

# **M31 Technology Corporation**

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

# DELOITTE

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

M31 Technology Corporation

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

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

#### Risk of Improper Recognition of Technical Service Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 23, 2021

Notice to Readers

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

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

# M31 TECHNOLOGY CORPORATION

## PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 503,171	29	\$ 571,204	36
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	444,616	25	504,867	31
Financial assets at amortized cost - current (Notes 4 and 9)	227,840	13	73,960	5
Accounts receivable (Notes 4, 5, 10 and 20)	176,919	10	179,282	11
Accounts receivable - related parties (Notes 4, 20 and 28)	86,850	5	4,272	-
Other receivables	89	-	482	-
Current tax assets (Notes 4 and 22)	41,393	2	28,005	2
Prepayments (Note 15)	15,700	1	17,143	1
Other current assets (Notes 15 and 29)	8,508	1	1,868	-
Total current assets	<u>1,505,086</u>	<u>86</u>	<u>1,381,083</u>	<u>86</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	28,000	2	9,350	1
Investments accounted for using the equity method (Notes 4 and 11)	16,100	1	16,037	1
Property, plant and equipment (Notes 4 and 12)	174,986	10	168,841	11
Right-of-use assets (Notes 4 and 13)	1,902	-	9,509	1
Intangible assets (Notes 4 and 14)	7,775	-	2,347	-
Deferred tax assets (Notes 4 and 22)	7,867	-	7,841	-
Other non-current assets (Note 15)	13,018	1	5,964	-
Total non-current assets	<u>249,648</u>	<u>14</u>	<u>219,889</u>	<u>14</u>
<b>TOTAL</b>	<u>\$ 1,754,734</u>	<u>100</u>	<u>\$ 1,600,972</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities - current (Note 20)	\$ 90,167	5	\$ 27,531	2
Accounts payable (Note 16)	3,085	-	2,079	-
Other payables (Note 17)	113,498	7	89,651	6
Other payables - related parties (Note 28)	1,347	-	1,276	-
Current tax liabilities (Notes 4 and 22)	28,861	2	23,607	1
Lease liabilities - current (Notes 4 and 13)	1,933	-	7,652	1
Other current liabilities (Note 17)	6,809	-	5,614	-
Total current liabilities	<u>245,700</u>	<u>14</u>	<u>157,410</u>	<u>10</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 22)	-	-	60	-
Lease liabilities - non-current (Notes 4 and 13)	-	-	1,933	-
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>1,993</u>	<u>-</u>
Total liabilities	<u>245,700</u>	<u>14</u>	<u>159,403</u>	<u>10</u>
<b>EQUITY (Note 19)</b>				
Share capital				
Ordinary shares	<u>313,180</u>	<u>18</u>	<u>313,180</u>	<u>19</u>
Capital surplus	<u>634,551</u>	<u>36</u>	<u>634,551</u>	<u>40</u>
Retained earnings				
Legal reserve	92,583	6	61,727	4
Unappropriated earnings	493,824	28	428,928	27
Total retained earnings	<u>586,407</u>	<u>34</u>	<u>490,655</u>	<u>31</u>
Other equity	<u>22,960</u>	<u>1</u>	<u>3,183</u>	<u>-</u>
Treasury shares	(48,064)	(3)	-	-
Total equity	<u>1,509,034</u>	<u>86</u>	<u>1,441,569</u>	<u>90</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 1,754,734</u>	<u>100</u>	<u>\$ 1,600,972</u>	<u>100</u>

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

## M31 TECHNOLOGY CORPORATION

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 28)	\$ 977,942	100	\$ 867,404	100
GROSS PROFIT	977,942	100	867,404	100
OPERATING EXPENSES (Notes 14, 21 and 28)				
Selling and marketing expenses	( 49,776)	( 5)	( 47,776)	( 5)
General and administrative expenses	( 89,343)	( 9)	( 96,535)	( 11)
Research and development expenses	( 420,785)	( 43)	( 364,892)	( 42)
Expected credit (loss)gain (Note 10)	( 1,725)	( 1)	10,493	1
Total operating expenses	( 561,629)	( 58)	( 498,710)	( 57)
OPERATING INCOME	416,313	42	368,694	43
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 21)	6,802	1	6,812	1
Other income (Notes 4 and 21)	1,059	-	760	-
Other gains and losses (Notes 4 and 21)	( 49,124)	( 5)	( 15,148)	( 2)
Finance costs (Note 21)	( 87)	-	( 342)	-
Share of profit of subsidiaries (Note 4)	734	-	1,183	-
Total non-operating income and expenses	( 40,616)	( 4)	( 6,735)	( 1)
PROFIT BEFORE INCOME TAX	375,697	38	361,959	42
INCOME TAX EXPENSE (Notes 4 and 22)	( 53,449)	( 5)	( 53,394)	( 6)
NET PROFIT FOR THE YEAR	322,248	33	308,565	36

(Continued)

