.

(3.2) Automotive Electronics

With the maturity of 5G and the rapid deployment of infrastructure, it will accelerate the booming development of Carlink, autonomous driving, advanced driver assistance systems, and intelligent transportation systems, thus creating huge business opportunities. In 2020, dozens of new electric vehicles were introduced, including Tesla, BYD, Volvo, VW, Audi, Honda, Hyundai, and others. Meanwhile, as battery technology continues to improve, fast-charging technology will begin to be more widely available, easing consumer concerns. In 2010, electronics accounted for about 35 percent of the total cost of a car. However, in the next two decades, as technology continues to advance and innovate, automotive electronics are expected to account for about 50 percent of a vehicle's total cost. Rapid growth of automotive electronics is no doubt the trend.

Unlike general consumer electronics, automotive electronics must be considered extremely safe and reliable. In 2019, M31's full range of automotive IP products, including MIPI M PHY, MIPI D PHY, PCIe PHY, SRAM Compiler and GPIO, have been certified by ISO 26262 for automotive safety, M31 has been adopted by European and U.S. automotive electronics manufacturers. In addition, M31 has expanded its penetration and market share by expanding its presence in the global automotive market, as well as in various automotive applications, such as automotive networking, security systems, and power systems.

(3.3) Internet of Things

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

Wi-Fi 6 (also known as IEEE 802.11ax) introduced to the market in 2019, and support for Wi-Fi 6 increased significantly in 2020; Bluetooth Low Energy (BLE) v5.2 is another revolutionary step, with one of the main features being audio sharing.

IoT devices need to sense information, connect to the Internet, analyze, manage and store data, and therefore will require many ICs and components to meet specific requirements and rigorous specifications. Basically, low power consumption, small size and cost effectiveness are the necessary specifications

for IoT devices. M31 low power solution includes Green Memory, Low Operating Voltage Memory, Low Power Standard Cell Library, Ultra Low Power Fractional PLL (ULFPPLL) and Low Power Interface IP (e.g. USB 2.0 and USB 1.1).

- M31 Green Energy Memory offers low power modes including standby, intermediate hibernation, deep hibernation and power OFF.
- The low operating voltage memory supports low voltage operation to directly reduce leakage and dynamic power consumption. The low-power standard cell library also provides the basic logic gates required for low-power SoCs.
- The Ultra Low Power Fractional Frequency PLL (ULFPPLL) can operate at very low voltages to conserve power and provide a reliable clock source for SoCs.
- Low-power USB 2.0 and USB 1.1 IP is optimized for IoT applications, saving more than 30% of the operating current and 70% of the standby current.

M31's various low-power, small area IP designs provide customers with highly competitive and complete options for the future era IoT. M31 high-speed interface IP, together with low-power Foundation IP database and Analog IP, offers a more comprehensive solution.

(3.4) Digital Storage

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

M31's business opportunity in the next generation data storage market lies in the upgrade of storage speed transmission, with PCIe interface from Gen2, Gen3, Gen4 to Gen5 to be developed by 2020, and USB from 1.1, 2.0 to 3.2, to the future 4.0. PCIe and USB continue to advance to higher speeds, and the interface standards are being revised in a compact manner. It is obvious that there is an urgent need for interface bandwidth for future computing devices, including, of course, data storage devices.

(3.5) Power Management Chips

The main function of the power management IC is to control the flow and direction of power to meet the needs of the main system. It selects and distributes power to various parts of the main system from multiple power sources (e.g., external DC power, battery, USB power, etc.), such as providing multiple power sources of different voltages, and is responsible for charging the internal battery. Because most of the systems used use batteries as the power source, they are designed with high conversion efficiency to reduce power loss. Analog ICs can be divided into three major categories based on their functions: power management ICs (PMIC, LDO, DC/DC), signal chain ICs (Comparator, Amplifier), and digital analog converter ICs

(ADC/DAC). According to IC Insights, power management ICs are expected to account for 21% of total analog IC volume in 2019, ranking first among all types of ICs in terms of shipment volume. PMICs are expected to grow in the future driven by new applications in communication (smartphones and base stations), consumer electronics (TWS Bluetooth headset promotion), AIoT (Artificial Intelligence of Things), and automotive electronics (new energy vehicles, charging piles). PMIC wafer production is generally based on the BCD (Bipolar-CMOS-DMOS) process, and the technology trends in BCD technology are in voltage capability, switching speed of power transistors, and high integration of logic CMOS for devices requiring high voltage. BCD technology can provide low voltage logic CMOS transistors, high voltage CMOS transistors, bipolar transistors, resistors, capacitors, diodes and power LDMOS (lateral double diffusion MOS) transistors in the same process. Typically, BCD processes have parasitic bipolar transistors, which enable the design of analog circuits similar to Banggap Reference. DMOS is used as the main power switch, so on-resistance is very important to reduce power consumption and chip size.

M31 provides a comprehensive Foundation IP solution for BCD process technology for foundries such as TSMC and Global Foundry. Process nodes range from 90nm to 180nm and enable customers to compete in cost-oriented markets where high performance products are the standard.

(3.6) Display Driver Chips

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

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

(4) Competition

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

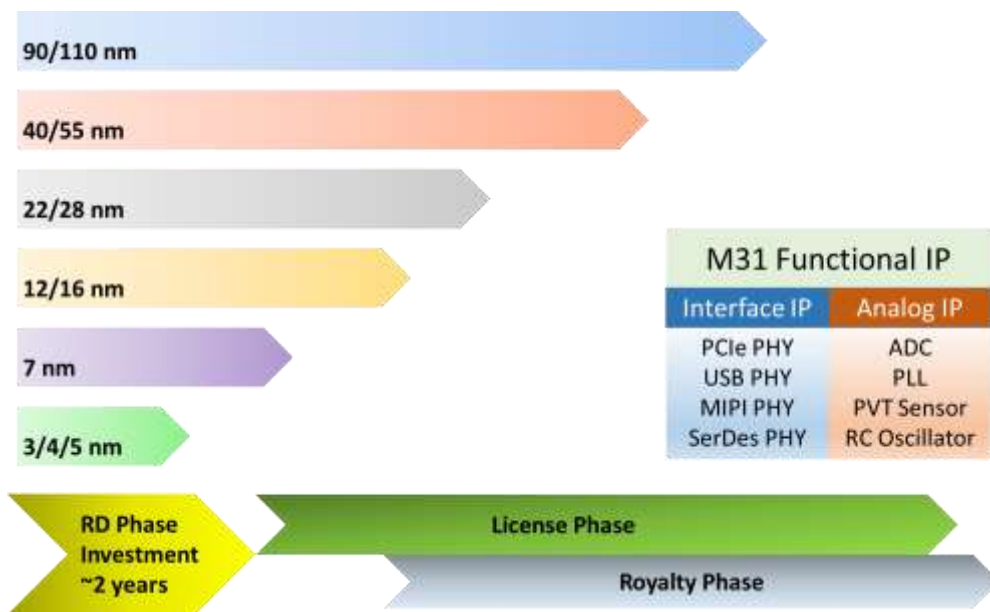
M31's Foundation IP and High Speed Interface IP are currently the best and most influential IP suppliers in Asia, both in terms of revenue and market impact. In the face of future competition, M31 not only has an excellent geographical advantage (proximity to most foundries) and high quality manpower,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

200 customers). M31's accumulated R&D capabilities and customers' trust are the greatest support base to face the future competition. Over the past few years, M31 has created a new service model for the IP industry, aiming to be the best technology partner for customers and creating a win-win future together with customers in the highly competitive semiconductor IP industry.

5.1.3 Technology and R&D Overview

(1) Technology and Research Development

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



Foundation IP, including Standard Cell Library, IO Library, Memory Compiler, is the fundamental IC design element and is closely integrated with process technology. We begin development after signing a contract with our customers. The R&D phase and the licensing phase almost overlapping each other. Once completed, fab customers can use the design for free, and M31 can receive royalties from mass production.

Currently, M31's main royalty revenue comes from 40nm to 180nm technologies, and some of our customers' 22/28nm designs are in volume production. We are expecting more 22nm and 28nm customer designs to start mass production as well. In addition, M31 will launch more Foundation IP with new process technologies in the near future.

(2) R&D staff education background status

Unit : Person

Degree		Year	2020	2021 (As of March 31)
		Ph.D.	5	6
Education Distribution	Masters	114	123	
	Bachelor's Degree	42	46	
	Junior College	3	3	
	High School or Below	2	2	
	Total	166	180	
Average Years of Service		3.39	3.23	

(3) R&D Expenses

Unit : NT\$ thousands

Year	2020	2021 (As of March 31)
R&D Expenses	420,785	105,945

(4) Products

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

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

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

Year	Developed Technologies or Products
2020	<ul style="list-style-type: none"> - TSMC 7nm eUSB2 PHY IP - TSMC 12nm PCIe 5.0 PHY IP - TSMC 12nm M PHY - TSMC 12nm C/D PHY Combo - TSMC 22nm PLL IP - TSMC 22nm ADC IP - TSMC 22nm STD Cell Library - TSMC 22nm Memory Compiler - HLMC 28nm STD Cell Library - HLMC 28nm Memory Compiler

5.1.4 Short and long term business development plan

(1) Short-term

- (1.1) Use existing products and marketing channels to continue to expand our customer base and popularity of customer use.
- (1.2) Leveraging the IP platform of our foundry partners to strengthen the connection and marketing efforts with our customers.
- (1.3) Adjusting business marketing strategies in response to international situations and unforeseen events, such as trade wars and Covid-19.
- (1.4) Use media tools such as the Internet, social software, and professional newspapers and magazines to increase the Company's visibility and professionalism with the release of new technologies and applications.
- (1.5) Actively participate in technical forums of foundries or IC design service companies to increase company exposure and access to customer base.

(2) Long-term

- (2.1) Establish global services and marketing presence to enhance business performance and quality.
- (2.2) Build a comprehensive M31 brand IP platform to provide customers with a wide range of services and options.
- (2.3) Proactively develop high value-added products with high technology threshold to explore new blue ocean markets.
- (2.4) Increase the sales rate of advanced process products and develop new applications for high end, high unit price products to increase future growth opportunities and momentum.
- (2.5) Strengthen global competitiveness with advanced process foundry partnership strategy development program.

5.2 Market Outlook and Production and Sales Overview

5.1.1 Market Analysis

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

Unit : NT\$ thousands ; %

Year Geographic Regions		2019		2020	
		Amount	%	Amount	%
Domestic Sales		218,340	25.12	196,542	20.03
Export	Mainland China	402,487	46.31	401,894	40.97
	USA	180,331	20.75	301,189	30.70
	Others	67,919	7.82	81,391	8.30
Export Subtotal		650,737	74.88	784,474	79.97
Total		869,077	100.00	981,016	100.00

(2) Market Share

According to international research firm TechNavio, the semiconductor IP market is expected to reach US\$5.7-5.8 billion in 2020, and if the Company's market share is measured by its 2020 sales of US\$33,288,000, the Company's IP market share will be approximately 0.6%. As the Company's market share in the global semiconductor IP market is currently small, it will actively expand its development cooperation with major foundries worldwide to deploy foundation IP for advanced processes and continue to provide more cost-effective customized IP and various new specifications of high-speed interface IP to provide customers with complete, unique and high value-added IP solutions to accelerate the Company's operational growth momentum.

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

(3.1) Future market supply and demand

The SIP market has gradually grown with the high integration of SoC and the demand for advanced manufacturing processes. The main application markets are mobile communications, general consumer electronics, industrial electronics and automotive electronics. The Company has developed a series of IP products, including artificial intelligence application chips, Internet of Things integration chips, storage device control chips, microcontroller chips, LCD panel driver chips, OLED panel driver chips, power management chips, fingerprint recognition control chips, battery management chips and various automotive chips. Looking at the supply and demand situation of the future market from the Company's product technology application, the rapid growth of mobile devices, wearable devices, smart networking applications and automotive electronics in recent years will continue to inject new growth momentum into the Company's revenue.

(3.2) Market growth potentials

System-on-a-Chip (SoC) has become the mainstream trend in IC technology development due to the high level of integration, increasing functionality within a single chip, and the increasing number of IP blocks required; in addition, the

proportion of outsourced design is gradually increasing, the cost of advanced process mask and technology development is getting higher, and the high complexity and long design cycle make SIP a key player. As the division of labor in the semiconductor industry becomes more and more specialized, the market segment for SIP is to reduce the burden on customers' design staff, reduce the risk of design failure, significantly shorten the product development period, and accelerate the key competitive advantage of Time-to-Market. According to various market research reports, the IP market will be on a growth trend in the coming years.

(4) Competitive advantages

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

M31 has a strong R&D and service team with experienced professionals in the fields of SIP, IC design, and design automation, as well as two product lines of Foundation IP and High Speed Interface IP. The Company works closely with the world's leading semiconductor companies and is actively involved in the development and validation of advanced processes. Through the cooperation of IC design service providers, the Company is able to provide various types of validated IP products for its end customers to choose to adopt in order to reduce design risks and costs.

In addition to assisting customers to complete product design, M31 can also provide customers with extended technical services during the testing phase of mass production and assist customers with product certification to meet their requirements.

(4.2) Unique Technology Patents

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

Therefore, the professional training of R&D staff to strengthen their design and development capabilities, and the provision of various welfare measures to attract and retain talent, as well as the timely injection of new blood, recruiting talented people to promote the transfer of experience and enhance the level of technology, which is an important factor for the sustainable operation of IP design companies.

(4.3) Long-term relationship with foundries

The key factors influencing the business development of foundries include process technology, quality yield, delivery speed and foundry price, etc. The competitiveness of foundries with leading process technology is even more important.

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

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

(5.1) Favorable factors

A. SoC Single Chip Design Complexity

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

B. Strong R&D team and excellent technical service

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

C. Geographic advantage

Since most of the foundries are located in East Asia, especially in Taiwan, China, Korea and Singapore, the semiconductor market for IC design and sales is gradually converging to Asia, thus giving M31, located in Asia's semiconductor hub, a competitive advantage over its competitors in the US and Europe.

(5.2) Unfavorable factors and responding measures

A. Positive industry outlook, growing competitors

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

Responding Measures

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

B. Low brand awareness

Due to the short period of time since the Company was established, the scale of operation is relatively small, and the number of product lines is relatively limited, we still need to actively develop new product lines, build our brand, and increase our visibility.

Responding Measures

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

5.2.2 Main products' applications and production flows

(1) Main products' applications

(1.1) Foundation IP product line

This product line is the foundation IP required for IC design, including Standard Cell Library, Memory Compilers and I/O. There are two main business models, one is for fab customers, which mainly helps them to build new technologies (develop new Standard Cell Library, Memory Compilers or I/O on a specific process) for their customers (IC design companies). The other customer category is directly to IC design companies. When these customers require specifications different from the general specifications provided by the foundry, M31 will customize the design to meet the specific technical needs of the customer.

(1.2) High Speed Interface IP product line

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

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

(2) Main products' production flow

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

5.2.3 Supply of major raw materials

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

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

(1) Major suppliers in the last two years: Not Applicable

(2) Major clients in the last two years

Unit : NT\$ thousands ; %

Year Item	2019				2020			
	Company Name	Amount	Net Sale Percentage (%)	Relation with Issuer	Company Name	Amount	Net Sale Percentage (%)	Relation with Issuer
1	Company H	30,682	3.53	None	Company H	122,283	12.46	None
2	Company E	136,189	15.67	None	Company E	68,237	6.96	None
3	Company A	136,126	15.66	None	Company A	30,427	3.10	None
4	Others	566,080	65.14	None	Others	760,069	77.48	None
	Net Sales	869,077	100.00		Net Sales	981,016	100.00	

Analysis of changes in revenue:

The Company's business expansion, customer operations, end product development and contracts with customers, IP licensing period and mass production of customer's wafers are the main factors. The revenue of Company E and Company A did not reach 10% of the total revenue for the year 2020.

5.2.5 Production in the last two years

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

5.2.6 Shipments and sales in the last two years

Unit : NT\$ thousands

Shipments & Sales Major Product	Year	2019				2020			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Licensing		-	187,067	-	600,574	-	136,127	-	731,575
Royalty		-	31,273	-	50,163	-	60,415	-	52,899
Total		-	218,340	-	650,737	-	196,542	-	784,474

Analysis of changes :

This is mainly due to the increase in demand in the global semiconductor IP market in the

year 2020, the expansion of the scope of licensing for Foundation and High Speed Interface IP technologies, the development of advanced IP products for a wider range of applications, and the increase in the number of IP licensing contracts signed as customers gain recognition for the Company year by year, resulting in the growth of the Company's operating revenue compared to the year 2019.

5.3 Human Resources

Unit: Person ; %

Year Item		2019	2020	2021 (As of March 31)
Number of Employees	R&D	152	166	180
	Sales & Administration	21	20	23
	Total	173	186	203
Average Age		37.97	37.37	34.04
Average Years of Service		3.61	3.59	3.36
Education Distribution (%)	Ph.D.	2.89	2.69	2.96
	Masters	66.48	66.67	66.50
	Bachelor's Degree	26.01	27.42	27.59
	Junior College	2.31	2.15	1.97
	High School	2.31	1.07	0.98
	Below High School	0.00	0	0.00

5.4 Environmental Protection Expenditure

The total amount of losses (including compensation) and penalties suffered by the Company as a result of environmental pollution in the most recent year and up to the date of printing of the annual report, together with a description of future countermeasures (including improvement measures) and possible expenses (including the estimated amount of losses, penalties and compensation that may occur if countermeasures are not taken, and if such estimates cannot be reasonably made, the facts that they cannot be reasonably made): None.

