M31 Technology Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2020 and 2019 and Independent Auditors' Review Report

DELOITTE

Independent Auditors' Review Report

The Board of Directors and Shareholders
M31 Technology Corporation

Introductions

We have reviewed the accompanying consolidated balance sheets of M31 Technology Corporation and its subsidiaries (collectively referred to as the "Group") as of June 30, 2020 and 2019, the consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and the consolidated statements of cash flows for the six months ended June 30, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Group as of June 30, 2020 and 2019, its consolidated financial performance for the three months ended June 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 4, 2020

<u>Notice to Readers</u>

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

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2020, DECEMBER 31, 2019, AND JUNE 30, 2019
(In Thousands of New Taiwan Dollars)

	JUNE 30, 2020 (Reviewed)		DECEMBER 31, 2019 (Audited)		JUNE 30, 2019 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 634,717	37	$ 589,555	37	$ 275,647	17
Financial assets at fair value through profit or loss – current (Note 7)	385,131	22	504,867	31	808,270	50
Financial assets at amortized cost – current (Note 9)	245,040	14	73,960	5	68,120	4
Accounts receivable (Notes 10 and 20)	181,752	11	179,282	11	202,608	13
Other receivables	-	-	482	-	249	-
Current tax assets (Note 4)	37,009	2	28,005	2	13,285	1
Prepayments (Note 15)	36,171	2	17,550	1	36,761	2
Other current assets (Note 15)	2,447	-	1,868	-	1,910	-
Total current assets	1,522,267	88	1,395,569	87	1,406,850	87
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income – non-current (Note 8)	9,350	1	9,350	1	9,350	1
Property, plant and equipment (Note 12)	165,707	10	168,976	11	168,257	10
Right-of-use Assets (Note 13)	8,676	1	9,509	1	13,312	1
Intangible assets (Note 14)	6,492	-	2,347	-	3,233	-
Deferred tax assets (Note 4)	7,517	-	7,841	-	5,416	-
Other non-current assets (Note 15)	5,448	-	6,123	-	7,569	1
Total non-current assets	203,190	12	204,146	13	207,137	13
TOTAL	$ 1,725,457	100	$ 1,599,715	100	$ 1,613,987	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities – current (Note 20)	$ 105,605	6	$ 27,531	2	$ 69,214	4
Accounts payable (Note 16)	1,020	-	2,079	-	1,737	-
Dividends payable (Note 17)	234,885	14	-	-	219,226	14
Other payables (Note 17)	70,666	4	89,670	6	56,542	4
Current tax liabilities (Note 4)	19,866	1	23,607	1	17,350	1
Lease liabilities – current (Note 13)	6,934	1	7,652	1	7,591	-
Other current liabilities (Note 17)	2,349	-	5,614	-	1,971	-
Total current liabilities	441,325	26	156,153	10	373,631	23
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	28	-	60	-	788	-
Lease liabilities – non-current (Note 13)	1,735	-	1,933	-	5,774	1
Total non-current liabilities	1,763	-	1,993	-	6,562	1
Total liabilities	443,088	26	158,146	10	380,193	24
EQUITY (Note 19)						
Share capital						
Ordinary shares	313,180	18	313,180	19	313,180	19
Capital surplus	634,551	37	634,551	40	633,369	39
Retained earnings						
Legal reserve	92,583	5	61,727	4	61,727	4
Unappropriated earnings	287,113	17	428,928	27	221,842	14
Total retained earnings	379,696	22	490,655	31	283,569	18
Other equity	3,006	-	3,183	-	3,676	-
Treasury shares	(48,064)	(3)	-	-	-	-
Total equity	1,282,369	74	1,441,569	90	1,233,794	76
TOTAL	$ 1,725,457	100	$ 1,599,715	100	$ 1,613,987	100

The accompanying notes are an integral part of the consolidated financial statement