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

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

# M31 TECHNOLOGY CORPORATION

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Retained Earnings		Other Equity		Amount of Treasury Shares	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings	Exchange Difference on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2019	28,640	\$ 286,400	\$ 53,851	\$ 33,736	\$ 367,580	\$ 287	\$ 3,260	\$ -	\$ 745,114
Appropriation of 2018 earnings									
Legal reserve	-	-	-	27,991	( 27,991 )	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	( 219,226 )	-	-	-	( 219,226 )
Net profit for the year ended December 31, 2019	-	-	-	-	308,565	-	-	-	308,565
Other comprehensive income(loss) for the year ended December 31, 2019, net of income tax (Note 19)	-	-	-	-	-	( 354 )	( 10 )	-	( 364 )
Total comprehensive income(loss) for the year ended December 31, 2019	-	-	-	-	308,565	( 354 )	( 10 )	-	308,201
Proceeds from issuance of ordinary shares (Note 19)	2,678	26,780	578,692	-	-	-	-	-	605,472
Share-based payment (Notes 19 and 24)	-	-	826	-	-	-	-	-	826
Other changes in capital surplus (Note 20)	-	-	1,182	-	-	-	-	-	1,182
BALANCE AT DECEMBER 31, 2019	31,318	313,180	634,551	61,727	428,928	( 67 )	3,250	-	1,441,569
Appropriation of 2019 earnings									
Legal reserve	-	-	-	30,856	( 30,856 )	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	( 234,885 )	-	-	-	( 234,885 )
Net profit for the year ended December 31, 2020	-	-	-	-	322,248	-	-	-	322,248
Other comprehensive income(loss) for the year ended December 31, 2020, net of income tax (Note 19)	-	-	-	-	-	( 537 )	28,703	-	28,166
Total comprehensive income(loss) for the year ended December 31, 2020	-	-	-	-	322,248	( 537 )	28,703	-	350,414
Purchase of treasury shares (Note 19)	-	-	-	-	-	-	-	( 48,064 )	( 48,064 )
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 19)	-	-	-	-	8,389	-	( 8,389 )	-	-
BALANCE AT DECEMBER 31, 2020	31,318	\$ 313,180	\$ 634,551	\$ 92,583	\$ 493,824	( \$ 604 )	\$ 23,564	( \$ 48,064 )	\$ 1,509,034

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



## M31 TECHNOLOGY CORPORATION

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

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 375,697	\$ 361,959
Adjustments for:		
Depreciation expenses	38,114	35,100
Amortization expenses	2,783	2,691
Expected credit loss(gain)	1,725	( 10,493)
Net gain on fair value changes of financial assets at fair value through profit or loss	( 1,548)	( 2,840)
Finance costs	87	342
Interest income	( 6,802)	( 6,812)
Share-based payment	-	826
Share of profit of subsidiaries	( 734)	( 1,183)
Gain on disposal of property, plant and equipment	( 867)	-
Unrealized loss(gain) on foreign currency exchange	21,512	16,584
Changes in operating assets and liabilities		
Accounts receivable	1,373	47,820
Accounts receivable - related parties	( 83,013)	12,875
Other receivables	393	( 482)
Prepayments	1,443	( 5,970)
Other current assets	( 36)	847
Contract liabilities	62,636	( 30,484)
Accounts payable	992	285
Other payables	17,348	4,273
Other payables - related parties	71	17
Other current liabilities	<u>1,195</u>	<u>416</u>
Cash generated from operations	432,369	425,771
Interest received	6,802	6,812
Interest paid	( 87)	( 342)
Income tax paid	<u>( 61,534)</u>	<u>( 72,148)</u>
Net cash generated from operating activities	<u>377,550</u>	<u>360,093</u>

( Continued )

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	(\$ 1,100)
Disposal of financial assets at fair value through other comprehensive income	10,053	-
Acquisition of financial assets at amortized cost	( 484,850)	( 13,620)
Disposal of financial assets at amortized cost	318,760	-
Acquisition of financial assets at fair value through profit or loss	( 415,000)	( 782,000)
Disposal of financial assets at fair value through profit or loss	476,799	330,004
Acquisition of property, plant and equipment	( 30,141)	( 41,348)
Disposal of property, plant and equipment	867	-
Increase in refundable deposits	( 156)	( 5,313)
Acquisition of intangible assets	( 8,211)	( 473)
(Increase)Decrease in other finance assets	( 484)	55,494
Increase in prepayments for equipment	( 13,018)	-
Net cash used in investing activities	<u>( 145,381)</u>	<u>( 458,356)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	-	( 40,000)
Repayment of the principal portion of lease liabilities	( 7,652)	( 7,531)
Dividends paid	( 234,885)	( 219,226)
Proceeds from issuance of ordinary shares	-	608,472
Payments to acquire treasury shares	( 48,064)	-
Payment of shares issuance costs	-	( 3,000)
Others	<u>-</u>	<u>1,182</u>
Net cash (used in) /generated from financing activities	<u>( 290,601)</u>	<u>339,897</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>( 9,601)</u>	<u>( 13,364)</u>
<b>NET (DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>( 68,033)</u>	<u>228,270</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>571,204</u>	<u>342,934</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 503,171</u>	<u>\$ 571,204</u>

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

# M31 TECHNOLOGY CORPORATION

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

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 7: This amendment are applicable to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning on or after January 1, 2023.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### b. Basis of preparation

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

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

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

When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to agree with the amount of net profit, other comprehensive income, and equity for the year attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for using equity method, share of profit (loss) of subsidiaries accounted for using equity method, and share of other comprehensive income of subsidiaries, as appropriate, in the parent company only financial statements.