5.5 Labor-Management Relations

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

(1) Employee benefit program

In accordance with labor act and labor-related regulations, the Company provides labor and health insurance and retirement benefits to protect its employees. In order to take well care of our employees, we have established an employee welfare committee to allocate welfare funds in accordance with the law, and the committee coordinates the planning and operation of various welfare measures for our employees to enhance their welfare.

(1.1) Welfare measures directly handled by the Company :

A. Welfare benefits: wedding gift, funeral condolences, etc.

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

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

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

(2) Implementation of trainings

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

(2.1) Internal training: new employee training, departmental training, quality training, environment safety training, other internal professional lecturer courses, fire drill training, work safety training, laboratory equipment operation training, etc.

(2.2) External training: the manager and employee of each department can apply for the courses and training held by external institutions based on work demands.

(3) Retirement system and its implementation

The Company was incorporated in 2011, therefore the length of service of all employees in the Company are covered by the Labor Pension Act, under which monthly contributions are made to employees' individual pension accounts at 6% of salaries. Besides, retirement-related matters are handled in accordance with the Labor Pension Act. So far the Company has no retired employees since its incorporation.

(4) Labor-management agreement

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

(5) Protection measures for the rights of employees

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

For example: Workplace safety content

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

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

management as follows:

- (5.1) Conducts an annual inspection of all fire-fighting equipment based on fire safety regulations.
- (5.2) Conducts a public safety check of buildings once for every two years based on regulations relevant to the public safety of buildings.
- (5.3) Insure against commercial fire and public accidents to ensure workplace safety for employees.
- (5.4) Implement safety and health education based on relevant regulations on occupational safety and health.
- (5.5) Hold “fire safety lectures” once for every six month
- (5.6) The Occupational Accident Insurance shall be fully paid by the Company to ensure employees’ safety at work.
- (5.7) The office is secured with an access control system 24 hours a day to assure employees a safe workplace.

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

5.6 Major Contract

As of March 31, 2021, the major contracts as follows:

Contract	Contract	Term of Agreement	Major Contents	Limitation
License Agreement	Grace Semiconductor Manufacturing Corp	2/1/2013~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	MediaTek Inc.	1/23/2015~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Silicon Motion Technology Corp.	8/30/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Dialog Semiconductor	4/27/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Nexchip Semiconductor Corporation	5/5/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Semiconductor Manufacturing International Corp	6/9/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	ALCOR MICRO, CORP.	1/19/2018~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights

Contract	Contract	Term of Agreement	Major Contents	Limitation
License Agreement	Cirrus Logic Inc.	8/17/2018~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Panasonic Semiconductor Solutions Co., Ltd.	12/17/2018~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Macroblock, Inc.	12/18/2018~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Shanghai Huali Microelectronics Corporation	4/10/2019~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GLOBALFOUNDRIES Inc.	6/11/2019~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SK Hynix Semiconductor Inc.	7/31/2019~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Qualcomm Inc.	7/31/2019~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Synaptics Incorporated	10/16/2019~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Taiwan Semiconductor Manufacturing Co., Ltd.	12/5/2019~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Innogrit Technologies Co., Ltd.	4/30/2020~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Beijing AI Chip Technology Limited	5/28/2020~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Himax Technologies, Inc.	8/31/2020~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Consolidated Balance Sheet - IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					2021 (As of March 31) (Note 2)
		2016	2017	2018	2019	2020	
Current Assets		595,124	628,578	780,388	1,395,569	1,520,781	N/A
Property, Plant and Equipment		50,328	144,121	153,449	168,976	175,035	
Intangible Assets		1,752	4,934	4,565	2,347	7,775	
Other Assets		12,272	13,007	19,838	32,823	53,171	
Total Assets		659,476	790,640	958,240	1,599,715	1,756,762	
Current Liabilities	Before Distribution	180,500	210,497	212,943	156,153	246,633	
	After Distribution	266,183	339,377	432,169	391,038	(Note 3)	
Non-current Liabilities		928	51	183	1,993	1,095	
Total Liabilities	Before Distribution	181,428	210,548	213,126	158,146	247,728	
	After Distribution	267,111	339,428	432,352	393,031	(Note 3)	
Equity Attributable to Shareholders of the Parent		478,048	580,092	745,114	1,441,569	1,509,034	
Capital Stock		285,610	286,400	286,400	313,180	313,180	
Capital Surplus		41,476	41,945	53,851	634,551	634,551	
Retained Earnings	Before Distribution	151,069	251,672	401,316	490,655	586,407	
	After Distribution	65,386	122,792	182,090	255,770	(Note 3)	
Other Equity		(107)	75	3,547	3,183	22,960	
Treasury Stock		-	-	-	-	(48,064)	
Non-controlling Interest		-	-	-	-	-	
Total Equity	Before Distribution	478,048	580,092	745,114	1,441,569	1,509,034	
	After Distribution	392,365	451,212	525,888	1,206,684	(Note 3)	

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

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

Note 3: The appropriation of earnings for 2020 is a cash dividend of NT\$8.0 per share, pending resolution at the 2021 Annual Meeting of Shareholders.

6.1.2 Consolidated Statement of Comprehensive Income - IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					2021 (As of March 31) (Note 2)
		2016	2017	2018	2019	2020	
Operating Revenue		501,085	633,516	763,550	869,077	981,016	N/A
Gross Profit		501,085	633,516	763,550	869,077	981,016	
Income from Operations		176,091	245,107	305,896	369,893	418,245	
Non-operating Income and Expenses		(1,171)	(29,006)	22,964	(7,909)	(41,767)	
Income before Tax		174,920	216,101	328,860	361,984	376,478	
Income from Continuing Operations		150,329	186,286	279,907	308,565	322,248	
Loss of Discontinued Operations		-	-	-	-	-	
Net Income (Loss)		150,329	186,286	279,907	308,565	322,248	
Other Comprehensive Income (Income after Tax)		(164)	182	2,672	(364)	28,166	
Total Comprehensive Income		150,165	186,468	282,579	308,201	350,414	
Net Income Attributable to Shareholders of the Parent		150,329	186,286	279,907	308,565	322,248	
Net Income Attributable to Non-controlling Interest		-	-	-	-	-	
Comprehensive Income Attributable to Shareholders of the Parent		150,165	186,468	282,579	308,201	350,414	
Comprehensive Income Attributable to Non-controlling Interest		-	-	-	-	-	
Earnings Per Share		6.35	6.51	9.77	9.90	10.34	

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

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

6.1.3 Parent Company Only Balance Sheet - IFRS

Unit : NT\$ thousands

Item		Year	Financial Summary for The Last Five Years (Note1)				
			2016	2017	2018	2019	2020
Current Assets			599,164	616,303	766,551	1,381,083	1,505,086
Property, Plant and Equipment			50,030	143,881	153,220	168,841	174,986
Intangible Assets			1,752	4,934	4,565	2,347	7,775
Other Assets			14,755	24,001	35,079	48,701	66,887
Total Assets			665,701	789,119	959,415	1,600,972	1,754,734
Current Liabilities	Before Distribution		181,123	208,976	214,118	157,410	245,700
	After Distribution		266,806	337,856	433,344	392,295	(Note 2)
Non-current Liabilities			6,530	51	183	1,993	-
Total Liabilities	Before Distribution		187,653	209,027	214,301	159,403	245,700
	After Distribution		273,336	337,907	433,527	394,288	(Note 2)
Equity Attributable to Shareholders of the Parent			478,048	580,092	745,114	1,441,569	1,509,034
Capital Stock			285,610	286,400	286,400	313,180	313,180
Capital Surplus			41,476	41,945	53,851	634,551	634,551
Retained Earnings	Before Distribution		151,069	251,672	401,316	490,655	586,407
	After Distribution		65,386	122,792	182,090	255,770	(Note 2)
Other Equity			(107)	75	3,547	3,183	22,960
Treasury Stock			-	-	-	-	(48,064)
Non-controlling Interest			-	-	-	-	-
Total Equity	Before Distribution		478,048	580,092	745,114	1,441,569	1,509,034
	After Distribution		392,365	451,212	525,888	1,206,684	(Note 2)

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

Note 2: The appropriation of earnings for 2020 is a cash dividend of NT\$8.0 per share, pending resolution at the 2021 Annual Meeting of Shareholders.

6.1.4 Parent Company Only Statement of Comprehensive Income - IFRS

Unit : NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note)				
	2016	2017	2018	2019	2020
Operating Revenue	499,629	628,603	759,099	867,404	977,942
Gross Profit	499,629	628,603	759,099	867,404	977,942
Income from Operations	183,863	240,164	301,667	368,694	416,313
Non-operating Income and Expenses	(8,970)	(24,088)	27,124	(6,735)	(40,616)
Income before Tax	174,893	216,076	328,791	361,959	375,697
Income from Continuing Operations	150,329	186,286	279,907	308,565	322,248
Loss of Discontinued Operations	-	-	-	-	-
Net Income (Loss)	150,329	186,286	279,907	308,565	322,248
Other Comprehensive Income (Income after Tax)	(164)	182	2,672	(364)	28,166
Total Comprehensive Income	150,165	186,468	282,579	308,201	350,414
Net Income Attributable to Shareholders of the Parent	150,329	186,286	279,907	308,565	322,248
Net Income Attributable to Non-controlling Interest	-	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent	150,165	186,468	282,579	308,201	350,414
Comprehensive Income Attributable to Non-controlling Interest	-	-	-	-	-
Earnings Per Share (NT\$)	6.35	6.51	9.77	9.90	10.34

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

6.1.5 Auditors' Opinions from 2016 to 2020

Year	Accounting Firm & CPA	Audit Opinion
2016	Deloitte & Touche Chung-Cheng Chen, Cheng-Chuan Yu	An Unmodified Opinion
2017	Deloitte & Touche Chung-Cheng Chen, Cheng-Chuan Yu	An Unmodified Opinion
2018	Deloitte & Touche Chung-Cheng Chen, Cheng-Chuan Yu	An Unmodified Opinion
2019	Deloitte & Touche Chung-Cheng Chen, Cheng-Chuan Yu	An Unmodified Opinion
2020	Deloitte & Touche Yu-Feng Huang, Mei-Chen Tsai	An Unmodified Opinion

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – IFRS

Item	Year	Financial Analysis for the Last Five Years (Note 1)					2021 (As of March 31) (Note 2)
		2016	2017	2018	2019	2020	
Financial Structure	Debt-asset ratio (%)	27.51	26.63	22.24	9.89	14.10	N/A
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	957.71	402.54	485.70	854.30	862.76	
Solvency	Current Ratio (%)	329.71	298.62	366.48	893.72	616.62	
	Quick Ratio (%)	318.54	290.57	361.17	882.48	610.20	
	Interest Coverage Ratio (Times)	-	1,030.05	203.62	1,059.43	2,853.11	
Operating Performance	Accounts Receivable Turnover (Times)	3.81	3.69	3.56	4.12	4.44	
	Average Collection Period	96	99	103	89	82	
	Inventory Turnover (Times)	-	-	-	-	-	
	Accounts Payable Turnover (Times)	-	-	-	-	-	
	Average Days in Sales	-	-	-	-	-	
	Property, Plant and Equipment Turnover (Times)	11.07	6.52	5.13	5.39	5.70	
	Total Assets Turnover (Times)	1.01	0.87	0.87	0.68	0.58	
Profitability	Return on Total Assets (%)	30.23	25.72	32.16	24.15	19.21	
	Return on Equity (%)	42.32	35.21	42.24	28.22	21.84	
	Pre-tax Income to Paid-in Capital (%)	61.24	75.45	114.83	115.58	120.21	
	Profit Ratio (%)	30.00	29.41	36.66	35.50	32.85	
	Earnings Per Share (NT\$)	6.35	6.51	9.77	9.90	10.34	
Cash Flow	Cash Flow Ratio (%)	113.69	80.00	121.75	230.26	156.36	
	Cash Flow Adequacy Ratio (%)	172.88	189.49	176.01	153.63	148.66	
	Cash Reinvestment Ratio (%)	39.59	12.95	16.08	9.19	9.46	
Leverage	Operating Leverage	2.85	2.58	2.50	2.35	2.35	
	Financial Leverage	1.00	1.00	1.01	1.00	1.00	
Analysis of financial ratio differences for the last two years. (If the differences exceed 20%)							
1. The increase in debt-asset ratio was mainly due to the increase in salaries and bonuses payable and equipment payable in 2020.							
2. The decrease in current ratio was mainly due to the increase in liabilities in 2020.							
3. The decrease in quick ratio was mainly due to the increase in liabilities in 2020.							
4. The increase in times interest earned is mainly due to the increase in net income before tax and the decrease in interest expense in 2020.							
5. The decrease in return on asset was mainly due to the increase in total assets in 2020.							
6. The decrease in return on equity was mainly due to the increase in total equity in 2020.							
7. The decrease in cash flow ratio was mainly due to the increase in current liabilities in 2020.							

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

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

6.2.2 Parent Company Only Financial Analysis — IFRS

Item		Year	Financial Analysis for the Last Five Years (Note 1)				
			2016	2017	2018	2019	2020
Financial Structure	Debt-Asset Ratio (%)		28.19	26.49	22.34	9.96	14.00
	Ratio of Long-term Capital to Property, Plant and Equipment (%)		968.57	403.21	486.42	854.98	862.37
Solvency	Current Ratio (%)		330.81	294.92	358.00	877.38	612.57
	Quick Ratio (%)		319.80	286.90	352.79	866.49	606.18
	Interest Coverage Ratio (Times)		-	1,029.93	203.58	1,059.36	4,319.36
Operating Performance	Accounts Receivable Turnover (Times)		3.99	3.80	3.71	4.22	4.34
	Average Collection Period		92	96	98	86	84
	Inventory Turnover (Times)		-	-	-	-	-
	Accounts Payable Turnover (Times)		-	-	-	-	-
	Average Days in Sales		-	-	-	-	-
	Property, Plant and Equipment Turnover (Times)		11.10	6.48	5.11	5.39	5.69
	Total Assets Turnover (Times)		1.01	0.86	0.87	0.68	0.58
Profitability	Return on Total Assets (%)		30.24	25.63	32.16	24.12	19.21
	Return on Equity (%)		42.32	35.21	42.24	28.22	21.84
	Pre-tax Income to Paid-in Capital (%)		61.23	75.45	114.80	115.58	119.96
	Profit Ratio (%)		30.09	29.63	36.87	35.57	32.95
	Earnings Per Share (NT\$)		6.35	6.51	9.77	9.90	10.34
Cash Flow	Cash Flow Ratio (%)		120.63	78.69	119.03	228.76	153.66
	Cash Flow Adequacy Ratio (%)		174.05	188.77	174.51	152.92	148.42
	Cash Reinvestment Ratio (%)		41.92	12.56	15.84	9.32	9.04
Leverage	Operating Leverage		2.72	2.62	2.52	2.35	2.35
	Financial Leverage		1.00	1.00	1.01	1.00	1.00
<p>Analysis of financial ratio differences for the last two years. (If the differences exceed 20%)</p> <ol style="list-style-type: none"> 1. The increase in debt-asset ratio was mainly due to the increase in salaries and bonuses payable and equipment payable in 2020. 2. The decrease in current ratio was mainly due to the increase in liabilities in 2020. 3. The decrease in quick ratio was mainly due to the increase in liabilities in 2020. 4. The increase in times interest earned is mainly due to the increase in net income before tax and the decrease in interest expense in 2020. 5. The decrease in return on asset was mainly due to the increase in total assets in 2020. 6. The decrease in return on equity was mainly due to the increase in total equity in 2020. 7. The decrease in cash flow ratio was mainly due to the increase in current liabilities in 2020. 							

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

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

* Glossary

1. Financial Structure

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

2. Solvency

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

3. Operating Performance

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

4. Profitability

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

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (3) Cash Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital) (Note 5)

6. Leverage

- (1) Operating Leverage = (Operating Revenue - Variable Cost) / Income from Operations (Note 2)
- (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

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

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

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

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

6.3 Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 business report, financial statements, and proposal for distribution of profits. The CPA firm of Deloitte & Touche was retained to audit M31's financial statements (Consolidated and Parent Company Only) and has issued an audit report relating to the financial statements. The business report, financial statements, and profit distribution proposal have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

M31 Technology Corporation

Chairman of the Audit Committee: Shih-Ying Huang

February 23, 2021

6.4 Consolidated Financial Statements for the Years Ended December 31 2020, and Independent Auditors' Report : Please refer to Appendix I.

6.5 Parent Company Only Financial Statements for the Years Ended December 31, 2020 and Independent Auditors' Report : Please refer to Appendix II.

