



Stock Code : 6643

# M31 Technology Corporation

## 2023 General Shareholders' Meeting

### Meeting Handbook (Translation)

Time: 9:00AM, May 24, 2023

Place: 2F., No.3 Tai-Yuan 1st Street, Zhubei City, Hsinchu County, Taiwan  
(Multifunctional Meeting Room)

Meeting type: Physical shareholders' meeting

#### 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.*

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# **M31 Technology Corporation**

## **Procedure of 2023 General Shareholders' Meeting**

1. Commencement of the Meeting
2. Chairman's Address
3. Report Items
4. Matters of Ratification
5. Matters for Discussion
6. Matters of Election
7. Other Proposals
8. Extemporay Motions
9. Adjournment

# **M31 Technology Corporation**

## **Agenda of 2023 General Shareholders' Meeting**

Time: 9:00 AM (Wednesday) May 24, 2023

Place: 2F., No.3 Tai-Yuan 1<sup>st</sup> Street, Zhubei City, Hsinchu County, Taiwan.

(Multifunctional Meeting Room)

Meeting type: Physical shareholders' meeting

Chairman: Dr. Huey-Ling Chen, Chairman of the Board

1. Commencement of the Meeting (announce the number of shares in attendance)
2. Chairman's Address
3. Report Items
  - (1) 2022 Business Report
  - (2) Audit Committee's Review Report and communication with chief internal auditor
  - (3) 2022 Remuneration of Directors and Employee Compensation.
  - (4) Cash dividend by 2022 earnings distribution
  - (5) Implementation status of 2022 "The Manner of the Issuance of Common Shares by Public Offering or Private Placement for Cash Capital Increase"
  - (6) Implementation status of share repurchase program
4. Matters of Ratification
  - (1) 2022 Business Report and Financial Statements
  - (2) 2022 Profit Distribution
5. Matters for Discussion
  - (1) Increase capital by 2022 earnings to issue new shares
6. Matters of Election
  - (1) Election for the fifth Term of Directors (including Independent Directors)
7. Other Proposals
  - (1) Approve the lifting of non-competition restrictions for new Directors
8. Extemporay Motions
9. Adjournment

## Report Items

Report No. 1 Proposed by the Board of Directors  
Subject : 2022 Business Report.  
Explanation : 2022 Business Report, please refer to Attachment 1 of this handbook.

Report No. 2 Proposed by the Board of Directors  
Subject : Audit Committee's Review Report and communication with chief internal auditor.  
Explanation : 1. Audit Committee's Review Report of 2022, please refer to Attachment 2 of this handbook..  
2. The Company's Independent Directors have good communication with chief internal auditor, mainly through the following three approaches:  
(1) The chief internal auditor sends the audit report to the Independent Directors by email every month, and the Independent Directors communicate with each other by phone or email regarding the audit report.  
(2) At least once a quarter, chief internal auditor will report and explain the implementation of the audit plan and significant audit findings to the Audit Committee, and discuss and communicate directly with the Independent Directors face-to-face.  
(3) The Independent Directors may advise and direct chief internal auditor in the Audit Committee, Board of Directors meetings or individual communication meetings to conduct special audits on higher risk items.

Report No. 3 Proposed by the Board of Directors  
Subject : 2022 Remuneration of Directors and Employee Compensation.  
Explanation : 1. According to Article 23 of the Company's Articles of Incorporation "If there is any pre-tax profit, no less than 1% of the profit shall be distributed to eligible employees, and no more than 1.5% of the profit as remuneration to directors. If there are accumulated losses, the pre-tax profit should be reserved to offset the accumulated losses."  
2. As approved by the Board of Directors' meeting on February 23, 2023, the total amount of Directors' Remuneration was NT\$4,900,000 (1.08%) and the total amount of Employees' Compensation was NT\$5,450,000 (1.2%) for the year 2022, which will be paid in cash.

Report No. 4 Proposed by the Board of Directors  
Subject : Cash dividend by 2022 earnings distribution.  
Explanation : 1. In accordance with Article 24 of the Company's Articles of Incorporation, when dividends from the Company's profits are distributed in cash, the Board of Directors is authorized to resolve on the distribution and report to the shareholders' meeting.

2. In accordance with the resolution of the Board of Directors' meeting held on February 23, 2023, the Company approved the distribution of cash dividends of NT\$8 per share, amounting to NT\$253,584,000, and authorized the chairman to set the ex-dividend date.
3. 2022 Statement of Profit Distribution, please refer to Attachment 3 of this handbook.

Report No. 5

Proposed by the Board of Directors

Subject : Implementation status of 2022 "The Manner of the Issuance of Common Shares by Public Offering or Private Placement for Cash Capital Increase".

Explanation : 1. On May 26, 2022, the Company's shareholders' meeting approved "The Manner of the Issuance of Common Shares by Public Offering or Private Placement for Cash Capital Increase".

2. After evaluating the actual demand and market conditions, the Board of Directors resolved not to proceed on February 23, 2023.

Report No. 6

Proposed by the Board of Directors

Subject : Implementation status of share repurchase program.

Explanation : The following table shows the implementation of share repurchase program:

Repurchase times	First time (First time in 2020)	Second time (First time in 2022)
Repurchase purpose	Transfer of shares to employees	Transfer of shares to employees
Repurchase period	3/17/2020–5/16/2020	8/3/2022–10/2/2022
Estimated price range for repurchase	NT\$176.50–NT\$265	NT\$180.00–NT\$350 (Estimated)
Type and number of shares actually repurchased	211,000 common shares	Zero common Shares (Repurchase of 300,000 shares expected)
Total amount of shares repurchased	NT\$ 48,064,037	NT\$ 0
The ratio of the quantity repurchased to the planned repurchase quantity (%)	84.40%	0.00%
Number of shares transferred and date of transfer	211,000 shares on 09/02/2022	0
Cumulative holding (shares)	0	0
Cumulated holding as a percentage of total issued shares (%)	0.00%	0.00%

## Matters for Ratification

Proposal No. 1

Proposed by the Board of Directors

Subject : 2022 Business Report and Financial Statements.

Explanation : 1. The Business Report of 2022, Consolidated and Parent Company Only Financial Statements including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, have been approved by the seventeenth Meeting of the Board of Directors of the Fourth Term.  
2. The preceding mentioned Consolidated and Parent Company Only Financial Statements audited by the certified public accountants Yu-Feng Huang and Mei-Chen Tsai of Deloitte & Touche with the proposed audit report.  
3. The preceding mentioned Business Report, Consolidated and Parent Company Only Financial Statements had been submitted to the Audit Committee for review, and the review report was issued accordingly.  
4. 2022 Business Report, Independent Auditors' Report and Financial Statements, please refer to Attachment 1, 4 & 5 of this handbook.

Resolution :

Proposal No. 2

Proposed by the Board of Directors

Subject : 2022 Profit Distribution.

Explanation : The Board of Directors approved the 2022 Statement of Profit Distribution, please refer to Attachment 3 of this handbook.

Resolution :

## Matters for Discussion

Proposal No. 1

Proposed by the Board of Directors

Subject : Increase capital by 2022 earnings to issue new shares.

Explanation : 1. The Company intends to increase its working capital by increasing capital by earnings to issue 3,169,800 new shares with a par value of NT\$10 per share in accordance with Article 240 of the Company Act by appropriating NT\$31,698,000 from the distributable profits for the year 2022 as stock dividends.  
2. The calculation of increase capital by earnings to issue new shares is based on 31,698,000 shares outstanding as of February 22, 2023. According to the shareholder registry and their respective shareholding ratios, 100 shares will be distributed free of charge for every 1,000 shares. If the new shares distributed to shareholders from this capital increase are less than one full share, shareholders may consolidate them by handling respective procedures within

five days from the book closure date at M31's stock transfer agent. For those shares which cannot be consolidated within the specified period or still remain insufficient, cash will be distributed instead (rounded to the dollar), and the Chairman shall be authorized to designate specific persons for purchase of these by cash at par value.

3. The rights and obligations of this increase capital by earnings to issue new shares are the same as the common shares. After the resolution of the shareholders' meeting and the approval of the competent authority, the Board of Directors will be authorized to make a separate decision to determine the ex-dividend date and matters related to the increase capital by earnings to issue new shares.
4. For any reason, the total number of outstanding shares of the Company is affected in the future, the Board of Directors is authorized to distribute the total amount of stock dividends in accordance with this resolution. The distribution ratio will be adjusted according to the actual number of outstanding shares of the Company on the ex-dividend date.
5. If any of the items specified in this capital increase proposal need to be amended after approved by the competent authority, the Board of Directors is authorized to handle the matter.

Resolution :

## **Matters of Election**

Proposal No. 1

Proposed by the Board of Directors

Subject : Election for the fifth Term of Directors (including Independent Directors)

- Explanation :
1. The fourth term of office of the directors will be expired on May 28, 2023 and it is intended that a general re-election will be held at the General Shareholders' Meeting.
  2. Seven Directors (including three Independent Directors) are re-elected in accordance with Article 15 of the Company's Articles of Incorporation. The nominated candidates of Director are for a three-year term commencing on May 24, 2023 and ending on May 23, 2026. The original term of office for the directors shall expire at the completion of this General Shareholders' Meeting.
  3. The election is held in accordance with the "Rules for Election of Directors".
  4. The list of director (including independent directors) candidates was reviewed and approved by the Company's Board of Directors on February 23, 2023, please refer to Attachment 6 of this handbook.

Voting by poll and election:



## **Other Proposals**

Proposal No. 1

Proposed by the Board of Directors

Subject : Approve the lifting of non-competition restrictions for new Directors.

Explanation : 1. This is processed pursuant to the provision in Article 209 of the Company Act that “A Director who does anything for himself or on behalf of another person that is within the scope of the company’s business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.”

2. In order to leverage the expertise and experience of the Company’s Directors, it is proposed to discussion to approve the lifting of non-competition restrictions for new directors, please refer to Attachment 7 of this handbook for concurrent positions for the fifth newly elected Directors.

Resolution :

## **Extemporary Motions**

## **Adjournment**

## M31 Technology Corporation Business Report

Dear Shareholders,

M31 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 FY 2022 and a summary of the business plan for FY 2023.