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

Current assets include:

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

Current liabilities include:

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

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

##### d. Foreign currencies

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

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

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

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

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

e. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments in subsidiaries are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

When the Company's share of loss of a subsidiary equals to or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

When the Company transacts with its subsidiaries, profit and loss resulting from the transactions with the subsidiaries are recognized in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not owned by the Company.

f. Property, plant and equipment

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

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

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

g. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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



iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Equity instruments

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

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

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

## 3) Financial liabilities

### a) Subsequent measurement

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

### b) Derecognition of financial liabilities

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

## j. Revenue recognition

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

### 1) Revenue from the rendering of services

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

### 2) Licensing revenue

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

## k. Lease

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

### The Company as lessee

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

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

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

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

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

l. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

m. Share-based payment arrangements

Employee share options granted to employees

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

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

n. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

### 3) Current and deferred taxes

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Key Sources of Estimation Uncertainty

#### Estimated impairment of financial assets

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 70	\$ 70
Checking accounts and demand deposits	255,621	147,469
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>247,480</u>	<u>423,665</u>
	<u>\$503,171</u>	<u>\$571,204</u>

The market rates of cash in bank at balance sheet dates are set out as follows:

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

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in equity instrument

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

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

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

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

## 10. ACCOUNTS RECEIVABLE

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$181,630	\$182,102
Less: Allowance for impairment loss	( <u>4,711</u> )	( <u>2,820</u> )
	<u>\$176,919</u>	<u>\$179,282</u>

### Accounts receivable

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

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

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

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

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

The following table details the loss allowance of account receivables based on the Company's provision matrix.

December 31, 2020

	<u>Not Past Due</u>	<u>1 to 60 Days</u>	<u>61 to 120 Days</u>	<u>121 to 180 Days</u>	<u>181 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
Expected Credit Losses rate	0%~0.37%	0%~1.63%	0%~5.81%	0%~12.17%	0%~13.99%	0%~100%	
Gross carrying amount	\$ 94,374	\$ 73,315	\$ 7,348	\$ 4,101	\$ 293	\$ 2,199	\$ 181,630
Loss allowance (lifetime ECL)	( 350 )	( 1,195 )	( 427 )	( 499 )	( 41 )	( 2,199 )	( 4,711 )
Amortized cost	<u>\$ 94,024</u>	<u>\$ 72,120</u>	<u>\$ 6,921</u>	<u>\$ 3,602</u>	<u>\$ 252</u>	<u>\$ -</u>	<u>\$ 176,919</u>

December 31, 2019

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

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

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

**11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investments in subsidiaries		
— M31 Technology USA, INC.	\$ 13,632	\$ 12,976
— Sirius Venture Ltd.	2,468	3,061
	<u>\$ 16,100</u>	<u>\$ 16,037</u>

At the balance sheet dates, the proportions of ownership and voting rights in subsidiaries held by the Corporation are set out as follows:

<u>Name of Subsidiaries</u>	<u>Proportion of Ownership and Voting Rights</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
M31 Technology USA, INC.	100%	100%
Sirius Venture Ltd.	100%	100%

The investments in subsidiaries (M31 Technology USA, INC. and Sirius Venture Ltd.) accounted for using the equity method, the share of net profit or loss and other comprehensive income(loss) from investments were calculated based on the audited financial statements.

Refer to Note 32 for Indirect Subsidiaries of the Company.

## 12. PROPERTY, PLANT AND EQUIPMENT

### Assets used by the Company

	<u>Land</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Other Facilities</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2020	\$ 98,853	\$ 70,509	\$ 23,433	\$ 78,865	\$ 271,660
Additions	-	866	-	35,786	36,652
Disposals	-	( 2,025)	( 12,543)	( 16,417)	( 30,985)
Balance at December 31, 2020	<u>\$ 98,853</u>	<u>\$ 69,350</u>	<u>\$ 10,890</u>	<u>\$ 98,234</u>	<u>\$ 277,327</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 46,308	\$ 14,604	\$ 41,907	\$ 102,819
Depreciation expense	-	7,732	4,039	18,736	30,507
Disposals	-	( 2,025)	( 12,543)	( 16,417)	( 30,985)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 52,015</u>	<u>\$ 6,100</u>	<u>\$ 44,226</u>	<u>\$ 102,341</u>
Carrying amounts at December 31, 2020	<u>\$ 98,853</u>	<u>\$ 17,335</u>	<u>\$ 4,790</u>	<u>\$ 54,008</u>	<u>\$ 174,986</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 98,853	\$ 51,398	\$ 22,285	\$ 56,553	\$ 229,089
Additions	-	14,867	1,148	22,312	38,327
Disposals	-	( 543)	-	-	( 543)
Reclassified (Note)	-	4,787	-	-	4,787
Balance at December 31, 2019	<u>\$ 98,853</u>	<u>\$ 70,509</u>	<u>\$ 23,433</u>	<u>\$ 78,865</u>	<u>\$ 271,660</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	\$ -	\$ 40,191	\$ 9,752	\$ 25,926	\$ 75,869
Disposals	-	( 543)	-	-	( 543)
Depreciation expense	-	6,660	4,852	15,981	27,493
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 46,308</u>	<u>\$ 14,604</u>	<u>\$ 41,907</u>	<u>\$ 102,819</u>
Carrying amounts at December 31, 2019	<u>\$ 98,853</u>	<u>\$ 24,201</u>	<u>\$ 8,829</u>	<u>\$ 36,958</u>	<u>\$ 168,841</u>

Note : Transferred from prepayments for equipment.