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

VII. Financial Status, Financial Performance, and Risk Management

7.1 Financial Status

Unit: NT\$ thousands ; %

Item	Year		Difference	
	2020	2019	Amount	%
Current Assets	1,520,781	1,395,569	125,212	8.97%
Property, Plant and Equipment	175,035	168,976	6,059	3.59%
Intangible Assets	7,775	2,347	5,428	231.27%
Other Assets	53,171	32,823	20,348	61.99%
Total Assets	1,756,762	1,599,715	157,047	9.82%
Current Liabilities	246,633	156,153	90,480	57.94%
Non-current Liabilities	1,095	1,993	(898)	(45.06%)
Total Liabilities	247,728	158,146	89,582	56.65%
Equity Attributable to Shareholders of the Parent	1,509,034	1,441,569	67,465	4.68%
Capital Stock	313,180	313,180	-	-
Capital Surplus	634,551	634,551	-	-
Retained Earnings	586,407	490,655	95,752	19.52%
Other Equity	22,960	3,183	19,777	621.33%
Treasury Stock	(48,064)	-	(48,064)	-
Non-controlling Interest	-	-	-	-
Total Equity	1,509,034	1,441,569	67,465	4.68%
Analysis of Deviation over 20%:				
1. The increase in intangible assets was mainly due to the increase in acquisition of intangible assets in 2020.				
2. The increase in other assets was mainly due to the increase in financial assets measured at fair value through other comprehensive income - non-current in 2020.				
3. The increase in current liabilities was mainly due to the increase in salaries and bonuses payable and equipment payable in 2020.				
4. The decrease in non-current liabilities was mainly due to the decrease in lease liabilities in 2020.				
5. The increase in total liabilities was mainly due to the increase in current liabilities in 2020.				
6. The increase in other equity was mainly due to the increase in unrealized gain or loss on investment in equity instruments measured at fair value through other comprehensive income in 2020.				
The above were normal trading activities and had no significant impact on the Company's financial position.				

7.2 Financial Performance

Unit: NT\$ thousands ; %

Item \ Year	2020	2019	Difference	%
Operating Revenue	981,016	869,077	111,939	12.88%
Gross Profit	981,016	869,077	111,939	12.88%
Income from Operations	418,245	369,893	48,352	13.07%
Non-operating Income and Expenses	(41,767)	(7,909)	(33,858)	428.09%
Income before Tax	376,478	361,984	14,494	4.00%
Income from Continuing Operations	322,248	308,565	13,683	4.43%
Loss of Discontinued Operations	-	-	-	-
Net Income (Loss)	322,248	308,565	13,683	4.43%
Other Comprehensive Income (Income after Tax)	28,166	(364)	28,530	(7,837.91%)
Total Comprehensive Income	350,414	308,201	42,213	13.70%
Net Income Attributable to Shareholders of the Parent	322,248	308,565	13,683	4.43%
Net Income Attributable to Non-controlling Interest	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent	350,414	308,201	42,213	13.70%
Comprehensive Income Attributable to Non-controlling Interest	-	-	-	-
Earnings Per Share	10.34	9.90	0.44	4.44%
<p>Analysis of Deviation over 20% :</p> <ol style="list-style-type: none"> 1. Decrease in non-operating income and expenses was mainly due to the increase in net exchange loss in 2020. 2. Decrease in other comprehensive income (income after tax) for the period was mainly due to the increase in unrealized valuation gains and losses on investments in equity instruments measured at fair value through other comprehensive income in 2020. <p>Possible impact on the Company's future financial operations and plans for response: Please refer to the "Business Report" for details.</p>				

7.3 Cash Flow

7.3.1 Cash Flow Analysis for 2020 and 2019 :

Unit : NT\$ thousands

Item	Year	Net Cash Generated from/(Used in)		Cash Surplus (Deficit)
		2020	2019	
Operating Activities		385,631	359,557	26,074
Investing Activities		(145,322)	(458,465)	313,143
Financing Activities		(291,836)	339,897	631,733
Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies		(10,268)	(13,879)	3,611
<p>A. Analysis of Cash Flow:</p> <ol style="list-style-type: none"> 1. The increase in net cash from operating activities was due to the growth in operating income in 2020. 2. The decrease in net cash from investing activities was due to the increase in the purchase of monetary funds in 2019. 3. The decrease in net cash from financing activities was due to the increase in cash flow from the capital increase in 2019. 4. The Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies was mainly due to the appreciation of the NT\$ against the USD. 				

7.3.2 Remedial Actions for Liquidity Shortfall: Not applicable.

7.3.3 Cash Flow Projection for 2020:

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Generated from Operating Activities (2)	Net Cash Used in Investing Activities and Financing Activities (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financial Plans
527,760	320,642	137,918	986,320	-	-
<p>Analysis of Cash Flow:</p> <ol style="list-style-type: none"> 1. Operating Activities: The net cash from operating activities is mainly due to the expected growth of revenue and operating profit in 2021. 2. Investing Activities: Net cash from investing activities consisted mainly of disposal of financial assets at amortized cost and disposal of financial assets at fair value through profit or loss, and net purchases of office buildings of NT\$437,758 thousand and renovations and new equipment of NT\$146,236 thousand. 3. Financing Activities: Net cash from financing activities mainly consisted of bank loans of \$300,000 thousand and expected cash dividends of \$248,856 thousand. 					

7.4 Major Capital Expenditure Items : None.

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

7.5.1 Investment Policy

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

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

Unit: NT\$ thousands

Investee Company	Principal Business Activities	2020 Investment Profits (Losses)	Main Causes for Profits or Losses	Improvement Plans	Investment Plans for the Coming Year
M31 TECHNOLOGY USA, INC.	Product marketing and technical service	1,354	SIP revenue from technical services and marketing services.	None	None
Sirius Venture Ltd.	Investment Holdings	(620)	The loss was recognized as a result of the subsidiary investment of M31 Technology (Shanghai) Inc.	None	None
M31 Technology (Shanghai) Inc.	Product marketing and technical service	(583)	The decrease in revenue from marketing services.	None	None

7.6 Analysis of Risk Management

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

(1) Interest rate

The Company uses a conservative approach in the use of capital, mainly through fixed deposits and the purchase of money-based funds. The Company has sufficient capital and no financing loans in 2020, so the impact of changes in interest rates on the Company's profit and loss is not significant. The Company has good relationships with banks and has smooth financing channels. In the future, the Company will consider the availability of various sources of funds, the cost of funds and financial business development plans to raise the necessary funds to meet the needs of business development, and will regularly evaluate the interest rates of bank deposits and observe

the impact of changes in market interest rates on the Company's funds for timely adjustment.

(2) Foreign exchange volatility

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

(3) Inflation

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

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

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

7.6.3 Research & Development Plans and Expense Projection

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

(1.1) 7nm 12-Track standard cell library and high performance memory compiler.

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

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

(1.4) Analog IP development.

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

(1.6) CPU Hard Core IP2.

(2) The Company expects to invest NT\$559,935 thousand in research and development in the coming year to support various research and development programs and to improve

the Company's global competitiveness.

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

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

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

Our company is a R&D-oriented professional SIP development company that works closely with world-class manufacturers to keep up with the semiconductor market trends and industry-related technology developments in order to maintain a stable and flexible financial management. The advancement of technology has led to new specifications and applications, and has given the Company greater market demand and growth momentum.

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

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

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

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

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

The Company is a research, development and sales company of Silicon IP and does not engage in the production of physical goods. On March 22, 2021, the Company purchased a new office building to save rental expenses.

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

(1) Purchasing Sources

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

(2) Sales

The highest proportion of sales to a single customer was 15.67% and 12.46% in 2019 and 2020, respectively. The Company's top sales customer in each year was less than 50%, and its sales customers are still widely dispersed. In addition to the stable relationship with existing customers, the Company has been actively developing

overseas foundries and IC design companies in recent years to expand its business scale and customer base, therefore, the risk of sales concentration in 2019 and 2020 shall not be high.

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

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

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

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

(2) Succession planning and operation

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

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

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

In addition, in planning the succession plan, the successor must not only possess excellent working ability, but also have values that are in line with the Company's culture. At the same time, through job rotation or practical training in different tasks, each business unit supervisor develops cross-disciplinary professional and leadership skills to lead his or her team to achieve the set annual goals, so that the Company can develop and grow sustainably through the implementation of succession planning.

The Company appropriately arranges for directors to attend lectures, seminars, symposiums or refresher courses covering topics related to corporate governance, such as finance, risk management, business, legal affairs, accounting or internal control systems, in order to cultivate future successors.

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

7.6.12 Litigation or Non-litigation Matters

(1) Significant lawsuits, non-litigation or administrative disputes currently pending against the Company: None.

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

7.6.13 Other Major Risks

Impact of information security risks on the Company's financial operations:

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

A. Staff Management

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

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

B. Device Control

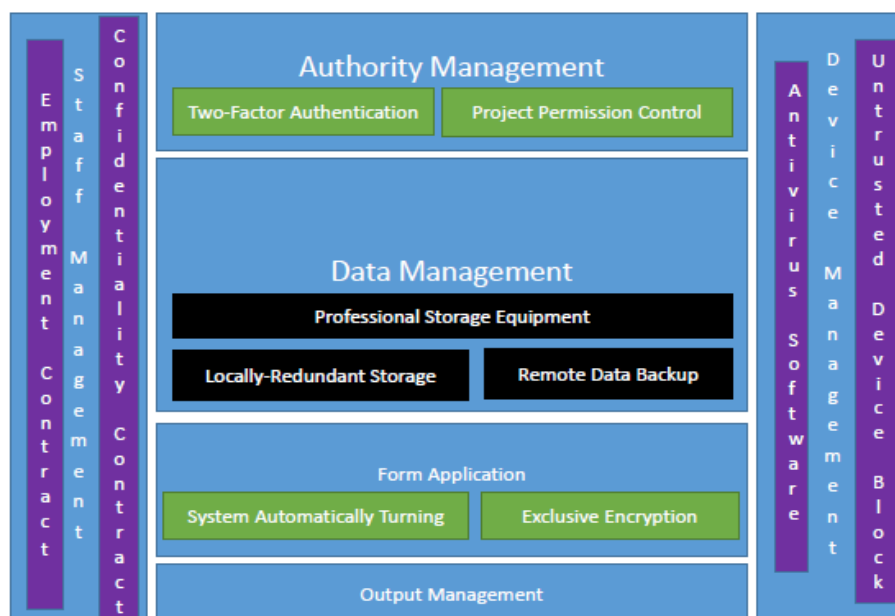
The Company's computer equipment must be installed with anti-virus software and the system will determine that the computer meets the specifications before granting network connection authorization. Any unauthorized computer equipment is strictly prohibited from accessing the Company's network, and the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

C. Authority Management

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

D. Data Management

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



Information Security Risk Management Framework

E. Export Management

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

- (2) M31 Technology does not have any material information security incidents that have had or may have a material adverse effect on the business and operations of the Company for the year 2020 and up to the printing date of the annual report.

7.7 Other Materiality

7.7.1 Intellectual property management

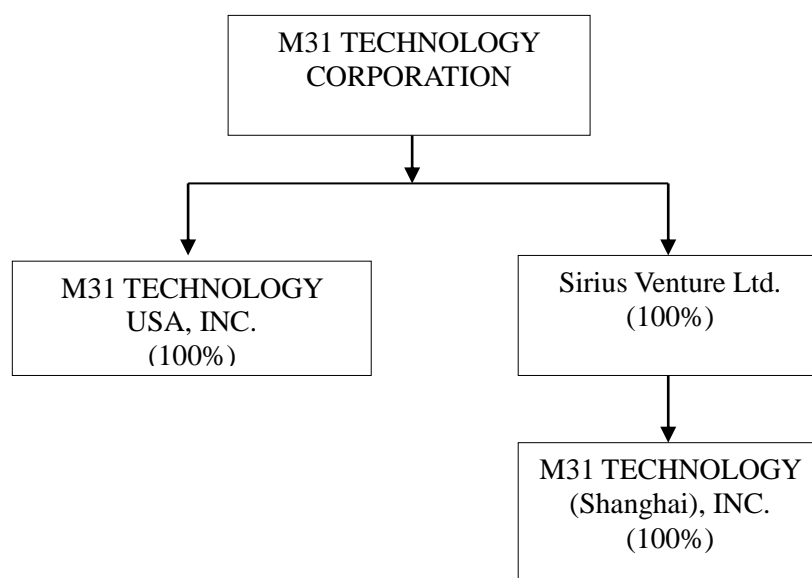
As a company with R&D achievements as its most important asset, the Company has been actively establishing the intellectual property management system and mechanism since its establishment, and promoting various innovative activities. The Intellectual Property Management System covers the "protection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

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Consolidation Business Report of Affiliates

(1) The Company's Affiliated Companies Chart



(2) Basic Information of Affiliated Companies

3/31/2021 Unit : USD thousands

Company Name	Date of Establishment	Address	Capital	Main Businesses and Products
M31 TECHNOLOGY USA, INC.	Dec. 18, 2013	1900 McCarthy Boulevard, Suite 105, Milpitas, State of California	450	Product marketing and technical services
Sirius Venture Ltd.	Mar. 12, 2015	1st Floor, #5 DEKK House, De Zippora Street, Providence Industrial Estate, Mahe', Republic of Seychelles	167	Investment holding
M31 Technology (Shanghai) Inc	Dec. 17, 2015	Room 4707, floor 6, No. 111, Fengpu Avenue, Fengpu Industrial Park, Fengxian District, Shanghai	100	Product marketing and technical services

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

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

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

3/31/2021 Unit: thousand shares

Company Name	Title	Name or Representative	Holding Shares	%
M31 TECHNOLOGY USA, INC.	Chairman	M31 TECHNOLOGY CORPORATION (Representative : Yuan-Hsun Chang)	450	100%
Sirius Venture Ltd.	Chairman	M31 TECHNOLOGY CORPORATION (Representative : Huey-Ling Chen)	167	100%
M31 Technology (Shanghai) Inc	Executive Director Supervisors	Sirius Venture Ltd. (Representative : Yuan-Hsun Chang) Sirius Venture Ltd. (Representative : Gavin Ge)	Unissued Shares	100%

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

12/31/2020 Unit : NT\$ thousands

Company Name	Capital	Total Assets	Total liabilities	Net Worth	Operating income	Profit	Net Income (After tax)	EPS (After tax)
M31 TECHNOLOGY USA, INC.	13,531	103,858	90,226	13,632	218,566	2,145	1,354	-
Sirius Venture Ltd.	5,364	2,502	34	2,468	-	(36)	(620)	-
M31 Technology (Shanghai) Inc	3,340	2,314	-	2,314	771	(602)	(583)	-

8.1.2 Consolidated Business Report and Consolidation of Financial Statements of Affiliates : Please refer to Appendix I

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

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

8.4 Supplementary Notes: None.

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

M31 Technology Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of a parent and its subsidiaries under International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of a parent and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

M31 Technology Corporation

By:

Yuan-Hsun Chang
Chairman
February 23, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

M31 Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of M31 Technology Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

Risk of Improper Recognition of Technical Service Revenue

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

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

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

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

1. Understand the design and operating effectiveness of the Group's internal control systems relevant to the recognition of technical service revenue contracts.
2. Sample the technical service revenue contracts recognized in 2020, checking relevant documents and receivable collections, reviewing critical contract provisions, for the purpose of ensuring the proper timing of revenue recognition.
3. Sample the technical service revenue contracts recognized in a period before/after the balance sheet dates to perform the cut-off test, for the purpose of ensuring proper satisfaction of performance obligations and revenue recognition prior to the balance sheet dates.

Other Matter

We have also audited the parent company only financial statements of M31 Technology Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to

the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 23, 2021

Notice to Readers

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

For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$527,760	30	\$589,555	37
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	444,616	25	504,867	31
Financial assets at amortized cost - current (Notes 4 and 9)	227,840	13	73,960	5
Accounts receivable (Notes 4, 5, 10 and 20)	254,612	15	179,282	11
Other receivables	95	-	482	-
Current tax assets (Notes 4 and 22)	41,567	2	28,005	2
Prepayments (Note 15)	15,816	1	17,550	1
Other current assets (Notes 15 and 29)	8,475	1	1,868	-
Total current assets	<u>1,520,781</u>	<u>87</u>	<u>1,395,569</u>	<u>87</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	28,000	2	9,350	1
Property, plant and equipment (Notes 4 and 12)	175,035	10	168,976	11
Right-of-use assets (Notes 4 and 13)	4,186	-	9,509	1
Intangible assets (Notes 4 and 14)	7,775	-	2,347	-
Deferred tax assets (Notes 4 and 22)	7,867	-	7,841	-
Other non-current assets (Note 15)	13,118	1	6,123	-
Total non-current assets	<u>235,981</u>	<u>13</u>	<u>204,146</u>	<u>13</u>
TOTAL	<u>\$ 1,756,762</u>	<u>100</u>	<u>\$ 1,599,715</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Note 20)	\$90,167	5	\$27,531	2
Accounts payable (Note 16)	3,085	-	2,079	-
Other payables (Note 17)	114,637	7	89,670	6
Current tax liabilities (Notes 4 and 22)	28,861	2	23,607	1
Lease liabilities - current (Notes 4 and 13)	3,074	-	7,652	1
Other current liabilities (Note 17)	6,809	-	5,614	-
Total current liabilities	<u>246,633</u>	<u>14</u>	<u>156,153</u>	<u>10</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	-	-	60	-
Lease liabilities - non-current (Notes 4 and 13)	1,095	-	1,933	-
Total non-current liabilities	<u>1,095</u>	<u>-</u>	<u>1,993</u>	<u>-</u>
Total liabilities	<u>247,728</u>	<u>14</u>	<u>158,146</u>	<u>10</u>
EQUITY (Note 19)				
Share capital				
Ordinary shares	<u>313,180</u>	<u>18</u>	<u>313,180</u>	<u>19</u>
Capital surplus	<u>634,551</u>	<u>36</u>	<u>634,551</u>	<u>40</u>
Retained earnings				
Legal reserve	92,583	6	61,727	4
Unappropriated earnings	493,824	28	428,928	27
Total retained earnings	<u>586,407</u>	<u>34</u>	<u>490,655</u>	<u>31</u>
Other equity	<u>22,960</u>	<u>1</u>	<u>3,183</u>	<u>-</u>
Treasury Shares	(48,064)	(3)	-	-
Total equity	<u>1,509,034</u>	<u>86</u>	<u>1,441,569</u>	<u>90</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,756,762</u>	<u>100</u>	<u>\$ 1,599,715</u>	<u>100</u>

