

# **M31 Technology Corporation and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2023 and 2022 and  
Independent Auditors' Review Report**

# **DELOITTE**

## **Independent Auditors' Review Report**

The Board of Directors and Shareholders  
M31 Technology Corporation

### **Introductions**

We have reviewed the accompanying consolidated balance sheets of M31 Technology Corporation and its subsidiaries (collectively referred to as the "Group") as of March 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

### **Scope of Review**

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Group as of March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 3, 2023

#### *Notice to Readers*

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

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

# M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

MARCH 31, 2023, DECEMBER 31, 2022, AND MARCH 31, 2022

(In Thousands of New Taiwan Dollars)

| ASSETS  | MARCH 31, 2023<br>(Reviewed) |            | DECEMBER 31, 2022<br>(Audited) |            | MARCH 31, 2022<br>(Reviewed) |            |
|---|------------------------------|------------|--------------------------------|------------|------------------------------|------------|
|   | Amount                       | %          | Amount                         | %          | Amount                       | %          |
| <b>CURRENT ASSETS</b>   |                              |            |                                |            |                              |            |
| Cash and cash equivalents (Note 6)  | \$ 849,883                   | 36         | \$ 546,776                     | 23         | \$ 301,191                   | 15         |
| Financial assets at fair value through profit or loss – current (Note 7)                | 184,827                      | 8          | 284,895                        | 12         | 398,514                      | 20         |
| Financial assets at amortized cost – current (Note 9)                                   | 188,840                      | 8          | 282,552                        | 12         | 114,500                      | 6          |
| Notes and accounts receivable (Notes 10, 22 and 30)                                     | 227,823                      | 10         | 325,217                        | 14         | 237,855                      | 12         |
| Other receivables   | 4,074                        | -          | 4,177                          | -          | 5,730                        | -          |
| Current tax assets (Note 4)   | 73,775                       | 3          | 59,856                         | 3          | 51,502                       | 2          |
| Prepayments (Note 16)   | 109,474                      | 5          | 56,889                         | 2          | 103,285                      | 5          |
| Non-current assets held for sale (Notes 11 and 33)                                      | -                            | -          | 98,853                         | 4          | -                            | -          |
| Other current assets (Notes 16 and 31)  | 281                          | -          | 105                            | -          | 8,194                        | -          |
| Total current assets  | <u>1,638,977</u>             | <u>70</u>  | <u>1,659,320</u>               | <u>70</u>  | <u>1,220,771</u>             | <u>60</u>  |
| <b>NON-CURRENT ASSETS</b>   |                              |            |                                |            |                              |            |
| Financial assets at fair value through other comprehensive income- non-current (Note 8) | -                            | -          | 822                            | -          | 5,514                        | -          |
| Financial assets at amortized cost – non-current (Note 9)                               | 117,021                      | 5          | 118,031                        | 5          | 110,046                      | 6          |
| Property, plant and equipment (Notes 13 and 31)   | 563,166                      | 24         | 570,969                        | 24         | 672,664                      | 33         |
| Right-of-use Assets (Note 14)   | 5,114                        | -          | 2,059                          | -          | 861                          | -          |
| Intangible assets (Note 15)   | 12,001                       | 1          | 11,087                         | 1          | 7,289                        | 1          |
| Deferred tax assets (Note 4)  | 5,031                        | -          | 4,751                          | -          | 1,916                        | -          |
| Other non-current assets (Note 16)  | 257                          | -          | 259                            | -          | 1,875                        | -          |
| Total non-current assets  | <u>702,590</u>               | <u>30</u>  | <u>707,978</u>                 | <u>30</u>  | <u>800,165</u>               | <u>40</u>  |
| <b>TOTAL</b>  | <u>\$ 2,341,567</u>          | <u>100</u> | <u>\$ 2,367,298</u>            | <u>100</u> | <u>\$ 2,020,936</u>          | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>   |                              |            |                                |            |                              |            |
| <b>CURRENT LIABILITIES</b>  |                              |            |                                |            |                              |            |
| Contract liabilities – current (Note 22)  | \$ 265,319                   | 11         | \$ 266,190                     | 11         | \$ 250,237                   | 12         |
| Accounts payable (Note 18)  | 1,843                        | -          | 2,125                          | -          | 2,067                        | -          |
| Dividend payable (Note 23)  | 253,584                      | 11         | -                              | -          | -                            | -          |
| Other payables (Note 19)  | 67,854                       | 3          | 185,296                        | 8          | 64,956                       | 3          |
| Current tax liabilities (Note 4)  | 55,371                       | 3          | 43,045                         | 2          | 24,545                       | 1          |
| Lease liabilities – current (Note 14)   | 2,033                        | -          | 878                            | -          | 802                          | -          |
| Long-term borrowings maturing within one year (Note 17)                                 | -                            | -          | -                              | -          | 2,527                        | -          |
| Other current liabilities (Note 19)   | 6,885                        | -          | 7,591                          | 1          | 11,907                       | 1          |
| Total current liabilities   | <u>652,889</u>               | <u>28</u>  | <u>505,125</u>                 | <u>22</u>  | <u>357,041</u>               | <u>17</u>  |
| <b>NON-CURRENT LIABILITIES</b>  |                              |            |                                |            |                              |            |
| Long-term borrowings (Note 17)  | -                            | -          | -                              | -          | 35,503                       | 2          |
| Deferred tax liabilities (Note 4)   | 2,934                        | -          | 3,526                          | -          | -                            | -          |
| Lease liabilities – non-current (Note 14)   | 3,107                        | -          | 1,190                          | -          | -                            | -          |
| Total non-current liabilities   | <u>6,041</u>                 | <u>-</u>   | <u>4,716</u>                   | <u>-</u>   | <u>35,503</u>                | <u>2</u>   |
| Total liabilities   | <u>658,930</u>               | <u>28</u>  | <u>509,841</u>                 | <u>22</u>  | <u>392,544</u>               | <u>19</u>  |
| <b>EQUITY (Note 21)</b>   |                              |            |                                |            |                              |            |
| Share capital   |                              |            |                                |            |                              |            |
| Ordinary shares   | 316,980                      | 14         | 317,080                        | 13         | 316,060                      | 16         |
| Share capital pending cancellation  | -                            | -          | (100)                          | -          | (30)                         | -          |
| Share capital subtotal  | <u>316,980</u>               | <u>14</u>  | <u>316,980</u>                 | <u>13</u>  | <u>316,030</u>               | <u>16</u>  |
| Capital surplus   | 756,194                      | 32         | 756,194                        | 32         | 726,748                      | 36         |
| Retained earnings   |                              |            |                                |            |                              |            |
| Legal reserve   | 155,904                      | 6          | 155,904                        | 7          | 125,647                      | 6          |
| Unappropriated earnings   | 486,803                      | 21         | 669,512                        | 28         | 554,257                      | 28         |
| Total retained earnings   | <u>642,707</u>               | <u>27</u>  | <u>825,416</u>                 | <u>35</u>  | <u>679,904</u>               | <u>34</u>  |
| Other equity  | (33,244)                     | (1)        | (41,133)                       | (2)        | (46,226)                     | (2)        |
| Treasury shares   | -                            | -          | -                              | -          | (48,064)                     | (3)        |
| Total equity  | <u>1,682,637</u>             | <u>72</u>  | <u>1,857,457</u>               | <u>78</u>  | <u>1,628,392</u>             | <u>81</u>  |
| <b>TOTAL</b>  | <u>\$ 2,341,567</u>          | <u>100</u> | <u>\$ 2,367,298</u>            | <u>100</u> | <u>\$ 2,020,936</u>          | <u>100</u> |