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

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

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



### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Carrying amounts</u>		
Buildings	<u>\$ 1,902</u>	<u>\$ 9,509</u>
	<u>Year Ended</u> <u>December 31, 2020</u>	<u>Year Ended</u> <u>December 31, 2019</u>
<u>Depreciation of right-of-use assets</u>		
Buildings	<u>\$ 7,607</u>	<u>\$ 7,607</u>

#### b. Lease liabilities

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

Discount rate for lease liabilities is set out as follows:

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

#### c. Other lease information

	<u>Year Ended</u> <u>December 31, 2020</u>	<u>Year Ended</u> <u>December 31, 2019</u>
Expenses relating to short-term leases	<u>\$ 1,215</u>	<u>\$ 950</u>
Total cash outflow for leases	<u>(\$ 8,954)</u>	<u>(\$ 8,689)</u>

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lease commitments	<u>\$ 16,101</u>	<u>\$ 20,774</u>

#### 14. INTANGIBLE ASSETS

	<u>Patents</u>	<u>Software</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ -	\$ 8,466	\$ 8,466
Separately acquired	-	8,211	8,211
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 16,677</u>	<u>\$ 16,677</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ -	\$ 6,119	\$ 6,119
Amortization expense	-	2,783	2,783
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 8,902</u>	<u>\$ 8,902</u>
Carrying amounts at December 31, 2020	<u>\$ -</u>	<u>\$ 7,775</u>	<u>\$ 7,775</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 11,041	\$ 24,821	\$ 35,862
Separately acquired	-	473	473
Disposals	( 11,041 )	( 16,828 )	( 27,869 )
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 8,466</u>	<u>\$ 8,466</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2019	\$ 11,041	\$ 20,256	\$ 31,297
Amortization expense	-	2,691	2,691
Disposals	( 11,041 )	( 16,828 )	( 27,869 )
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 6,119</u>	<u>\$ 6,119</u>
Carrying amounts at December 31, 2019	<u>\$ -</u>	<u>\$ 2,347</u>	<u>\$ 2,347</u>

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

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

## 15. OTHER ASSETS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Prepayments	\$ 15,700	\$ 17,143
Refundable deposits	7,987	1,867
Other financial assets – restricted assets (Note 29)	484	-
Other	<u>37</u>	<u>1</u>
	<u>\$ 24,208</u>	<u>\$ 19,011</u>
 <u>Non-current</u>		
Prepayments for equipment	\$ 13,018	\$ -
Refundable deposits	<u>-</u>	<u>5,964</u>
	<u>\$ 13,018</u>	<u>\$ 5,964</u>

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

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

## 16. ACCOUNTS PAYABLE

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

## 17. OTHER LIABILITIES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 86,735	\$ 69,339
Payables for purchases of equipment	10,211	3,700
Payables for annual leave	5,782	4,593
Payables for retirement benefit	3,031	2,766
Payables for insurance	2,821	2,632
Payables for professional service fee	1,160	4,229
Payables for tax expense	218	183
Others	<u>3,540</u>	<u>2,209</u>
	<u>\$113,498</u>	<u>\$ 89,651</u>
 Other liabilities		
Collection	<u>\$ 6,809</u>	<u>\$ 5,614</u>

## 18. RETIREMENT BENEFIT PLANS

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

## 19. EQUITY

### a. Share capital

#### Ordinary shares

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

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

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

### b. Capital surplus

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

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

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

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

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

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

d. Other equity items

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

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

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

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

e. Treasury shares

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

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

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

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

## 20. REVENUE

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Technical service revenue	\$864,628	\$785,968
Royalty revenue	<u>113,314</u>	<u>81,436</u>
	<u>\$977,942</u>	<u>\$867,404</u>

a. Contract information

1) Technical service revenue

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

2) Royalty revenue

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

b. Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Accounts receivables (Note 10)	<u>\$ 176,919</u>	<u>\$ 179,282</u>	<u>\$ 218,962</u>
Accounts receivables – related parties (Note 28)	<u>\$ 86,850</u>	<u>\$ 4,272</u>	<u>\$ 17,170</u>
Contract liabilities - current			
Technical service revenue	<u>\$ 90,167</u>	<u>\$ 27,531</u>	<u>\$ 58,015</u>

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

## 21. NET PROFIT FROM CONTINUING OPERATIONS

The net profit from continuing operations comprises the following items:

a. Interest income

	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
Bank deposits	\$ 6,724	\$ 6,755
Imputed interest on deposit	<u>78</u>	<u>57</u>
	<u>\$ 6,802</u>	<u>\$ 6,812</u>

b. Other income

	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
Other income	<u>\$ 1,059</u>	<u>\$ 760</u>

c. Other gains and losses

	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
Net foreign exchange (losses) gains	(\$ 51,539)	(\$ 17,988)
Net interest from financial assets at fair value through profit or loss	1,548	2,840
Gain from disposal of property, plant and equipment	<u>867</u>	<u>-</u>
	<u>(\$ 49,124)</u>	<u>(\$ 15,148)</u>

d. Finance costs

	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
Interest on lease liabilities	\$ 87	\$ 208
Interest on bank loans	<u>-</u>	<u>134</u>
	<u>\$ 87</u>	<u>\$ 342</u>

e. Depreciation and amortization

	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
An analysis of depreciation by function		
Operating expenses	<u>\$ 38,114</u>	<u>\$ 35,100</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 2,783</u>	<u>\$ 2,691</u>



f. Employee benefits expense

	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
Short-term employee benefits	\$335,203	\$285,264
Post-employment benefits		
Defined contribution plans	11,617	10,475
Share-based payments	-	826
Other employee benefits		
Labor and health insurance	18,255	16,541
Other employee benefits	<u>6,376</u>	<u>5,964</u>
Total	<u>\$371,451</u>	<u>\$319,070</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$371,451</u>	<u>\$319,070</u>

g. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on February 23, 2021 and February 19, 2020, respectively, are set out as follows:

Accrual rate

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

Amount

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

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

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

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

h. Gains or losses on foreign currency exchange

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Foreign exchange gains	\$ 34,062	\$ 5,362
Foreign exchange losses	( 85,601 )	( 23,350 )
Net loss	<u>( \$ 51,539 )</u>	<u>( \$ 17,988 )</u>

**22. INCOME TAXES RELATING TO CONTINUING OPERATIONS**

a. Income tax expense recognized in profit or loss

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

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Current tax		
In respect of the current year	\$ 52,859	\$ 51,191
Additional income tax on unappropriated earnings	-	1,685
Adjustments for prior years	( 3,491 )	1,656
Non-deductible foreign tax	<u>4,033</u>	<u>622</u>
	53,401	55,154
Deferred tax		
In respect of the current year	<u>48</u>	( 1,760 )
Income tax expense recognized in profit or loss	<u>\$ 53,449</u>	<u>\$ 53,394</u>

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

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Profit before tax from continuing operations	<u>\$375,697</u>	<u>\$361,959</u>
Income tax expense calculated at the statutory rate	\$ 75,140	\$ 72,392
Tax-exempt income	( 310 )	( 332 )
Non-deductible foreign income tax	4,033	622
Additional income tax on unappropriated earnings	-	1,685
Unrecognized deductible temporary differences	730	32
Current research and development tax credit	( 22,653 )	( 22,661 )
Adjustments for prior years' tax	<u>( 3,491 )</u>	<u>1,656</u>
Income tax expense recognized in profit or loss	<u>\$ 53,449</u>	<u>\$ 53,394</u>

b. Income tax recognized in other comprehensive income

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

c. Current tax assets and liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current tax assets		
Prepaid Mainland China income tax	\$ 40,770	\$ 28,005
Prepaid foreign income tax	623	-
	<u>\$ 41,393</u>	<u>\$ 28,005</u>
Current tax liabilities		
Income tax payable	<u>\$ 28,861</u>	<u>\$ 23,607</u>

d. Deferred tax assets and liabilities

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

Year ended December 31, 2020

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

Year ended December 31, 2019

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

e. Income tax assessments

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

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

**23. EARNINGS PER SHARE**

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

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

Net Profit for the Year

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

Number of Shares(in thousands of shares)

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

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

#### 24. SHARE-BASED PAYMENT ARRANGEMENTS

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

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

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

#### 25. CASH FLOW INFORMATION

##### a. Non-cash transactions

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

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

##### b. Changes in liabilities arising from financing activities

###### 2020

	<u>January 1, 2020</u>	<u>Cash Flow</u>	<u>December 31, 2020</u>
Lease liabilities	<u>\$ 9,585</u>	<u>(\$ 7,652)</u>	<u>\$ 1,933</u>

###### 2019

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

## 26. CAPITAL MANAGEMENT

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

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

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

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

## 27. FINANCIAL INSTRUMENTS

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

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

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

#### 1) Fair value hierarchy

December 31, 2020

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

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Beneficiary certificate of funds	<u>\$ 504,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,867</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
-- Unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,350</u>	<u>\$ 9,350</u>

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

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

Year Ended December 31, 2020

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

Year Ended December 31, 2019

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

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

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

c. Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial Assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 444,616	\$ 504,867
Amortized cost (1)	1,003,340	837,031
FVTOCI		
Investment in equity instrument	28,000	9,350
<u>Financial liabilities</u>		
Amortized cost (2)	19,343	13,493

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Company's non-functional currency denominated monetary assets and monetary liabilities at the balance sheet dates are set out in Note 31.

Sensitivity analysis

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

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

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

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

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

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



b) Interest rate risk

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value interest rate risk		
– Financial assets	\$475,320	\$497,625
– Financial liabilities	1,933	9,585
Cash flow interest rate risk		
– Financial assets	255,621	147,469

Sensitivity analysis

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

If interest rates had been 100 basis points increase/decrease and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would increase/decrease by \$2,556 thousand and \$1,475 thousand, respectively, mainly resulting from the Company's variable-rate bank deposits.

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

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, the pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$4,446 thousand and \$5,049 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2020 and 2019 would have increased/decreased by \$280 thousand and \$94 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risks

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

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

To reduce credit risks, the Company's management personnel shall appoint a dedicated team to determine the credit limit, conduct credit examination and approval, and implement other monitoring procedures to ensure that necessary measures are taken to recover overdue receivables. Moreover, the Company shall review the recovery of each receivable on each

balance sheet date to ensure that adequate allowances are made for unrecoverable receivables. Therefore, the Company's management believes that the Company's credit risk has been greatly reduced.

The Company's concentration of credit risk was mainly attributable to the Company's three largest customers, which accounted for 31%, and 19% of total accounts receivable on December 31, 2020 and 2019, respectively.