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 20)	<u>\$ 981,016</u>	<u>100</u>	<u>\$ 869,077</u>	<u>100</u>
GROSS PROFIT	<u>981,016</u>	<u>100</u>	<u>869,077</u>	<u>100</u>
OPERATING EXPENSES (Notes 14 and 21)				
Selling and marketing expenses	(50,918)	(6)	(48,247)	(6)
General and administrative expenses	(89,343)	(9)	(96,535)	(11)
Research and development expenses	(420,785)	(43)	(364,895)	(42)
Expected credit (loss) gain (Notes 4, 5 and 10)	(<u>1,725</u>)	<u>-</u>	<u>10,493</u>	<u>1</u>
Total operating expenses	(<u>562,771</u>)	(<u>58</u>)	(<u>499,184</u>)	(<u>58</u>)
OPERATING INCOME	<u>418,245</u>	<u>42</u>	<u>369,893</u>	<u>42</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 21)	6,844	1	6,842	1
Other income (Notes 4 and 21)	1,075	-	763	-
Other gains and losses (Notes 4 and 21)	(49,554)	(5)	(15,172)	(2)
Finance costs (Note 21)	(<u>132</u>)	<u>-</u>	(<u>342</u>)	<u>-</u>
Total non-operating income and expenses	(<u>4</u>)	(<u>4</u>)	(<u>7,909</u>)	(<u>1</u>)
PROFIT BEFORE INCOME TAX	376,478	38	361,984	41
INCOME TAX EXPENSE (Notes 4 and 22)	(<u>54,230</u>)	(<u>5</u>)	(<u>53,419</u>)	(<u>6</u>)
NET PROFIT FOR THE YEAR	<u>322,248</u>	<u>33</u>	<u>308,565</u>	<u>35</u>

(Continued)

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
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 19)	\$ 28,703	3	(\$ 10)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 19)	(671)	-	(442)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 19 and 22)	134	-	88	-
	(537)	-	(354)	-
Other comprehensive income(loss) for the year, net of income tax	<u>28,166</u>	<u>3</u>	<u>(364)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 350,414</u>	<u>36</u>	<u>\$ 308,201</u>	<u>35</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 10.34</u>		<u>\$ 9.90</u>	
Diluted	<u>\$ 10.34</u>		<u>\$ 9.89</u>	

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus	Retained Earnings		Other Equity		Amount of Treasury Shares	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings	Exchange Difference on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2019	28,640	\$ 286,400	\$ 53,851	\$ 33,736	\$ 367,580	\$ 287	\$ 3,260	\$ -	\$ 745,114
Appropriation of 2018 earnings									
Legal reserve	-	-	-	27,991	(27,991)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(219,226)	-	-	-	(219,226)
Net profit for the year ended December 31, 2019	-	-	-	-	308,565	-	-	-	308,565
Other comprehensive income(loss) for the year ended December 31, 2019, net of income tax (Note 19)	-	-	-	-	-	(354)	(10)	-	(364)
Total comprehensive income(loss) for the year ended December 31, 2019	-	-	-	-	308,565	(354)	(10)	-	308,201
Proceeds from issuance of ordinary shares (Note 19)	2,678	26,780	578,692	-	-	-	-	-	605,472
Share-based payment (Notes 19 and 24)	-	-	826	-	-	-	-	-	826
Other changes in capital surplus (Note 19)	-	-	1,182	-	-	-	-	-	1,182
BALANCE AT DECEMBER 31, 2019	31,318	313,180	634,551	61,727	428,928	(67)	3,250	-	1,441,569
Appropriation of 2019 earnings									
Legal reserve	-	-	-	30,856	(30,856)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(234,885)	-	-	-	(234,885)
Net profit for the year ended December 31, 2020	-	-	-	-	322,248	-	-	-	322,248
Other comprehensive income(loss) for the year ended December 31, 2020, net of income tax (Note 19)	-	-	-	-	-	(537)	28,703	-	28,166
Total comprehensive income(loss) for the year ended December 31, 2020	-	-	-	-	322,248	(537)	28,703	-	350,414
Purchase of treasury shares (Note 19)	-	-	-	-	-	-	-	(48,064)	(48,064)
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 19)	-	-	-	-	8,389	-	(8,389)	-	-
BALANCE AT DECEMBER 31, 2020	31,318	\$ 313,180	\$ 634,551	\$ 92,583	\$ 493,824	(\$ 604)	\$ 23,564	(\$ 48,064)	\$ 1,509,034

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 376,478	\$ 361,984
Adjustments for:		
Depreciation expenses	39,382	35,190
Amortization expenses	2,783	2,691
Expected credit loss(gain)	1,725	(10,493)
Net gain on fair value changes of financial assets at fair value through profit or loss	(1,548)	(2,840)
Finance costs	132	342
Interest income	(6,844)	(6,842)
Share-based payment	-	826
Gain on disposal of property, plant and equipment	(867)	-
Unrealized loss(gain) on foreign currency exchange	20,770	16,584
Changes in operating assets and liabilities		
Accounts receivable	(75,988)	59,026
Other receivables	387	(241)
Prepayments	1,734	(6,267)
Other current assets	(3)	847
Contract liabilities	62,636	(30,484)
Accounts payable	992	285
Other payables	18,444	4,207
Other current liabilities	<u>1,195</u>	<u>416</u>
Cash generated from operations	441,408	425,231
Interest received	6,844	6,842
Interest paid	(132)	(342)
Income tax paid	<u>(62,489)</u>	<u>(72,174)</u>
Net cash generated from operating activities	<u>385,631</u>	<u>359,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	-	(1,100)
Disposal of financial assets at fair value through other comprehensive income	10,053	-

(Continued)

	<u>2020</u>	<u>2019</u>
Acquisition of financial assets at amortized cost	(\$ 484,850)	(\$ 13,620)
Disposal of financial assets at amortized cost	318,760	-
Acquisition of financial assets at fair value through profit or loss	(415,000)	(782,000)
Disposal of financial assets at fair value through profit or loss	476,799	330,004
Acquisition of property, plant and equipment	(30,141)	(41,348)
Disposal of property, plant and equipment	867	-
Increase in refundable deposits	(97)	(5,422)
Acquisition of intangible assets	(8,211)	(473)
(Increase) Decrease in other finance assets	(484)	55,494
Increase in prepayments for equipment	(13,018)	-
Net cash used in investing activities	<u>(145,322)</u>	<u>(458,465)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	-	(40,000)
Repayment of the principal portion of lease liabilities	(8,887)	(7,531)
Dividends paid	(234,885)	(219,226)
Proceeds from issuance of ordinary shares	-	608,472
Payments to acquire treasury shares	(48,064)	-
Payment of shares issuance costs	-	(3,000)
Others	-	<u>1,182</u>
Net cash (used in) /generated from financing activities	<u>(291,836)</u>	<u>339,897</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(10,268)</u>	<u>(13,879)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
	(61,795)	227,110
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>589,555</u>	<u>362,445</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 527,760</u>	<u>\$ 589,555</u>

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 23, 2021.

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

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

Except for the following, whenever applied, the application of the amended IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

Amendments to IAS 1 and IAS 8 "Definition of Material"

Upon the initial application of this amendment from January 1, 2020, the Group changed the threshold for materiality to “could reasonably be expected to influence the decisions of users.” The Group also adjusted the disclosures in the consolidated financial statements, deleting immaterial information that might obscure the material information.

- b. The IFRSs endorsed by the FSC for application starting from 2021

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective for annual reporting periods beginning on or after January 1, 2021
Amendments to IFRS 16 "COVID-19-Related Rent Concessions"	Effective for annual reporting periods beginning on or after June 1, 2020

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

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. IAS 41 “Agriculture” amendments are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1, “First-time Adoptions of IFRSs”, are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The application of this amendment is deferred for annual reporting periods beginning on or after January 1, 2023.

Note 7: This amendment 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

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

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

d. 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.

e. Foreign currencies

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

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

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

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

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

f. Property, plant and equipment

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

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

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

g. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

j. Revenue recognition

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

1) Revenue from the rendering of services

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

2) Licensing revenue

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

k. Lease

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

The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine

those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

l. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

m. Share-based payment arrangements

Employee share options granted to employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus – employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the employees are informed.

At each balance sheet date, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

n. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the economic impact of the COVID-19 outbreak as a significant accounting estimate and management reviews the estimates and underlying assumptions on an ongoing basis. If a revision of an estimate affects only the current period, it is recognized in the period in which it is revised; if a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which it is revised and in the future period.

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 70	\$ 70
Checking accounts and demand deposits	280,210	165,820
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>247,480</u>	<u>423,665</u>
	<u>\$527,760</u>	<u>\$589,555</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank deposits	0.010%~0.405%	0.010%~2.330%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Mandatorily measured at FVTPL		
Non-derivative financial assets		
-fund beneficiary certificate	<u>\$444,616</u>	<u>\$504,867</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in equity instrument

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Domestic Investment		
Listed shares and emerging market shares		
Ordinary shares –		
iSTART-TEK Inc.	<u>\$28,000</u>	<u>\$ -</u>
Unlisted shares		
Ordinary shares –		
iSTART-TEK Inc.	<u>\$ -</u>	<u>\$ 9,350</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.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Domestic investment		
Time deposits with original maturities of more than 3 months	<u>\$227,840</u>	<u>\$73,960</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.325% ~ 0.520% and 1.040% ~ 2.300% as of December 31, 2020 and 2019, respectively.

10. ACCOUNTS RECEIVABLE

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$259,323	\$182,102
Less: Allowance for impairment loss	(4,711)	(2,820)
	<u>\$254,612</u>	<u>\$179,282</u>

Accounts receivable

As provided by contracts, payments shall be received 30 to 90 days after the service has been rendered by the Group. In determining the recoverability of accounts receivables, the Group considers any change in the credit quality of the accounts receivables since the date the credit was initially granted to the balance sheet dates.

The Group adopted a policy of only dealing with creditworthy counterparties, where appropriate, 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 risk management committee 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 account 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 account receivables at an amount equal to lifetime ECLs. The expected credit losses on account receivables 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 debtors 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 account receivables based on the Group's provision matrix.

December 31, 2020

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

December 31, 2019

	<u>Not Past Due</u>	<u>1 to 60 Days</u>	<u>61 to 120 Days</u>	<u>121 to 180 Days</u>	<u>181 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
Expected Credit Losses rate	0%~0.25%	0%~1.58%	0%~6.02%	0%~10.84%	0%~14.92%	-	
Gross carrying amount	\$118,745	\$43,071	\$11,706	\$3,468	\$5,112	\$-	\$182,102
Loss allowance (lifetime ECL)	(294)	(682)	(705)	(376)	(763)	-	(2,820)
Amortized cost	<u>\$118,451</u>	<u>\$42,389</u>	<u>\$11,001</u>	<u>\$3,092</u>	<u>\$4,349</u>	<u>\$-</u>	<u>\$179,282</u>

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

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Balance at January 1	\$2,820	\$9,661
Add: Amounts recovered	-	3,583
Add: Net remeasurement of loss allowance	1,725	-
Less: Gain on reversal of impairment loss	-	(10,493)
Effect of exchange rate changes	166	69
Balance at December 31	<u>\$4,711</u>	<u>\$2,820</u>

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

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

<u>Investor</u>	<u>Investee</u>	<u>Nature of Activities</u>	<u>Proportion of Ownership (%)</u>		<u>Remark</u>
			<u>2020</u>	<u>2019</u>	
The Company	M31 Technology USA, INC.	Product marketing and technical services	100%	100%	(1)
	Sirius Venture Ltd.	Investment holding	100%	100%	(1)
Sirius Venture Ltd.	M31 Technology (Shanghai) Inc.	Product marketing and technical services	100%	100%	(2)

Remark:

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

12. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Group

	<u>Land</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Other Facilities</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2020	\$ 98,853	\$ 70,816	\$ 23,433	\$ 79,087	\$272,189
Additions	-	866	-	35,786	36,652
Disposals	-	(2,025)	(12,543)	(16,417)	(30,985)
Net exchange differences	-	(15)	-	(9)	(24)
Balance at December 31, 2020	<u>\$ 98,853</u>	<u>\$ 69,642</u>	<u>\$ 10,890</u>	<u>\$ 98,447</u>	<u>\$277,832</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 46,571	\$ 14,604	\$ 42,038	\$103,213
Depreciation expense	-	7,775	4,039	18,776	30,590
Disposals	-	(2,025)	(12,543)	(16,417)	(30,985)
Net exchange differences	-	(15)	-	(6)	(21)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 52,306</u>	<u>\$ 6,100</u>	<u>\$ 44,391</u>	<u>\$102,797</u>
Carrying amounts at December 31, 2020	<u>\$ 98,853</u>	<u>\$ 17,336</u>	<u>\$ 4,790</u>	<u>\$ 54,056</u>	<u>\$175,035</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 98,853	\$ 51,713	\$ 22,285	\$ 56,781	\$229,632
Additions	-	14,867	1,148	22,312	38,327
Disposals	-	(543)	-	-	(543)
Reclassified (Note)	-	4,787	-	-	4,787
Net exchange differences	-	(8)	-	(6)	(14)
Balance at December 31, 2019	<u>\$ 98,853</u>	<u>\$ 70,816</u>	<u>\$ 23,433</u>	<u>\$ 79,087</u>	<u>\$272,189</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	\$ -	\$ 40,415	\$ 9,752	\$ 26,016	\$ 76,183
Disposals	-	(543)	-	-	(543)
Depreciation expense	-	6,705	4,852	16,026	27,583
Net exchange differences	-	(6)	-	(4)	(10)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 46,571</u>	<u>\$ 14,604</u>	<u>\$ 42,038</u>	<u>\$103,213</u>
Carrying amounts at December 31, 2019	<u>\$ 98,853</u>	<u>\$ 24,245</u>	<u>\$ 8,829</u>	<u>\$ 37,049</u>	<u>\$168,976</u>

Note : Transferred from prepayments for equipment.

No impairment assessment was performed for the year ended December 31, 2020 and 2019 as there was no indication of impairment.

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Carrying amounts</u>		
Buildings	<u>\$ 4,186</u>	<u>\$ 9,509</u>
	Year Ended	Year Ended
	December 31, 2020	December 31, 2019
Additions to the right of use assets	<u>\$ 3,634</u>	<u>\$ -</u>
Depreciation of right-of-use assets		
Buildings	<u>\$ 8,792</u>	<u>\$ 7,607</u>

b. Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Carrying amounts</u>		
Current	<u>\$ 3,074</u>	<u>\$ 7,652</u>
Non-current	<u>\$ 1,095</u>	<u>\$ 1,933</u>

Discount rate for lease liabilities is set out as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Buildings	1.60%	1.60%

c. Other lease information

	<u>Year Ended</u>	<u>Year Ended</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expenses relating to short-term leases	<u>\$ 1,215</u>	<u>\$ 1,927</u>
Total cash outflow for leases	<u>(\$10,234)</u>	<u>(\$ 9,666)</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 set out as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lease commitments	<u>\$16,101</u>	<u>\$24,158</u>

14. INTANGIBLE ASSETS

	<u>Patents</u>	<u>Software</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ -	\$ 8,466	\$ 8,466
Separately acquired	<u>-</u>	<u>8,211</u>	<u>8,211</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 16,677</u>	<u>\$ 16,677</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ -	\$ 6,119	\$ 6,119
Amortization expense	<u>-</u>	<u>2,783</u>	<u>2,783</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 8,902</u>	<u>\$ 8,902</u>
Carrying amounts at December 31, 2020	<u>\$ -</u>	<u>\$ 7,775</u>	<u>\$ 7,775</u>

	<u>Patents</u>	<u>Software</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 11,041	\$ 24,821	\$ 35,862
Separately acquired	-	473	473
Disposals	(11,041)	(16,828)	(27,869)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 8,466</u>	<u>\$ 8,466</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2019	\$ 11,041	\$ 20,256	\$ 31,297
Amortization expense	-	2,691	2,691
Disposals	(11,041)	(16,828)	(27,869)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 6,119</u>	<u>\$ 6,119</u>
Carrying amounts at December 31, 2019	<u>\$ -</u>	<u>\$ 2,347</u>	<u>\$ 2,347</u>

Intangible assets are amortized on a straight-line basis over estimated useful lives of 3 years. An analysis of amortization expense by function :

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
General and administrative expenses	\$ 337	\$ 376
Research and development expenses	<u>2,446</u>	<u>2,315</u>
	<u>\$ 2,783</u>	<u>\$ 2,691</u>

15. OTHER ASSETS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Prepayments	\$15,816	\$17,550
Refundable deposits	7,987	1,867
Other financial assets — restricted assets (Note 29)	484	-
Other	<u>4</u>	<u>1</u>
	<u>\$24,291</u>	<u>\$19,418</u>
<u>Non-current</u>		
Prepayments for equipment	\$13,018	\$ -
Refundable deposits	<u>100</u>	<u>6,123</u>
	<u>\$13,118</u>	<u>\$ 6,123</u>

Ranges of market interest rate on balance sheet dates is set out as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other financial assets — restricted assets	0.25%	-

16. ACCOUNTS PAYABLE

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Accounts payable</u>		
Operating	<u>\$ 3,085</u>	<u>\$ 2,079</u>

17. OTHER LIABILITIES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$87,874	\$69,339
Payables for purchases of equipment	10,211	3,700
Payables for annual leave	5,782	4,593
Payables for retirement benefit	3,031	2,766
Payables for insurance	2,821	2,632
Payables for professional service fees	1,160	4,229
Payables for tax expense	218	202
Others	<u>3,540</u>	<u>2,209</u>
	<u>\$114,637</u>	<u>\$89,670</u>
Other liabilities		
Collection	<u>\$ 6,809</u>	<u>\$ 5,614</u>

18. 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 the local regulations.