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019		Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 20)	$ 209,479	100	$ 181,004	100	$ 405,764	100	$ 351,145	100
GROSS PROFIT	209,479	100	181,004	100	405,764	100	351,145	100
OPERATING EXPENSES (Notes 14, 21, and 28)								
Selling and Marketing expenses	(11,539)	(6)	(10,743)	(6)	(27,316)	(7)	(27,310)	(8)
General and administrative expenses	(23,489)	(11)	(21,182)	(12)	(47,567)	(12)	(45,313)	(13)
Research and development expenses	(90,322)	(43)	(88,497)	(49)	(183,149)	(45)	(166,487)	(47)
Expected credit gain (loss) (Note 10)	3,524	2	2,949	2	(508)	-	2,949	1
Total operating expenses	(121,826)	(58)	(117,473)	(65)	(258,540)	(64)	(236,161)	(67)
OPERATING INCOME	87,653	42	63,531	35	147,224	36	114,984	33
NON-OPERATING INCOME AND EXPENSES (Note 21)								
Interest income	2,387	1	1,385	1	4,737	1	3,073	1
Other income	9	-	251	-	320	-	352	-
Other gains and losses	(16,666)	(8)	4,083	2	(9,120)	(2)	6,882	2
Finance costs	(38)	-	(56)	-	(84)	-	(253)	-
Total non-operating income and expenses	(14,308)	(7)	5,663	3	(4,147)	(1)	10,054	3
PROFIT BEFORE INCOME TAX	73,345	35	69,194	38	143,077	35	125,038	36
INCOME TAX EXPENSE (Notes 4 and 22)	(8,875)	(4)	(15,154)	(8)	(19,151)	(5)	(23,559)	(7)
NET PROFIT FOR THE PERIOD	64,470	31	54,040	30	123,926	30	101,479	29
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	-	-	(10)	-	-	-	(10)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Note 19)	(302)	-	59	-	(221)	-	174	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 21, and 22)	60	-	(12)	-	44	-	(35)	-
	(242)	-	47	-	(177)	-	139	-
Other comprehensive income (loss) for the period, net of income tax	(242)	-	37	-	(177)	-	129	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 64,228	31	$ 54,077	30	$ 123,749	30	$ 101,608	29
EARNINGS PER SHARE (Note 23)								
Basic	$ 2.07		$ 1.73		$ 3.97		$ 3.27	
Diluted	$ 2.07		$ 1.73		$ 3.97		$ 3.27	

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Share Capital			Retained Earnings		Other Equity			
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange Difference On Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Amount of Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2019	28,640	$ 286,400	$ 53,851	$ 33,736	$ 367,580	$ 287	$ 3,260	$ -	$ 745,114
Appropriations of 2018 earnings									
Legal capital reserve	-	-	-	27,991	(27,991)	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(219,226)	-	-	-	(219,226)
Net profit for the six months ended June 30, 2019	-	-	-	-	101,479	-	-	-	101,479
Other comprehensive income (loss) for the six months ended June 30, 2019, net of income tax (Note 19)	-	-	-	-	-	139	(10)	-	129
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	101,479	139	(10)	-	101,608
Proceeds from issuance of ordinary shares (Note 19)	2,678	26,780	578,692	-	-	-	-	-	605,472
Share-based payment (Notes 19 and 24)	-	-	826	-	-	-	-	-	826
BALANCE AT JUNE 30, 2019	31,318	$ 313,180	$ 633,369	$ 61,727	$ 221,842	$ 426	$ 3,250	$ -	$ 1,233,794
BALANCE AT JANUARY 1, 2020	31,318	$ 313,180	$ 634,551	$ 61,727	$ 428,928	($ 67)	$ 3,250	$ -	$ 1,441,569
Appropriations of 2019 earnings									
Legal capital reserve	-	-	-	30,856	(30,856)	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(234,885)	-	-	-	(234,885)
Net profit for the six months ended June 30, 2020	-	-	-	-	123,926	-	-	-	123,926
Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax (Note 19)	-	-	-	-	-	(177)	-	-	(177)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	123,926	(177)	-	-	123,749
Purchase of treasury shares (Note 19)	-	-	-	-	-	-	-	(48,064)	(48,064)
BALANCE AT JUNE 30, 2020	31,318	$ 313,180	$ 634,551	$ 92,583	$ 287,113	($ 244)	$ 3,250	($ 48,064)	$ 1,282,369

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 143,077	$ 125,038
Adjustments for:		
Depreciation expenses	19,678	17,179
Amortization expenses	1,336	1,332
Expected credit loss (gain)	508	(2,949)
Net gain on fair value changes of financial assets at fair value through profit or loss	(1,081)	(1,239)
Finance costs	84	253
Interest income	(4,737)	(3,073)
Share-based payment	-	826
Unrealized loss (gain) on foreign currency exchange	1,186	(2,959)
Changes in operating assets and liabilities		
Accounts receivable	(1,162)	31,465
Other receivables	482	(8)
Prepayments	(18,621)	(25,467)
Other current assets	(3)	836
Contract liabilities	78,074	11,199
Accounts payable	(1,088)	(87)
Other payables	(19,016)	(28,686)
Other current liabilities	(3,265)	(3,227)
Cash generated from operations	195,452	120,433
Interest received	4,737	3,073
Interest paid	(84)	(253)
Income tax paid	(31,543)	(30,819)
Net cash generated from operating activities	168,562	92,434
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	-	(1,100)
Purchase of financial assets at amortized cost	(176,200)	(6,000)

(Continued)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Purchase of financial assets at fair value through profit or loss	($ 80,000)	($ 757,000)
Proceeds from disposal of financial assets at fair value through profit or loss	200,817	-
Acquisition of property, plant and equipment	(12,005)	(26,668)
Increase in refundable deposits	-	(5,345)
Decrease in refundable deposits	99	-
Acquisition of intangible assets	(5,481)	-
Decrease in other finance assets	-	55,494
Increase in prepayments for equipment	-	(1,549)
Net cash generated from investing activities	(72,770)	(742,168)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	-	(40,000)
Repayment of the principal portion of lease liabilities	(4,489)	(3,751)
Proceeds from issuance of ordinary shares	-	608,472
Payments to acquire treasury shares	(48,064)	-
Payment of shares issuance costs	-	(3,000)
Net cash (used in) /generated from financing activities	(52,553)	561,721
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	1,923	1,215
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45,162	(86,798)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	589,555	362,445
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	$ 634,717	$ 275,647

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on August 4, 2020.