### 3) Liquidity risk

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

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

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

#### December 31, 2020

	<u>Less than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 19,343	\$ -	\$ -
Lease liabilities	<u>1,935</u>	<u>-</u>	<u>-</u>
	<u>\$ 21,278</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>
Lease liabilities	<u>\$ 1,935</u>	<u>\$ -</u>

#### December 31, 2019

	<u>Less than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 13,493	\$ -	\$ -
Lease liabilities	<u>1,935</u>	<u>5,805</u>	<u>1,934</u>
	<u>\$ 15,428</u>	<u>\$ 5,805</u>	<u>\$ 1,934</u>

Additional information about the maturity analysis for lease liabilities:

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

## 28. TRANSACTIONS WITH RELATED PARTIES

The transactions between the Company and its related parties are summarized as follows:

### a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
M31 Technology USA,INC.	Subsidiaries
Sirius Venture Ltd.	Subsidiaries
M31 Technology (Shanghai) Inc.	Sub-subsidiaries

### b. Operating revenue

<u>Line Items</u>	<u>Related Party Category/Name</u>	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Service revenue	Subsidiaries		
	M31 Technology USA,INC.	<u>\$ 195,020</u>	<u>\$ 34,910</u>

The rendering of services to related parties shall be charged at market price with mutual agreement of both parties within 90 days. For the years ended December 31, 2020 and 2019, the rendering of service is charged based on contracts within 30 to 90 days after the satisfaction of contractual obligations.

### c. Receivables from related parties (excluding loans to related parties)

<u>Line Items</u>	<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	Subsidiaries		
	M31 Technology USA,INC.	<u>\$ 86,850</u>	<u>\$ 4,272</u>
Other receivables	Subsidiaries	<u>\$ 34</u>	<u>\$ -</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for receivables from related parties.

### d. Payables to related parties (excluding loans from related parties)

<u>Line Items</u>	<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payables	Subsidiaries	<u>\$ 1,347</u>	<u>\$ 1,276</u>

The outstanding accounts payables to related parties are unsecured.

### e. Other transactions with related parties

<u>Line Items</u>	<u>Related Party Category/Name</u>	<u>Service Category</u>	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Operating expense	Subsidiaries	Service	<u>\$ 19,419</u>	<u>\$ 24,140</u>
		Rendering		
Operating expense	Sub-subsidiaries	Service	<u>\$ 813</u>	<u>\$ 3,337</u>
		Rendering		

The Company commissions the subsidiary to render customers services on its behalf. The contract-based prices are determined respectively and payment terms is net 30 days from the end of the transaction month.

f. Compensation of key management personnel

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

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

### 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

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

### 30. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

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

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2020

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 23,177	28.480 (USD : NTD)	\$ 660,081
RMB	61	4.377 (RMB : NTD)	267
<u>Non-monetary items</u>			
Subsidiaries accounted for using the equity method			
USD	565	28.480 (USD : NTD)	16,100
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	132	28.480 (USD : NTD)	3,759

December 31, 2019

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 26,106	29.980 (USD : NTD)	\$782,658
<u>Non-monetary items</u>			
Subsidiaries accounted for using the equity method			
USD	535	29.980 (USD : NTD)	16,037
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	137	29.980 (USD : NTD)	4,107

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

	<u>Year Ended December 31, 2020</u>		<u>Year Ended December 31, 2019</u>	
	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>
<b>Foreign Currency</b>				
USD	29.549 (USD : NTD)	(\$ 21,512)	30.912 (USD : NTD)	(\$ 16,584)

### 32. SEPARATELY DISCLOSED ITEMS

a. Significant transactions and b. Information about investees:

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

c. Information on investments in mainland China

- 1) The name of the investee company in mainland China, the principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current profit and loss, recognized investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6.
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 6.
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
  - c) The amount of property transactions and the amount of resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
  - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

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

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

M31 TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

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

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

**M31 TECHNOLOGY CORPORATION**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars, Thousands of Units, Unless Stated Otherwise)

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

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



**M31 TECHNOLOGY CORPORATION**

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

Company	Counterparty	Relationship	Transaction Details				The Transaction Terms Different From Normal Transactions		Notes & Accounts Receivable (Payable)		Note
			Purchase (Sales)	Amount	Percentage of Total Purchase (Sales)	Credit Terms	Unit Price	Credit Terms	Balance	Percentage of Total Notes & Accounts Receivable and Notes & Accounts Payable	
The Company	M31 Technology USA,INC.	Subsidiaries	Sales	\$ 195,020	19.94	30 – 90 Days	\$ -	—	\$ 86,850	32.93	—

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

**M31 TECHNOLOGY CORPORATION**

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

**DECEMBER 31, 2020**

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

Company	Counterparty	Relationship	Receivables from Related Parties (Note 1)	Turnover Rate	Overdue Receivables from Related Parties		Receivables from Related Parties Recovered after the Period	Allowance for Losses
					Amount	Processing Method		
The Company	M31 Technology USA,INC.	Subsidiaries	\$ 86,850	4.28	\$ -	—	\$ 10,139	\$ -

**M31 TECHNOLOGY CORPORATION**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Thousands of Shares, Unless Stated Otherwise)**

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

Note: For relevant information on investee companies in mainland China, please refer to Table 6.