19. EQUITY

a. Share capital

Ordinary shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Number of shares authorized		
(in thousands)	<u>50,000</u>	<u>50,000</u>
Shares authorized	<u>\$500,000</u>	<u>\$500,000</u>
Number of shares issued and fully paid		
(in thousands)	<u>31,318</u>	<u>31,318</u>
Shares issued	<u>\$313,180</u>	<u>\$313,180</u>

On September 25, 2018, the Group's board of directors resolved to issue 2,678 thousand ordinary shares for capital increase for Initial Public Offering, with a par value of \$10 each. The aforementioned capital increase includes Weighted Average Price \$238.57 from bidding auctions, 1,928 thousand ordinary shares from bidding, and a fixed underwriting price of \$198 per share, 611 thousand underwriting shares to be offered, and 139 thousand ordinary shares of employee stock, amounting to \$605,472 thousand in total (\$3,000 thousand are deducted for stock issuance cost). The difference between the par value and the issuing price is \$578,692 thousand, which is

recognized at capital surplus – ordinary share premiums, increasing the share capital issued and fully paid to \$313,180 thousand.

On October 12, 2018, the above transaction was approved by the TPEX, and the subscription base date was determined by the board of directors to be January 21, 2019.

b. Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$630,511	\$630,511
<u>May be used to offset a deficit only (2)</u>		
Arising from employee share options	<u>4,040</u>	<u>4,040</u>
	<u>\$634,551</u>	<u>\$634,551</u>

- 1: Such capital surplus may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company’s capital surplus and to once a year).
- 2: Such capital surplus refers to the amount transferred from Capital surplus – employee share options during the execution of employee share options.

The Balance adjustment in capital surplus in 2020 and 2019 are set out as follows:

	<u>Arising from issuance of ordinary shares</u>	<u>Arising from employee share options</u>	<u>Employee share options</u>	<u>Total</u>
Balance at January 1 and December 31, 2020	<u>\$630,511</u>	<u>\$ 4,040</u>	<u>\$ -</u>	<u>\$634,551</u>
Balance at January 1, 2019	\$ 50,637	\$ 3,214	\$ -	\$ 53,851
Recognized as stock-based compensation	-	-	826	826
Cash Capital Increase	578,692	826	(826)	578,692
Other (Note)	<u>1,182</u>	<u>-</u>	<u>-</u>	<u>1,182</u>
Balance at December 31, 2019	<u>\$630,511</u>	<u>\$ 4,040</u>	<u>\$ -</u>	<u>\$634,551</u>

Note: When the Group employees resign during the stock trust period, the Employee Stock Trust Management Committee will sell the trust holding shares of resigned employees to the third parties based on the trust deed. After deducting the amount of money that should be returned to the employee, the remaining amount remitted back to the company was NT\$1,182 thousand in 2019, which were regarded as the Company’s issuances of stocks after repurchase, being credited under the equity account “capital surplus - share premium.”

c. Retained earnings and dividend policy

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

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

The Company's Articles of Incorporation state the policies on the distribution of employees' compensation and remuneration of directors, refer to "Employees' compensation and remuneration of directors" in Note 21 (g).

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 earnings and dividends per share for 2019 and 2018 which had been approved in the shareholders' meetings on May 29, 2020 and May 30, 2019, respectively, are set out as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Legal reserve	<u>\$ 30,856</u>	<u>\$ 27,991</u>
Cash dividends	<u>\$234,885</u>	<u>\$219,226</u>
Dividends per share (NT\$)	\$ 7.5	\$ 7.0

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on February 23, 2021. The appropriations and dividends per share are set out as follows:

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

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on May 27, 2021.

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

d. Other equity items

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

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Balance at January 1	(\$ 67)	\$ 287
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(671)	(442)
Income tax on translating the financial statements of foreign operations	<u>134</u>	<u>88</u>
Balance at December 31	<u>(\$ 604)</u>	<u>(\$ 67)</u>

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

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Balance at January 1	\$ 3,250	\$ 3,260
Recognized for the year		
Unrealized gain(loss) Equity instruments	<u>28,703</u>	(<u>10</u>)
Other comprehensive income(loss) for the year	<u>28,703</u>	(<u>10</u>)
Cumulative unrealized gain(loss) of equity instruments transferred to retained earnings due to disposal	(<u>8,389</u>)	<u>-</u>
Balance at December 31	<u>\$23,564</u>	<u>\$ 3,250</u>

e. Treasury shares

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

In March 16, 2020, the Board of Directors approved the Company's first repurchase of shares that authorized the purchase of up to 250 thousand shares from March 17, 2020 to May 16, 2020. As of December 31, 2020, the Company has repurchased 211 thousand shares in total with an average cost of 227.79 dollars.

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

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

20. REVENUE

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Technical service revenue	\$867,702	\$787,641
Royalty revenue	<u>113,314</u>	<u>81,436</u>
	<u>\$981,016</u>	<u>\$869,077</u>

a. 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.

b. Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Accounts receivables (Note 10)	<u>\$ 254,612</u>	<u>\$ 179,282</u>	<u>\$ 230,096</u>
Contract liabilities - current			
Technical service revenue	<u>\$ 90,167</u>	<u>\$ 27,531</u>	<u>\$ 58,015</u>

The changes in the contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

21. NET PROFIT FROM CONTINUING OPERATIONS

The net profit from continuing operations comprises the following items:

a. Interest income

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Bank deposits	\$ 6,766	\$ 6,785
Imputed interest on deposit	<u>78</u>	<u>57</u>
	<u>\$ 6,844</u>	<u>\$ 6,842</u>

b. Other income

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Other income	<u>\$ 1,075</u>	<u>\$ 763</u>

c. Other gains and losses

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net foreign exchange (losses) gains	(\$51,965)	(\$18,006)
Net interest from financial assets at fair value through profit or loss	1,548	2,840
Gain from disposal of property, plant and equipment	867	-
Others	(4)	(6)
	<u>(\$49,554)</u>	<u>(\$15,172)</u>

d. Finance costs

	Year Ended December 31, 2020	Year Ended December 31, 2019
Interest on lease liabilities	\$ 132	\$ 208
Interest on bank loans	-	134
	<u>\$ 132</u>	<u>\$ 342</u>

e. Depreciation and amortization

	Year Ended December 31, 2020	Year Ended December 31, 2019
An analysis of depreciation by function		
Operating expenses	<u>\$39,382</u>	<u>\$35,190</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 2,783</u>	<u>\$ 2,691</u>

f. Employee benefits expense

	Year Ended December 31, 2020	Year Ended December 31, 2019
Short-term employee benefits	\$349,342	\$298,994
Post-employment benefits		
Defined contribution plans	12,171	11,184
Share-based payments	-	826
Other employee benefits		
Labor and health insurance	18,724	16,972
Other employee benefits	<u>7,572</u>	<u>6,998</u>
Total	<u>\$387,809</u>	<u>\$334,974</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$387,809</u>	<u>\$334,974</u>

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

Accrual rate

	Year Ended December 31, 2020	Year Ended December 31, 2019
Employees' compensation	1.09%	1.11%
Remuneration of directors	1.09%	1.11%

Amount

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

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

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.

h. Gains or losses on foreign currency exchange

	Year Ended December 31, 2020	Year Ended December 31, 2019
Foreign exchange gains	\$34,121	\$5,814
Foreign exchange losses	(86,086)	(23,820)
Net loss	<u>(\$51,965)</u>	<u>(\$18,006)</u>

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax expense recognized in profit or loss

Major components of income tax expense are set out as follows:

	<u>Year Ended</u> <u>December 31, 2020</u>	<u>Year Ended</u> <u>December 31, 2019</u>
Current tax		
In respect of the current year	\$53,640	\$51,216
Additional income tax on unappropriated earnings	-	1,685
Adjustments for prior years	(3,491)	1,656
Non-deductible foreign tax	<u>4,033</u>	<u>622</u>
	54,182	55,179
Deferred tax		
In respect of the current year	<u>48</u>	(1,760)
Income tax expense recognized in profit or loss	<u>\$54,230</u>	<u>\$53,419</u>

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

	<u>Year Ended</u> <u>December 31, 2020</u>	<u>Year Ended</u> <u>December 31, 2019</u>
Profit before tax from continuing operations	<u>\$376,478</u>	<u>\$361,984</u>
Income tax expense calculated at the statutory rate	\$75,921	\$72,417
Tax-exempt income	(310)	(332)
Non-deductible foreign income tax	4,033	622
Additional income tax on unappropriated earnings	-	1,685
Unrecognized deductible temporary differences	730	32
Current research and development tax credit	(22,653)	(22,661)
Adjustments for prior years' tax	<u>(3,491)</u>	<u>1,656</u>
Income tax expense recognized in profit or loss	<u>\$54,230</u>	<u>\$53,419</u>

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. In calculating unappropriated earnings, the Group deducts only the amount of capital expenditures actually reinvested.

b. Income tax recognized in other comprehensive income

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
<u>Deferred Tax</u>		
In respect of the current year		
Translation of foreign operations	(\$ 134)	(\$ 88)
Income tax recognized in other comprehensive income	(\$ 134)	(\$ 88)

c. Current tax assets and liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current tax assets		
Prepaid Mainland China income tax	\$40,770	\$28,005
Prepaid foreign income tax	<u>797</u>	<u>-</u>
	<u>\$41,567</u>	<u>\$28,005</u>
Current tax liabilities		
Income tax payable	<u>\$28,861</u>	<u>\$23,607</u>

d. Deferred tax assets and liabilities

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

Year ended December 31, 2020

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

Year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Amortization of Intangibles	\$ 1,601	(\$ 119)	\$ -	\$ 1,482
Payables for annual leave	802	117	-	919
Investment income under equity method	792	(237)	-	555
Exchange differences on translation of foreign operations	52	-	23	75
Allowance for impairment loss	2,869	(1,281)	-	1,588
Unrealized exchange losses	-	3,222	-	3,222
	<u>\$ 6,116</u>	<u>\$ 1,702</u>	<u>\$ 23</u>	<u>\$ 7,841</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Exchange differences on translation of foreign operations	\$ 125	\$ -	(\$ 65)	\$ 60
Unrealized exchange gains	58	(58)	-	-
	<u>\$ 183</u>	<u>(\$ 58)</u>	<u>(\$ 65)</u>	<u>\$ 60</u>

e. Income tax assessments

The tax authorities have examined income tax returns of the Company through 2018.

The Group has no pending tax litigation as of December 31, 2020.

23. EARNINGS PER SHARE

	Year Ended December 31, 2020	Unit: NT\$ Per Share Year Ended December 31, 2019
Basic earnings per share		
From continuing operations	<u>\$ 10.34</u>	<u>\$ 9.90</u>
Diluted earnings per share		
From continuing operations	<u>\$ 10.34</u>	<u>\$ 9.89</u>

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

Net Profit for the Year

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net profit used in the computation of basic and diluted earnings per share	<u>\$322,248</u>	<u>\$308,565</u>

Number of Shares(in thousands of shares)

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	31,166	31,171
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>14</u>	<u>15</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>31,180</u>	<u>31,186</u>

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

24. SHARE-BASED PAYMENT ARRANGEMENTS

The Company conducted a cash capital increase reserved for employee stock of 139 thousand shares in January, 2019. The stocks granted were priced using the Black-Scholes pricing model, and the inputs to the model are set out as follows:

	<u>January, 2019</u>
Granted-date share price (NT\$)	\$ 194.85
Exercise price (NT\$)	\$ 198
Expected volatility	60.16%
Expected life (in years)	0.02 years
Risk-free interest rate	0.43%

Compensation costs recognized were \$826 thousand for the year end December 31, 2019.

25. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2020 and 2019, the Group entered into the following non-cash investing and financing activities:

On December 31, 2020 and 2019, the Group respectively acquired property, plant and equipment of \$10,211 thousand and \$3,700 thousand, which are recognized as payables on equipment (refer to Note 17).

b. Changes in liabilities arising from financing activities

2020

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

2019

	<u>January 1, 2019</u>	<u>Cash Flow</u>	<u>December 31, 2019</u>
Short-term loans	\$ 40,000	(\$ 40,000)	\$ -
Lease liabilities	<u>17,116</u>	<u>(7,531)</u>	<u>9,585</u>
	<u>\$ 57,116</u>	<u>(\$ 47,531)</u>	<u>\$ 9,585</u>

26. 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.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management personnel of the Group believes that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements that are not measured at fair value approximate their fair values.

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

1) Fair value hierarchy

December 31, 2020

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

December 31, 2019

	<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	<u>\$ 504,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,867</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-- Unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,350</u>	<u>\$ 9,350</u>

There were no transfers between Levels 1 and 2 in 2020 and 2019.

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

Year Ended December 31, 2020

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

Year Ended December 31, 2019

<u>Financial Assets</u>	<u>Financial Assets at FVTOCI Equity Instruments</u>
Balance at January 1	\$ 8,260
Recognized in other comprehensive income	(10)
Purchases	<u>1,100</u>
Balance at December 31	<u>\$ 9,350</u>

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

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

c. Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial Assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$444,616	\$504,867
Amortized cost (1)	1,018,878	851,269

(Continued)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
FVTOCI		
Investment in equity instrument	\$ 28,000	\$ 9,350
<u>Financial liabilities</u>		
Amortized cost (2)	17,996	12,217

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) 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 30.

Sensitivity analysis

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

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

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

	USD Impact	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Profit or loss	\$ 6,563	\$ 7,786

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

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

b) Interest rate risk

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

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
— Financial assets	\$475,320	\$497,625
— Financial liabilities	4,169	9,585
Cash flow interest rate risk		
— Financial assets	278,690	162,789

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 points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points increase/decrease and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would increase/decrease by \$2,787 thousand and \$1,628 thousand, respectively, mainly resulting from the Group's variable-rate bank deposits.

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

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, the pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$4,446 thousand and \$5,049 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2020 and 2019 would have increased/decreased by \$280 thousand and \$94 thousand, respectively, as a result of 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 Group's concentration of credit risk was mainly attributable to the Group's three largest customers, which accounted for 58%, and 19% of total accounts receivable on December 31, 2020 and 2019, 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.

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

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

December 31, 2020

	Less than 3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 17,996	\$ -	\$ -
Lease liabilities	<u>2,227</u>	<u>876</u>	<u>1,102</u>
	<u>\$ 21,362</u>	<u>\$ 876</u>	<u>\$ 1,102</u>

Additional information about the maturity analysis for lease liabilities:

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

December 31, 2019

	<u>Less than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 12,217	\$ -	\$ -
Lease liabilities	<u>1,935</u>	<u>5,805</u>	<u>1,934</u>
	<u>\$ 14,152</u>	<u>\$ 5,805</u>	<u>\$ 1,934</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>
Lease liabilities	<u>\$ 7,740</u>	<u>\$ 1,934</u>

28. 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 eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed as follows.

Compensation of key management personnel

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Short-term employee benefits	\$22,717	\$23,485
Post-employment benefits	<u>324</u>	<u>423</u>
	<u>\$23,041</u>	<u>\$23,908</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.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Pledged time deposits (classified as other financial assets – current)	<u>\$ 484</u>	<u>\$ -</u>

30. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On February 1, 2021, the Company signed a contract for the purchase of real estate in anticipation of the acquisition of new office space for NT\$437,758 thousand due to operational development.

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 are set out as follows:

December 31, 2020

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

December 31, 2019

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount (In Thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$26,106	29.980 (USD : NTD)	\$782,658
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	137	29.980 (USD : NTD)	4,107

The significant unrealized foreign exchange gains (losses) are set out as follows:

<u>Foreign Currency</u>	<u>Year Ended December 31, 2020</u>	<u>Net Foreign Exchange Losses</u>	<u>Year Ended December 31, 2019</u>	<u>Net Foreign Exchange Losses</u>
	<u>Exchange Rate</u>	<u>Losses</u>	<u>Exchange Rate</u>	<u>Losses</u>
USD	29.549 (USD : NTD)	(\$20,770)	30.912 (USD : NTD)	(\$16,584)

32. SEPARATELY DISCLOSED ITEMS

a. Significant transactions and b. Information about investees:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Table 1.
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 2.
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None.

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
- 9) Trading in derivative instruments: None.
- 10) Others: intercompany relationships and significant intercompany transactions: Table 5.
- 11) Information on investees: Table 6.

c. Information on investments in mainland China

- 1) The name of the investee company in mainland China, the principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current profit and loss, recognized investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7.
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 7.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - c) The amount of property transactions and the amount of resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

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

- 1) The name of the subsidiaries, the relationship between the holding company and the subsidiaries, the business nature, the holding company's shareholding or capital contribution ratio: Note 11.
- 2) Increases, decreases, or changes in the subsidiaries included in the current consolidated financial statements of affiliated enterprises: Note 11.
- 3) The name, shareholding or capital contribution ratio, and the reasons for the exclusion of subsidiaries not included in the current consolidated financial statements of affiliated enterprises: None.
- 4) Adjustment for subsidiaries with balance sheet dates different from those of the holding company: None.