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

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

Except for the following, whenever applied, the initial application of the IFRSs endorsed and issued into effect by the FSC would not have any material impact on M31 Technology Corporation and its controlled entities' (the "Group") accounting policies:

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

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

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

New/Revised/Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018–2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts–Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

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

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

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

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

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

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

d. Other significant accounting policies

Except for the following, please refer to the summary of significant accounting policies in the Company's consolidated financial statements for the year ended December 31, 2019.

Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. For other-related information, please refer to the Critical Accounting Judgments and Key Sources of Estimation Uncertainty in the Company's consolidated financial statements for the year ended December 31, 2019.

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	$ 70	$ 70	$ 70
Checking accounts and demand deposits	370,940	165,820	275,577
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	263,707	423,665	-
	$ 634,717	$ 589,555	$ 275,647

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

	June 30, 2020	December 31, 2019	June 30, 2019
Bank deposits	0.01%~1.20%	0.01%~2.33%	0.01%~0.48%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020	December 31, 2019	June 30, 2019
Current			
Mandatorily measured at FVTPL			
Non-derivative financial assets			
-fund beneficiary certificate	$ 385,131	$ 504,867	$ 808,270

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in equity instrument

	June 30, 2020	December 31, 2019	June 30, 2019
Non-current			
Domestic investments			
Unlisted shares			
Ordinary shares – iSTART-TEK Inc.	$ 9,350	$ 9,350	$ 9,350

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2020	December 31, 2019	June 30, 2019
Current			
Domestic investments			
Time deposits with original maturities of more than 3 months	$ 245,040	$ 73,960	$ 68,120

The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.700%～1.275%, 1.040%～2.300%, and 1.040%～2.700% as of June 30, 2020, December 31, 2019, and June 30, 2019, respectively.

10. ACCOUNTS RECEIVABLE

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts receivable			
At amortized cost			
Gross carrying amount	$ 185,118	$ 182,102	$ 212,853
Less: Allowance for impairment loss	(3,366)	(2,820)	(10,245)
	$ 181,752	$ 179,282	$ 202,608

Accounts receivable

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

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

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

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operate and an assessment of both the current as well as the forecasted direction of economic conditions at the balance sheet dates. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

June 30, 2020

	Not Past Due	1 to 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit losses rate	0%~0.38%	0%~1.68%	0%~5.85%	0%~13.25%	0%~13.34%	100%	
Gross carrying amount	$162,459	$17,474	$ 667	$ 1,185	$ 1,244	$ 2,089	$185,118
Loss allowance (lifetime ECL)	(622)	(293)	(39)	(157)	(166)	(2,089)	(3,366)
Amortized cost	$161,837	$17,181	$ 628	$ 1,028	$ 1,078	$ -	$181,752

December 31, 2019

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

June 30, 2019

	Not Past Due	1 to 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit losses rate	0.48%	3.22%	6.01%	14.99%	28.84%	-	
Gross carrying amount	$76,075	$99,380	$ 313	$29,134	$ 7,951	$ -	$212,853
Loss allowance (lifetime ECL)	(366)	(3,200)	(19)	(4,367)	(2,293)	-	(10,245)
Amortized cost	$75,709	$96,180	$ 294	$24,767	$ 5,658	$ -	$202,608

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

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Balance, beginning of period	$ 2,820	$ 9,661
Add: Amounts recovered	-	3,583
Add: Net remeasurement of loss allowance	508	-
Less: Gain on reversal of impairment loss	-	(2,949)
Effect of exchange rate changes	38	(50)
Balance, end of period	$ 3,366	$ 10,245

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

The subjects of the consolidated financial statements are as follows:

			Proportion of Ownership (%)			
Investor	Investee	Nature of Activities	June 30, 2020	December 31, 2019	June 30, 2019	Remark
The Company	M31 Technology USA, INC.	Product marketing and technical services	100%	100%	100%	(1)
	Sirius Venture Ltd.	Investment holding	100%	100%	100%	(1)
Sirius Venture Ltd.	M31 Technology (shanghai) Inc.	Product marketing and technical services	100%	100%	100%	(2)

Remark:

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

12. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Group

	Land	Office Equipment	Leasehold Improvements	Other Facilities	Total
Costs					
Balance at January 1, 2020	$ 98,853	$ 70,816	$ 23,433	$ 79,087	$272,189
Additions	-	336	-	11,669	12,005
Net exchange differences	-	(4)	-	(3)	(7)
Balance at June 30, 2020	$ 98,853	$ 71,148	$ 23,433	$ 90,753	$284,187