### 1. FY 2022 Operating Results

#### 1.1 Business Plan Implementation Results

(1) Operating revenue for the year was NT\$1,360,165 thousand, an annual increase of 34.42% compared to the operating revenue of NT\$1,011,879 thousand in 2021. The gross profit margin for both years was 100%. 78.58% of the revenue from technical services and 21.42% of the revenue from royalties were generated in FY 2022; the royalty income increased compared to 2021.

(2) Net income after tax was NT\$379,252 thousand, with a net profit margin of 27.88%, an annual increase of 50.12% compared to the net income after tax of NT\$252,637 thousand in 2021, mainly due to the growth in operating income and the increase in net foreign currency exchange gain; earnings per share for FY 2022 were NT\$12.16.

1.2 Financial Budget: M31 did not prepare the annual financial projection for the year 2022.

1.3 Analysis of financial income and profitability

Item	Year		FY 2022	FY 2021	Difference
Financial Income and Expenses (NT\$ in Thousands)	Net cash generated from operating activities		651,573	224,520	427,053
	Net cash used in investing activities		(185,571)	(313,779)	128,208
	Net cash used in financing activities		(231,546)	(133,808)	(97,738)
Profitability (%)	Return on Assets		17.63	13.76	28.13%
	Return on Equity		22.04	16.34	34.88%
	Net income before tax as a		139.80	92.88	50.52%
	Net profit ratio		27.88	24.97	11.65%
	Earnings per share (NT\$)		12.16	8.12	49.75%

M31's financial income and expenses increased in FY 2022 compared to FY 2021, and profitability increased compared to FY 2021 due to growth in operating income and increased net foreign currency exchange gains.

#### 1.4 Research and development

With the rapid development of chip design complexity and interface integration due to continuous process shrinkage, M31's R&D this year not only continues to keep pace with the evolution of advanced process technologies and develop highly competitive products, but also provides unique IP solutions and integration services to meet the application design needs of different usage environments and expand the penetration of M31's IP products in various chip design platforms to achieve better operational performance and form a positive development cycle:

- **Functional IP:** M31 has two existing categories: the high-speed interface IP and analog IP. Among the high-speed interface IP, PCIe, USB, MIPI, and SerDes PHYs have been developed on a series of 6nm/7nm, 12nm, 16nm, 22nm, and 28nm process platforms, and advanced 3nm eUSB2 PHYs for mobil phone chips have been completed this year; also, the 12nm PCIe 5.0 PHY IP has been adopted by the world's leading SSD storage chipset manufacturers and is ready for mass production. Overall, high-speed interface IP is becoming more and more comprehensive in the pursuit of high-end applications with ultimate chip performance and mature processes that can meet specific areas, and related products are introduced into various applications such as automotive electronics, 5G, AI, edge computing, network communication, cloud storage, IoT, and wearable devices. In addition, in terms of analog IP, including PLL, ADC, etc., the development of 12nm/16nm and 22nm/28nm process technology has been completed one after another, and has already moved into the development of advanced process below 7nm. In the core technology of high-speed transmission interface IP, while upgrading the transmission interface, the overall power consumption and space of the chipset can still be reduced, and has been certified and adopted by major international manufacturers, demonstrating M31's R&D strength and technological competitiveness.
- **Foundation IP :** Currently, M31 has three types of libraries: Standard Cell Library, Memory Compiler, and General Purpose Input/ Output Library (GPIO). This year, TSMC has successfully introduced a special process, 28nm High Voltage, to provide power optimization for OLED driver IC design, 28nm embedded Flash for automotive/industrial microcontrollers, and 55nm BCD and 90nm BCD for power management chips. In terms of advanced process technology, 7nm HDSP memory IP

with ultra-high density layout structure has been successfully developed to provide 1.2Mb high-capacity storage modules that are better than 0.5Mb in the market, giving customers a greater advantage in overall area efficiency of chip layout. The advanced process memory IP development has also made significant progress, as the flash memory interface ONFI-v5.1 IO has completed 6nm/7nm design, which can support up to 3.2GB/s. It also provides a comprehensive solution for the load and loss issues arising from the high speed and high performance ONFI I/O data bus. M31 has also introduced a series of foundation IP products on the 12nm platform, such as multi-port register and flash memory interface ONFi-v5.0, where the multi-port register is used for CPU and network communication chips with a maximum speed of 1.4GHz, enabling customers to maximize chip performance and significantly reduce chip area.

- IP Integration Services: The purpose is to provide customers with IP implementation, IC implementation, and IP integration services to optimize on-chip processor IP core implementation, reduce integration time for designers, and accelerate time-to-market. This year, M31 have successfully developed the 12nm Arm® Ethos™-U55 NPU (neural processing unit), 16nm Arm® Cortex® -A53 multi-core processor, and 22nm Arm® Cortex® -A55 core processor for smart devices such as tablets and smartphones. In addition, a series of Optimized PPA libraries based on Arm-based processors are further developed on 12nm/16nm, which include the required standard cells and memories for different artificial intelligence applications from wearable devices, home appliances to high-end smartphones, helping customers achieve their processor and SoC design goals. Since the official launch of IP integration services last year, M31 has provided a series of integrated solutions for physical layer (PHY) and controller, completing the integration of physical layer and controller subsystems such as USB and MIPI D-PHY TX, etc. Based on this technology development, the highly integrated chips will comply with various high-speed transmission interface standards and can be widely used in many consumer electronics products. In addition, in response to the trend of SoC and the demand of high-end products, M31 has completed the IC implementation of 22nm ISP SoC and 28nm SSD SoC to optimize SoC power consumption and performance, while reducing cost and accelerating time-to-market.

By the end of 2022, M31 has developed more than 324 sets of Foundation IP and over 218 sets of high-speed interface IP and analog IP, about half of which are for 28nm and below advanced process technologies.

## 2. Business Plan Outline for 2023

### 2.1 Current Year's Operating Policy

The emergence of the Silicon Intellectual Property (SIP) industry has led to the third industrial revolution in the global semiconductor industry, which has led to a highly specialized division of labor in the IC industry. In recent years, three major technological trends have emerged: first, the complete division of labor in the semiconductor industry chain, the significant increase in fabless IC design companies, system application vendors, Internet companies, etc. are also entering the field of chip design, requiring significantly more IP; second, in the post-Moore's Law era, the development of the industry has changed from a one-miniature approach to meet the challenges of multi-dimensional innovation, heterogeneous integration and three-dimensional structure, which will play a key role; Third, the exponential growth of data, the speed of hardware innovation needs to keep up with the pace of software development to provide the necessary arithmetic acceleration, and as process technology continues to evolve, the pressure of the rapid complexity of IC functions, IC design companies will need more and more IP.

With the development of global high-speed computing (HPC) applications, fast transmission speed and low latency, this technology trend has created a reliable network environment for the IoT. Once tens of billions of terminal devices are connected to the network, the massive amount of data generated will require AI to transform the data into meaningful information. Therefore, in the era of 5G+AI+IoT, in order to speed up the information processing efficiency and create more application value of data, "high-speed transmission interface IP", which can help improve the performance of high-speed computing, will become extremely important. In addition, many countries are using vehicle electrification as one of the strategies to save energy and reduce carbon emissions, and under the policy, global EV sales reached 6.58 million units in 2021, and are expected to reach 29.64 million units by 2025, with a compound annual growth rate (CAGR) of 45%, this is a rare industry with high multiplier growth in recent years, reflecting the huge potential of automotive semiconductors. Automotive majors point out that the silicon content of automotive semiconductors is increasing by 15% every year, meaning that electric vehicles will grow and thrive along with the semiconductor and information and communication industries. Strong demand for electric vehicles (EVs) and advanced driver assistance systems (ADAS) is expected to contribute to solid growth in automotive-related IP adoption. Geopolitics is reshaping the semiconductor supply chain, and foundries are expanding their overseas operations, driving up the demand for highly process-related foundation IP, which has become an important strategic asset in the technology wars.

Therefore, M31's operation strategy is to continue to deploy advanced processes in response to the expanding application of IP market and to expand IP market share by deepening cooperation with strategic partners. In terms of automotive IP, despite the long validation period and high entry barrier, M31 has already entered the automotive electronics supply chain and has been adopted by global automotive electronics companies, and will continue to invest in the development and validation of automotive products based on this competitive advantage. As countries around the world realize the importance of local wafer production and supply, M31 is actively working with major foundries and IC design houses around the world to develop different foundation IPs based on the latest wafer processes and continue to provide high-value IP solutions to the global semiconductor industry. Despite the increase in price basis, M31's revenue outlook for 2023 continues to maintain positive growth targets.

## 2.2 Growth and Sales Expectation

The future of semiconductor industry is driven by 5G, AI, HPC and automotive applications, and the development trend is centered on big data. According to the latest report by a research firm, the global semiconductor market is expected to grow at a compound annual growth rate (CAGR) of approximately 8% in 2022 compared to a global market size of US\$575.1 billion in 2022, and will exceed US\$1 trillion in 2030, with a significant increase in automotive and industrial applications. The IP market is expected to grow from US\$5.4 billion in 2021 to US\$11 billion in 2026, with a CAGR of 15% and a higher CAGR of 19% for the top five high-speed transmission interface IPs. In terms of R&D and sales, M31 continues to provide high quality and more diversified products and services in line with the industry trend of high frequency and high speed, advanced process technology and leading edge technology. With a more complete product portfolio, the company will leverage its industry-leading custom R&D capabilities to enhance product performance and is expected to exceed sales quantities and amounts in 2023, continuously pushing revenue growth upward."

## 2.3 Production and Marketing

M31'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, and with the strong support of many policies, China's IC design industry has been risen rapidly in recent years, with a wide range of end products covering high, medium and low-end applications, and even in the development of advanced process products. This reflects that China has top IC design talents and design capabilities, and the demand for advanced process high-speed

transmission interface IP is strong. In October 2022, the U.S. announced export restrictions on Chinese high-performance chips/systems/industries and advanced process semiconductor devices/products, which resulting in a large amount of Chinese capital being diverted to build capacity for mature processes and accelerate the development of the IC design ecosystem above 28nm. Under the domestic production substitution policy, China will increase its efforts to actively increase the self-sufficiency rate of IC products and boost the demand for foundation IP. In the process of establishing a fully autonomous semiconductor industry chain, China's market share will increase as the Chinese industry's objectives and market positioning become more diversified, and the overall design and marketing strategy will respond to end product development needs with a comprehensive IP product layout.