- 5) An explanation of any differences in accounting policies between the subsidiaries and the holding company. The method and substance of adjustments adopted in the event of any non-conformity with the Generally Accepted Accounting Principles of the Republic of China: None.
 - 6) Special operational risks of overseas subordinate companies, such as exchange rate fluctuations: Note 11.
 - 7) Statutory or contractual restrictions on distribution of earning by the various affiliates: Note 19.
 - 8) Amortization methods and period for consolidated borrowings (loans): None.
 - 9) Other matters of significance or explanations that would contribute to the fair presentation of the consolidated financial statements of affiliated enterprise: None.
- e. The holding company and the subsidiaries shall make disclosure as follows in accordance with the Consolidated Business Reports Covering the Affiliated Enterprises, the Consolidated Financial Statements Covering the Affiliated Enterprises and Reports on Affiliations:
- 1) Information regarding financing, endorsements, and guarantees: None.
 - 2) Information regarding trading in derivative products: None.
 - 3) Significant contingent matters: None.
 - 4) Significant subsequent events: None.
 - 5) Names of bills and securities held, and their quantities, cost, market value (or net par value if a bill or security does not have a market value), shareholding or capital contribution ratio, description of any pledges, and the highest amount of shareholding or capital contribution during the period: Note 1, 6 and 7.
 - 6) Other matters of significance or explanations that would contribute to a fair presentation of the consolidated financial statements of the affiliates: None.
- f. Subsidiaries holding shares in its parent company shall detail the name of the subsidiary, the shares held, the amount, and the reasons: None.
- g. Major shareholder information: The name, the number and percentage of shareholding of shareholders whose percentage of ownership is more than 5%.

Shareholder Name	Shares	
	Shares Held	Percentage of Ownership
Hsiao-Ping Lin	6,604,000	21.08%
Huey-Ling Chen	4,554,000	14.54%
Jui-Chun Investment Company Limited	1,642,000	5.24%

33. SEGMENT INFORMATION

a. Industrial financial information

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

b. Geographical information

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

	Revenue from External Customers Year Ended December 31		Non-current Assets December 31	
	2020	2019	2020	2019
Taiwan	\$ 782,922	\$ 832,771	\$ 197,681	\$ 186,661
USA	198,094	36,306	2,433	294
Others	-	-	-	-
	<u>\$ 981,016</u>	<u>\$ 869,077</u>	<u>\$ 200,114</u>	<u>\$ 186,955</u>

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

c. Information about major customers

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Customer H	\$122,283	\$30,682
Customer E	68,237	136,189
Customer A	30,427	136,126

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Shares ISTART-TEK INC.	—	Financial assets at fair value through other comprehensive income — non-current	400	\$28,000	1.96	\$28,000	—
	Fund beneficiary certificate Taishin 1699 Money Market Fund	—	Financial assets at fair value through profit or loss — current	4,425	60,389	-	60,389	—
	FSITC Money Market Fund	—	Financial assets at fair value through profit or loss — current	1,291	232,149	-	232,149	—
	Hua Nan Phoenix Money Market Fund	—	Financial assets at fair value through profit or loss — current	7,144	117,067	-	117,067	—
	FSITC Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss — current	2,269	35,011	-	35,011	—

Note: For relevant information on investment in subsidiaries, please refer to Table 6 and Table 7.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Number of Units	Amount	Number of Units	Amount	Number of Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Units	Amount (Note)
The Company	Fund beneficiary certificate FSITC Money Market Fund	Financial assets at fair value through profit or loss - current	1,237	\$221,531	1,269	\$228,000	1,215	\$218,007	\$216,656	\$1,351	1,291	\$232,149
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss - current	11,189	182,597	7,144	117,000	11,189	183,046	182,000	1,046	7,144	117,067

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLIONS OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company	Counterparty	Relationship	Transaction Details				The Transaction Terms Different From Normal Transactions		Notes&Accounts Receivable (Payable)		Note
			Purchase (Sales)	Amount	Percentage of Total Purchase (Sales)	Credit Terms	Unit Price	Credit Terms	Balance	Percentage of Total Notes& Accounts Receivable and Notes&Accounts Payable	
The Company	M31 Technology USA,INC.	Subsidiaries	Sales	\$195,020	19.88%	30 – 90 Days	\$ -	—	\$86,850	32.93%	—

Note 1: If the terms of the related party transaction are different from the normal terms of the transaction, the differences and the reasons for the differences should be described in the columns of unit price and credit period.

Note 2: The above transactions have been written off when the consolidated financial statement was prepared.

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLIONS OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

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

Company	Counterparty	Relationship	Receivables from Related Parties (Note)	Turnover Rate	Overdue Receivables from Related Parties		Receivables from Related Parties Recovered after the Period	Allowance for Losses
					Amount	Processing Method		
The Company	M31 Technology USA,INC.	Subsidiaries	\$86,850	4.28	\$-	—	\$10,139	\$-

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2020 (In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount (Note 5)	Payment Terms	Percentage of Total Sales or Assets (Note3)
0	M31 Technology Corporation	M31 Technology USA, INC.	1	Technical service revenue	\$195,020	Decided by mutual agreement based on market price.	20
			1	Accounts receivable-related-party	86,850	Net 90 days from the end of the transaction month	5
1	M31 Technology USA, INC.	M31 Technology Corporation	2	Accounts receivable-related-party	1,347	Net 30 days from the end of the transaction month	-
			2	Marketing revenue	18,663	Decided by mutual agreement based on market price.	2
2	M31 Technology (Shanghai) Inc.	M31 Technology Corporation	2	Marketing revenue	813	Decided by mutual agreement based on market price.	-

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

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

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

1. Transactions from parent company to subsidiary.
2. Transactions from subsidiary to parent company.
3. Transactions from subsidiary to subsidiary.

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

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

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investor Company	Investee Company	Location	Principal Businesses Activities	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
M31 Technology Corporation	M31 Technology USA , INC.	USA	Product marketing and technical service	\$13,531	\$13,531	450	100	\$13,632	\$1,354	\$1,354	Subsidiaries, accounted by USD Subsidiaries, accounted by USD
	Sirius Venture Ltd.	Republic of Seychelles	Investment Holdings	5,364	5,364	167	100	2,468	(620)	(620)	

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

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2020 (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	Principal Businesses Activities	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2 and Note 3)	Carrying Amount as of December 31, 2020 (Note 2 and Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
M31 Technology (Shanghai) Inc.	Product marketing and technical service	USD100	(2)	\$3,340	\$ -	\$ -	\$3,340	(\$583)	100	(\$583)	\$2,314	\$ -	—

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

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	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	\$ 905,420

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

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

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

Sirius Venture Ltd had recognized the Investment Gain (Loss) on the investment in the Investee Company M31 Technology (Shanghai) Inc. for the year ended December 31, 2020 and the Carrying Value as of December 31, 2020.

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

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

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

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

Name of the Related Parties	Relationship with the Company	Transaction Type	Amount	Transaction Details			Notes/accounts receivable (payable)		Unrealized Gain (Loss)
				Unit Price	Payment Term	Comparison with Normal Transactions	Balance	Percentage (%)	
M31 Technology (Shanghai) Inc.	Sub-subsiary	Service rendering expenses	\$813	Contract-based	Net 30 days from the end of the transaction month	No significant differences	\$ -	-	\$ -

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

M31 Technology Corporation

**Parent Company Only Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

DELOITTE

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

M31 Technology Corporation

Opinion

We have audited the accompanying parent company only financial statements of M31 Technology Corporation (the "Company"), which comprise the parent company only balance sheet as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2020 and 2019, and the parent company only financial performance and the parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the parent company only financial statements for the year ended December 31, 2020 are stated as follows:

Risk of Improper Recognition of Technical Service Revenue

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

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

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

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

1. Understand the design and operating effectiveness of the Company's internal control systems relevant to the recognition of technical service revenue contracts.
2. Sample the technical service revenue contracts recognized in 2020, checking relevant documents and receivable collections, reviewing critical contract provisions, for the purpose of ensuring the proper timing of revenue recognition.
3. Sample the technical service revenue contracts recognized in a period before/after the balance sheet dates to perform the cut-off test, for the purpose of ensuring proper satisfaction of performance obligations and revenue recognition prior to the balance sheet dates.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 23, 2021

Notice to Readers

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

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

M31 TECHNOLOGY CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 503,171	29	\$ 571,204	36
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	444,616	25	504,867	31
Financial assets at amortized cost - current (Notes 4 and 9)	227,840	13	73,960	5
Accounts receivable (Notes 4, 5, 10 and 20)	176,919	10	179,282	11
Accounts receivable - related parties (Notes 4, 20 and 28)	86,850	5	4,272	-
Other receivables	89	-	482	-
Current tax assets (Notes 4 and 22)	41,393	2	28,005	2
Prepayments (Note 15)	15,700	1	17,143	1
Other current assets (Notes 15 and 29)	8,508	1	1,868	-
Total current assets	<u>1,505,086</u>	<u>86</u>	<u>1,381,083</u>	<u>86</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	28,000	2	9,350	1
Investments accounted for using the equity method (Notes 4 and 11)	16,100	1	16,037	1
Property, plant and equipment (Notes 4 and 12)	174,986	10	168,841	11
Right-of-use assets (Notes 4 and 13)	1,902	-	9,509	1
Intangible assets (Notes 4 and 14)	7,775	-	2,347	-
Deferred tax assets (Notes 4 and 22)	7,867	-	7,841	-
Other non-current assets (Note 15)	13,018	1	5,964	-
Total non-current assets	<u>249,648</u>	<u>14</u>	<u>219,889</u>	<u>14</u>
TOTAL	<u>\$ 1,754,734</u>	<u>100</u>	<u>\$ 1,600,972</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Note 20)	\$ 90,167	5	\$ 27,531	2
Accounts payable (Note 16)	3,085	-	2,079	-
Other payables (Note 17)	113,498	7	89,651	6
Other payables - related parties (Note 28)	1,347	-	1,276	-
Current tax liabilities (Notes 4 and 22)	28,861	2	23,607	1
Lease liabilities - current (Notes 4 and 13)	1,933	-	7,652	1
Other current liabilities (Note 17)	6,809	-	5,614	-
Total current liabilities	<u>245,700</u>	<u>14</u>	<u>157,410</u>	<u>10</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	-	-	60	-
Lease liabilities - non-current (Notes 4 and 13)	-	-	1,933	-
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>1,993</u>	<u>-</u>
Total liabilities	<u>245,700</u>	<u>14</u>	<u>159,403</u>	<u>10</u>
EQUITY (Note 19)				
Share capital				
Ordinary shares	<u>313,180</u>	<u>18</u>	<u>313,180</u>	<u>19</u>
Capital surplus	<u>634,551</u>	<u>36</u>	<u>634,551</u>	<u>40</u>
Retained earnings				
Legal reserve	92,583	6	61,727	4
Unappropriated earnings	<u>493,824</u>	<u>28</u>	<u>428,928</u>	<u>27</u>
Total retained earnings	<u>586,407</u>	<u>34</u>	<u>490,655</u>	<u>31</u>
Other equity	<u>22,960</u>	<u>1</u>	<u>3,183</u>	<u>-</u>
Treasury shares	(<u>48,064</u>)	(<u>3</u>)	-	-
Total equity	<u>1,509,034</u>	<u>86</u>	<u>1,441,569</u>	<u>90</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,754,734</u>	<u>100</u>	<u>\$ 1,600,972</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

M31 TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 28)	\$ 977,942	100	\$ 867,404	100
GROSS PROFIT	977,942	100	867,404	100
OPERATING EXPENSES (Notes 14, 21 and 28)				
Selling and marketing expenses	(49,776)	(5)	(47,776)	(5)
General and administrative expenses	(89,343)	(9)	(96,535)	(11)
Research and development expenses	(420,785)	(43)	(364,892)	(42)
Expected credit (loss)gain (Note 10)	(1,725)	(1)	10,493	1
Total operating expenses	(561,629)	(58)	(498,710)	(57)
OPERATING INCOME	416,313	42	368,694	43
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 21)	6,802	1	6,812	1
Other income (Notes 4 and 21)	1,059	-	760	-
Other gains and losses (Notes 4 and 21)	(49,124)	(5)	(15,148)	(2)
Finance costs (Note 21)	(87)	-	(342)	-
Share of profit of subsidiaries (Note 4)	734	-	1,183	-
Total non-operating income and expenses	(40,616)	(4)	(6,735)	(1)
PROFIT BEFORE INCOME TAX	375,697	38	361,959	42
INCOME TAX EXPENSE (Notes 4 and 22)	(53,449)	(5)	(53,394)	(6)
NET PROFIT FOR THE YEAR	322,248	33	308,565	36

(Continued)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain(loss) on investments in equity instruments at fair value through other comprehensive income (Note 19)	\$ 28,703	3	(\$ 10)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on Translating the financial statements of foreign operations (Notes 4 and 19)	(671)	-	(442)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 19 and 22)	134	-	88	-
	(537)	-	(354)	-
Other comprehensive income(loss) for the year, net of income tax	28,166	3	(364)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 350,414	36	\$ 308,201	36
EARNINGS PER SHARE (Note 23)				
Basic	\$ 10.34		\$ 9.90	
Diluted	\$ 10.34		\$ 9.89	

The accompanying notes are an integral part of the parent company only financial statements.

M31 TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Retained Earnings		Other Equity		Amount of Treasury Shares	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings	Exchange Difference on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2019	28,640	\$ 286,400	\$ 53,851	\$ 33,736	\$ 367,580	\$ 287	\$ 3,260	\$ -	\$ 745,114
Appropriation of 2018 earnings									
Legal reserve	-	-	-	27,991	(27,991)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(219,226)	-	-	-	(219,226)
Net profit for the year ended December 31, 2019	-	-	-	-	308,565	-	-	-	308,565
Other comprehensive income(loss) for the year ended December 31, 2019, net of income tax (Note 19)	-	-	-	-	-	(354)	(10)	-	(364)
Total comprehensive income(loss) for the year ended December 31, 2019	-	-	-	-	308,565	(354)	(10)	-	308,201
Proceeds from issuance of ordinary shares (Note 19)	2,678	26,780	578,692	-	-	-	-	-	605,472
Share-based payment (Notes 19 and 24)	-	-	826	-	-	-	-	-	826
Other changes in capital surplus (Note 20)	-	-	1,182	-	-	-	-	-	1,182
BALANCE AT DECEMBER 31, 2019	31,318	313,180	634,551	61,727	428,928	(67)	3,250	-	1,441,569
Appropriation of 2019 earnings									
Legal reserve	-	-	-	30,856	(30,856)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(234,885)	-	-	-	(234,885)
Net profit for the year ended December 31, 2020	-	-	-	-	322,248	-	-	-	322,248
Other comprehensive income(loss) for the year ended December 31, 2020, net of income tax (Note 19)	-	-	-	-	-	(537)	28,703	-	28,166
Total comprehensive income(loss) for the year ended December 31, 2020	-	-	-	-	322,248	(537)	28,703	-	350,414
Purchase of treasury shares (Note 19)	-	-	-	-	-	-	-	(48,064)	(48,064)
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 19)	-	-	-	-	8,389	-	(8,389)	-	-
BALANCE AT DECEMBER 31, 2020	31,318	\$ 313,180	\$ 634,551	\$ 92,583	\$ 493,824	(\$ 604)	\$ 23,564	(\$ 48,064)	\$ 1,509,034

The accompanying notes are an integral part of the parent company only financial statements.

M31 TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 375,697	\$ 361,959
Adjustments for:		
Depreciation expenses	38,114	35,100
Amortization expenses	2,783	2,691
Expected credit loss(gain)	1,725	(10,493)
Net gain on fair value changes of financial assets at fair value through profit or loss	(1,548)	(2,840)
Finance costs	87	342
Interest income	(6,802)	(6,812)
Share-based payment	-	826
Share of profit of subsidiaries	(734)	(1,183)
Gain on disposal of property, plant and equipment	(867)	-
Unrealized loss(gain) on foreign currency exchange	21,512	16,584
Changes in operating assets and liabilities		
Accounts receivable	1,373	47,820
Accounts receivable - related parties	(83,013)	12,875
Other receivables	393	(482)
Prepayments	1,443	(5,970)
Other current assets	(36)	847
Contract liabilities	62,636	(30,484)
Accounts payable	992	285
Other payables	17,348	4,273
Other payables - related parties	71	17
Other current liabilities	<u>1,195</u>	<u>416</u>
Cash generated from operations	432,369	425,771
Interest received	6,802	6,812
Interest paid	(87)	(342)
Income tax paid	<u>(61,534)</u>	<u>(72,148)</u>
Net cash generated from operating activities	<u>377,550</u>	<u>360,093</u>

(Continued)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	(\$ 1,100)
Disposal of financial assets at fair value through other comprehensive income	10,053	-
Acquisition of financial assets at amortized cost	(484,850)	(13,620)
Disposal of financial assets at amortized cost	318,760	-
Acquisition of financial assets at fair value through profit or loss	(415,000)	(782,000)
Disposal of financial assets at fair value through profit or loss	476,799	330,004
Acquisition of property, plant and equipment	(30,141)	(41,348)
Disposal of property, plant and equipment	867	-
Increase in refundable deposits	(156)	(5,313)
Acquisition of intangible assets	(8,211)	(473)
(Increase)Decrease in other finance assets	(484)	55,494
Increase in prepayments for equipment	(13,018)	-
Net cash used in investing activities	<u>(145,381)</u>	<u>(458,356)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	-	(40,000)
Repayment of the principal portion of lease liabilities	(7,652)	(7,531)
Dividends paid	(234,885)	(219,226)
Proceeds from issuance of ordinary shares	-	608,472
Payments to acquire treasury shares	(48,064)	-
Payment of shares issuance costs	-	(3,000)
Others	-	<u>1,182</u>
Net cash (used in) /generated from financing activities	<u>(290,601)</u>	<u>339,897</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(9,601)</u>	<u>(13,364)</u>
NET (DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS	<u>(68,033)</u>	<u>228,270</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>571,204</u>	<u>342,934</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 503,171</u>	<u>\$ 571,204</u>

The accompanying notes are an integral part of the parent company only financial statements.