	Land	Office Equipment	Leasehold Improvements	Other Facilities	Total
Accumulated depreciation					
Balance at January 1, 2020	$ -	$ 46,571	$ 14,604	$ 42,038	$103,213
Depreciation expense	-	4,132	2,492	8,649	15,273
Net exchange difference	-	(4)	-	(2)	(6)
Balance at June 30, 2020	$ -	$ 50,699	$ 17,096	$ 50,685	$118,480
Carrying amounts at June 30, 2020	$ 98,853	$ 20,449	$ 6,337	$ 40,068	$165,707
Carrying amounts at December 31, 2019 and January 1, 2020	$ 98,853	$ 24,245	$ 8,829	$ 37,049	$168,976
Cost					
Balance at January 1, 2019	$ 98,853	$ 51,713	$ 22,285	$ 56,781	$229,632
Additions	-	6,680	-	16,714	23,394
Reclassified (Note)	-	4,787	-	-	4,787
Net exchange difference	-	4	-	3	7
Balance at June 30, 2019	$ 98,853	$ 63,184	$ 22,285	$ 73,498	$257,820
Accumulated depreciation					
Balance at January 1, 2019	$ -	$ 40,415	$ 9,752	$ 26,016	$ 76,183
Depreciation expense	-	3,020	2,416	7,939	13,375
Net exchange differences	-	3	-	2	5
Balance at June 30, 2019	$ -	$ 43,438	$ 12,168	$ 33,957	$ 89,563
Carrying amounts at June 30, 2019	$ 98,853	$ 19,746	$ 10,117	$ 39,541	$168,257

Note: Transferred from prepayments for equipment.

No impairment assessment was performed for the six months ended June 30, 2020 and 2019 as there was no indication of impairment.

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts			
Buildings	$ 8,676	$ 9,509	$ 13,312

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Addition of right-of-use assets	$ -	$ -	$ 3,634	$ -
Depreciation of right-of-use assets				
Buildings	$ 2,201	$ 1,902	$ 4,405	$ 3,804

Expect for the aforementioned addition and recognized depreciation expenses, the Group has no significant subleasing and impairment losses in right-of-use assets for the six months ended June 30, 2020 and 2019.

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts			
Current	$ 6,934	$ 7,652	$ 7,591
Non-current	$ 1,735	$ 1,933	$ 5,774

Discount rate for lease liabilities is as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Buildings	1.60%	1.60%	1.60%

c. Other lease information

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Expenses relating to short-term leases	$ 260	$ 433	$ 686	$ 898
Total cash outflow for leases	($ 2,493)	($ 2,368)	($ 5,259)	($ 4,768)

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Lease commitments	$ 21,607	$ 24,158	$ 20,358

14. INTANGIBLE ASSETS

	Patents	Software	Total
Cost			
Balance at January 1, 2020	$ -	$ 8,466	$ 8,466
Separately acquired	-	5,481	5,481
Balance at June 30, 2020	$ -	$ 13,947	$ 13,947
Accumulated amortization			
Balance at January 1, 2020	$ -	$ 6,119	$ 6,119
Amortization expense	-	1,336	1,336
Balance at June 30, 2020	$ -	$ 7,455	$ 7,455
Carrying amounts at June 30, 2020	$ -	$ 6,492	$ 6,492
Carrying amounts at December 31, 2019 and January 1, 2020	$ -	$ 2,347	$ 2,347
Cost			
Balance at January 1, 2019 and June 30, 2019	$ 11,041	$ 24,821	$ 35,862

	Patents	Software	Total
Accumulated amortization			
Balance at January 1, 2019	$ 11,041	$ 20,256	$ 31,297
Amortization expense	-	1,332	1,332
Balance at June 30, 2019	$ 11,041	$ 21,588	$ 32,629
Carrying amounts at June 30, 2019	$ -	$ 3,233	$ 3,233

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

An analysis of amortization expense by function:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
General and administrative expenses	$ 94	$ 94	$ 188	$ 188
Research and development expenses	536	572	1,148	1,144
	$ 630	$ 666	$ 1,336	$ 1,332

15. OTHER ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Current			
Prepayments	$ 36,171	$ 17,550	$ 36,761
Refundable deposit	2,443	1,867	1,898
Others	4	1	12
	$ 38,618	$ 19,418	$ 38,671
Non-current			
Refundable deposit	$ 5,448	$ 6,123	$ 6,020
Prepayments for equipment	-	-	1,549
	$ 5,448	$ 6,123	$ 7,569

16. ACCOUNTS PAYABLE

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts payable			
Operating	$ 1,020	$ 2,079	$ 1,737

17. OTHER LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Current			
Other payables			
Payables for dividends	$ 234,885	$ -	$ 219,226
Payables for salaries or bonuses	45,553	69,339	39,955
Payables for purchases of equipment	6,519	3,700	3,447
Payables for annual leave	4,997	4,593	4,047
Payables for retirement benefit	2,856	2,766	2,569
Payables for insurance	2,731	2,632	2,399
Payables for tax expense	2,274	202	8
Payables for professional service fee	907	4,229	2,619
Others	4,829	2,209	1,498
	$ 305,551	$ 89,670	$ 275,768
Other liabilities			
Receipt under custody	$ 2,349	$ 5,614	$ 1,971