United States: The U.S. has strengthened its mastery of semiconductor manufacturing technology and advanced chip development capabilities. Most of the customer IP requirements have entered high-end applications such as mobile computing, AI, automotive electronics, high-end storage, and cloud servers. With the U.S. global semiconductor technology advantage and control, the newly developed process platform adds momentum to the demand for foundation IP, and the automotive market continues to drive mature special process orders and marketing strategy that focuses on advanced process as well as high-speed computing transmission products & services to help customers take full advantage of M31's advanced technology with significant improvements in power, performance, and area to accelerate product differentiation and innovation.

Taiwan: The 3C electronics sector is the main market for Taiwan IC design companies, and the standard transmission specification IP required is targeted at applications such as automotive, IoT, fingerprint recognition, and wireless charging. In terms of foundries, continuing to work closely with TSMC on the development of foundation IP for new special process platforms, focusing on HV process for panel driver ICs, BCD process for power management ICs, and eFlash process for microcontroller ICs, which are also important application markets for Taiwan IC design companies. For Taiwanese consumer IC design companies, Chinese IC companies with mature manufacturing processes will have access to more resources, so how to respond to the entry of Chinese companies and face

increased competition when market share and profitability are gradually eroded? The expansion of third-party licenses through standardized IP products can significantly shorten product development time and reduce product development costs, while having a significant advantage of time-to-market, helping local companies to focus their resources on maintaining core competitiveness, finding new growth products is a key marketing strategy.

### 3. Future Development Strategies

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

- **Breadth**

Expanding product lines and services to meet the diverse needs of different chip designers, M31 will increase the market share of our IP products and facilitate the development of new markets. Whether it is Interface IP, Memory IP, or Analog IP, M31 will develop and design new product lines with different types and specifications in response to market demands and trends. In addition, the company will utilize its existing resources to expand the scope and content of customized IP services, such as IP integration services, to create maximum benefits for both customers and M31, which is the focus of M31's future growth in the medium and long term.

- **Depth**

Continuing to advance to more advanced processes is a demonstration of R&D capability, especially for physical IP, and the integration with foundry process technology is an indicator of competitiveness and profitability. Below 7nm (6nm/7nm, 5nm, 4nm and 3nm) is a new blue ocean market for leading chip brands to focus on high speed computing applications; 12nm–16nm is an important technology platform for mid to high end consumer ICs; 22nm and 28nm is the cost optimization sweet spot for many applications. In the future, M31 is committed to developing a comprehensive IP layout on these three process technology platforms, which will bring long-term stability to the overall operation.

- **Integration**

M31 currently focuses on two types of IP products (Functional IP and Foundation IP). As the development of various products progresses, M31 provides a diverse of IP products at the two major logic process nodes of 12nm/16nm and 22nm/28nm, and forms Platform IP



for integrated solutions, which not only provides customers with multiple choices and convenience, but also increases the penetration rate of M31 IP within customers' IC products. In the future, M31 will continue to build more sets of Platform IP with advanced process technology below 7nm, and launch IP integration services to enable customers to focus on chip design differentiation and system level integration. With the launch of a more complete IP portfolio, M31 will provide one-stop service and package sales for different IP products to help customers' IC products perform better in terms of performance and cost, and gain more competitive advantages in the market. The integration of different IP products to create IP Platform will have a synergistic effect on revenue performance, adding to M31's overall business performance.

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

M31's main competitors are large manufacturers in Europe and the United States. In order to enhance overall competitiveness, the Company is committed to continuous optimization of product specifications, differentiation of product and service quality, expansion of product lines and service offering, and active promotion of the Company's international brand image to meet the competition and challenges faced by major international manufacturers. On the other hand, M31 complies with the relevant laws and regulations for TPEX-listed companies and pays attention to the operating risks arising from interest rates and exchange rates in order to create maximum benefits for shareholders.

## **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2022 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, 2023

## M31 Technology Corporation Statement of Profit Distribution

2022

Unit : NT\$

	<b>Amount</b>
<b>Beginning Balance of Unappropriated Retained Earnings</b>	286,438,925
Add : Net Profit of 2022	379,252,362
Add : Disposal of investments in equity instruments at fair value through other comprehensive income, the cumulative gain or loss is transferred directly to retained earnings	3,822,411
Less : Legal Reserve Appropriated	(38,307,477)
Sub-total of distributable retained earnings	631,206,221
Distribution Item	
Shareholder Dividends –Cash (NT\$8 per Share)	(253,584,000)
Shareholder Dividends –Stock (NT\$1 per Share)	(31,698,000)
<b>Ending Balance of Unappropriated Retained Earnings</b>	345,924,221

- Remarks: 1. According to the Rule No.871941343 issued by the Ministry of Finance on April 30, 1998, the appropriation of earnings for the current year has priority over the most recent year, i.e., the 2022 earnings.
2. Allotment calculation basis: Based on 31,698,000 shares outstanding as of February 22, 2023 (31,708,000 shares issued less 10,000 shares recovered from employee restricted shares).
3. The cash dividend is NT\$8 per share, and the total amount of dividends to be distributed to each shareholder is calculated to the nearest dollar, with any amount less than one dollar being disregarded. Any remaining fractional amounts of cash dividends that are less than one dollar will be transferred to the Company's Employee Welfare Committee. After reporting to the general shareholders' meeting, the distribution of the aforementioned cash dividends will be authorized by the Board of Directors and the Chairman will set the ex-dividend date separately.

4. Stock dividends allotted NT\$1 per share, according to the shareholder registry and their respective shareholding ratios, 100 shares will be distributed free of charge for every 1,000 shares. If the new shares distributed to shareholders from this capital increase are less than one full share, shareholders may consolidate them by handling respective procedures within five days from the book closure date at M31's stock transfer agent. For those shares which cannot be consolidated within the specified period or still remain insufficient, cash will be distributed instead (rounded to the dollar), and the Chairman shall be authorized to designate specific persons for purchase of these by cash at par value. After the resolution of the shareholders' meeting and the approval of the competent authority, the Board of Directors will be authorized to make a separate decision to determine the ex-dividend date and matters related to the increase capital by earnings to issue new shares.
5. If, for any reason, the total number of outstanding shares of the Company is affected in the future, the distribution ratio will be adjusted according to the actual number of outstanding shares of the Company on the ex-dividend date in accordance with the total amount of cash (stock) dividends authorized and resolved above.

**DELOITTE**

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders

M31 Technology Corporation

**Opinion**

We have audited the accompanying consolidated financial statements of M31 Technology Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 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, 2022. 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, 2022 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 11, 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 2022, 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, 2022 and 2021 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 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 in the Republic of China, we exercise professional judgment and 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, 2022 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, 2023

## M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 546,776	23	\$ 307,421	16
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	284,895	12	416,743	22
Financial assets at amortized cost - current (Notes 4 and 9)	282,552	12	-	-
Accounts receivable (Notes 4, 5, 10 and 22)	325,217	14	319,072	16
Other receivables	4,177	-	1,302	-
Current tax assets (Notes 4 and 24)	59,856	3	46,501	2
Prepayments (Note 16)	56,889	2	32,411	2
Non-current assets held for sale (Notes 4, 11, 13 and 33)	98,853	4	-	-
Other current assets (Notes 16 and 31)	105	-	8,739	-
Total current assets	<u>1,659,320</u>	<u>70</u>	<u>1,132,189</u>	<u>58</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	822	-	7,487	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	118,031	5	106,422	6
Property, plant and equipment (Notes 4, 13 and 31)	570,969	24	674,452	35
Right-of-use assets (Notes 4 and 14)	2,059	-	1,110	-
Intangible assets (Notes 4 and 15)	11,087	1	7,640	1
Deferred tax assets (Notes 4 and 24)	4,751	-	5,672	-
Other non-current assets (Note 16)	259	-	1,723	-
Total non-current assets	<u>707,978</u>	<u>30</u>	<u>804,506</u>	<u>42</u>
<b>TOTAL</b>	<b><u>\$ 2,367,298</u></b>	<b><u>100</u></b>	<b><u>\$ 1,936,695</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities - current (Note 22)	\$ 266,190	11	\$ 89,002	5
Accounts payable (Note 18)	2,125	-	5,606	-
Other payables (Note 19)	185,296	8	131,485	7
Current tax liabilities (Notes 4 and 24)	43,045	2	20,302	1
Lease liabilities - current (Notes 4 and 14)	878	-	1,065	-
Long-term borrowings maturing within one year (Note 17)	-	-	5,821	-
Other current liabilities (Note 19)	7,591	1	16,339	1
Total current liabilities	<u>505,125</u>	<u>22</u>	<u>269,620</u>	<u>14</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 17)	-	-	83,482	4
Deferred tax liabilities (Notes 4 and 24)	3,526	-	-	-
Lease liabilities - non-current (Notes 4 and 14)	1,190	-	-	-
Total non-current liabilities	<u>4,716</u>	<u>-</u>	<u>83,482</u>	<u>4</u>
Total liabilities	<u>509,841</u>	<u>22</u>	<u>353,102</u>	<u>18</u>
<b>EQUITY (Note 21)</b>				
Share capital				
Ordinary shares	316,980	13	316,060	16
Capital surplus	756,194	32	727,719	38
Retained earnings				
Legal reserve	155,904	7	125,647	6
Unappropriated earnings	669,512	28	514,477	27
Total retained earnings	<u>825,416</u>	<u>35</u>	<u>640,124</u>	<u>33</u>
Other equity	(41,133)	(2)	(52,246)	(3)
Treasury shares	-	-	(48,064)	(2)
Total equity	<u>1,857,457</u>	<u>78</u>	<u>1,583,593</u>	<u>82</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 2,367,298</u></b>	<b><u>100</u></b>	<b><u>\$ 1,936,695</u></b>	<b><u>100</u></b>