M31 TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors on February 23, 2021.

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

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

Except for the following, whenever applied, the application of the amended IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

Amendments to IAS 1 and IAS 8 "Definition of Material"

Upon the initial application of this amendment from January 1, 2020, the Company changed the threshold for materiality to “could reasonably be expected to influence the decisions of users.” The Company also adjusted the disclosures in the parent company only financial statements, deleting immaterial information that might obscure the material information.

- b. The IFRSs endorsed by the FSC for application starting from 2021

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective for annual reporting periods beginning on or after January 1, 2021
Amendments to IFRS 16 "COVID-19-Related Rent Concessions"	Effective for annual reporting periods beginning on or after June 1, 2020

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

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. IAS 41 “Agriculture” amendments are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1, “First-time Adoptions of IFRSs”, are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The application of this amendment is deferred for annual reporting periods beginning on or after January 1, 2023.

Note 7: This amendment 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

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

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

When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to agree with the amount of net profit, other comprehensive income, and equity for the year attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for using equity method, share of profit (loss) of subsidiaries accounted for using equity method, and share of other comprehensive income of subsidiaries, as appropriate, in the parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

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

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

e. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments in subsidiaries are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

When the Company's share of loss of a subsidiary equals to or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

When the Company transacts with its subsidiaries, profit and loss resulting from the transactions with the subsidiaries are recognized in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not owned by the Company.

f. Property, plant and equipment

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

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

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

g. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

j. Revenue recognition

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

1) Revenue from the rendering of services

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

2) Licensing revenue

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

k. Lease

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

The Company as lessee

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

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

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

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

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

l. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

m. Share-based payment arrangements

Employee share options granted to employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus – employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the employees are informed.

At each balance sheet date, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

n. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the economic impact of the COVID-19 outbreak as a significant accounting estimate and management reviews the estimates and underlying assumptions on an ongoing basis. If a revision of an estimate affects only the current period, it is recognized in the period in which it is revised; if a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which it is revised and in the future period.

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 70	\$ 70
Checking accounts and demand deposits	255,621	147,469
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>247,480</u>	<u>423,665</u>
	<u>\$503,171</u>	<u>\$571,204</u>

The market rates of cash in bank at balance sheet dates are set out as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank deposits	0.010%~0.405%	0.010%~2.330%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Mandatorily measured at FVTPL		
Non-derivative financial assets		
-fund beneficiary certificate	<u>\$444,616</u>	<u>\$504,867</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in equity instrument

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Domestic Investment		
Listed shares and emerging market shares		
Ordinary shares –		
iSTART-TEK Inc.	<u>\$ 28,000</u>	<u>\$ _____</u>
Unlisted shares		
Ordinary shares –		
iSTART-TEK Inc.	<u>\$ _____</u>	<u>\$ 9,350</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	<u>\$227,840</u>	<u>\$ 73,960</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.325% ~ 0.520% and 1.040% ~ 2.300% as of December 31, 2020 and 2019, respectively.

10. ACCOUNTS RECEIVABLE

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$181,630	\$182,102
Less: Allowance for impairment loss	(4,711)	(2,820)
	<u>\$176,919</u>	<u>\$179,282</u>

Accounts receivable

As provided by contracts, payments shall be received 30 to 90 days after the service has been rendered by the Company. In determining the recoverability of accounts receivables, the Company considers any change in the credit quality of the accounts receivables since the date the credit was initially granted to the balance sheet dates.

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

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

The Company measures the loss allowance for account receivables at an amount equal to lifetime ECLs. The expected credit losses on account receivables 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 debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the balance sheet date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

The following table details the loss allowance of account receivables based on the Company's provision matrix.

December 31, 2020

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

December 31, 2019

	<u>Not Past Due</u>	<u>1 to 60 Days</u>	<u>61 to 120 Days</u>	<u>121 to 180 Days</u>	<u>181 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
Expected Credit Losses rate	0%~0.25%	0%~1.58%	0%~6.02%	0%~10.84%	0%~14.92%	-	
Gross carrying amount	\$ 118,745	\$ 43,071	\$ 11,706	\$ 3,468	\$ 5,112	\$ -	\$ 182,102
Loss allowance (lifetime ECL)	(294)	(682)	(705)	(376)	(763)	-	(2,820)
Amortized cost	<u>\$ 118,451</u>	<u>\$ 42,389</u>	<u>\$ 11,001</u>	<u>\$ 3,092</u>	<u>\$ 4,349</u>	<u>\$ -</u>	<u>\$ 179,282</u>

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

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Balance at January 1	\$ 2,820	\$ 9,661
Add: Amounts recovered	-	3,583
Add: Net remeasurement of loss allowance	1,725	-
Less: Gain on reversal of impairment loss	-	(10,493)
Effect of exchange rate changes	166	69
Balance at December 31	<u>\$ 4,711</u>	<u>\$ 2,820</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investments in subsidiaries		
— M31 Technology USA, INC.	\$ 13,632	\$ 12,976
— Sirius Venture Ltd.	2,468	3,061
	<u>\$ 16,100</u>	<u>\$ 16,037</u>

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

<u>Name of Subsidiaries</u>	<u>Proportion of Ownership and Voting Rights</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
M31 Technology USA, INC.	100%	100%
Sirius Venture Ltd.	100%	100%

The investments in subsidiaries (M31 Technology USA, INC. and Sirius Venture Ltd.) accounted for using the equity method, the share of net profit or loss and other comprehensive income(loss) from investments were calculated based on the audited financial statements.

Refer to Note 32 for Indirect Subsidiaries of the Company.

12. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Company

	<u>Land</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Other Facilities</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2020	\$ 98,853	\$ 70,509	\$ 23,433	\$ 78,865	\$ 271,660
Additions	-	866	-	35,786	36,652
Disposals	-	(2,025)	(12,543)	(16,417)	(30,985)
Balance at December 31, 2020	<u>\$ 98,853</u>	<u>\$ 69,350</u>	<u>\$ 10,890</u>	<u>\$ 98,234</u>	<u>\$ 277,327</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 46,308	\$ 14,604	\$ 41,907	\$ 102,819
Depreciation expense	-	7,732	4,039	18,736	30,507
Disposals	-	(2,025)	(12,543)	(16,417)	(30,985)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 52,015</u>	<u>\$ 6,100</u>	<u>\$ 44,226</u>	<u>\$ 102,341</u>
Carrying amounts at December 31, 2020	<u>\$ 98,853</u>	<u>\$ 17,335</u>	<u>\$ 4,790</u>	<u>\$ 54,008</u>	<u>\$ 174,986</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 98,853	\$ 51,398	\$ 22,285	\$ 56,553	\$ 229,089
Additions	-	14,867	1,148	22,312	38,327
Disposals	-	(543)	-	-	(543)
Reclassified (Note)	-	4,787	-	-	4,787
Balance at December 31, 2019	<u>\$ 98,853</u>	<u>\$ 70,509</u>	<u>\$ 23,433</u>	<u>\$ 78,865</u>	<u>\$ 271,660</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	\$ -	\$ 40,191	\$ 9,752	\$ 25,926	\$ 75,869
Disposals	-	(543)	-	-	(543)
Depreciation expense	-	6,660	4,852	15,981	27,493
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 46,308</u>	<u>\$ 14,604</u>	<u>\$ 41,907</u>	<u>\$ 102,819</u>
Carrying amounts at December 31, 2019	<u>\$ 98,853</u>	<u>\$ 24,201</u>	<u>\$ 8,829</u>	<u>\$ 36,958</u>	<u>\$ 168,841</u>

Note : Transferred from prepayments for equipment.

No impairment assessment was performed for the year ended December 31, 2020 and 2019 as there was no indication of impairment.

The Company's property, plant and equipment were depreciated on a straight-line basis over the following estimated useful life:

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Carrying amounts</u>		
Buildings	<u>\$ 1,902</u>	<u>\$ 9,509</u>
	<u>Year Ended</u> <u>December 31, 2020</u>	<u>Year Ended</u> <u>December 31, 2019</u>
<u>Depreciation of right-of-use assets</u>		
Buildings	<u>\$ 7,607</u>	<u>\$ 7,607</u>

b. Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Carrying amounts</u>		
Current	<u>\$ 1,933</u>	<u>\$ 7,652</u>
Non-current	<u>\$ -</u>	<u>\$ 1,933</u>

Discount rate for lease liabilities is set out as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Buildings	1.60%	1.60%

c. Other lease information

	<u>Year Ended</u> <u>December 31, 2020</u>	<u>Year Ended</u> <u>December 31, 2019</u>
Expenses relating to short-term leases	<u>\$ 1,215</u>	<u>\$ 950</u>
Total cash outflow for leases	<u>(\$ 8,954)</u>	<u>(\$ 8,689)</u>

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lease commitments	<u>\$ 16,101</u>	<u>\$ 20,774</u>

14. INTANGIBLE ASSETS

	<u>Patents</u>	<u>Software</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ -	\$ 8,466	\$ 8,466
Separately acquired	-	8,211	8,211
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 16,677</u>	<u>\$ 16,677</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ -	\$ 6,119	\$ 6,119
Amortization expense	-	2,783	2,783
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 8,902</u>	<u>\$ 8,902</u>
Carrying amounts at December 31, 2020	<u>\$ -</u>	<u>\$ 7,775</u>	<u>\$ 7,775</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 11,041	\$ 24,821	\$ 35,862
Separately acquired	-	473	473
Disposals	(11,041)	(16,828)	(27,869)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 8,466</u>	<u>\$ 8,466</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2019	\$ 11,041	\$ 20,256	\$ 31,297
Amortization expense	-	2,691	2,691
Disposals	(11,041)	(16,828)	(27,869)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 6,119</u>	<u>\$ 6,119</u>
Carrying amounts at December 31, 2019	<u>\$ -</u>	<u>\$ 2,347</u>	<u>\$ 2,347</u>

Intangible assets are amortized on a straight-line basis over estimated useful lives of 3 years.
An analysis of amortization expense by function :

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
General and administrative expenses	\$ 337	\$ 376
Research and development expenses	2,446	2,315
	<u>\$ 2,783</u>	<u>\$ 2,691</u>

15. OTHER ASSETS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Prepayments	\$ 15,700	\$ 17,143
Refundable deposits	7,987	1,867
Other financial assets – restricted assets (Note 29)	484	-
Other	<u>37</u>	<u>1</u>
	<u>\$ 24,208</u>	<u>\$ 19,011</u>
 <u>Non-current</u>		
Prepayments for equipment	\$ 13,018	\$ -
Refundable deposits	<u>-</u>	<u>5,964</u>
	<u>\$ 13,018</u>	<u>\$ 5,964</u>

Ranges of market interest rate on balance sheet dates is set out as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other financial assets – restricted assets	0.25%	-

16. ACCOUNTS PAYABLE

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Accounts payable</u>		
Operating	<u>\$ 3,085</u>	<u>\$ 2,079</u>

17. OTHER LIABILITIES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 86,735	\$ 69,339
Payables for purchases of equipment	10,211	3,700
Payables for annual leave	5,782	4,593
Payables for retirement benefit	3,031	2,766
Payables for insurance	2,821	2,632
Payables for professional service fee	1,160	4,229
Payables for tax expense	218	183
Others	<u>3,540</u>	<u>2,209</u>
	<u>\$113,498</u>	<u>\$ 89,651</u>
 Other liabilities		
Collection	<u>\$ 6,809</u>	<u>\$ 5,614</u>

18. RETIREMENT BENEFIT PLANS

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

19. EQUITY

a. Share capital

Ordinary shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Number of shares authorized (in thousands)	<u>50,000</u>	<u>50,000</u>
Shares authorized	<u>\$500,000</u>	<u>\$500,000</u>
Number of shares issued and fully paid (in thousands)	<u>31,318</u>	<u>31,318</u>
Shares issued	<u>\$313,180</u>	<u>\$313,180</u>

On September 25, 2018, the Company's board of directors resolved to issue 2,678 thousand ordinary shares for capital increase for Initial Public Offering, with a par value of \$10 each. The aforementioned capital increase includes Weighted Average Price \$238.57 from bidding auctions, 1,928 thousand ordinary shares from bidding, and a fixed underwriting price of \$198 per share, 611 thousand underwriting shares to be offered, and 139 thousand ordinary shares of employee stock, amounting to \$605,472 thousand in total (\$3,000 thousand are deducted for stock issuance cost). The difference between the par value and the issuing price is \$578,692 thousand, which is recognized at capital surplus – ordinary share premiums, increasing the share capital issued and fully paid to \$313,180 thousand.

On October 12, 2018, the above transaction was approved by the TPEX, and the subscription base date was determined by the board of directors to be January 21, 2019.

b. Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$630,511	\$630,511
<u>May be used to offset a deficit only (2)</u>		
Arising from employee share options	<u>4,040</u>	<u>4,040</u>
	<u>\$634,551</u>	<u>\$634,551</u>

- 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2: Such capital surplus refers to the amount transferred from Capital surplus – employee share options during the execution of employee share options.

The Balance adjustment in capital surplus in 2020 and 2019 are set out as follows:

	<u>Arising from issuance of ordinary shares</u>	<u>Arising from employee share options</u>	<u>Employee share options</u>	<u>Total</u>
Balance at January 1 and December 31, 2020	<u>\$ 630,511</u>	<u>\$ 4,040</u>	<u>\$ -</u>	<u>\$ 634,551</u>
Balance at January 1, 2019	\$ 50,637	\$ 3,214	\$ -	\$ 53,851
Recognized as stock-based compensation	-	-	826	826
Cash Capital Increase	578,692	826	(826)	578,692
Other (Note)	<u>1,182</u>	<u>-</u>	<u>-</u>	<u>1,182</u>
Balance at December 31, 2019	<u>\$ 630,511</u>	<u>\$ 4,040</u>	<u>\$ -</u>	<u>\$ 634,551</u>

Note: When the Company employees resign during the stock trust period, the Employee Stock Trust Management Committee will sell the trust holding shares of resigned employees to the third parties based on the trust deed. After deducting the amount of money that should be returned to the employee, the remaining amount remitted back to the company was NT\$1,182 thousand in 2019, which were regarded as the Company's issuances of stocks after repurchase, being credited under the equity account "capital surplus - share premium."

c. Retained earnings and dividend policy

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

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

The Company's Articles of Incorporation state the policies on the distribution of employees' compensation and remuneration of directors, refer to "Employees' compensation and remuneration of directors" in Note 21 (g).

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 earnings and dividends per share for 2019 and 2018 which had been approved in the shareholders' meetings on May 29, 2020 and May 30, 2019, respectively, are set out as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Legal reserve	<u>\$ 30,856</u>	<u>\$ 27,991</u>
Cash dividends	<u>\$234,885</u>	<u>\$219,226</u>
Dividends per share (NT\$)	\$ 7.5	\$ 7.0

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on February 23, 2021. The appropriations and dividends per share are set out as follows:

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

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on May 27, 2021.

d. Other equity items

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Balance at January 1	(\$ 67)	\$ 287
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(671)	(442)
Income tax on translating the financial statements of foreign operations	<u>134</u>	<u>88</u>
Balance at December 31	<u>(\$ 604)</u>	<u>(\$ 67)</u>

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Balance at January 1	<u>\$ 3,250</u>	<u>\$ 3,260</u>
Recognized for the year		
Unrealized gain(loss)		
Equity instruments	<u>28,703</u>	<u>(10)</u>
Other comprehensive income(loss) for the year	<u>28,703</u>	<u>(10)</u>
Cumulative unrealized gain(loss) of equity instruments transferred to retained earnings due to disposal	(8,389)	-
Balance at December 31	<u>\$ 23,564</u>	<u>\$ 3,250</u>

e. Treasury shares

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

In March 16, 2020, the Board of Directors approved the Company's first repurchase of shares that authorized the purchase of up to 250 thousand shares from March 17, 2020 to May 16, 2020. As of December 31, 2020, the Company has repurchased 211 thousand shares in total with an average cost of 227.79 dollars.