18. RETIREMENT BENEFIT PLANS

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

19. EQUITY

a. Share capital

Ordinary shares

	June 30, 2020	December 31, 2019	June 30, 2019
Numbers of shares authorized (in thousands)	50,000	50,000	50,000
Shares authorized	$ 500,000	$ 500,000	$ 500,000
Number of shares issued and fully paid (in thousands)	31,318	31,318	31,318
Shares issued	$ 313,180	$ 313,180	$ 313,180

On September 25, 2018, the Group's board of directors resolved to issue 2,678 thousand ordinary shares for the capital increase for Initial Public Offering, with a par value of $10 each. The aforementioned capital increase includes Weighted Average Price NTD 238.57 from bidding auctions, 1,928 thousand ordinary shares from bidding, and a fixed underwriting price of NTD 198 per share, 611 thousand underwriting shares to be offered, and 139 thousand ordinary shares of employee stock, amounting to NTD 605,472 thousand in total (3,000 thousand are deducted for stock issuance cost). The difference between the par value and the issuing price is $578,692 thousand, which is recognized at capital surplus – ordinary share premiums, increasing the share capital issued and fully paid to $313,180 thousand.

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

b. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Arising from issuance of ordinary shares	$ 630,511	$ 630,511	$ 629,329
May be used to offset a deficit only (2)			
Arising from employee share options	4,040	4,040	4,040
	$ 634,551	$ 634,551	$ 633,369

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

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

The balance adjustment in capital surplus for the six months ended June 30 in 2020 and 2019 were as follows:

	Arising from issuance of ordinary shares	Arising from employee share options	Employee share options	Total
Balance at January 1 and June 30, 2020	$ 630,511	$ 4,040	$ -	$ 634,551
Balance at January 1, 2019	$ 50,637	$ 3,214	$ -	$ 53,851
Recognized as stock-based compensation	-	-	826	826
Cash capital increase	578,692	826	(826)	578,692
Balance at June 30, 2019	$ 629,329	$ 4,040	$ -	$ 633,369

c. Retained earnings and dividend policy

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

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

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

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

The appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to stocks or distributed in cash.

The appropriations of 2019 and 2018 earnings have been approved by the Company's shareholders in its meeting held on May 29, 2020, and May 30, 2019, respectively. The appropriations and dividends per share were as follows:

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

d. Other equity items

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

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Balance, beginning of period	($ 67)	$ 287
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	(221)	174
Income tax effect on translating the financial statements of foreign operations	44	(35)
Balance, end of period	($ 244)	$ 426

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

`	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Balance, beginning of period	$ 3,250	$ 3,260
Recognized for the period		
Unrealized gain (loss)		
Equity instrument	-	(10)
Balance, end of period	$ 3,250	$ 3,250

e. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2020	-
Increase during the period	211
Number of shares at June 30, 2020	211

In March 16, 2020, the Board of Directors approved the Company's first repurchase of shares that authorized the purchase of up to 250 thousand shares from March 17, 2020 to May 16, 2020. As of June 30, 2020, the Company has repurchased 211 thousand shares in total with an average cost of 227.79 dollars.

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

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

20. REVENUE

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Technical service revenue	$ 184,187	$ 163,545	$ 355,351	$ 311,104
Royalty revenue	25,292	17,459	50,413	40,041
	$ 209,479	$ 181,004	$ 405,764	$ 351,145

a. Contract information

1) Technical service revenue

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

2) Royalty revenue

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

b. Contract balances

	June 30, 2020	December 31, 2019	June 30, 2019	January 1, 2019
Accounts receivable (Note 10)	$ 181,752	$ 179,282	$ 202,608	$ 230,096
Contract liabilities - current				
Technical service revenue	$ 105,605	$ 27,531	$ 69,214	$ 58,015

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

21. NET PROFIT FROM CONTINUING OPERATIONS

The net profit from continuing operations comprises the following items:

a. Interest income

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Bank deposits	$ 2,383	$ 1,347	$ 4,667	$ 3,026
Imputed interest on deposit	4	38	70	47
	$ 2,387	$ 1,385	$ 4,737	$ 3,073

b. Other income

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Other income	$ 9	$ 251	$ 320	$ 352

c. Other gains and losses

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Net foreign exchange (losses) gains	($ 17,171)	$ 3,174	($ 10,201)	$ 5,645
Net interest from financial assets at fair value through profit or loss	505	909	1,081	1,239
Others	-	-	-	(2)
	($ 16,666)	$ 4,083	($ 9,120)	$ 6,882

d. Finance costs

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Interest on bank loan	$ -	$ -	$ -	$ 134
Interest on lease liabilities	38	56	84	119
	$ 38	$ 56	$ 84	$ 253