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

# M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

|   | Three Months Ended<br>March 31, 2023 |        | Three Months Ended<br>March 31, 2022 |        |
|---|--------------------------------------|--------|--------------------------------------|--------|
|   | Amount                               | %      | Amount                               | %      |
| OPERATING REVENUE (Notes 22 and 30)         | \$ 312,962                           | 100    | \$ 247,722                           | 100    |
| GROSS PROFIT                                | 312,962                              | 100    | 247,722                              | 100    |
| OPERATING EXPENSES (Notes 15 and 23)        |                                      |        |                                      |        |
| Selling and Marketing expenses              | ( 31,611 )                           | ( 10 ) | ( 19,169 )                           | ( 8 )  |
| General and administrative expenses         | ( 33,584 )                           | ( 11 ) | ( 26,500 )                           | ( 11 ) |
| Research and development expenses           | ( 203,130 )                          | ( 65 ) | ( 178,194 )                          | ( 72 ) |
| Total operating expenses                    | ( 268,325 )                          | ( 86 ) | ( 223,863 )                          | ( 91 ) |
| OPERATING INCOME                            | 44,637                               | 14     | 23,859                               | 9      |
| NON-OPERATING INCOME AND EXPENSES (Note 23) |                                      |        |                                      |        |
| Interest income                             | 6,258                                | 2      | 877                                  | 1      |
| Other income                                | 154                                  | -      | 103                                  | -      |
| Other gains and losses                      | 37,071                               | 12     | 23,148                               | 9      |
| Finance costs                               | ( 18 )                               | -      | ( 209 )                              | -      |
| Total non-operating income and expenses     | 43,465                               | 14     | 23,919                               | 10     |
| PROFIT BEFORE INCOME TAX                    | 88,102                               | 28     | 47,778                               | 19     |
| INCOME TAX EXPENSE (Notes 4 and 24)         | ( 18,028 )                           | ( 6 )  | ( 7,998 )                            | ( 3 )  |
| NET PROFIT FOR THE PERIOD                   | 70,074                               | 22     | 39,780                               | 16     |

(Continued)

|   | Three Months Ended<br>March 31, 2023 |        | Three Months Ended<br>March 31, 2022 |        |
|---|--------------------------------------|--------|--------------------------------------|--------|
|   | Amount                               | %      | Amount                               | %      |
| OTHER COMPREHENSIVE INCOME  |                                      |        |                                      |        |
| Items that will not be reclassified<br>subsequently to profit or loss:  |                                      |        |                                      |        |
| Unrealized gain/(loss) on<br>investments in equity<br>instruments at fair value<br>through other<br>comprehensive income<br>(Note 21) | \$ 134                               | -      | (\$ 1,973)                           | (1)    |
| Items that may be reclassified<br>subsequently to profit or loss:   |                                      |        |                                      |        |
| Exchange differences on<br>translating the financial<br>statements of foreign<br>operations (Note 21)                                 | ( 141 )                              | -      | 572                                  | -      |
| Income tax relating to items<br>that may be reclassified<br>subsequently to profit or loss<br>(Notes 4, 21, and 24)                   | 28<br>( 113 )                        | -<br>- | ( 114 )<br>458                       | -<br>- |
| Other comprehensive income<br>(loss) for the period, net of<br>income tax   | 21                                   | -      | ( 1,515 )                            | (1)    |
| TOTAL COMPREHENSIVE INCOME<br>FOR THE PERIOD  | \$ 70,095                            | 22     | \$ 38,265                            | 15     |
| EARNINGS PER SHARE (Note 25)  |                                      |        |                                      |        |
| Basic   | \$ 2.24                              |        | \$ 1.28                              |        |
| Diluted   | \$ 2.22                              |        | \$ 1.28                              |        |

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

# M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

|   | Share Capital            |            |  |                 | Retained Earnings |                            | Other Equity  |   |                                  |                              |              |
|---|--------------------------|------------|--|-----------------|-------------------|----------------------------|---|---|----------------------------------|------------------------------|--------------|
|   | Shares<br>(In Thousands) | Amount     | Share Capital<br>Pending<br>Cancellation | Capital Surplus | Legal Reserve     | Unappropriated<br>Earnings | Exchange<br>Difference on<br>Translating the<br>Financial<br>Statements of<br>Foreign<br>Operations | Unrealized Valuation<br>Gain (Loss) on<br>Financial Assets at<br>Fair Value Through<br>Other<br>Comprehensive<br>Income | Unearned<br>Employee<br>Benefits | Amount of<br>Treasury Shares | Total Equity |
| BALANCE AT JANUARY 1, 2022  | 31,606                   | \$ 316,060 | \$ -                                     | \$ 727,719      | \$ 125,647        | \$ 514,477                 | ( \$ 938 )  | \$ 6,600  | ( \$ 57,908 )                    | ( \$ 48,064 )                | \$ 1,583,593 |
| Net profit for the three months ended March 31, 2022  | -                        | -          | -  | -               | -                 | 39,780                     | -   | -   | -                                | -                            | 39,780       |
| Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax (Note 21)        | -                        | -          | -  | -               | -                 | -                          | 458   | ( 1,973 )   | -                                | -                            | ( 1,515 )    |
| Total comprehensive income (loss) for the three months ended March 31, 2022                                     | -                        | -          | -  | -               | -                 | 39,780                     | 458   | ( 1,973 )   | -                                | -                            | 38,265       |
| Compensation cost of employee restricted shares (Note 21)   | -                        | -          | -  | -               | -                 | -                          | -   | -   | 6,834                            | -                            | 6,834        |
| Employee restricted shares pending cancellation (Note 21)   | -                        | -          | ( 30 )                                   | ( 971 )         | -                 | -                          | -   | -   | 701                              | -                            | ( 300 )      |
| BALANCE AT MARCH 31, 2022   | 31,606                   | \$ 316,060 | ( \$ 30 )                                | \$ 726,748      | \$ 125,647        | \$ 554,257                 | ( \$ 480 )  | \$ 4,627  | ( \$ 50,373 )                    | ( \$ 48,064 )                | \$ 1,628,392 |
| BALANCE AT JANUARY 1, 2023  | 31,708                   | \$ 317,080 | ( \$ 100 )                               | \$ 756,194      | \$ 155,904        | \$ 669,512                 | \$ 400  | \$ 667  | ( \$ 42,200 )                    | \$ -                         | \$ 1,857,457 |
| Appropriations of 2022 earnings   |                          |            |  |                 |                   |                            |   |   |                                  |                              |              |
| Cash dividends  | -                        | -          | -  | -               | -                 | ( 253,584 )                | -   | -   | -                                | -                            | ( 253,584 )  |
| Net profit for the three months ended March 31, 2023  | -                        | -          | -  | -               | -                 | 70,074                     | -   | -   | -                                | -                            | 70,074       |
| Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax (Note 21)        | -                        | -          | -  | -               | -                 | -                          | ( 113 )   | 134   | -                                | -                            | 21           |
| Total comprehensive income (loss) for the three months ended March 31, 2023                                     | -                        | -          | -  | -               | -                 | 70,074                     | ( 113 )   | 134   | -                                | -                            | 70,095       |
| Compensation cost of employee restricted shares (Note 21)   | -                        | -          | -  | -               | -                 | -                          | -   | -   | 8,669                            | -                            | 8,669        |
| Employee restricted shares cancellation (Note 21)   | ( 10 )                   | ( 100 )    | 100                                      | -               | -                 | -                          | -   | -   | -                                | -                            | -            |
| Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 8 and 21) | -                        | -          | -  | -               | -                 | 801                        | -   | ( 801 )   | -                                | -                            | -            |
| BALANCE AT MARCH 31, 2023   | 31,698                   | \$ 316,980 | \$ -                                     | \$ 756,194      | \$ 155,904        | \$ 486,803                 | \$ 287  | \$ -  | ( \$ 33,531 )                    | \$ -                         | \$ 1,682,637 |