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

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

20. REVENUE

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Technical service revenue	\$864,628	\$785,968
Royalty revenue	<u>113,314</u>	<u>81,436</u>
	<u>\$977,942</u>	<u>\$867,404</u>

a. Contract information

1) Technical service revenue

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

2) Royalty revenue

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

b. Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Accounts receivables (Note 10)	<u>\$ 176,919</u>	<u>\$ 179,282</u>	<u>\$ 218,962</u>
Accounts receivables – related parties (Note 28)	<u>\$ 86,850</u>	<u>\$ 4,272</u>	<u>\$ 17,170</u>
Contract liabilities - current			
Technical service revenue	<u>\$ 90,167</u>	<u>\$ 27,531</u>	<u>\$ 58,015</u>

The changes in the contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

21. NET PROFIT FROM CONTINUING OPERATIONS

The net profit from continuing operations comprises the following items:

a. Interest income

	Year Ended December 31, 2020	Year Ended December 31, 2019
Bank deposits	\$ 6,724	\$ 6,755
Imputed interest on deposit	<u>78</u>	<u>57</u>
	<u>\$ 6,802</u>	<u>\$ 6,812</u>

b. Other income

	Year Ended December 31, 2020	Year Ended December 31, 2019
Other income	<u>\$ 1,059</u>	<u>\$ 760</u>

c. Other gains and losses

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net foreign exchange (losses) gains	(\$ 51,539)	(\$ 17,988)
Net interest from financial assets at fair value through profit or loss	1,548	2,840
Gain from disposal of property, plant and equipment	<u>867</u>	<u>-</u>
	<u>(\$ 49,124)</u>	<u>(\$ 15,148)</u>

d. Finance costs

	Year Ended December 31, 2020	Year Ended December 31, 2019
Interest on lease liabilities	\$ 87	\$ 208
Interest on bank loans	<u>-</u>	<u>134</u>
	<u>\$ 87</u>	<u>\$ 342</u>

e. Depreciation and amortization

	Year Ended December 31, 2020	Year Ended December 31, 2019
An analysis of depreciation by function		
Operating expenses	<u>\$ 38,114</u>	<u>\$ 35,100</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 2,783</u>	<u>\$ 2,691</u>

f. Employee benefits expense

	Year Ended December 31, 2020	Year Ended December 31, 2019
Short-term employee benefits	\$335,203	\$285,264
Post-employment benefits		
Defined contribution plans	11,617	10,475
Share-based payments	-	826
Other employee benefits		
Labor and health insurance	18,255	16,541
Other employee benefits	<u>6,376</u>	<u>5,964</u>
Total	<u>\$371,451</u>	<u>\$319,070</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$371,451</u>	<u>\$319,070</u>

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

Accrual rate

	Year Ended December 31, 2020	Year Ended December 31, 2019
Employees' compensation	1.09%	1.11%
Remuneration of directors	1.09%	1.11%

Amount

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

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2019 and 2018.

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.

h. Gains or losses on foreign currency exchange

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Foreign exchange gains	\$ 34,062	\$ 5,362
Foreign exchange losses	(85,601)	(23,350)
Net loss	<u>(\$ 51,539)</u>	<u>(\$ 17,988)</u>

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax expense recognized in profit or loss

Major components of income tax expense are set out as follows:

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Current tax		
In respect of the current year	\$ 52,859	\$ 51,191
Additional income tax on unappropriated earnings	-	1,685
Adjustments for prior years	(3,491)	1,656
Non-deductible foreign tax	<u>4,033</u>	<u>622</u>
	53,401	55,154
Deferred tax		
In respect of the current year	<u>48</u>	(1,760)
Income tax expense recognized in profit or loss	<u>\$ 53,449</u>	<u>\$ 53,394</u>

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

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Profit before tax from continuing operations	<u>\$375,697</u>	<u>\$361,959</u>
Income tax expense calculated at the statutory rate	\$ 75,140	\$ 72,392
Tax-exempt income	(310)	(332)
Non-deductible foreign income tax	4,033	622
Additional income tax on unappropriated earnings	-	1,685
Unrecognized deductible temporary differences	730	32
Current research and development tax credit	(22,653)	(22,661)
Adjustments for prior years' tax	<u>(3,491)</u>	<u>1,656</u>
Income tax expense recognized in profit or loss	<u>\$ 53,449</u>	<u>\$ 53,394</u>

b. Income tax recognized in other comprehensive income

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
<u>Deferred Tax</u>		
In respect of the current year		
Translation of foreign operations	(\$ 134)	(\$ 88)
Income tax recognized in other comprehensive income	(\$ 134)	(\$ 88)

c. Current tax assets and liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current tax assets		
Prepaid Mainland China income tax	\$ 40,770	\$ 28,005
Prepaid foreign income tax	<u>623</u>	<u>-</u>
	<u>\$ 41,393</u>	<u>\$ 28,005</u>
Current tax liabilities		
Income tax payable	<u>\$ 28,861</u>	<u>\$ 23,607</u>

d. Deferred tax assets and liabilities

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

Year ended December 31, 2020

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

Year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Amortization of Intangibles	\$ 1,601	(\$ 119)	\$ -	\$ 1,482
Payables for annual leave	802	117	-	919
Investment income under equity method	792	(237)	-	555
Exchange differences on translation of foreign operations	52	-	23	75
Allowance for impairment loss	2,869	(1,281)	-	1,588
Unrealized exchange losses	-	3,222	-	3,222
	<u>\$ 6,116</u>	<u>\$ 1,702</u>	<u>\$ 23</u>	<u>\$ 7,841</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Exchange differences on translation of foreign operations	\$ 125	\$ -	(\$ 65)	\$ 60
Unrealized exchange gains	58	(58)	-	-
	<u>\$ 183</u>	<u>(\$ 58)</u>	<u>(\$ 65)</u>	<u>\$ 60</u>

e. Income tax assessments

The tax authorities have examined income tax returns of the Company through 2018.

The Company has no pending tax litigation as of December 31, 2020.

23. EARNINGS PER SHARE

	Year Ended December 31, 2020	Unit: NT\$ Per Share Year Ended December 31, 2019
Basic earnings per share		
From continuing operations	<u>\$ 10.34</u>	<u>\$ 9.90</u>
Diluted earnings per share		
From continuing operations	<u>\$ 10.34</u>	<u>\$ 9.89</u>

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

Net Profit for the Year

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net profit used in the computation of basic and diluted earnings per share	<u>\$322,248</u>	<u>\$308,565</u>

Number of Shares(in thousands of shares)

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	31,166	31,171
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>14</u>	<u>15</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>31,180</u>	<u>31,186</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.

24. SHARE-BASED PAYMENT ARRANGEMENTS

The Company conducted a cash capital increase reserved for employee stock of 139 thousand shares in January, 2019. The stocks granted were priced using the Black-Scholes pricing model, and the inputs to the model are set out as follows:

	<u>January, 2019</u>
Granted-date share price (NT\$)	\$ 194.85
Exercise price (NT\$)	\$ 198
Expected volatility	60.16%
Expected life (in years)	0.02 years
Risk-free interest rate	0.43%

Compensation costs recognized were \$826 thousand for the year end December 31, 2019.

25. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2020 and 2019, the Company entered into the following non-cash investing and financing activities:

On December 31, 2020 and 2019, the Company respectively acquired property, plant and equipment of \$10,211 thousand and \$3,700 thousand, which are recognized as payables on equipment (refer to Note 17).

b. Changes in liabilities arising from financing activities

2020

	<u>January 1, 2020</u>	<u>Cash Flow</u>	<u>December 31, 2020</u>
Lease liabilities	<u>\$ 9,585</u>	<u>(\$ 7,652)</u>	<u>\$ 1,933</u>

2019

	<u>January 1, 2019</u>	<u>Cash Flow</u>	<u>December 31, 2019</u>
Short-term loans	\$ 40,000	(\$ 40,000)	\$ -
Lease liabilities	<u>17,116</u>	<u>(7,531)</u>	<u>9,585</u>
	<u>\$ 57,116</u>	<u>(\$ 47,531)</u>	<u>\$ 9,585</u>

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company consists of issued ordinary shares, capital surplus, retained earnings and other equity.

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

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

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management personnel of the Company believes that the carrying amounts of financial assets and financial liabilities in the parent company only financial statements that are not measured at fair value approximate their fair values.

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

1) Fair value hierarchy

December 31, 2020

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

December 31, 2019

	<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	<u>\$ 504,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,867</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-- Unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,350</u>	<u>\$ 9,350</u>

There were no transfers between Levels 1 and 2 in 2020 and 2019.

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

Year Ended December 31, 2020

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

Year Ended December 31, 2019

<u>Financial Assets</u>	<u>Financial Assets at FVTOCI</u> <u>Equity Instruments</u>
Balance at January 1	\$ 8,260
Recognized in other comprehensive income	(10)
Purchases	<u>1,100</u>
Balance at December 31	<u>\$ 9,350</u>

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

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

c. Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial Assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 444,616	\$ 504,867
Amortized cost (1)	1,003,340	837,031
FVTOCI		
Investment in equity instrument	28,000	9,350
<u>Financial liabilities</u>		
Amortized cost (2)	19,343	13,493

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

- (2) The balances included financial liabilities at amortized cost, which comprise accounts payable, other payables (not including payables for salaries or bonuses, payables for insurance, payables for annual leave, payables for retirement benefit, payables for tax expense), and other payables- related parties.

d. Financial risk management objectives and policies

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

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

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below), interest rates (refer to (b) below), and other price risks (refer to (c) below).

a) Foreign currency risk

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

The carrying amounts of the Company's non-functional currency denominated monetary assets and monetary liabilities at the balance sheet dates are set out in Note 31.

Sensitivity analysis

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

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

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

	USD Impact	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Profit or loss	\$ 6,563	\$ 7,786

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

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

b) Interest rate risk

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value interest rate risk		
– Financial assets	\$475,320	\$497,625
– Financial liabilities	1,933	9,585
Cash flow interest rate risk		
– Financial assets	255,621	147,469

Sensitivity analysis

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

If interest rates had been 100 basis points increase/decrease and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would increase/decrease by \$2,556 thousand and \$1,475 thousand, respectively, mainly resulting from the Company's variable-rate bank deposits.

The Company's sensitivity to interest rates increased during the current year mainly due to the increase in variable-rate bank deposits.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, the pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$4,446 thousand and \$5,049 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2020 and 2019 would have increased/decreased by \$280 thousand and \$94 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risks

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

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

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

balance sheet date to ensure that adequate allowances are made for unrecoverable receivables. Therefore, the Company's management believes that the Company's credit risk has been greatly reduced.

The Company's concentration of credit risk was mainly attributable to the Company's three largest customers, which accounted for 31%, and 19% of total accounts receivable on December 31, 2020 and 2019, respectively.

3) Liquidity risk

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

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

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

December 31, 2020

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

Additional information about the maturity analysis for lease liabilities:

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

December 31, 2019

	<u>Less than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 13,493	\$ -	\$ -
Lease liabilities	<u>1,935</u>	<u>5,805</u>	<u>1,934</u>
	<u>\$ 15,428</u>	<u>\$ 5,805</u>	<u>\$ 1,934</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>
Lease liabilities	<u>\$ 7,740</u>	<u>\$ 1,934</u>

28. TRANSACTIONS WITH RELATED PARTIES

The transactions between the Company and its related parties are summarized as follows:

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
M31 Technology USA,INC.	Subsidiaries
Sirius Venture Ltd.	Subsidiaries
M31 Technology (Shanghai) Inc.	Sub-subsidiaries

b. Operating revenue

<u>Line Items</u>	<u>Related Party Category/Name</u>	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Service revenue	Subsidiaries		
	M31 Technology USA,INC.	<u>\$ 195,020</u>	<u>\$ 34,910</u>

The rendering of services to related parties shall be charged at market price with mutual agreement of both parties within 90 days. For the years ended December 31, 2020 and 2019, the rendering of service is charged based on contracts within 30 to 90 days after the satisfaction of contractual obligations.

c. Receivables from related parties (excluding loans to related parties)

<u>Line Items</u>	<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	Subsidiaries		
	M31 Technology USA,INC.	<u>\$ 86,850</u>	<u>\$ 4,272</u>
Other receivables	Subsidiaries	<u>\$ 34</u>	<u>\$ -</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for receivables from related parties.

d. Payables to related parties (excluding loans from related parties)

<u>Line Items</u>	<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payables	Subsidiaries	<u>\$ 1,347</u>	<u>\$ 1,276</u>

The outstanding accounts payables to related parties are unsecured.

e. Other transactions with related parties

<u>Line Items</u>	<u>Related Party Category/Name</u>	<u>Service Category</u>	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Operating expense	Subsidiaries	Service	<u>\$ 19,419</u>	<u>\$ 24,140</u>
		Rendering		
Operating expense	Sub-subsidiaries	Service	<u>\$ 813</u>	<u>\$ 3,337</u>
		Rendering		

The Company commissions the subsidiary to render customers services on its behalf. The contract-based prices are determined respectively and payment terms is net 30 days from the end of the transaction month.

f. Compensation of key management personnel

	Year Ended December 31, 2020	Year Ended December 31, 2019
Short-term employee benefits	\$ 22,717	\$ 23,485
Post-employment benefits	<u>324</u>	<u>423</u>
	<u>\$ 23,041</u>	<u>\$ 23,908</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.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31, 2020	December 31, 2019
Pledged time deposits (classified as other financial assets – current)	<u>\$ 484</u>	<u>\$ -</u>

30. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On February 1, 2021, the Company signed a contract for the purchase of real estate in anticipation of the acquisition of new office space for NT\$437,758 thousand due to operational development.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2020

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

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 26,106	29.980 (USD : NTD)	\$782,658
<u>Non-monetary items</u>			
Subsidiaries accounted for using the equity method			
USD	535	29.980 (USD : NTD)	16,037
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	137	29.980 (USD : NTD)	4,107

The significant unrealized foreign exchange gains (losses) are set out as follows:

	<u>Year Ended December 31, 2020</u>		<u>Year Ended December 31, 2019</u>	
	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>
Foreign Currency				
USD	29.549 (USD : NTD)	(\$ 21,512)	30.912 (USD : NTD)	(\$ 16,584)

32. SEPARATELY DISCLOSED ITEMS

a. Significant transactions and b. Information about investees:

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

c. Information on investments in mainland China

- 1) The name of the investee company in mainland China, the principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current profit and loss, recognized investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6.
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 6.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - c) The amount of property transactions and the amount of resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

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

Shareholder Name	Shares	
	Shares Held	Percentage of Ownership
Hsiao-Ping Lin	6,604,000	21.08%
Huey-Ling Chen	4,554,000	14.54%
Jui-Chun Investment Company Limited	1,642,000	5.24%

M31 TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				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	400	\$ 28,000	1.96	\$ 28,000	—
	<u>Fund beneficiary certificate</u> Taishin 1699 Money Market Fund	—	Financial assets at fair value through profit or loss – current	4,425	60,389	-	60,389	—
	FSITC Money Market Fund	—	Financial assets at fair value through profit or loss – current	1,291	232,149	-	232,149	—
	Hua Nan Phoenix Money Market Fund	—	Financial assets at fair value through profit or loss – current	7,144	117,067	-	117,067	—
	FSITC Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss – current	2,269	35,011	-	35,011	—

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

M31 TECHNOLOGY CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Thousands of Units, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Number of Units	Amount	Number of Units	Amount	Number of Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Units	Amount (Note)
The Company	Fund beneficiary certificate FSITC Money Market Fund	Financial assets at fair value through profit or loss - current	1,237	\$ 221,531	1,269	\$ 228,000	1,215	\$ 218,007	\$ 216,656	\$ 1,351	1,291	\$ 232,149
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss - current	11,189	182,597	7,144	117,000	11,189	183,046	182,000	1,046	7,144	117,067

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

M31 TECHNOLOGY CORPORATION

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLIONS OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company	Counterparty	Relationship	Transaction Details				The Transaction Terms Different From Normal Transactions		Notes & Accounts Receivable (Payable)		Note
			Purchase (Sales)	Amount	Percentage of Total Purchase (Sales)	Credit Terms	Unit Price	Credit Terms	Balance	Percentage of Total Notes & Accounts Receivable and Notes & Accounts Payable	
The Company	M31 Technology USA,INC.	Subsidiaries	Sales	\$ 195,020	19.94	30 – 90 Days	\$ -	—	\$ 86,850	32.93	—

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

M31 TECHNOLOGY CORPORATION

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLIONS OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company	Counterparty	Relationship	Receivables from Related Parties (Note 1)	Turnover Rate	Overdue Receivables from Related Parties		Receivables from Related Parties Recovered after the Period	Allowance for Losses
					Amount	Processing Method		
The Company	M31 Technology USA,INC.	Subsidiaries	\$ 86,850	4.28	\$ -	—	\$ 10,139	\$ -

M31 TECHNOLOGY CORPORATION

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Investor Company	Investee Company	Location	Principal Businesses Activities	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
M31 Technology Corporation	M31 Technology USA , INC.	USA	Product marketing and technical service	\$ 13,531	\$ 13,531	450	100	\$ 13,632	\$ 1,354	\$ 1,354	Subsidiaries, accounted by USD
	Sirius Venture Ltd.	Republic of Seychelles	Investment Holdings	5,364	5,364	167	100	2,468	(620)	(620)	Subsidiaries, accounted by USD

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

M31 TECHNOLOGY CORPORATION

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020**
(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	Principal Businesses Activities	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2 and Note 3)	Carrying Amount as of December 31, 2020 (Note 2 and Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
M31 Technology (Shanghai) Inc.	Product marketing and technical service	USD 100	(2)	\$ 3,340	\$ -	\$ -	\$ 3,340	(\$583)	100	(\$583)	\$ 2,314	\$ -	-

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

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	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	\$ 905,420

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

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

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

Sirius Venture Ltd had recognized the Investment Gain (Loss) on the investment in the Investee Company M31 Technology (Shanghai) Inc. for the year ended December 31, 2020 and the Carrying Value as of December 31, 2020.

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

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

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

Name of the Related Parties	Relationship with the Company	Transaction Type	Amount	Transaction Details			Notes & Accounts Receivable (Payable)		Unrealized Gain (Loss)
				Unit Price	Payment Term	Comparison with Normal Transactions	Balance	Percentage (%)	
M31 Technology (Shanghai) Inc.	Sub-subsidiary	Service rendering expenses	\$ 813	Contract-based	Net 30 days from the end of the transaction month	No significant differences	\$ -	-	\$ -