## M31 TECHNOLOGY CORPORATION

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars or United States Dollars)

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

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

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

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 3,340	\$ 3,340	\$ 905,420

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

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

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

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

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

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

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

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

## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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STATEMENT OF CASH AND CASH EQUIVALENTS	1
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**STATEMENT 1**

**M31 TECHNOLOGY CORPORATION**

**STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars or Foreign Currency)**

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<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash		
Cash on hand		\$ 70
Cash in banks		
Current accounts	NTD account	120,554
	Foreign currency account (USD 4,733 thousand @28.480; RMB 61thousand @4.377)	135,067
Cash equivalents		
NTD time deposit	Expired by 110.1.9~110.3.14, interest rate of 0.040%~0.410%	219,000
Foreign currency time deposit	Expired by 110.3.19, interest rate of 0.300% ( USD \$1,000 thousand @28.480 )	<u>28,480</u>
		<u>\$ 503,171</u>

## M31 TECHNOLOGY CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT  
 DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars, Thousands of Units)

Financial Instrument	Description	Units	Carrying Amount	FAIR VALUE	
				Unit Price (dollars)	Total Price
Fund beneficiary certificates	Taishin 1699 Money Market Fund	4,425	\$ 60,389	13.6459	\$ 60,389
Fund beneficiary certificates	FSITC Money Market Fund	1,291	232,149	179.850	232,149
Fund beneficiary certificates	Hua Nan Phoenix Money Market Fund	7,144	117,067	16.3858	117,067
Fund beneficiary certificates	FSITC Taiwan Money Market Fund	2,269	35,011	15.4335	35,011
			<u>\$ 444,616</u>		<u>\$ 444,616</u>

**STATEMENT 3**

**M31 TECHNOLOGY CORPORATION**

**STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST – CURRENT  
DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars or Foreign Currency)**

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<b><u>Item</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
FCY Time Deposit	Expired by 110.1.15~110.7.30, interest rate of 0.325%~0.520% (USD \$8,000 thousand @28.480)	<u>\$ 227,840</u>



**STATEMENT 4**

**M31 TECHNOLOGY CORPORATION**

**STATEMENT OF ACCOUNTS RECEIVABLE**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties		
Client A	Technical Service Revenue	\$ 68,288
Client B	Technical Service Revenue	15,646
Client C	Technical Service Revenue	11,392
Client D	Technical Service Revenue	9,398
Client E	Technical Service Revenue	9,256
Others (Note)		<u>67,650</u>
		181,630
Allowance for impairment loss		( <u>4,711</u> )
		<u>\$ 176,919</u>
Related parties:		
M31 Technology USA, INC.	Technical Service Revenue	<u>\$ 86,850</u>

Note: The amount of individual client in others does not exceed 5% of the account balance.

**STATEMENT 5**

**M31 TECHNOLOGY CORPORATION**

**STATEMENT OF OTHER ACCOUNTS RECEIVABLE  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

---

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Earned revenue receivable	Estimated interest for December, 2020	<u>\$ 89</u>

**M31 TECHNOLOGY CORPORATION**

**STATEMENT OF PREPAYMENTS**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Prepayment		
Software service expense		\$ 6,860
Test expense		2,091
Maintenance expense		1,883
Rent expense		1,032
Others (Note)		<u>3,834</u>
		<u>\$ 15,700</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

## M31 TECHNOLOGY CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON-CURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars, Thousands of Shares)

Investees	Balance, January 1, 2020		Increase		Decrease		Unrealized Gain(loss) on Financial Assets at FVTOCI	Balance, December 31, 2020	
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount
ISTART-TEK INC.	550	\$ 9,350	-	\$ -	150	\$ 10,053	\$ 28,703	400	\$ 28,000

## M31 TECHNOLOGY CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars, Thousands of Shares)

Investees	Balance, January 1, 2020		Increase		Decrease		Balance, December 31, 2020			Market Value or Net Assets Value (Note 1)		Collateral or Pledge Status
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit Price (NTD/Share)	Total	
M31 Technology USA, INC. (Note 2)	450	\$ 12,976	-	\$ 1,354	-	( \$ 698 )	450	-	\$ 13,632	30.29	\$ 13,632	None
Sirius Venture Ltd. (Note 3)	167	<u>3,061</u>	-	<u>27</u>	-	( <u>620</u> )	167	-	<u>2,468</u>	14.78	<u>2,468</u>	None
		<u>\$ 16,037</u>		<u>\$ 1,381</u>		( <u>\$ 1,318</u> )			<u>\$ 16,100</u>		<u>\$ 16,100</u>	

Note 1: The net value per share is estimated based on the Investees' net value audited by accountants on December 31, 2020.

Note 2: The increase during the year is \$1,354 thousand recognized as the share of profit (loss) of subsidiaries accounted for using equity method; the decrease during the year is \$698 thousand recognized as the exchange difference on translating the financial statements of foreign operations.

Note 3: The increase during the year is \$27 thousand recognized as the exchange difference on translating the financial statement of foreign operations; the decrease during the year is \$620 thousand recognized as the share of profit (loss) of subsidiaries accounted for using equity method.