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

# M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

|   | Three Months<br>Ended March 31,<br>2023 | Three Months<br>Ended March 31,<br>2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES  |   |   |
| Profit before income tax  | \$ 88,102                               | \$ 47,778                               |
| Adjustments for:  |   |   |
| Depreciation expenses   | 10,152                                  | 10,180                                  |
| Amortization expenses   | 1,806                                   | 1,019                                   |
| Net (gain)loss on fair value changes of<br>financial assets at fair value through profit or<br>loss | ( 1,493)                                | 563                                     |
| Finance costs   | 18                                      | 209                                     |
| Interest income   | ( 6,258)                                | ( 877)                                  |
| Share-based payment of compensation costs   | 8,669                                   | 6,834                                   |
| Gain on disposal of non-current assets held for<br>sale   | ( 42,914)                               | -                                       |
| Unrealized loss (gain) on foreign currency<br>exchange  | 2,907                                   | ( 19,184)                               |
| Changes in operating assets and liabilities   |   |   |
| Notes and accounts receivable   | 99,059                                  | 86,073                                  |
| Other receivables   | ( 7)                                    | ( 4,492)                                |
| Prepayments   | ( 52,585)                               | ( 70,874)                               |
| Other current assets  | ( 136)                                  | 150                                     |
| Contract liabilities  | ( 871)                                  | 161,235                                 |
| Accounts payable  | ( 281)                                  | ( 3,524)                                |
| Other payables  | ( 112,445)                              | ( 70,728)                               |
| Other current liabilities   | ( 717)                                  | ( 4,245)                                |
| Cash generated from operations  | ( 6,994)                                | 140,117                                 |
| Interest received   | 6,403                                   | 1,155                                   |
| Interest paid   | ( 18)                                   | ( 202)                                  |
| Income tax paid   | ( 20,465)                               | ( 5,114)                                |
| Net cash (used in) generated from operating<br>activities   | ( 21,074)                               | 135,956                                 |

(Continued)

|   | <b>Three Months<br/>Ended March 31,<br/>2023</b> | <b>Three Months<br/>Ended March 31,<br/>2022</b> |
|---|--|--|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |  |
| Disposal of financial assets at fair value through other comprehensive income                     | \$ 956   | \$ -   |
| Acquisition of financial assets at amortized cost   | ( 30,560)  | ( 111,160)                                       |
| Disposal of financial assets at amortized cost  | 117,870  | -  |
| Acquisition of financial assets at fair value through profit or loss                              | -  | ( 122,489)                                       |
| Disposal of financial assets at fair value through profit or loss                                 | 101,561  | 140,155  |
| Disposal of non-current assets held for sale  | 141,767  | -  |
| Acquisition of property, plant and equipment  | ( 6,742)   | ( 3,897)   |
| Increase in refundable deposits   | ( 66)  | -  |
| Decrease in refundable deposits   | 26   | 243  |
| Acquisition of intangible assets  | ( 2,720)   | ( 668)   |
| Net cash generated from (used in) investing activities  | <u>322,092</u>                                   | <u>( 97,816)</u>                                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |  |  |
| Repayment of long-term borrowings   | -  | ( 51,273)  |
| Repayment of the principal portion of lease liabilities   | ( 501)   | ( 292)   |
| Payment for buy-back of employee restricted shares  | -  | ( 300)   |
| Net cash used in financing activities   | <u>( 501)</u>                                    | <u>( 51,865)</u>                                 |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE<br/>BALANCE OF CASH HELD IN FOREIGN<br/>CURRENCIES</b> | <u>2,590</u>                                     | <u>7,495</u>                                     |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH<br/>EQUIVALENTS</b>                                   | 303,107  | ( 6,230)   |
| <b>CASH AND CASH EQUIVALENTS AT THE<br/>BEGINNING OF THE YEAR</b>                                 | <u>546,776</u>                                   | <u>307,421</u>                                   |
| <b>CASH AND CASH EQUIVALENTS AT THE END<br/>OF THE YEAR</b>                                       | <u>\$ 849,883</u>                                | <u>\$ 301,191</u>                                |

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



# M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(Reviewed, Not Audited)

(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 21, 2011. The Company mainly offers Silicon IP design services in the integrated circuit industry.

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 3, 2023.

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

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

The application of the IFRSs endorsed and issued into effect by the FSC would not have any material impact on M31 Technology Corporation and its controlled entities’ (the “Group”) accounting policies.

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

| <b>New/Revised/Amended Standards and Interpretations</b>   | <b>Effective Date Announced by IASB (Note 1)</b> |
|--|--|
| 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                         |
| Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”  | January 1, 2024 (Note 2)                         |
| IFRS 17 “Insurance Contracts”  | January 1, 2023                                  |
| Amendments to IFRS 17  | January 1, 2023                                  |

(Continued)

| <b>New/Revised/Amended Standards and Interpretations</b>                                   | <b>Effective Date Announced by IASB (Note 1)</b> |
|--|--|
| Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 – comparison information” | January 1, 2023                                  |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”              | January 1, 2024                                  |
| Amendments to IAS 1 “Non-current Liabilities with Covenants”                               | January 1, 2024                                  |

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: Sellers and lessees shall retroactively apply the amendments to IFRS 16 to sale-and-leaseback transactions signed after the date of initial application of IFRS 16.

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

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 Statement of compliance**

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

### **4.2 Basis of preparation**

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

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

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

#### 4.3 Basis of consolidation

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

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

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

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

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

Please refer to Note 12, Table 5, and Table 6 for the details, the ownership percentage, and the main business of subsidiaries.

#### 4.4 Other significant accounting policies

Except for the following, please refer to the summary of significant accounting policies in the Company's consolidated financial statements for the year ended December 31, 2022.

##### Income tax expense

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

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

The Group has taken the recent development of the COVID-19 outbreak and its possible impact on the economic environment into consideration in making significant accounting estimates related to cash flow projections, growth rates, discount rates, profitability, etc. Management will continue to review the estimates and underlying assumptions. Please refer to the Critical Accounting Judgments and Key Sources of Estimation Uncertainty in the Company's consolidated financial statements for the year ended December 31, 2022.

## 6. CASH AND CASH EQUIVALENTS

|   | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|---|-----------------------|--------------------------|-----------------------|
| Cash on hand  | \$ 47                 | \$ 60                    | \$ 60                 |
| Checking accounts and demand deposits   | 497,586               | 417,716                  | 186,631               |
| Cash equivalents (investments with original maturities of less than 3 months) |                       |                          |                       |
| Time deposits   | <u>352,250</u>        | <u>129,000</u>           | <u>114,500</u>        |
|   | <u>\$ 849,883</u>     | <u>\$ 546,776</u>        | <u>\$ 301,191</u>     |

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

|               | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|---------------|-----------------------|--------------------------|-----------------------|
| Bank deposits | 0.050%~4.910%         | 0.050%~1.050%            | 0.010%~0.530%         |

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

|  | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--|-----------------------|--------------------------|-----------------------|
| <u>Current</u>                             |                       |                          |                       |
| Mandatorily measured at FVTPL              |                       |                          |                       |
| Non-derivative financial assets            |                       |                          |                       |
| – Fund beneficiary certificate             | \$ 141,223            | \$ 242,049               | \$ 351,076            |
| – Listed shares and emerging market shares | <u>43,604</u>         | <u>42,846</u>            | <u>47,438</u>         |
|  | <u>\$ 184,827</u>     | <u>\$ 284,895</u>        | <u>\$ 398,514</u>     |

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

### Investment in equity instrument

|  | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--|-----------------------|--------------------------|-----------------------|
| <u>Non-current</u>                       |                       |                          |                       |
| Domestic investment                      |                       |                          |                       |
| Listed shares and emerging market shares |                       |                          |                       |
| Ordinary shares –                        |                       |                          |                       |
| iSTART-TEK Inc.                          | <u>\$ -</u>           | <u>\$ 822</u>            | <u>\$ 5,514</u>       |

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

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

|  | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|--|--|--|
| Balance, beginning of period             | \$ 822                                       | \$ 7,487                                     |
| Recognized in other comprehensive income | 134  | ( 1,973 )                                    |
| Disposal                                 | ( 956 )                                      | -  |
| Balance, end of period                   | <u>\$ -</u>                                  | <u>\$ 5,514</u>                              |

## 9. FINANCIAL ASSETS AT AMORTIZED COST

|   | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|---|-----------------------|--------------------------|-----------------------|
| <u>Current</u>  |                       |                          |                       |
| Domestic investments  |                       |                          |                       |
| Time deposits with original maturities of more than 3 months (Note 1) | <u>\$ 188,840</u>     | <u>\$ 282,552</u>        | <u>\$ 114,500</u>     |
| <u>Non-current</u>  |                       |                          |                       |
| Foreign investments   |                       |                          |                       |
| Foreign Corporate Bonds (Note 2)                                      | <u>\$ 117,021</u>     | <u>\$ 118,031</u>        | <u>\$ 110,046</u>     |

Note1 : The ranges of interest rates for time deposits with original maturities of more than 3 months were 1.980% ~ 5.050%, 1.980% ~ 5.050% and 0.830% ~ 1.850% as of March 31, 2023, December 31, 2022 and March 31, 2022.