e. Depreciation and amortization

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
An analysis of depreciation by function				
Operating expenses	$ 10,006	$ 8,754	$ 19,678	$ 17,179
An analysis of amortization by function				
Operating expenses	$ 630	$ 666	$ 1,336	$ 1,332

f. Employee benefits expense

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Short-term employee benefits	$ 76,369	$ 70,871	$ 153,586	$ 135,783
Other employee benefits				
Labor and health insurance	4,110	3,690	9,395	8,473
Other employee benefits	1,649	1,794	3,979	3,563
Share-based payments	-	-	-	826
Post-employment benefits				
Defined contribution plans	3,000	2,569	6,011	5,097
Total employee benefits expense	$ 85,128	$ 78,924	$ 172,971	$ 153,742
An analysis of employee benefits expense by function				
Operating expenses	$ 85,128	$ 78,924	$ 172,971	$ 153,742

g. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the three months ended June 30, 2020 and 2019, and the six months ended June 30, 2020 and 2019, are as follows:

Accrual rate

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Employees' compensation	1.20%	1.27%
Remuneration of directors	1.20%	1.17%

Amount

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Employees' compensation	$ 899	$ 1,053	$ 1,754	$ 1,628
Remuneration of directors	$ 899	$ 641	$ 1,754	$ 1,502

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

The employees' compensation and the remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on February 19, 2020 and March 4, 2019, respectively, are as follows:

Amount

	Year Ended December 31, 2019	Year Ended December 31, 2018
	Cash	Cash
Employees' compensation	$ 4,100	$ 4,381
Remuneration of directors	$ 4,100	$ 4,050

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

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

h. Gains or losses on foreign currency exchange

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Foreign exchange gains	$ 473	$ 13,689	$ 24,109	$ 19,203
Foreign exchange losses	(17,644)	(10,515)	(34,310)	(13,558)
Net (loss) profit	($ 17,171)	$ 3,174	($ 10,201)	$ 5,645

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax expense recognized in profit or loss

Major components of income tax expense are as follows:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Current Tax				
In respect of the current period	$ 11,473	$ 8,514	$ 20,543	$ 15,982
Income tax on unappropriated earnings	-	1,685	-	1,685
Adjustments for prior year	(3,491)	2,703	(3,491)	2,703
Non-deductible foreign tax	1,763	1,230	1,763	1,919
	9,745	14,132	18,815	22,289
Deferred tax				
In respect of the current period	(870)	1,022	336	1,270
Income tax expense recognized in profit or loss	$ 8,875	$ 15,154	$ 19,151	$ 23,559

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

b. Income tax recognized in other comprehensive income

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Deferred tax				
In respect of the current period				
Translation of foreign operations	($ 60)	$ 12	($ 44)	$ 35
Income tax recognized in other comprehensive income	($ 60)	$ 12	($ 44)	$ 35

c. Income tax assessments

The tax authorities have examined income tax returns of the Company through 2017.

The Group has no pending tax litigation as of June 30, 2020.

23. EARNINGS PER SHARE

Unit: NT$ Per Share

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Basic earnings per share				
From continuing operations	$ 2.07	$ 1.73	$ 3.97	$ 3.27
Diluted earnings per share				
From continuing operations	$ 2.07	$ 1.73	$ 3.97	$ 3.27

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

Net Profit for the Period

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Earnings used in the computation of basic and diluted earnings per share	$ 64,470	$ 54,040	$ 123,926	$ 101,479

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	31,143	31,318	31,226	31,022
Effect of potentially dilutive ordinary shares:				
Employees' compensation	5	5	8	10
Weighted average number of ordinary shares used in the computation of diluted earnings per share	31,148	31,323	31,234	31,032

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

24. SHARE-BASED PAYMENT ARRANGEMENTS

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

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

Compensation costs recognized were $ 826 thousand for the six months ended June 30, 2019.

25. CASH FLOW INFORMATION

a. Non-cash transactions

For the six months ended June 30, 2020 and 2019, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows: .

1. On June 30, 2020, December 31, 2019, and June 30 2019, the Group respectively acquired property, plant and equipment of $6,519 thousand, $3,700 thousand, and $3,447 thousand, which are recognized as payables on equipment. Please refer to Note 17.
2. The distribution of cash dividends resolved in the shareholders' meeting has not been paid as of June 30, 2020 and 2019. Please refer to Note 17.

b. Changes in liabilities arising from financing activities

Six months ended June 30, 2020

			Non-cash Changes		
	January 1, 2020	Cash Flows	New Leases	Exchange Rate Changes	June 30, 2020
Lease liabilities	$ 9,585	($ 4,489)	$ 3,634	($ 61)	$ 8,669

Six months ended June 30, 2019

	January 1, 2019	Cash Flows	June 30, 2019
Short-term loans	$ 40,000	($ 40,000)	$ -
Lease liabilities	17,116	(3,751)	13,365
	$ 57,116	($ 43,751)	$ 13,365