**M31 TECHNOLOGY CORPORATION**

**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>	<b>Note</b>
Buildings	<u>\$ 17,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,116</u>	-

**M31 TECHNOLOGY CORPORATION**

**STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF  
RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>	<b>Note</b>
Buildings	<u>\$ 7,607</u>	<u>\$ 7,607</u>	<u>\$ -</u>	<u>\$ 15,214</u>	—

**M31 TECHNOLOGY CORPORATION**

**STATEMENT OF CONTRACT LIABILITIES - CURRENT  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Company A	Technical service revenue	\$ 90,164
Others (Note)		<u>3</u>
		<u>\$ 90,167</u>

Note: The amount of individual client in others does not exceed 5% of the account balance.



**M31 TECHNOLOGY CORPORATION**

**STATEMENT OF ACCOUNTS PAYABLES  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Company A	Software Service expense	\$ 2,421
Company B	Repair expense	201
Others (Note)		<u>463</u>
		<u>\$ 3,085</u>
Related parties:		
M31 Technology USA, INC.	Technical service expense	<u>\$ 1,347</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

**M31 TECHNOLOGY CORPORATION**

**STATEMENT OF OTHER CURRENT LIABILITIES**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Receipts under custody		
Tax withholding		\$ 4,552
Health insurance		1,112
Labor pension		794
Labor insurance		<u>351</u>
		<u>\$ 6,809</u>

## M31 TECHNOLOGY CORPORATION

## STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Lease Term	Discount Rate	Ending Balance	Note
Buildings	Office	108.04.01~110.03.31	1.6%	\$ 542	Note 1
	Office	108.04.01~110.03.31	1.6%	1,041	Note 1
	Office	108.11.01~110.03.31	1.6%	<u>350</u>	Note 1
				<u>\$ 1,933</u>	

Note 1: The amount classified as lease liabilities-current is \$1,933 thousand.

**M31 TECHNOLOGY CORPORATION**

**STATEMENT OF NET REVENUE  
FOR THE YEARS ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<u>Item</u>	<u>Description</u>	<u>Amount</u>
Service revenue		
	Technical service revenue	\$ 864,628
	Royalty revenue	<u>113,314</u>
		<u>\$ 977,942</u>

## M31 TECHNOLOGY CORPORATION

STATEMENT OF OPERATING EXPENSES  
 FOR THE YEARS ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expense	General and Administrative Expense	Research and Development Expense
Technical service expense	\$ 23,896	\$ -	\$ -
Payroll and related expense (includes pension)	13,819	41,751	291,250
Commission	10,123	-	-
Depreciation	-	12,972	25,142
Professional service expense	-	8,713	2,904
Software expense	-	725	55,301
Others (Note)	<u>1,938</u>	<u>25,182</u>	<u>46,188</u>
	<u>\$ 49,776</u>	<u>\$ 89,343</u>	<u>\$ 420,785</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

## M31 TECHNOLOGY CORPORATION

**SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION  
EXPENSES BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Employee benefits expense						
Payroll and related expense	\$ -	\$ 330,927	\$ 330,927	\$ -	\$ 281,914	\$ 281,914
Labor and health insurance	-	18,255	18,255	-	16,541	16,541
Pension	-	11,617	11,617	-	10,475	10,475
Remuneration of directors	-	4,276	4,276	-	4,176	4,176
Others	-	6,376	6,376	-	5,964	5,964
	<u>\$ -</u>	<u>\$ 371,451</u>	<u>\$ 371,451</u>	<u>\$ -</u>	<u>\$ 319,070</u>	<u>\$ 319,070</u>
Depreciation	<u>\$ -</u>	<u>\$ 38,114</u>	<u>\$ 38,114</u>	<u>\$ -</u>	<u>\$ 35,100</u>	<u>\$ 35,100</u>
Amortization	<u>\$ -</u>	<u>\$ 2,783</u>	<u>\$ 2,783</u>	<u>\$ -</u>	<u>\$ 2,691</u>	<u>\$ 2,691</u>

Note 1: For the years ended December 31, 2020 and 2019, the Company has 183 and 165 employees, respectively, both including 5 directors who does not serve currently as employees.

Note 2: For companies whose shares are listed on the stock exchange or Taipei Exchange, the following additional information should be disclosed:

- (1) For the years ended December 31, 2020, the average employee benefits expenses were \$2,063 thousand("The total employee benefits expense in 2020 – the total remuneration of directors"/"the number of employees in 2020 – the number of directors who does not serve currently as employees").

For the years ended December 31, 2019, the average employee benefits expenses were \$1,968 thousand("The total employee benefits expense in 2019 – the total remuneration of directors"/"the number of employees in 2019 – the number of directors who does not serve currently as employees").

- (2) For the years ended December 31, 2020, the average payroll and related expense were \$1,859 thousand("The total payroll and related expense in 2020 /"the number of employees in 2020 – the number of directors who does not serve currently as employees").

For the years ended December 31, 2019, the average payroll and related expense were \$1,762 thousand (“The total payroll and related expense in 2019 / “the number of employees in 2019 – the number of directors who does not serve currently as employees”).

- (3) The average payroll expense has been adjusted by 5.51% (“the average payroll expense in 2020 – the average payroll expense in 2019” / the average payroll expense in 2019).
- (4) The Company has established an Audit Committee in 2017, therefore there is no supervisor in 2020 and 2019.
- (5) Describe the company's compensation policy (including directors, managers and employees) :

The related salary and compensation policies of the Company are determined and handled with reference to the Company's year-end bonus, performance and employee compensation policies.