Note2 : In September and October 2021, the Company purchased APPLE INC. bonds for NT\$53,664 thousand and NT\$26,254 thousand, respectively, with a maturity date of August 20, 2050, and a coupon rate of 2.400%; in October 2021, the Company purchased Petróleos Mexicanos bonds for NT\$28,905 thousand, with a maturity date of January 23, 2026, and a coupon rate of 4.500%.

Note3 : For information on credit risk management and impairment assessment related to financial assets measured at amortized cost, please refer to Note 29.

## 10. ACCOUNTS RECEIVABLE

|                                     | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|-------------------------------------|-----------------------|--------------------------|-----------------------|
| <u>Notes receivable</u>             |                       |                          |                       |
| At amortized cost                   |                       |                          |                       |
| Gross carrying amount               | \$ 26                 | \$ -                     | \$ -                  |
| Less: Allowance for impairment loss | <u>-</u>              | <u>-</u>                 | <u>-</u>              |
|                                     | <u>\$ 26</u>          | <u>\$ -</u>              | <u>\$ -</u>           |

( Continued )

|                                     | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|-------------------------------------|-----------------------|--------------------------|-----------------------|
| <u>Accounts receivable</u>          |                       |                          |                       |
| At amortized cost                   |                       |                          |                       |
| Gross carrying amount               | \$ 235,954            | \$ 333,346               | \$ 246,215            |
| Less: Allowance for impairment loss | ( <u>8,157</u> )      | ( <u>8,129</u> )         | ( <u>8,360</u> )      |
|                                     | <u>\$ 227,797</u>     | <u>\$ 325,217</u>        | <u>\$ 237,855</u>     |

#### Accounts receivable

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

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

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

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

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

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

### March 31, 2023

|                               | <b>Not Past Due</b> | <b>1 to 60 Days</b> | <b>61 to 120 Days</b> | <b>121 to 180 Days</b> | <b>181 to 365 Days</b> | <b>Over 365 Days</b> | <b>Total</b>      |
|-------------------------------|---------------------|---------------------|-----------------------|------------------------|------------------------|----------------------|-------------------|
| Expected Credit Losses rate   | 0%~0.35%            | 0%~1.28%            | 0%~7.23%              | 0%~10.15%              | -                      | 0%~100%              |                   |
| Gross carrying amount         | \$ 166,245          | \$ 26,043           | \$ 37,287             | \$ 2,040               | \$ -                   | \$ 4,339             | \$ 235,954        |
| Loss allowance (lifetime ECL) | ( 583 )             | ( 333 )             | ( 2,695 )             | ( 207 )                | -                      | ( 4,339 )            | ( 8,157 )         |
| Amortized cost                | <u>\$ 165,662</u>   | <u>\$ 25,710</u>    | <u>\$ 34,592</u>      | <u>\$ 1,833</u>        | <u>\$ -</u>            | <u>\$ -</u>          | <u>\$ 227,797</u> |

### December 31, 2022

|                               | <b>Not Past Due</b> | <b>1 to 60 Days</b> | <b>61 to 120 Days</b> | <b>121 to 180 Days</b> | <b>181 to 365 Days</b> | <b>Over 365 Days</b> | <b>Total</b>      |
|-------------------------------|---------------------|---------------------|-----------------------|------------------------|------------------------|----------------------|-------------------|
| Expected Credit Losses rate   | 0%~0.27%            | 0%~1.45%            | 0%~7.88%              | 0%~14.00%              | 0%~19.90%              | 0%~100%              |                   |
| Gross carrying amount         | \$ 172,928          | \$ 106,881          | \$ 43,633             | \$ 5,528               | \$ 3,086               | \$ 1,290             | \$ 333,346        |
| Loss allowance (lifetime ECL) | ( 461 )             | ( 1,551 )           | ( 3,439 )             | ( 774 )                | ( 614 )                | ( 1,290 )            | ( 8,129 )         |
| Amortized cost                | <u>\$ 172,467</u>   | <u>\$ 105,330</u>   | <u>\$ 40,194</u>      | <u>\$ 4,754</u>        | <u>\$ 2,472</u>        | <u>\$ -</u>          | <u>\$ 325,217</u> |

### March 31, 2022

|                               | <b>Not Past Due</b> | <b>1 to 60 Days</b> | <b>61 to 120 Days</b> | <b>121 to 180 Days</b> | <b>181 to 365 Days</b> | <b>Over 365 Days</b> | <b>Total</b>      |
|-------------------------------|---------------------|---------------------|-----------------------|------------------------|------------------------|----------------------|-------------------|
| Expected Credit Losses rate   | 0%~0.50%            | 0%~4.20%            | 0%~8.44%              | 0%~0.91%               | 0%~18.01%              | 0%~100%              |                   |
| Gross carrying amount         | \$ 102,974          | \$ 80,166           | \$ 25,936             | \$ 31,462              | \$ 4,475               | \$ 1,202             | \$ 246,215        |
| Loss allowance (lifetime ECL) | ( 513 )             | ( 3,364 )           | ( 2,189 )             | ( 286 )                | ( 806 )                | ( 1,202 )            | ( 8,360 )         |
| Amortized cost                | <u>\$ 102,461</u>   | <u>\$ 76,802</u>    | <u>\$ 23,747</u>      | <u>\$ 31,176</u>       | <u>\$ 3,669</u>        | <u>\$ -</u>          | <u>\$ 237,855</u> |

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

|                                 | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|---------------------------------|--|--|
| Balance, beginning of period    | \$ 8,129                                     | \$ 8,465                                     |
| Effect of exchange rate changes | 28   | ( 105 )                                      |
| Balance, end of period          | <u>\$ 8,157</u>                              | <u>\$ 8,360</u>                              |

## 11. NON-CURRENT ASSETS HELD FOR SALE

|                               | <b>March 31, 2023</b> | <b>December 31, 2022</b> | <b>March 31, 2022</b> |
|-------------------------------|-----------------------|--------------------------|-----------------------|
| Property, plant and equipment | <u>\$ -</u>           | <u>\$ 98,853</u>         | <u>\$ -</u>           |

The Group approved the sale of land No. 318-19, 318-21, and 318-23 in Taiyuan Section, Zhubei City, Hsinchu County on November 3, 2022 by resolution of the board, and the closing of the transfer was completed on March 31, 2023 with a disposal benefit of NT\$42,914 thousand.