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, 2022 AND 2021  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 22)	<u>\$ 1,360,165</u>	<u>100</u>	<u>\$ 1,011,879</u>	<u>100</u>
GROSS PROFIT	<u>1,360,165</u>	<u>100</u>	<u>1,011,879</u>	<u>100</u>
OPERATING EXPENSES (Notes 15 and 23)				
Selling and marketing expenses	( 72,613)	( 5)	( 53,713)	( 5)
General and administrative expenses	( 105,665)	( 8)	( 99,678)	( 10)
Research and development expenses	( 813,937)	( 60)	( 541,929)	( 54)
Expected credit loss (Notes 10)	<u>-</u>	<u>-</u>	<u>( 3,665)</u>	<u>-</u>
Total operating expenses	<u>( 992,215)</u>	<u>( 73)</u>	<u>( 698,985)</u>	<u>( 69)</u>
OPERATING INCOME	<u>367,950</u>	<u>27</u>	<u>312,894</u>	<u>31</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 23)	9,988	1	1,399	-
Other income (Notes 4 and 23)	2,034	-	1,811	-
Other gains and losses (Notes 4 and 23)	63,411	5	( 20,620)	( 2)
Finance costs (Note 23)	<u>( 254)</u>	<u>-</u>	<u>( 1,926)</u>	<u>-</u>
Total non-operating income and expenses	<u>75,179</u>	<u>6</u>	<u>( 19,336)</u>	<u>( 2)</u>
PROFIT BEFORE INCOME TAX	443,129	33	293,558	29
INCOME TAX EXPENSE (Notes 4 and 24)	<u>( 63,877)</u>	<u>( 5)</u>	<u>( 40,921)</u>	<u>( 4)</u>
NET PROFIT FOR THE YEAR	<u>379,252</u>	<u>28</u>	<u>252,637</u>	<u>25</u>

(Continued)

	<b>2022</b>		<b>2021</b>	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME</b>				
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 21)	(\$ <u>2,111</u> )	-	\$ <u>32,972</u>	<u>3</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations ( Notes 4 and 21 )	1,673	-	( 417 )	-
Income tax relating to items that may be reclassified subsequently to profit or loss ( Notes 4, 21 and 24 )	( <u>335</u> )	-	<u>83</u>	-
	<u>1,338</u>	-	( <u>334</u> )	-
Other comprehensive income(loss) for the year, net of income tax	( <u>773</u> )	-	<u>32,638</u>	<u>3</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 378,479</u>	<u>28</u>	<u>\$ 285,275</u>	<u>28</u>
<b>EARNINGS PER SHARE ( Note 25 )</b>				
Basic	<u>\$ 12.16</u>		<u>\$ 8.12</u>	
Diluted	<u>\$ 12.08</u>		<u>\$ 8.11</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, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

	Shares		Share Capital		Share Capital Pending Cancellation		Capital Surplus		Retained Earnings		Exchange Difference on Translating the Financial Statements of Foreign Operations: (\$ 694)	Other Equity		Total Equity
	(In Thousands)	31,318	Amount	\$ 313,180	\$	Amount	Legal Reserve	Unappropriated Earnings	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefits		Amount of Treasury Shares: (\$ 48,064)	\$	
<b>BALANCE AT JANUARY 1, 2021</b>														
Appropriations of 2020 earnings:														
Legal reserve	-	-	-	-	-	33,064	( 33,064 )	-	-	-	-	-	-	( 248,856 )
Cash dividends	-	-	-	-	-	-	( 248,856 )	-	-	-	-	-	-	252,637
Net profit for the year ended December 31, 2021														
Other comprehensive income(loss) for the year ended December 31, 2021, net of income tax (Note 21)										( 384 )		39,972		
Total comprehensive income(loss) for the year ended December 31, 2021										( 384 )		39,972		252,275
Issuance of employee restricted shares (Note 26)	288		2,880											28,800
Compensation cost of employee restricted shares (Note 21)	-		-										9,340	9,340
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 21)									49,936			( 49,936 )		
<b>BALANCE AT DECEMBER 31, 2021</b>	31,606		316,060			125,647	514,477		938		6,600	( 57,908 )	( 48,064 )	1,583,593
Appropriations of 2021 earnings:														
Legal reserve	-		-			30,257	( 30,257 )							( 197,782 )
Cash dividends	-		-			-	( 197,782 )							379,252
Net profit for the year ended December 31, 2022														
Other comprehensive income(loss) for the year ended December 31, 2022, net of income tax (Note 21)										1,338		( 2,111 )		( 773 )
Total comprehensive income(loss) for the year ended December 31, 2022										1,338		( 2,111 )		378,479
Transfer of treasury shares to employee (Note 21)	-		-			4,225	-						48,064	52,289
Issuance of employee restricted shares (Note 26)	110		1,100			29,755	-						( 19,855 )	11,000
Compensation cost of employee restricted shares (Note 21)	-		-			-	-							31,678
Employee restricted shares cancellation (Note 21)	( 8 )		( 80 )		( 100 )	( 5,505 )	-							( 1,800 )
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 21)													( 3,822 )	
<b>BALANCE AT DECEMBER 31, 2022</b>	31,708		317,080		( 100 )	155,804	609,512		400		667	( 42,200 )		1,857,457

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, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 443,129	\$ 293,558
Adjustments for:		
Depreciation expenses	42,276	36,689
Amortization expenses	5,079	3,686
Expected credit loss	-	3,665
Net loss(gain) on fair value changes of financial assets at fair value through profit or loss	5,596	( 1,293 )
Finance costs	254	1,926
Interest income	( 9,988 )	( 1,399 )
Dividend income	( 106 )	-
Share-based payment of compensation costs	35,903	9,340
Loss on disposal of property, plant and equipment	-	3,479
Unrealized gain on foreign currency exchange	( 19,268 )	( 14,861 )
Changes in operating assets and liabilities		
Accounts receivable	( 7,151 )	( 67,364 )
Other receivables	540	( 1,277 )
Prepayments	( 24,478 )	( 16,595 )
Other current assets	8,239	( 7,827 )
Contract liabilities	177,188	( 1,165 )
Accounts payable	( 3,481 )	2,480
Other payables	50,385	24,651
Other current liabilities	( 8,661 )	9,474
Cash generated from operations	695,456	277,167
Interest received	6,658	1,399
Dividend received	106	-
Interest paid	( 270 )	( 1,910 )
Income tax paid	( 50,377 )	( 52,136 )
Net cash generated from operating activities	<u>651,573</u>	<u>224,520</u>

(Continued)

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of financial assets at fair value through other comprehensive income	\$ 4,554	\$ 53,485
Acquisition of financial assets at amortized cost	( 535,672)	( 108,818)
Disposal of financial assets at amortized cost	258,450	241,370
Acquisition of financial assets at fair value through profit or loss	( 154,308)	( 490,664)
Disposal of financial assets at fair value through profit or loss	280,560	519,830
Acquisition of property, plant and equipment	( 31,076)	( 531,379)
Disposal of property, plant and equipment	-	10
Increase in refundable deposits	( 150)	-
Decrease in refundable deposits	395	7,563
Acquisition of intangible assets	( 8,324)	( 3,551)
Increase in prepayments for equipment	-	( 1,625)
Net cash used in investing activities	<u>( 185,571)</u>	<u>( 313,779)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term borrowings	-	300,000
Repayment of long-term borrowings	( 89,303)	( 210,697)
Repayment of the principal portion of lease liabilities	( 1,725)	( 3,055)
Dividends paid	( 197,782)	( 248,856)
Purchase of treasury shares by employees	48,064	-
Issuance of employee restricted shares	11,000	28,800
Payment for buy-back of employee restricted shares	( 1,800)	-
Net cash used in financing activities	<u>( 231,546)</u>	<u>( 133,808)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>4,899</u>	<u>2,728</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	239,355	( 220,339)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>307,421</u>	<u>527,760</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 546,776</u>	<u>\$ 307,421</u>

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

**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, 2022 and 2021, 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, 2022 and 2021, 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 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, 2022. 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, 2022 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 11, for relevant accounting policies.

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

4. Understand the design and operating effectiveness of the Company's internal control systems relevant to the recognition of technical service revenue contracts.
5. Sample the technical service revenue contracts recognized in 2022, checking relevant documents and receivable collections, reviewing critical contract provisions, for the purpose of ensuring the proper timing of revenue recognition.
6. 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 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 in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

7. 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.
8. 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.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. 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.

11. 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.
12. 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, 2022 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, 2023