26. CAPITAL MANAGEMENT

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

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

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

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

27. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

June 30, 2020

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Beneficiary certificate of funds	$ 385,131	$ -	$ -	$ 385,131
Financial assets at FVTOCI				
Investments in equity instruments				
－Unlisted shares	$ -	$ -	$ 9,350	$ 9,350

December 31, 2019

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Beneficiary certificate of funds	$ 504,867	$ -	$ -	$ 504,867
Financial assets at FVTOCI				
Investment in equity instruments				
－Unlisted shares	$ -	$ -	$ 9,350	$ 9,350

June 30, 2019

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Beneficiary certificate of funds	$ 808,270	$ -	$ -	$ 808,270
Financial assets at FVTOCI				
Investments in equity instruments				
－Unlisted shares	$ -	$ -	$ 9,350	$ 9,350

There were no transfers between levels 1 and 2 for the six months ended June 30, 2020 and 2019.

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

Six months ended June 30, 2020

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at the beginning and the end of the period	$ 9,350

Six months ended June 30, 2019

Financial assets	Financial Assets at FVTOCI Equity instruments
Balance, beginning of period	$ 8,260
Recognized in other comprehensive income	(10)
Purchases	1,100
Balance, end of period	$ 9,350

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

The fair values of unlisted shares equity investments are mainly determined by using the market approach. The market approach assumes that a company's value is highly related to the similar companies in the industry, therefore, values a company at reasonable market price through a comparison to the similar companies, usually by multiplying the similar company's Price-Earnings Ratio by the evaluated company's Earnings Per Share, carrying value per share, or operating revenue.

c. Categories of financial instruments

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets			
FVTPL			
Mandatorily classified as at FVTPL	$ 385,131	$ 504,867	$ 808,270
Amortized cost (1)	1,069,400	851,269	554,542
FVTOCI			
Investment in equity instrument	9,350	9,350	9,350
Financial liabilities			
Amortized cost (2)	248,160	12,217	228,527

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's non-functional currency denominated monetary assets and monetary liabilities (including the non-functional currency monetary items that have been written off in the consolidated financial statement) at the balance sheet dates are set out in Note 29.

Sensitivity analysis

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

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

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

	USD Impact	
	Six Months Ended June 30, 2020	**Six Months Ended June 30, 2019**
Profit or loss	$ 9,823	$ 4,296

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

The Group's sensitivity to foreign currency increased during the current period mainly due to the increase in USD denominated accounts receivable.

b) Interest rate risk

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

	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Fair value interest rate risk			
－Financial assets	$ 508,747	$ 497,625	$ 68,120
－Financial liabilities	8,669	9,585	13,365
Cash flow interest rate risk			
－Financial assets	369,342	162,789	268,909

Sensitivity analysis

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

If interest rates had been 100 basis points increase/decrease and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2020 and 2019 would increase/decrease by $1,847 thousands and $1,345 thousands, respectively, mainly resulting from the Group's variable-rate bank deposits.

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

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, the pre-tax profit for the six months ended June 30, 2020 and 2019 would have increased/decreased by $3,851 thousand and $8,083 thousands, respectively, resulting from the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the six months ended June 30, 2020 and 2019 would have increased/decreased by $94 thousands, resulting from the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

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

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

The Group's concentration of credit risk was mainly attributable to the Group's three largest customers, which accounted for 26%, 19%, and 70% of total accounts receivable as of June 30, 2020, December 31, 2019, and June 30, 2019, respectively.

3) Liquidity risk

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

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

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

June 30, 2020

	Less than 3 Months	3 Months to 1 Year	1 to 5 Years
Non-derivative financial liabilities			
Non-interest bearing	$248,160	$ -	$ -
Lease liabilities	2,230	4,772	1,754
	$250,390	$ 4,772	$ 1,754

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1 to 5 Years
Lease liabilities	$7,002	$1,754

December 31, 2019

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

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1 to 5 Years
Lease liabilities	$7,740	$1,934

June 30, 2019

	Less than 3 Months	3 Months to 1 Year	1 to 5 Years
Non-derivative financial liabilities			
Non-interest bearing	$228,527	$ -	$ -
Lease liabilities	1,935	5,805	5,804
	$230,462	$ 5,805	$ 5,804

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1 to 5 Years
Lease liabilities	$7,740	$5,804

28. TRANSACTIONS WITH RELATED PARTIES

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

Compensation of key management personnel

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Short-term employee benefits	$ 4,337	$ 4,549	$ 8,197	$ 8,843
Post-employment benefits	81	108	162	216
	$ 4,418	$ 4,657	$ 8,359	$ 9,059

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

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 33,217	29.630 (USD: NTD)	$ 984,220
Financial liabilities			
Monetary items			
USD	64	29.630 (USD: NTD)	1,896

December 31, 2019

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

June 30, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 13,909	31.060 (USD: NTD)	$ 432,019
Financial liabilities			
Monetary items			
USD	79	31.060 (USD: NTD)	2,455

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

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Losses	Exchange Rate	Net Foreign Exchange Gains
USD	29.895 (USD:NTD)	($ 11,551)	31.137 (USD:NTD)	$ 595

	Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Losses	Exchange Rate	Net Foreign Exchange Gains
USD	30.001 (USD:NTD)	($ 1,186)	30.983 (USD:NTD)	$ 2,959

30. SEPARATELY DISCLOSED ITEMS

a. Significant transactions and **b.** Information about investees:

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

c. Information on investments in mainland China

1) The name of the investee company in mainland China, the principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current profit and loss, recognized investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 5.
2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 5.
   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
   c) The amount of property transactions and the amount of the resultant gains or losses.
   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
   e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
   f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

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

Shareholder Name	Shares	
	Shares Held	**Percentage of Ownership**
Hsiao-ping Lin	6,604,000	21.08%
Hui-ling Chen	4,554,000	14.54%
Jui-Chun Investment Company Limited	1,619,000	5.16%

31. SEGMENT INFORMATION

Industrial financial information

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

TABLE 1

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)
June 30, 2020
(In Thousands of New Taiwan Dollars, Thousands of Shares/Units, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Shares							
The Company	ISTART-TEK INC.	—	Financial assets at fair value through other comprehensive income - non-current	550	$ 9,350	2.69	$ 9,350	—
	Fund beneficiary certificate							
	Taishin 1699 Money Market Fund	—	Financial assets at fair value through profit or loss - current	4,425	60,271	-	60,271	—
	Yuanta De-Li Money Market Fund	—	Financial assets at fair value through profit or loss - current	1,537	25,226	-	25,226	—
	FSITC Money Market Fund	—	Financial assets at fair value through profit or loss - current	930	166,919	-	166,919	—
	Hua Nan Phoenix Money Market Fund	—	Financial assets at fair value through profit or loss - current	8,113	132,715	-	132,715	—

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Thousands of Units, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Number of Units	Amount	Number of Units	Amount	Number of Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Units	Amount (Note)
	Fund beneficiary certificate											
The Company	FSITC Money Market Fund	Financial assets at fair value through profit or loss – current	1,237	$ 221,531	251	$ 45,000	558	$ 100,001	$ 99,487	$ 514	930	$ 166,919

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

TABLE 3

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount (Note 5)	Payment Terms	Percentage of Total Sales or Assets (Note 3)
0	M31 Technology Corporation	M31 Technology USA, INC.	1	Service revenue	$ 58,703	Decided by mutual agreement based on market price.	14
			1	Accounts receivable-related-party	18,302	Net 90 days from the end of the transaction month.	1
1	M31 Technology USA, INC.	M31 Technology Corporation	2	Accounts receivable-related-party	1,790	Net 30 days from the end of the transaction month	-
			2	Marketing revenue	9,944	Decided by mutual agreement based on market price.	2
2	M31 Technology (shanghai) Inc.	M31 Technology Corporation	2	Marketing revenue	813	Decided by mutual agreement based on market price.	-

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

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

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

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

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

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

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE SIX MONTHS ENEDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Thousands of Shares, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Principal Business Activities	Original Investment Amount		As of June 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2020	June 30, 2019	Number of Shares	%	Carrying Amount			
The Company	M31 Technology USA, INC.	USA	Product marketing and technical service	$ 13,531	$ 13,531	450	100	$ 13,425	$ 606	$ 606	Subsidiaries accounted by USD
	Sirius Venture Ltd.	Republic of Seychelles	Investment Holdings	5,364	5,364	167	100	2,486	(511)	(511)	Subsidiaries accounted by USD

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

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

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES **TABLE 5**

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars or United States Dollars)

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

Investee Company	Principal Business Activities	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2020	Net Income (Loss) of the investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2 and Note 3)	Carrying Amount as of June 30, 2020 (Note 2 and Note 3)	Accumulated Repatriation of Investment Income as of June 30, 2020	Note
					Outward	Inward							
M31 Technology (shanghai) Inc.	Product marketing and technical service	USD 100	(2)	$ 3,340	$ -	$ -	$ 3,340	($ 511)	100	($ 511)	$ 2,290	$ -	—

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

Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$ 3,340	$ 3,340	$ 769,421

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

(1) Direct investment in mainland China companies.

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

(3) Other methods of investing in mainland China.

Note 2: Columns for the current Investment Gain (Loss) and the Carrying Value as of June 30, 2020:

Sirius Venture Ltd had recognized the Investment Gain (Loss) on the investment in the Investee Company M31 Technology (shanghai) Inc. for the six months ended June 30, 2020 and the Carrying Value as of June 30, 2020.

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

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

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

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

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

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

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

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

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

Name of the Related Parties	Relationship with the Company	Transaction Type	Amount	Transaction Details			Note/Accounts Receivable (Payable)		Unrealized Gain (Loss)
				Unit Price	Payment Term	Comparison with Normal Transactions	Balance	Percentage (%)	
M31 Technology (shanghai) Inc.	Sub-subsidiary	Service rendering expenses	$ 813	Contract-based	Net 30 days from the end of the transaction month	No significant differences	$ -	-	$ -

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