## 12. SUBSIDIARIES

### Subsidiaries included in the consolidated financial statements

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

| Investor            | Investee                       | Nature of Activities                     | Proportion of Ownership (%) |                   |                | Remark |
|---------------------|--------------------------------|--|-----------------------------|-------------------|----------------|--------|
|                     |                                |  | March 31, 2023              | December 31, 2022 | March 31, 2022 |        |
| The Company         | M31 Technology USA, Inc.       | Product marketing and technical services | 100%                        | 100%              | 100%           | (1)    |
| Sirius Venture Ltd. | Sirius Venture Ltd.            | Investment holding                       | 100%                        | 100%              | 100%           | (1)    |
|                     | M31 Technology (Shanghai) Inc. | Product marketing and technical services | 100%                        | 100%              | 100%           | (2)    |

Remark:

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

## 13. PROPERTY, PLANT AND EQUIPMENT

### Assets used by the Group

|  | Land       | Buildings  | Office Equipment | Leasehold Improvements | Other Facilities | Total      |
|--|------------|------------|------------------|------------------------|------------------|------------|
| <b>Cost</b>  |            |            |                  |                        |                  |            |
| Balance at January 1, 2023                                 | \$ 126,440 | \$ 391,631 | \$ 95,241        | \$ 3,809               | \$ 122,836       | \$ 739,957 |
| Additions  | -          | 1,576      | 188              | -                      | 66               | 1,830      |
| Net exchange differences                                   | -          | -          | ( 3 )            | -                      | ( 1 )            | ( 4 )      |
| Balance at March 31, 2023                                  | \$ 126,440 | \$ 393,207 | \$ 95,426        | \$ 3,809               | \$ 122,901       | \$ 741,783 |
| <b>Accumulated depreciation</b>                            |            |            |                  |                        |                  |            |
| Balance at January 1, 2023                                 | \$ -       | \$ 19,047  | \$ 65,959        | \$ 317                 | \$ 83,665        | \$ 168,988 |
| Depreciation expense                                       | -          | 3,184      | 2,153            | 238                    | 4,059            | 9,634      |
| Net exchange differences                                   | -          | -          | ( 3 )            | -                      | ( 2 )            | ( 5 )      |
| Balance at March 31, 2023                                  | \$ -       | \$ 22,231  | \$ 68,109        | \$ 555                 | \$ 87,722        | \$ 178,617 |
| Carrying amounts at March 31, 2023                         | \$ 126,440 | \$ 370,976 | \$ 27,317        | \$ 3,254               | \$ 35,179        | \$ 563,166 |
| Carrying amounts at December 31, 2022, and January 1, 2023 | \$ 126,440 | \$ 372,584 | \$ 29,282        | \$ 3,492               | \$ 39,171        | \$ 570,969 |
| <b>Cost</b>  |            |            |                  |                        |                  |            |
| Balance at January 1, 2022                                 | \$ 225,293 | \$ 391,461 | \$ 75,041        | \$ -                   | \$ 111,621       | \$ 803,416 |
| Additions  | -          | 170        | 2,911            | -                      | 5,029            | 8,110      |
| Disposals  | -          | -          | ( 408 )          | -                      | -                | ( 408 )    |
| Net exchange differences                                   | -          | -          | 9                | -                      | 7                | 16         |
| Balance at March 31, 2022                                  | \$ 225,293 | \$ 391,631 | \$ 77,553        | \$ -                   | \$ 116,657       | \$ 811,134 |
| <b>Accumulated depreciation</b>                            |            |            |                  |                        |                  |            |
| Balance at January 1, 2022                                 | \$ -       | \$ 6,312   | \$ 58,696        | \$ -                   | \$ 63,956        | \$ 128,964 |
| Depreciation expense                                       | -          | 3,184      | 1,753            | -                      | 4,962            | 9,899      |
| Disposals  | -          | -          | ( 408 )          | -                      | -                | ( 408 )    |
| Net exchange differences                                   | -          | -          | 9                | -                      | 6                | 15         |
| Balance at March 31, 2022                                  | \$ -       | \$ 9,496   | \$ 60,050        | \$ -                   | \$ 68,924        | \$ 138,470 |
| Carrying amounts at March 31, 2022                         | \$ 225,293 | \$ 382,135 | \$ 17,503        | \$ -                   | \$ 47,733        | \$ 672,664 |



No impairments or reversal of losses were recognized for the three months ended March 31, 2023 and 2022.

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

|                        |            |
|------------------------|------------|
| Buildings              | 5-50 years |
| Office Equipment       | 3-5 years  |
| Leasehold Improvements | 3 years    |
| Other Facilities       | 3-5 years  |

## 14. LEASE AGREEMENTS

### 14.1 Right-of-use assets

|                                      | <u>March 31, 2023</u>     | <u>December 31, 2022</u>  | <u>March 31, 2022</u> |
|--------------------------------------|---------------------------|---------------------------|-----------------------|
| <u>Carrying amounts</u>              |                           |                           |                       |
| Buildings                            | <u>\$ 5,114</u>           | <u>\$ 2,059</u>           | <u>\$ 861</u>         |
|                                      | <u>Three Months Ended</u> | <u>Three Months Ended</u> |                       |
|                                      | <u>March 31, 2023</u>     | <u>March 31, 2022</u>     |                       |
| Additions to the right of use assets | <u>\$ 3,574</u>           | <u>\$ -</u>               |                       |
| Depreciation of right-of-use assets  |                           |                           |                       |
| Buildings                            | <u>\$ 518</u>             | <u>\$ 281</u>             |                       |

Except for the aforementioned recognized depreciation expenses, the Group has no significant subleasing and impairment losses in right-of-use assets for the three months ended March 31, 2023 and 2022.

### 14.2 Lease liabilities

|                         | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|-------------------------|-----------------------|--------------------------|-----------------------|
| <u>Carrying amounts</u> |                       |                          |                       |
| Current                 | <u>\$ 2,033</u>       | <u>\$ 878</u>            | <u>\$ 802</u>         |
| Non-current             | <u>\$ 3,107</u>       | <u>\$ 1,190</u>          | <u>\$ -</u>           |

Discount rate for lease liabilities is as follows:

|           | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|-----------|-----------------------|--------------------------|-----------------------|
| Buildings | 1.36%                 | 1.36%~1.60%              | 1.60%                 |

### 14.3 Other lease information

|  | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|--|--|--|
| Expenses relating to short-term leases | <u>\$ 21,906</u>                             | <u>\$ 20,226</u>                             |
| Total cash outflow for leases          | <u>( \$ 22,425 )</u>                         | <u>( \$ 20,522 )</u>                         |

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

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

|                   | <b>March 31, 2023</b> | <b>December 31, 2022</b> | <b>March 31, 2022</b> |
|-------------------|-----------------------|--------------------------|-----------------------|
| Lease commitments | <u>\$ 328</u>         | <u>\$ 219</u>            | <u>\$ 2,860</u>       |

## 15. INTANGIBLE ASSETS

|   | <b>Software</b>  |
|---|------------------|
| <u>Cost</u>   |                  |
| Balance at January 1, 2023                                | \$ 28,754        |
| Separately acquired                                       | <u>2,720</u>     |
| Balance at March 31, 2023                                 | <u>\$ 31,474</u> |
| <u>Accumulated amortization</u>                           |                  |
| Balance at January 1, 2023                                | \$ 17,667        |
| Amortization expense                                      | <u>1,806</u>     |
| Balance at March 31, 2023                                 | <u>\$ 19,473</u> |
| Carrying amounts at March 31, 2023                        | <u>\$ 12,001</u> |
| Carrying amounts at December 31, 2022 and January 1, 2023 | <u>\$ 11,087</u> |
| <u>Cost</u>   |                  |
| Balance at January 1, 2022                                | \$ 20,228        |
| Separately acquired                                       | <u>668</u>       |
| Balance at March 31, 2022                                 | <u>\$ 20,896</u> |
| <u>Accumulated amortization</u>                           |                  |
| Balance at January 1, 2022                                | \$ 12,588        |
| Amortization expense                                      | <u>1,019</u>     |
| Balance at March 31, 2022                                 | <u>\$ 13,607</u> |
| Carrying amounts at March 31, 2022                        | <u>\$ 7,289</u>  |