**M31 TECHNOLOGY CORPORATION****PARENT COMPANY ONLY BALANCE SHEETS**

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 534,626	23	\$ 294,591	15
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	284,895	12	416,743	22
Financial assets at amortized cost - current (Notes 4 and 9)	276,390	12	-	-
Accounts receivable (Notes 4, 5, 10 and 22)	290,867	12	260,406	13
Accounts receivable - related parties (Notes 4, 22 and 30)	34,680	1	56,652	3
Other receivables	4,094	-	1,278	-
Current tax assets (Notes 4 and 24)	59,755	3	46,416	2
Prepayments (Note 16)	56,715	2	32,298	2
Non-current assets held for sale (Notes 4, 11, 13 and 33)	98,853	4	-	-
Other current assets (Notes 16 and 31)	105	-	8,739	1
Total current assets	<u>1,640,980</u>	<u>69</u>	<u>1,117,123</u>	<u>58</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	822	-	7,487	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	118,031	5	106,422	6
Investments accounted for using the equity method (Notes 4 and 12)	20,463	1	16,427	1
Property, plant and equipment (Notes 4, 13 and 31)	570,911	24	674,430	35
Right-of-use assets (Notes 4 and 14)	2,059	-	-	-
Intangible assets (Notes 4 and 15)	11,087	1	7,640	-
Deferred tax assets (Notes 4 and 24)	4,751	-	5,672	-
Other non-current assets (Note 16)	150	-	1,625	-
Total non-current assets	<u>728,274</u>	<u>31</u>	<u>819,703</u>	<u>42</u>
<b>TOTAL</b>	<u>\$ 2,369,254</u>	<u>100</u>	<u>\$ 1,936,826</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities - current (Note 22)	\$ 266,190	11	\$ 89,002	5
Accounts payable (Note 18)	2,125	-	5,606	-
Other payables (Note 19)	185,293	8	131,485	7
Other payables - related parties (Note 30)	2,051	-	1,196	-
Current tax liabilities (Notes 4 and 24)	42,953	2	20,302	1
Lease liabilities - current (Notes 4 and 14)	878	-	-	-
Long-term borrowings maturing within one year (Note 17)	-	-	5,821	-
Other current liabilities (Note 19)	7,591	1	16,339	1
Total current liabilities	<u>507,081</u>	<u>22</u>	<u>269,751</u>	<u>14</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 17)	-	-	83,482	4
Deferred tax liabilities (Notes 4 and 24)	3,526	-	-	-
Lease liabilities - non-current (Notes 4 and 14)	1,190	-	-	-
Total non-current liabilities	<u>4,716</u>	<u>-</u>	<u>83,482</u>	<u>4</u>
Total liabilities	<u>511,797</u>	<u>22</u>	<u>353,233</u>	<u>18</u>
<b>EQUITY (Note 21)</b>				
Share capital				
Ordinary shares	316,980	13	316,060	16
Capital surplus	756,194	32	727,719	38
Retained earnings				
Legal reserve	155,904	7	125,647	6
Unappropriated earnings	669,512	28	514,477	27
Total retained earnings	<u>825,416</u>	<u>35</u>	<u>640,124</u>	<u>33</u>
Other equity	(41,133)	(2)	(52,246)	(3)
Treasury shares	-	-	(48,064)	(2)
Total equity	<u>1,857,457</u>	<u>78</u>	<u>1,583,593</u>	<u>82</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 2,369,254</u>	<u>100</u>	<u>\$ 1,936,826</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, 2022 AND 2021  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 30)	\$ 1,358,129	100	\$ 1,010,911	100
GROSS PROFIT	1,358,129	100	1,010,911	100
OPERATING EXPENSES (Notes 15, 23 and 30)				
Selling and marketing expenses	( 73,275)	( 5)	( 54,194)	( 5)
General and administrative expenses	( 105,665)	( 8)	( 99,678)	( 10)
Research and development expenses	( 813,937)	( 60)	( 541,929)	( 54)
Expected credit loss (Note 10)	-	-	( 3,665)	-
Total operating expenses	( 992,877)	( 73)	( 699,466)	( 69)
OPERATING INCOME	365,252	27	311,445	31
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 23)	9,926	1	1,376	-
Other income (Notes 4 and 23)	2,032	-	1,806	-
Other gains and losses (Notes 4 and 23)	62,975	5	( 20,354)	( 2)
Finance costs (Note 23)	( 246)	-	( 1,900)	-
Share of profit of subsidiaries (Note 4)	2,363	-	744	-
Total non-operating income and expenses	77,050	6	( 18,328)	( 2)
PROFIT BEFORE INCOME TAX	442,302	33	293,117	29
INCOME TAX EXPENSE (Notes 4 and 24)	( 63,050)	( 5)	( 40,480)	( 4)
NET PROFIT FOR THE YEAR	379,252	28	252,637	25

(Continued)

	2022		2021	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME</b>				
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 21)	( \$ 2,111 )	-	\$ 32,972	3
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations ( Notes 4 and 21 )	1,673	-	( 417 )	-
Income tax relating to items that may be reclassified subsequently to profit or loss ( Notes 4, 21 and 24 )	( 335 )	-	83	-
	<u>1,338</u>	-	<u>( 334 )</u>	-
Other comprehensive income(loss) for the year, net of income tax	( 773 )	-	32,638	3
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 378,479</u>	<u>28</u>	<u>\$ 285,275</u>	<u>28</u>
<b>EARNINGS PER SHARE ( Note 25 )</b>				
Basic	<u>\$ 12.16</u>		<u>\$ 8.12</u>	
Diluted	<u>\$ 12.08</u>		<u>\$ 8.11</u>	

The accompanying notes are an integral part of the parent company only financial statements.

**M3I TECHNOLOGY CORPORATION**

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(In Thousands of New Taiwan Dollars)

	Share Capital		Share Capital Pending Cancellation	Capital Surplus		Retained Earnings:		Legal Reserve	Unappropriated Earnings	Exchange Difference on Translating the Financial Statements of Foreign Operations	Other Equity		
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefits				Amount of Treasury Shares	Total Equity	
BALANCE AT JANUARY 1, 2021	31,318	\$ 313,180	\$ -	\$ 684,551	\$ 92,583	\$ 493,324	\$ -	\$ 23,564	\$ -	\$ -	\$ -	\$ -	\$ 1,509,034
Appropriations of 2020 earnings:													
Legal reserve	-	-	-	-	33,064	( 33,064 )	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	( 248,856 )	-	-	-	-	-	-	( 248,856 )
Net profit for the year ended December 31, 2021	-	-	-	-	-	252,637	-	-	-	-	-	-	252,637
Other comprehensive income(loss) for the year ended December 31, 2021, net of income tax (Note 21)	-	-	-	-	-	-	( 334 )	32,972	-	( 334 )	-	-	32,638
Total comprehensive income(loss) for the year ended December 31, 2021	-	-	-	-	-	-	( 334 )	32,972	252,637	( 334 )	-	-	285,275
Issuance of employee restricted shares (Note 26)	298	2,890	-	93,168	-	-	-	-	-	-	( 67,248 )	-	28,800
Compensation cost of employee restricted shares (Note 21)	-	-	-	-	-	-	-	-	-	-	9,340	-	9,340
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 21)	-	-	-	-	-	49,936	-	( 49,936 )	-	-	-	-	-
BALANCE AT DECEMBER 31, 2021	31,606	316,060	-	727,719	125,647	514,477	938	6,000	( 57,908 )	( 48,064 )	( 48,064 )	-	1,583,593
Appropriations of 2021 earnings:													
Legal reserve	-	-	-	-	30,257	( 30,257 )	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	( 197,782 )	-	-	-	-	-	-	( 197,782 )
Net profit for the year ended December 31, 2022	-	-	-	-	-	379,252	-	-	-	-	-	-	379,252
Other comprehensive income(loss) for the year ended December 31, 2022, net of income tax (Note 21)	-	-	-	-	-	-	1,338	( 2,111 )	-	1,338	( 2,111 )	-	( 773 )
Total comprehensive income(loss) for the year ended December 31, 2022	-	-	-	-	-	-	1,338	( 2,111 )	379,252	1,338	( 2,111 )	-	378,479
Transfer of treasury shares to employees (Note 21)	-	-	-	4,225	-	-	-	-	-	-	-	48,064	52,289
Issuance of employee restricted shares (Note 26)	110	1,100	-	29,755	-	-	-	-	-	-	( 19,855 )	-	11,000
Compensation cost of employee restricted shares (Note 21)	-	-	-	-	-	-	-	-	-	-	31,678	-	31,678
Employee restricted shares cancellation (Note 21)	( 8 )	( 80 )	( 100 )	( 5,505 )	-	-	-	-	-	-	3,885	-	( 1,800 )
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 21)	-	-	-	-	-	3,822	-	( 3,822 )	-	-	-	-	-
BALANCE AT DECEMBER 31, 2022	31,708	\$ 317,080	( \$ 100 )	\$ 756,194	\$ 155,904	\$ 669,512	\$ 400	\$ 667	( \$ 42,200 )	\$ -	\$ -	\$ -	\$ 1,857,457

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, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 442,302	\$ 293,117
Adjustments for:		
Depreciation expenses	41,054	35,541
Amortization expenses	5,079	3,686
Expected credit loss	-	3,665
Net loss(gain) on fair value changes of financial assets at fair value through profit or loss	5,596	( 1,293 )
Finance costs	246	1,900
Interest income	( 9,926 )	( 1,376 )
Dividend income	( 106 )	-
Share-based payment of compensation costs	35,903	9,340
Share of profit of subsidiaries	( 2,363 )	( 744 )
Loss on disposal of property, plant and equipment	-	3,479
Unrealized gain on foreign currency exchange	( 19,585 )	( 15,126 )
Changes in operating assets and liabilities		
Accounts receivable	( 31,467 )	( 86,391 )
Accounts receivable - related parties	22,289	30,463
Other receivables	599	( 1,259 )
Prepayments	( 24,417 )	( 16,598 )
Other current assets	8,239	( 7,794 )
Contract liabilities	177,188	( 1,165 )
Accounts payable	( 3,481 )	2,480
Other payables	50,382	25,790
Other payables - related parties	855	( 151 )
Other current liabilities	( 8,661 )	9,474
Cash generated from operations	689,726	287,038
Interest received	6,596	1,376
Dividend received	106	-
Interest paid	( 262 )	( 1,884 )
Income tax paid	( 49,626 )	( 51,784 )
Net cash generated from operating activities	<u>646,540</u>	<u>234,746</u>

(Continued)

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of financial assets at fair value through other comprehensive income	\$ 4,554	\$ 53,485
Acquisition of financial assets at amortized cost	( 529,510)	( 108,818)
Disposal of financial assets at amortized cost	258,450	241,370
Acquisition of financial assets at fair value through profit or loss	( 154,308)	( 490,664)
Disposal of financial assets at fair value through profit or loss	280,560	519,830
Acquisition of property, plant and equipment	( 31,014)	( 531,379)
Disposal of property, plant and equipment	-	10
Increase in refundable deposits	( 150)	-
Decrease in refundable deposits	395	7,563
Acquisition of intangible assets	( 8,324)	( 3,551)
Increase in prepayments for equipment	-	( 1,625)
Net cash used in investing activities	<u>( 179,347)</u>	<u>( 313,779)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term borrowings	-	300,000
Repayment of long-term borrowings	( 89,303)	( 210,697)
Repayment of the principal portion of lease liabilities	( 579)	( 1,933)
Dividends paid	( 197,782)	( 248,856)
Purchase of treasury shares by employees	48,064	-
Issuance of employee restricted shares	11,000	28,800
Payment for buy-back of employee restricted shares	( 1,800)	-
Net cash used in financing activities	<u>( 230,400)</u>	<u>( 132,686)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>3,242</u>	<u>3,139</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
	240,035	( 208,580)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	<u>294,591</u>	<u>503,171</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
	<u>\$ 534,626</u>	<u>\$ 294,591</u>

The accompanying notes are an integral part of the parent company only financial statements.