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

An analysis of amortization expense by function:

|                                     | Three Months Ended<br>March 31, 2023 | Three Months Ended<br>March 31, 2022 |
|-------------------------------------|--------------------------------------|--------------------------------------|
| General and administrative expenses | \$ 696                               | \$ 432                               |
| Research and development expenses   | 1,110                                | 587                                  |
|                                     | <u>\$ 1,806</u>                      | <u>\$ 1,019</u>                      |

## 16. OTHER ASSETS

|                           | March 31, 2023    | December 31, 2022 | March 31, 2022    |
|---------------------------|-------------------|-------------------|-------------------|
| <u>Current</u>            |                   |                   |                   |
| Prepayments               | \$ 109,474        | \$ 56,889         | \$ 103,285        |
| Refundable deposits       | 69                | 29                | 29                |
| Others                    | 212               | 76                | 8,165             |
|                           | <u>\$ 109,755</u> | <u>\$ 56,994</u>  | <u>\$ 111,479</u> |
| <u>Non-current</u>        |                   |                   |                   |
| Refundable deposits       | \$ 257            | \$ 259            | \$ 250            |
| Prepayments for equipment | -                 | -                 | 1,625             |
|                           | <u>\$ 257</u>     | <u>\$ 259</u>     | <u>\$ 1,875</u>   |

## 17. BORROWINGS

### Long-term borrowings

|  | March 31, 2023 | December 31, 2022 | March 31, 2022   |
|--|----------------|-------------------|------------------|
| <u>Guaranteed loans (Note 31)</u>                      |                |                   |                  |
| Bank Loans   | \$ -           | \$ -              | \$ 38,030        |
| Less: Long-term borrowings<br>maturing within one year | -              | -                 | ( 2,527 )        |
| Long-term borrowings                                   | <u>\$ -</u>    | <u>\$ -</u>       | <u>\$ 35,503</u> |

On March 2021, the Group obtained a newly appropriated bank loan of NT\$300,000 thousand with an interest rate of 1.10% to be repaid monthly over 15 years, which was used to purchase land and buildings, and the long-term loan was repaid in advance.

## 18. ACCOUNTS PAYABLE

|                         | March 31, 2023  | December 31, 2022 | March 31, 2022  |
|-------------------------|-----------------|-------------------|-----------------|
| <u>Accounts payable</u> |                 |                   |                 |
| Operating               | <u>\$ 1,843</u> | <u>\$ 2,125</u>   | <u>\$ 2,067</u> |

## 19. OTHER LIABILITIES

|  | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--|-----------------------|--------------------------|-----------------------|
| <u>Current</u>                         |                       |                          |                       |
| Other payables                         |                       |                          |                       |
| Payables for salaries or bonuses       | \$ 39,367             | \$ 152,279               | \$ 36,547             |
| Payables for annual leave              | 10,933                | 10,270                   | 9,486                 |
| Payables for insurance                 | 4,533                 | 4,386                    | 3,791                 |
| Payables for retirement benefits       | 4,527                 | 4,450                    | 3,743                 |
| Payables for professional service fees | 2,127                 | 2,051                    | 1,079                 |
| Payables for purchases of equipment    | 838                   | 5,752                    | 6,600                 |
| Payables for investments               | -                     | -                        | 458                   |
| Payables for taxes                     | -                     | 136                      | -                     |
| Others                                 | <u>5,529</u>          | <u>5,972</u>             | <u>3,252</u>          |
|  | <u>\$ 67,854</u>      | <u>\$ 185,296</u>        | <u>\$ 64,956</u>      |
| Other liabilities                      |                       |                          |                       |
| Collection                             | \$ 5,547              | \$ 6,363                 | \$ 3,742              |
| Temporary collection                   | <u>1,338</u>          | <u>1,228</u>             | <u>8,165</u>          |
|  | <u>\$ 6,885</u>       | <u>\$ 7,591</u>          | <u>\$ 11,907</u>      |

## 20. RETIREMENT BENEFIT PLANS

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

## 21. EQUITY

### 21.1 Share capital

#### Ordinary shares

|   | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|---|-----------------------|--------------------------|-----------------------|
| Number of shares authorized (in thousands)            | <u>50,000</u>         | <u>50,000</u>            | <u>50,000</u>         |
| Shares authorized                                     | <u>\$ 500,000</u>     | <u>\$ 500,000</u>        | <u>\$ 500,000</u>     |
| Number of shares issued and fully paid (in thousands) | <u>31,698</u>         | <u>31,708</u>            | <u>31,606</u>         |
| Shares issued   | <u>\$ 316,980</u>     | <u>\$ 317,080</u>        | <u>\$ 316,060</u>     |
| Share capital pending cancellation                    | <u>\$ -</u>           | <u>\$ 100</u>            | <u>\$ 30</u>          |

For the year 2022 and the three months ended March 31, 2022, 18,000 and 3,000 shares of the Company's employee restricted shares have been recovered due to the termination of employment, respectively, please refer to Note 26.

## 21.2 Capital surplus

|  | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--|-----------------------|--------------------------|-----------------------|
| <u>May be used to offset a deficit,</u><br><u>distributed as cash</u><br><u>dividends, or transferred to</u><br><u>share capital (1)</u> |                       |                          |                       |
| Shares issuance premium  | \$ 617,423            | \$ 617,423               | \$ 617,423            |
| Treasury Shares Trading  | 17,313                | 17,313                   | 13,088                |
| Employee share options (2)   | 4,040                 | 4,040                    | 4,040                 |
| <u>Not to be used for any purpose</u>  |                       |                          |                       |
| Employee restricted shares   | 117,418               | 117,418                  | 92,197                |
|  | <u>\$ 756,194</u>     | <u>\$ 756,194</u>        | <u>\$ 726,748</u>     |

- (1) Such capital surplus may be used to offset losses, and may also be used to distribute cash or allocate share capital when the company has no losses, provided that the allocation of share capital is limited to a certain ratio of the paid-in share capital each year.
- (2) Such capital surplus refers to the amount transferred from Capital surplus — employee share options during the execution of employee share options.

## 21.3 Retained earnings and dividend policy

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

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

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

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

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

The Company's Articles of Incorporation state the policies on the distribution of employees' compensation and remuneration of directors, refer to "Employees' compensation and remuneration of directors" in Note 23.7.

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

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

The appropriations of 2021 and 2020 earnings were set out as follows:

|                                  | <b>Year Ended<br/>December 31, 2022</b> | <b>Year Ended<br/>December 31, 2021</b> |
|----------------------------------|---|---|
| Legal reserve                    | <u>\$ 38,307</u>                        | <u>\$ 30,257</u>                        |
| Cash dividends                   | <u>\$253,584</u>                        | <u>\$197,782</u>                        |
| Stock dividends                  | <u>\$ 31,698</u>                        | <u>\$ -</u>                             |
| Cash dividends per share (NT\$)  | \$ 8.0                                  | \$ 6.3                                  |
| Stock dividends per share (NT\$) | \$ 1.0                                  | \$ -                                    |

The above cash dividends for 2022 were approved by the Board of Directors on February 23, 2023 and the remaining allocations are subject to the resolution of the General Shareholders' Meeting to be held on May 24, 2023.

The appropriation of earnings for the year ended 2021 was approved at the general shareholders' meeting held on 26 May 2022.

The earnings of the Company and Subsidiaries are distributed in accordance with the articles of incorporation of each company and are not subject to contractual restrictions.

## 21.4 Other equity items

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

|  | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|--|--|--|
| Balance, beginning of period   | \$ 400                                       | (\$ 938)                                     |
| Recognized for the period  |  |  |
| Exchange differences on translating the financial statements of foreign operations | ( 141 )                                      | 572  |
| Income tax on translating the financial statements of foreign operations           | 28   | ( 114 )                                      |
| Other comprehensive income (loss) for the period                                   | ( 113 )                                      | 458  |
| Balance, end of period   | <u>\$ 287</u>                                | <u>( \$ 480 )</u>                            |

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

|   | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|---|--|--|
| Balance, beginning of period  | \$ 667                                       | \$ 6,600                                     |
| Recognized for the period   |  |  |
| Unrealized gain(loss)   |  |  |
| Equity instruments  | 134  | ( 1,973 )                                    |
| Other comprehensive income (loss) for the period  | 134  | ( 1,973 )                                    |
| Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal | ( 801 )                                      | -  |
| Balance, end of period  | <u>\$ -</u>                                  | <u>\$ 4,627</u>                              |

### (3) Unearned employee benefits

In the meeting of shareholders on August 5, 2021, the Shareholders approved a restricted share plan for employees (see Note 26).

|   | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|---|--|--|
| Balance, beginning of period            | (\$ 42,200)                                  | (\$ 57,908)                                  |
| Share-based payment expenses recognized | 8,669  | 6,834  |
| Employee restricted shares cancellation | -  | 701  |
| Balance, end of period                  | <u>( \$ 33,531 )</u>                         | <u>( \$ 50,373 )</u>                         |

## 20.5 Treasury shares

| <b>Purpose of Buy-back</b>                                | <b>Shares Transferred to Employees<br/>(In Thousands of Shares)</b> |
|---|---|
| Number of shares at January 1, 2022<br>and March 31, 2022 | <u>211</u>  |

On March 16, 2020, the board of directors approved the Company's first repurchase of shares that authorized the purchase of up to 250 thousand shares from March 17, 2020 to May 16, 2020. The Company has repurchased 211 thousand shares in total with an average cost of NT\$227.79. On August 2, 2022, the board of directors resolved to transfer the treasury stock to employees at a price of NT\$228, and the date for employee subscription was August 2, 2022. The Company transferred 211 thousand shares of treasury shares to employees on September 2, 2022. The compensation cost recognized for the transfer of treasury shares to employees for the year ended December 31, 2022 was NT\$4,225 thousand.

On August 2, 2022, the Board of Directors resolved to repurchase treasury shares in order to motivate and enhance employees' centripetal force. The repurchase period is from August 3, 2022 to October 2, 2022, and the number of shares to be repurchased is 300,000 shares at a range of NT\$180 to NT\$350 per share. If the share price falls below the lower limit of the range, the Company will continue to repurchase shares, and the total amount of shares to be repurchased is capped at NT\$105,000 thousand. As of October 2, 2022, the Company has repurchased 0 shares.

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

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

## 22. REVENUE

|                           | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|---------------------------|--|--|
| Technical service revenue | \$223,536                                    | \$212,422                                    |
| Royalty revenue           | <u>89,426</u>                                | <u>35,300</u>                                |
|                           | <u>\$312,962</u>                             | <u>\$247,722</u>                             |



## 22.1 Contract information

### (1) Technical service revenue

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

### (2) Royalty revenue

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

## 22.2 Contract balances

|   | March 31,<br>2023 | December 31,<br>2022 | March 31,<br>2022 | January 1,<br>2022 |
|---|-------------------|----------------------|-------------------|--------------------|
| Notes and accounts receivable (Note 10) | \$ 227,823        | \$ 325,217           | \$ 237,855        | \$ 319,072         |
| Contract liabilities - current          |                   |                      |                   |                    |
| Technical service revenue               | \$ 265,319        | \$ 266,190           | \$ 250,237        | \$ 89,002          |

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

The changes for the three months ended March 31, 2023 and 2022 are as follows :

|   | Three Months Ended<br>March 31, 2023 | Three Months Ended<br>March 31, 2022 |
|---|--------------------------------------|--------------------------------------|
| Balance, beginning of period  | \$266,190                            | \$ 89,002                            |
| Contract liabilities from the beginning of year recognized as revenue | ( 871 )                              | -                                    |
| New contract liabilities for the period                               | -                                    | 161,235                              |
| Balance, end of period  | <u>\$265,319</u>                     | <u>\$250,237</u>                     |

## 23. NET PROFIT FROM CONTINUING OPERATIONS

The net profit from continuing operations comprises the following items:

### 23.1 Interest income

|                                    | Three Months Ended<br>March 31, 2023 | Three Months Ended<br>March 31, 2022 |
|------------------------------------|--------------------------------------|--------------------------------------|
| Bank deposits                      | \$ 5,382                             | \$ 62                                |
| Financial assets at amortized cost | 876                                  | 815                                  |
|                                    | <u>\$ 6,258</u>                      | <u>\$ 877</u>                        |

## 23.2 Other income

|              | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|--------------|--|--|
| Other income | <u>\$ 154</u>                                | <u>\$ 103</u>                                |

## 23.3 Other gains and losses

|  | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|--|--|--|
| Gain on disposal of non-current assets held for sale                         | \$ 42,914                                    | \$ -   |
| Net gains(losses) from financial assets at fair value through profit or loss | 1,493  | ( 563 )                                      |
| Net foreign exchange (losses) gains  | ( 7,334 )                                    | 23,713                                       |
| Others   | ( 2 )  | ( 2 )  |
|  | <u>\$ 37,071</u>                             | <u>\$ 23,148</u>                             |

## 23.4 Finance costs

|                               | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|-------------------------------|--|--|
| Interest on lease liabilities | \$ 18  | \$ 4   |
| Interest on bank loans        | <u>-</u>                                     | <u>205</u>                                   |
|                               | <u>\$ 18</u>                                 | <u>\$ 209</u>                                |

## 23.5 Depreciation and amortization

|   | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|---|--|--|
| An analysis of depreciation by function |  |  |
| Operating expenses                      | <u>\$ 10,152</u>                             | <u>\$ 10,180</u>                             |
| An analysis of amortization by function |  |  |
| Operating expenses                      | <u>\$ 1,806</u>                              | <u>\$ 1,019</u>                              |

## 23.6 Employee benefits expenses

|   | Three Months Ended<br>March 31, 2023 | Three Months Ended<br>March 31, 2022 |
|---|--------------------------------------|--------------------------------------|
| Short-term employee benefits                            | \$134,876                            | \$115,401                            |
| Post-employment benefits                                |                                      |                                      |
| Defined contribution plans                              | 5,080                                | 4,040                                |
| Share-based payment                                     |                                      |                                      |
| Equity-settled  | 8,669                                | 6,834                                |
| Other employee benefits                                 |                                      |                                      |
| Labor and health insurance                              | 7,906                                | 7,517                                |
| Other employee benefits                                 | 2,975                                | 3,114                                |
| Total employee benefits expenses                        | <u>\$159,506</u>                     | <u>\$136,906</u>                     |
| An analysis of employee benefits<br>expense by function |                                      |                                      |
| Operating expenses                                      | <u>\$159,506</u>                     | <u>\$136,906</u>                     |

## 23.7 Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the three months ended March 31, 2023 and 2022 are set out as follows:

### Accrual rate

|                           | Three Months Ended<br>March 31, 2023 | Three Months Ended<br>March 31, 2022 |
|---------------------------|--------------------------------------|--------------------------------------|
| Employees' compensation   | 1.20%                                | 1.19%                                |
| Remuneration of directors | 1.20%                                | 1.19%                                |

### Amount

|                           | Three Months<br>Ended March 31,<br>2023 | Three Months<br>Ended March 31,<br>2022 |
|---------------------------|---|---|
| Employees' compensation   | <u>\$ 1,080</u>                         | <u>\$ 580</u>                           |
| Remuneration of directors | <u>\$ 1,080</u>                         | <u>\$ 580</u>                           |

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

The employees' compensation and the remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on February 23, 2023 and February 24, 2022, respectively, were set out as follows:

Amount

|                           | <b>Year Ended<br/>December 31, 2022</b> | <b>Year Ended<br/>December 31, 2021</b> |
|---------------------------|---|---|
|                           | <b>Cash</b>                             | <b>Cash</b>                             |
| Employees' compensation   | <u>\$ 5,450</u>                         | <u>\$ 3,680</u>                         |
| Remuneration of directors | <u>\$ 4,900</u>                         | <u>\$ 3,680</u>                         |

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

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.