**M31 TECHNOLOGY CORPORATION**  
**List of Directors (Including Independent Directors) Candidates**

Title	Name	Shareholding	Education (Experience) and Current Position
Director	Huey- Ling Chen	6,762,000	<b>Education (Experience):</b> - Ph.D. in Information Engineering, Tsinghua University - M.S. in Computer Science, University of California, USA - B.S. in Information Engineering, National Taiwan University <b>Current Position:</b> - Chairman, M31 Technology Corporation - Chairman, Sirius Venture Ltd. - Chairman, Jui-Chun Investment Company Ltd.
Director	Yuan- Hsun Chang	187,000	<b>Education (Experience):</b> - M.S. in Electronic Engineering, National Chiao Tung University - B.S. in Electronic Engineering, National Chiao Tung University - R&D Manager, Faraday Technology Corporation <b>Current Position:</b> - CEO, M31 Technology Corporation - Chairman, M31 Technology USA, Inc. - Chairman, M31 Technology (Shanghai), Inc.
Director	Li- Kuo Liu	0	<b>Education (Experience):</b> -M.S. in 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 <b>Current Position:</b> - Chairman/President, JMicron Technology Corp. - Chairman, JMicron International (SAMOA) Ltd. - Chairman, KaiKutech Inc. - Independent Director, C-Media Electronics Inc.
Director	Chun-Hao Lai	0	<b>Education (Experience):</b> - M.S. in Electrical Engineering, University of California, Santa Barbara - B.S. in Electrical Engineering, National Taiwan University - CEO, Global Unichip Corp. <b>Current Position:</b> - Consultant, Global Unichip Corp. - Consultant, M31 Technology Corp. - Consultant, DIGITIMES - Chairman, Skymizer Taiwan Inc. - Director- Legal Representative, Giga Solution Tech. Co., Ltd. - Independent Director, Silicon Optronics Inc. - Independent Director, Andes Technology Corp. - Independent Director, Truelight Corp.

Title	Name	Shareholding	Education (Experience) and Current Position
Independent Director	Jun- Ji Lin	0	<p><b>Education (Experience):</b></p> <ul style="list-style-type: none"> <li>- M.S. in Applied Chemistry, Tsinghua University</li> <li>- EMBA, National Taiwan University</li> <li>- B.S. in Chemistry, National Cheng Kung University</li> <li>- CEO, KANTO-PPC</li> <li>- Executive VP, Global Unichip Corp.</li> <li>- CEO, Xintec Technology Co., Ltd.</li> <li>- CEO/President, VisEra Technology Ltd.</li> <li>- Senior Director, TSMC</li> <li>- IC Process R&amp;D Engineer, ITRI</li> </ul> <p><b>Current Position:</b></p> <ul style="list-style-type: none"> <li>- Chairman, TEMIC</li> <li>- Chairman, Chi Chi Investment Co.</li> <li>- Director, Taiflex Scientific Co., Ltd.</li> <li>- Director, Stek co., Ltd</li> <li>- Director, Shui Mu Investment Co., Ltd.</li> <li>- Director, TEN Incubation Corporation</li> <li>- Independent Director, Silicon Optronics Inc.</li> <li>- Director, PentalPro Material</li> </ul>
Independent Director	Shih-Ying Huang	0	<p><b>Education (Experience):</b></p> <ul style="list-style-type: none"> <li>- Ph.D. in Financial Management, School of Management, Jinan University, China</li> <li>- M.S. in Accounting, Chinese Culture University</li> <li>- M.A. in Law, National Chengchi University</li> <li>- B.S. in Accounting, Chinese Culture University</li> <li>- CPA, Partner, Diwan &amp; Company</li> <li>- Team Lead, PwC Taiwan</li> <li>- Accountant/Auditor, Asia Pacific CPA</li> </ul> <p><b>Current Position:</b></p> <ul style="list-style-type: none"> <li>- CPA, Partner, Zhixin Co., CPAs</li> <li>- Independent Director, Uni Pharma Co., Ltd.</li> <li>- Independent Director, Alliance Material Co., Ltd</li> <li>- Independent Director, Creative Sensor Inc.</li> </ul>
Independent Director	Cheng-Wen Wu	0	<p><b>Education (Experience):</b></p> <ul style="list-style-type: none"> <li>- Ph.D. in Electrical and Computer Engineering, University of California, Santa Barbara</li> <li>- M.S. in Electrical and Computer Engineering, University of California, Santa Barbara</li> <li>- B.S. in Electrical Engineering, National Taiwan University</li> <li>- Senior VP/CTO, ITRI</li> <li>- Vice Principal, National Cheng Kung University</li> <li>- Researcher/ Director of Chief Evaluation Expert, National Science and Technology Council</li> <li>- Director, IC Design Technology R&amp;D Center National Tsing Hua University</li> <li>- Vice Principal (R&amp;D), National Tsing Hua University</li> <li>- Distinguished Visiting Professor, National Tsing Hua University</li> </ul> <p><b>Current Position:</b></p> <ul style="list-style-type: none"> <li>- Principal, Southern Taiwan University of Science and Technology</li> </ul>



**M31 TECHNOLOGY CORPORATION****Concurrent Positions for the Fifth Newly Elected Directors  
(Including Independent Directors)**

<b>Director's Name</b>	<b>Job Titles in Other Companies (Institutions)</b>
Huey-Ling Chen	Chairman, Sirius Venture Ltd.
Yuan-Hsun Chang	Chairman, M31 Technology USA, Inc. Chairman, M31 Technology (Shanghai), Inc
Li-Kuo Liu	- Chairman/President, JMicron Technology Corp. - Chairman, JMicron International (SAMOA) Ltd. - Chairman, KaiKuTek Inc. - Independent Director, C-Media Electronics Inc.
Chun-Hao Lai	- Consultant, Global Unichip Corp. - Chairman, Skymizer Taiwan Inc. - Director- Legal Representative, Giga Solution Tech. Co., Ltd. - Independent Director, Silicon Optronics Inc. - Independent Director, Andes Technology Corp. - Independent Director, Truelight Corp.
Jun-Ji Lin	- Chairman, TEMIC - Director, Taiflex Scientific Co., Ltd. - Director, Stek Co., Ltd. - Independent Director, Silicon Optronics Inc. - Director, PentalPro Material
Shih-Ying Huang	- Independent Director, Uni Pharma Co., Ltd. - Independent Director, Alliance Material Co., Ltd - Independent Director, Creative Sensor Inc.

# **Articles of Incorporation of M31 Technology Corporation**

## **Section I General Provisions**

- Article 1 The Company shall be incorporated under the Company Act, and its name shall be M31Technology Corporation.
- Article 2 The scope of business of the Company shall be as follows:  
CC01030 Electrical Appliance and Audiovisual Electric Products Manufacturing  
CC01060 Wired Communication Mechanical Equipment Manufacturing  
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
- Article 3 The total amount of the Company's reinvestment shall not be subject to the restriction of no more than 40% of the Company's paid-up capital, as provided in Article 13 of the Company Act. The Company may provide endorsement and guarantee and act as a guarantor.
- Article 4 The Company has registered its headquarters in Hsinchu County, Taiwan, Republic of China. Upon approval of government authorities in charge, the Company may also have branch offices at such other places both within and without the territory of the Republic of China as the Board of Directors may determine whenever is necessary.
- Article 5 Public announcements of the Company shall be made in accordance with Article 28 of the Company Act.

## **Section II Capital Stock**

Article 6 The total capital stock of the Company shall be in the amount of NT\$500,000,000, divided into 50,000,000 shares at a par value of NT\$10 each. The Board of Directors is authorized to issue the shares in installments as required.

A total of NT\$75,000,000 among the above total capital stock should be reserved for employee stock options, which may be issued in installments by resolution of the Board of Directors.

The Company's employee stock options are issued to employees, including employees of control and affiliated companies who meet certain criteria.

When the Company issues new shares, the employees who acquire the shares include those who meet certain criteria for control and affiliated companies.

The Company issued new Employee restricted shares to employees of control and subordinate companies who meet certain criteria.

Treasury shares acquired by the Company in accordance with the law are transferred to employees of control and affiliated companies who meet certain criteria.

Article 6-1 The issuance of employee stock options with an exercise price lower than the closing price of the Company's ordinary shares on the date of issuance shall be subject to the approval of the shareholders' meeting with more than half of the shareholders representing the total number of outstanding shares and two-thirds of the shareholders' voting rights present.

The transfer of shares of the Company's ordinary shares to employees at a price less than the average price at which the shares of the Company's ordinary shares were actually repurchased shall be approved by at least two-thirds of the voting rights of the shareholders present at the most recent shareholders' meeting representing more than half of the total number of outstanding shares.

Article 7 The share certificates of the Company shall all be name-bearing and issued in accordance with Article 161-1 of the Company Act. Share certificates issued by the Company are exempted from printing; however, they shall be registered in the central securities depository.

Article 8 Registration for share transfer shall be suspended sixty days before the date of general shareholders' meeting, and thirty days before the extraordinary shareholders' meeting, or within five days before the day on which the Company determines to pay dividends, bonuses, or any other benefits.

## **Section III Meetings of Shareholders**

Article 9 The shareholders' meetings of the Company are classified into two types. The annual meeting shall be annually convened by the Board within six months from the end of each fiscal year in accordance with the relevant laws and regulations. The extraordinary meeting shall be convened in accordance with the relevant laws and regulations, whenever is necessary.

The Company's shareholders' meetings may be held by video conference or by announcement of the central competent authority.

Article 10 Shareholders may designate a proxy to attend the shareholders' meeting with a power of attorney issued by the Company in accordance with Article 177, Article 177-1, and Article 177-2 of the Company Act and the Regulations Governing the Use of Proxies for Attendance at Shareholders' Meeting of Public Companies promulgated by the competent authority.

Article 11 Shareholders of the Company are entitled to one vote for each share held. However, if there are exceptions to the provisions of Article 179 of the Company Act, this shall not apply to Company's shares held by its own pursuant to laws and regulations.

Article 12 The resolutions of shareholders' meeting, unless otherwise stated in the relevant laws and regulations, shall be agreed by the majority of votes represented by the attending shareholders or proxies who represents the majority of the total number of issued shares. Shareholder who votes electronically shall be deemed as attending the Meeting in person. Electronic voting shall be conducted in accordance with relevant laws and regulations. The proposal shall be deemed adopted if all attending shareholders are solicited by the Chairman and no objection is voiced. Its validity is the same as voted by casting ballot. The Company may withdraw from public offering upon shareholder approval at the Meeting and submission of a request for withdrawal to the competent authority.

Article 13 If a Shareholders' Meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. When the Chairman is on leave or for any reason unable to exercise the powers of the Chairman, the Chairman shall appoint one of the directors to act as chair. Where the Chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair. If a Shareholders' Meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

Article 14 The resolutions of the shareholders' meeting shall be recorded in the minutes. The minutes shall be signed or affixed to the meeting Chairman's seal and be distributed to all shareholders within twenty days after the meeting. The distribution of the preceding minutes shall be in accordance with the provisions of the Company Act.

#### **Section IV Directors and Audit Committee**

Article 15 The Company shall have five (5) to nine (9) directors to be elected at the Meeting through a nominating system from persons of legal capacity to serve a term of three years. Shareholders shall nominate candidates for election as directors from the list of candidates. Directors are eligible for re-election. The number of Independent Directors within the number of Directors in the preceding article shall be two at least, and shall not be less than one-fifth of the total number of Directors. The professional qualifications, restrictions on both shareholding and concurrent positions held,

determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the competent authorities.

In addition, the Company shall purchase insurance to cover the liability of the directors in respect of the scope of business they are legally obligated to perform during their term of office.

The Company shall establish various functional committees under the Board of Directors, and each functional committee shall establish rules and regulations for the exercise of its powers and functions, which shall be implemented upon approval by the Board of Directors.

Article 16 The Company shall establish an Audit Committee in accordance with the relevant provisions of the Securities and Exchange Act. The number of members, term of office, power and rules of procedure of the Audit Committee shall be determined in accordance with the relevant provisions of the "Regulations Governing the Exercise of Powers and Functions of the Audit Committee of Public Companies" and shall be governed by the Rules and Regulations Governing the Organization of the Audit Committee.

Article 17 The Company's directors shall be elected through cumulative voting. Each share has the voting rights equal to the number of directors to be elected. The votes may be cast to one candidate or among several candidates. The candidates who receives the most votes shall be elected as the director. Any amendment of this voting system shall be handled in accordance with Article 172 of the Company Act and shall be specified, with explanation of the material contents, in the notice of the meeting.

Article 18 The Board is composed of Directors. The Directors shall elect a Chairman from among themselves in the Board meeting with the consent of the majority of attending Directors, which represents more than two-thirds of all Directors. The Chairman shall have the authority to represent the Company.

Article 19 In the case where the Chairman is on leave or cannot exercise his or her authority with due cause, a proxy shall be appointed in accordance with Article 208 of the Company Act.

If a Director is unable to attend the Board meeting for some reason, he/she shall authorize another Director to stand proxy with a power of attorney indicating the scope of authority with reference to the subjects to be discussed at the meeting. No Director may act as a proxy for more than one other Director.

For Board meetings conducted through video-conferencing, a Director who participates through video conferencing is deemed to attend in person.

Article 20 All of the directors shall be paid by the Company regardless of operating gains or losses. The Board is delegated to determine the remuneration to Directors based on their involvement in the Company's business operation and their contributions to the Company with reference to the remuneration standard of the industry.

## **Section V Managers**

Article 21 The Company shall have several managers. Their appointment, dismissal, and remuneration shall be subject to Article 29 of the Company Act.

## **Section VI Accounting**

Article 22 The Company's Board of Directors shall prepare the following after the end of each fiscal year and forward them to the annual meeting of shareholders for approval:

1. Business report
2. Financial statements
3. Profit distribution or deficit compensation proposal

Article 23 When the Company makes a profit for the year, the compensation to employees shall be no less than 1% of the balance and the remuneration to the Directors shall not be higher than 1.5% of the balance. If there are accumulated losses, the profit should offset the accumulated losses.

Employees' compensation shall be paid in stock or cash to employees, including those of affiliated companies who meet certain criteria, which are authorized by the Board of Directors. Directors' remuneration shall be paid in cash.

Article 24 If there is any profit in an annual general financial statement of the Company, such profit shall be distributed in the following orders:

1. Reserve for tax payments.
2. Offset accumulated losses, if any.
3. Legal reserve, which is set aside 10% of remaining net profits after deducting the aforementioned items. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock.
4. Set aside or reverse of special reserves as required by law or government authorities.
5. The remaining net profits and retained earnings from previous years shall be prepared by the Board for distribution of earnings. If the distribution is made in the form of new shares, it shall be submitted to the Shareholders' Meeting for a resolution, and if the distribution is made in the form of cash, the Board of Directors shall be authorized to resolve on the distribution in accordance with Article 240, Paragraph 5 of the Company Act and report to the shareholders' meeting.

In accordance with Article 241 of the Company Act, the Company may issue all or part of the legal reserve and capital reserve to new shares or cash in proportion to the shareholders' common shares, and in the case of a cash payment, the Board is authorized to resolve the matter and report it to the shareholders' meeting.

The Company's dividend policy considers the Company's sustainable operation, stable growth, protection of shareholders' rights and interests, and healthy financial structure, and the Board prepares earnings distribution plans based on future funding needs and long-term financial planning. Total dividends to shareholders shall not be less

than 2% of the retained earnings and may be paid in cash or in stock, with cash dividends not less than 10% of the total dividends.

## **Section VII Additional Provisions**

- Article 25 Matters not set forth in the Articles of Incorporation shall be subject to the Company Act and other laws and regulations.
- Article 26 The Articles of Incorporation was established on October 5, 2011.  
The first amendment was made on January 13, 2012.  
The second amendment was made on March 13, 2012.  
The third amendment was made on April 17, 2012.  
The fourth amendment was made on March 25, 2013.  
The fifth amendment was made on June 25, 2014.  
The sixth amendment was made on June 28, 2016.  
The seventh amendment was made on May 9, 2017.  
The eighth amendment was made on May 24, 2018.  
The ninth amendment was made on November 13, 2018  
The tenth amendment was made on August 5, 2021  
The eleventh amendment was made on May 26, 2022

## **Rules of Procedure for Shareholders Meetings of M31 Technology Corporation**

- Article 1 In order to establish a good governance system for the Company's shareholders' meeting, improve the supervisory function and strengthen the management function, in accordance with the provisions of Article 5 of the Code of Corporate Governance for Listed Companies, these rules are hereby established for compliance.
- Article 2 The rules of procedure for the Shareholders Meetings of the Company, except as otherwise provided by law, regulation, or the Articles of Incorporation, shall be as provided in these Rules.
- Article 3 **The Convention and Meeting Notice of Shareholders' Meeting**  
The Shareholders' Meetings of the Company shall be convened by the Board of Directors unless otherwise provided by laws and regulations.  
The Company shall prepare electronic versions of the Shareholders' Meeting notice and proxy forms, and the origins, as well as explanatory materials, relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) 30 days before the date of a regular Shareholders' Meeting or 15 days before the date of a special Shareholders' Meeting. The Company shall prepare electronic versions of the Shareholders' Meeting agenda and supplemental meeting materials and upload them to the MOPS 21 days before the date of the regular Shareholders' Meeting or 15 days before the date of the special Shareholders' Meeting. In addition, 15 days before the date of the Shareholders' Meeting, the Company shall also have prepared the Shareholders' Meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.  
The reasons for convening a Shareholders' Meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.  
Election or dismissal of directors, amendments to the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, using earnings to increase capitalization, using reserve to increase capitalization, the dissolution, merger, or demerger of the Company, or any matter under Article 185, paragraph 1 (Significant change in business policy) of the Company Act, shall be set out in the notice of the reasons for convening the Shareholders' Meeting, as well as the essential contents shall be explained. None of the above matters may be raised by an extemporary motions; the essential contents may be posted on the website designated by the competent authority in charge of securities



affairs or the Company, and such website shall be indicated in the above notice.

Where the matter of that all directors of the Company will be re-elected has been set out in the causes of a meeting of shareholders to be convened, and the date for the elected directors to assume their office is also indicated in, after the re-election is completed in such a shareholders' meeting, the date for the elected directors to assume their office shall not be altered by bring up as extemporary motions or by other means.

A shareholder holding 1 % or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular Shareholders' Meeting. Such proposal is limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. However, the proposed proposal for urging the Company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at the shareholders' meeting by the Board of Directors. In addition, when any one of the circumstances set forth in each subparagraph of paragraph 4, Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.

Prior to the book closure date before a regular Shareholders' Meeting is held, the Company shall publicly announce that it will receive shareholder proposals, methods of acceptance in writing or by way of electronic transmission and the location and time period for their submission; the period for submission of shareholder proposals shall not be less than 10 days. Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular Shareholders' Meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a Shareholders' Meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this Article. At the Shareholders' Meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

#### Article 4 Proxy form

For each Shareholders' Meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given Shareholders' Meeting, and shall deliver the proxy form to the Company before 5 days before the date of the Shareholders' Meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company 2 days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5 Principles Determining the Time and Place of a Shareholders' Meeting

The venue for a Shareholders' Meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a Shareholders' Meeting. The meeting shall begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

Article 6 Preparation of Documents such as the Attendance Book

The Company shall specify in its Shareholders' Meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. Shareholders and their proxies (collectively, "shareholders") shall attend Shareholders' Meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials; where there is an election of directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a Shareholders' Meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7 The Chair and Non-voting Participants of a Shareholders' Meeting

If a Shareholders' Meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. When the Chairman is on leave or for any reason unable to exercise the powers of the Chairman, the Chairman shall appoint one of the directors to act as chair. Where the Chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair.

When a director serves as chair, as referred to in the preceding paragraph, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that Shareholders' Meetings convened by the Board of Directors be chaired by the Chairman in person and attended by a majority of the directors, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a Shareholders' Meeting is convened by a party with power to convene but other than

the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a Shareholders' Meeting in a non-voting capacity.

Article 8 Documentation of a Shareholders' Meeting by Audio or Video

The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the Shareholders' Meeting, and the voting and vote counting procedures. The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9 Attendance

Attendance at Shareholders' Meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to paragraph 1, Article 175 of the Company Act; all shareholders shall be notified of the tentative resolution and another Shareholders' Meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the Shareholders' Meeting pursuant to Article 174 of the Company Act.

Article 10 Discussion of Proposals

If a Shareholders' Meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The proposals (including extemporaneous motion and the amendment to original proposal) shall require a voting by poll on every resolution. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the Shareholders' Meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a Shareholders' Meeting convened by a party with the power to convene that is not the Board of Directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions),

except by a resolution of the Shareholders' Meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote with arranging sufficient time for the vote.

#### Article 11 Shareholder Speech

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a Shareholders' Meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

#### Article 12 Calculation of Voting Shares and Recusal System

Voting at a Shareholders' Meeting shall be calculated based the number of shares.

With respect to resolutions of Shareholders' Meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

#### Article 13 Vote on a Proposal

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under paragraph 2, Article 179 of the Company Act.

When the Company holds a Shareholders' Meeting, it may allow the shareholders to exercise voting rights by electronic means or correspondence means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the Shareholders' Meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company 2 days before the date of the Shareholders' Meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the Shareholders' Meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, 2 days before the date of the Shareholders' Meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a Shareholders' Meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. During a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

#### Article 14 Election of Directors

The election of directors at a Shareholders' Meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

#### Article 15 Meeting Minutes

The resolutions of the shareholders' meeting shall be recorded in the minutes. The minutes shall be signed or affixed to the meeting Chairman's seal and be distributed to all shareholders within twenty days after the meeting. The production and distribution of video and audio files can be done electronically.

The distribution may be done via public announcement by upload them to the MOPS.

The meeting minutes shall accurately record the year, month, date, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and the results of voting (including the statistical weights of the numbers of votes), in the event of Director election, the number of the votes to each candidate shall be disclosed. The meeting minutes shall be retained for the duration of the existence of the Company.

#### Article 16 Public Disclosure

On the day of a Shareholders' Meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the Shareholders' Meeting.

If matters put to a resolution at a Shareholders' Meeting constitute material information under applicable laws and regulations, and the Taiwan Stock Exchange(Tapei Exchange), the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 Maintaining Order at the Meeting Place

Staff handling administrative affairs of a Shareholders' Meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or arm band bearing the word "Proctor."

At the place of a Shareholders' Meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18 Recess and Resumption of a Shareholders' Meeting

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the Shareholders' Meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a Shareholders' Meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19 These Rules, and any amendments hereto, shall be implemented after adoption by Shareholders' Meetings.

Article 20 These Rules were adopted by the Shareholders' Meeting on June 28, 2016.

The first amendment was made on May 24, 2018.

The second amendment was made on May 29, 2020.

## **M31 Technology Corporation**

### **Rules for Election of Directors**

- Article 1 The election, re-election and by-election of directors shall be elected in accordance with the rules specified herein.
- Article 2 For the election of directors of the Company, the name of the elector shall be replaced by the attendance number.
- The election of directors shall be based on the nomination of candidates.
- Article 3 For the election of directors, each share shall have the same right to vote as the number of directors to be elected, and the board of directors shall prepare ballots equal to the number of directors to be elected and distribute them to each shareholder.
- Article 4 The directors of the Company shall be elected in accordance with the quotas set forth in the Articles of Incorporation, and the independent directors and non-independent directors shall be elected together and the number of elected quotas shall be calculated separately. The directors shall be elected in the order of the majority of the votes received. If there are more than two persons with the same number of votes and the number of directors exceeds the required number, lots shall be drawn by those with the same number of votes. For persons who are unable to attend, the Chairman shall draw lots for the candidates.
- Article 5 Independent directors shall obtain one of the following professional qualifications and have at least five years of working experience:
1. Lecturer or above from a public or private college or university in business, law, finance, accounting or related fields required for company's business.
  2. Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have passed the national examinations required for the company's business.
  3. Experience in business, legal, finance, accounting or corporate business.
- Anyone who has served as an independent director shall be prohibited from serving as an independent director and shall be terminated if he or she has served as one of the following:
1. In one of the cases specified in Article 30 of the Company Act.
  2. In accordance with Article 27 of the Company Act, the government, legal persons or their representatives shall be elected.
  3. Violation of the qualifications of independent directors as stipulated in the



Regulations.

Article 6 An independent director shall not be one of the following two years prior to his or her election and during his or her term of office:

1. Employees of the Company or its affiliated companies.
2. Directors and supervisors of the Company or its affiliated companies. However, this does not apply if the company or its parent company or subsidiary is an independent director established in accordance with this Act or local laws and regulations, the company shall not be subject to this limitation.
3. The natural shareholders who hold more than one percent of the total issued shares or the top ten natural shareholders in the name of themselves, their spouses, minor children or in the name of others.
4. The spouse of a person listed in the preceding three paragraphs, a relative within the second degree of kinship, or a relative within the third degree of kinship in the direct blood relatives.
5. A director, supervisor or employee of a corporate shareholder who directly holds more than five percent of the total issued shares of the Company, or the top five corporate shareholders who hold shares.
6. Directors, supervisors, managers, or shareholders holding more than 5% of the shares of a specific company or organization with which the Company has financial or business dealings.
7. Professionals, sole proprietors, partners, directors, supervisors, managers and their spouses who provide business, legal, financial and accounting services or consulting services to the Company or its affiliates. However, members of the Compensation Committee who perform their duties and responsibilities in accordance with Article 7 of the Rules Governing the Establishment and Exercise of Powers and Functions of Compensation Committees of Companies whose stocks are Listed or Traded on the Business Premises of Securities Firms shall be excluded.

If an independent director has served as an independent director of a company or its affiliates or a specific company or organization with which the company has financial or business dealings as described in Paragraph 2 or 6 of the preceding paragraph and has now terminated his or her appointment, the preceding two-year period prior to his or her election shall not apply.

The specific company or organization referred to in Paragraph 6 of Item 1 shall mean

a company with one of the following circumstances:

1. Hold at least 20% and not more than 50% of the Company's total issued shares.
2. Other companies and their directors, supervisors and shareholders holding more than 10% of the total number of shares hold more than 30% of the total number of issued shares of the Company, and there is a record of financial or business dealings between the two parties. The shares held by the aforementioned persons include their spouses, minor children and those held in the name of others.
3. The Company receives more than 30% of its operating revenues from other companies and its group companies.
4. The Company's major raw materials (defined as those that account for more than 30% of the total purchase amount and are indispensable for the manufacture of products) or major products (defined as those that account for more than 30% of the total operating revenues) are derived more than 50% from other companies and their group companies in quantities or total purchase amounts.

The parent company, subsidiary and group referred to in the first and preceding paragraphs shall be recognized in accordance with the provisions of IFRS 10.

- Article 7 An independent director shall not serve as an independent director of more than three other public companies.
- Article 8 When the Board of Directors prepares the ballot, it shall be printed according to the attendance number and filled in with its weight.
- Article 9 At the beginning of the election, the Chairman shall designate scrutineers and tellers to monitor and count the votes.
- Article 10 The ballot boxes shall be prepared by the Board of Directors and shall be opened for inspection by the scrutineers before the voting.
- Article 11 If the person to be elected is a shareholder, the elector shall fill in the name of the person to be elected and the shareholder's account number on the ballot paper. If he/she is not a shareholder, he/she shall fill in the name of the person to be elected and the tax ID number (or ID card number), and then put it into the ballot box; however, if the government or a corporate shareholder is the nominee, the nominee column of the ballot paper shall be filled in with the name of the government or the corporate in accordance with the provisions of Article 27, Paragraph 1 of the Company Act, and the name of the government or the corporate and the name of its representative in accordance with the provisions of Paragraph 2 of the same Article.
- Article 12 An election ballot shall be invalid if one of the following circumstances occurs:

1. Those who do not use the ballot papers specified in this rule.
2. Those who vote with a blank ballot.
3. The handwriting is blurred and unrecognizable or has been altered.
4. If the name of the candidate is a shareholder, the name of the candidate does not match with the register of shareholders. If the name of the candidate is not a shareholder, the name and the tax ID number (or ID card number) of the candidate do not match.
5. The same ballot is filled with more than two candidates.
6. In addition to the candidate's account name (surname) and shareholder's account number (tax ID number or ID card number), other written characters are included.
7. Not in accordance with the provisions of Article 11.

Article 13 The ballot boxes for the election of directors shall be opened together with the scrutineers and tellers after the ballots have been cast.

Article 14 The counting of votes shall be monitored by the scrutineers, and the results of the ballot shall be announced by the Chairman on the spot. The election ballots for the aforementioned election shall be sealed and signed by the scrutineers and kept in a safe place for at least one year. However, if a lawsuit is filed by a shareholder in accordance with Article 189 of the Company Act, it shall be kept until the conclusion of the litigation.

Article 15 The elected director shall be given a notice of election by the Board of Directors

Article 16 (Deleted)

Article 17 Matters not covered by this Act shall be handled in accordance with the provisions of the Company Law and relevant laws and regulations.

Article 18 These regulations shall come into effect upon the approval of the shareholders' meeting, and shall be the same when amended.

Article 19 These Regulations were established on June 28, 2016.

The first amendment was made on May 24, 2018.

## M31 Technology Corporation

### Shareholdings of All Directors

1. The total number of issued shares: 31,698,000 shares
2. The minimum required combined shareholding of all Directors: 3,600,000 shares
3. Up to the date on which share transfer registration is suspended before the convention of this shareholders' meeting (March 26, 2023), the status of shareholdings of individual and all Directors registered on the shareholders roster is set forth below:

Title	Name	Holding Shares	Shareholding Ratio
Chairman	Huey-Ling Chen	6,762,000	21.33%
Director	Yuan-Hsun Chang	187,000	0.59%
Director	Tsung-Hsi Ko	0	0.00%
Director	Li-Kuo Liu	0	0.00%
Independent Director	Jun-Ji Lin	0	0.00%
Independent Director	Ching-Te Chuang	0	0.00%
Independent Director	Shih-Ying Huang	0	0.00%
The number of shares held by all Directors		6,949,000	21.92%