23.8 Gains or losses on foreign currency exchange

|                         | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|-------------------------|--|--|
| Foreign exchange gains  | \$ 35,312                                    | \$ 75,558                                    |
| Foreign exchange losses | ( 42,646 )                                   | ( 51,845 )                                   |
| Net ( losses ) gain     | <u>( \$ 7,334 )</u>                          | <u>\$ 23,713</u>                             |

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

24.1 Income tax recognized in profit or loss

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

|   | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|---|--|--|
| Current Tax                                     |  |  |
| In respect of the current period                | \$ 18,872                                    | \$ 4,357                                     |
| Deferred Tax                                    |  |  |
| In respect of the current period                | ( 844 )                                      | 3,641  |
| Income tax expense recognized in profit or loss | <u>\$ 18,028</u>                             | <u>\$ 7,998</u>                              |

24.2 Income tax recognized in other comprehensive income

|   | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|---|--|--|
| <u>Deferred Tax</u>                                 |  |  |
| In respect of the current period                    |  |  |
| Translation of foreign operations                   | ( \$ 28 )                                    | \$ 114                                       |
| Income tax recognized in other comprehensive income | <u>( \$ 28 )</u>                             | <u>\$ 114</u>                                |

### 24.3 Income tax assessments

The tax authorities have examined income tax returns of the Company through 2021. The Group has no pending tax litigation as of March 31, 2023.

## 25. EARNINGS PER SHARE

|                            | Unit: NT\$ Per Share                 |                                      |
|----------------------------|--------------------------------------|--------------------------------------|
|                            | Three Months Ended<br>March 31, 2023 | Three Months Ended<br>March 31, 2022 |
| Basic earnings per share   |                                      |                                      |
| From continuing operations | \$ 2.24                              | \$ 1.28                              |
| Diluted earnings per share |                                      |                                      |
| From continuing operations | \$ 2.22                              | \$ 1.28                              |

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

|   | Three Months Ended<br>March 31, 2023 | Three Months Ended<br>March 31, 2022 |
|---|--------------------------------------|--------------------------------------|
| Net profit used in the computation of<br>basic and diluted earnings per share | \$ 70,074                            | \$ 39,780                            |

### Number of Shares (in thousands of shares)

|  | Three Months Ended<br>March 31, 2023 | Three Months Ended<br>March 31, 2022 |
|--|--------------------------------------|--------------------------------------|
| Weighted average number of ordinary shares<br>used in the computation of basic earnings<br>per share   | 31,318                               | 31,107                               |
| Effect of potentially dilutive ordinary shares:  |                                      |                                      |
| Employee restricted shares   | 303                                  | 63                                   |
| Employees' compensation  | 8                                    | 8                                    |
| Weighted average number of ordinary shares<br>used in the computation of diluted<br>earnings per share | 31,629                               | 31,178                               |

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.

## 26. SHARE-BASED PAYMENT ARRANGEMENTS

### Employee Restricted Shares

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

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

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

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

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

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

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

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

#### 26.2 Disability, death due to an occupational disaster or general death

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

#### 26.3 Transfer to affiliates

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

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

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

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

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

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

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

Other contractual matters are as follows:

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

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

|  | <b>2021-1 Employee<br/>Restricted Shares</b> | <b>2021-2 Employee<br/>Restricted Shares</b> |
|--|--|--|
|  | <u>(In Thousands)</u>                        | <u>(In Thousands)</u>                        |
| <b>Three months ended March 31, 2023</b>                     |  |  |
| Shares outstanding at the beginning<br>and end of the period | <u>276</u>                                   | <u>104</u>                                   |
| Employees shares vested                                      | <u>-</u>                                     | <u>-</u>                                     |
| Weighted-average fair value of shares<br>granted (NTD)       | <u>\$ 333.5</u>                              | <u>\$ 280.5</u>                              |
|  |  | <b>2021-1 Employee<br/>Restricted Shares</b> |
|  |  | <u>(In Thousands)</u>                        |
| <b>Three months ended March 31, 2022</b>                     |  |  |
| Shares outstanding at the beginning<br>of the period         |  | 288  |
| Shares granted for the period                                |  | ( <u>3</u> )                                 |
| Shares outstanding at the end of<br>the period               |  | <u>285</u>                                   |
| Employees shares vested                                      |  | <u>-</u>                                     |
| Weighted-average fair value of shares<br>granted (NTD)       |  | <u>\$ 333.5</u>                              |

For the three months ended March 31, 2022, 3,000 shares of new employee restricted shares have been withdrawn due to the termination of employment, and the board of directors has resolved that the base date for capital reduction is May 19, 2022. However, the registration of the change of the Ministry of Economic Affairs has not been completed, so it is temporarily listed under the capital to be write-off.

For the three months ended March 31, 2023 and 2022, the compensation costs recognized for the new employee restricted shares were NT\$8,669 thousand and NT\$6,834, respectively.

## 27. CASH FLOW INFORMATION

### 27.1 Non-cash transactions

Except as disclosed in other notes, the Group conducted the following non-cash transaction investment and financing activities for the three months ended March 31, 2023 and 2022:

On March 31, 2023, December 31, 2022 and March 31, 2022, the Group respectively acquired property, plant and equipment of NT\$838 thousand, NT\$5,752, and NT\$6,600 thousand, which are recognized as payables on equipment. Please refer to Note 19.



## 27.2 Changes in liabilities arising from financing activities

### Three Months Ended March 31, 2023

|                   | <b>January 1,<br/>2023</b> | <b>Cash Flows</b> | <b>New<br/>Leasing</b> | <b>Non-cash Changes<br/>Exchange<br/>Rate<br/>Changes</b> | <b>March 31,<br/>2023</b> |
|-------------------|----------------------------|-------------------|------------------------|---|---------------------------|
| Lease liabilities | \$ 2,068                   | ( \$ 501 )        | \$ 3,574               | ( \$ 1 )  | \$ 5,140                  |

### Three Months Ended March 31, 2022

|                      | <b>January 1,<br/>2022</b> | <b>Cash Flow</b> | <b>Non-Cash<br/>Changes<br/>Exchange<br/>Rate Changes</b> | <b>March 31,<br/>2022</b> |
|----------------------|----------------------------|------------------|---|---------------------------|
| Lease liabilities    | \$ 1,065                   | ( \$ 292 )       | \$ 29   | \$ 802                    |
| Long-term borrowings | 89,303                     | ( 51,273 )       | -   | 38,030                    |
|                      | \$ 90,368                  | ( \$ 51,565 )    | \$ 29   | \$ 38,832                 |

## 28. CAPITAL MANAGEMENT

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

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

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

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

## 29. FINANCIAL INSTRUMENTS

### 29.1 Fair value of financial instruments not measured at fair value

#### March 31, 2023

|  | <b>Carrying<br/>amount</b> | <b>Fair Value</b> |                |                |              |
|--|----------------------------|-------------------|----------------|----------------|--------------|
|  |                            | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| <u>Financial assets</u>                |                            |                   |                |                |              |
| Financial assets at<br>amortized cost— |                            |                   |                |                |              |
| Foreign Corporate<br>Bonds             | \$117,021                  | \$87,428          | \$ -           | \$ -           | \$87,428     |

December 31, 2022

|   | Carrying<br>amount | Fair Value |         |         |          |
|---|--------------------|------------|---------|---------|----------|
|   |                    | Level 1    | Level 2 | Level 3 | Total    |
| Financial assets  |                    |            |         |         |          |
| Financial assets at<br>amortized cost —<br>Foreign Corporate<br>Bonds | \$118,031          | \$86,031   | \$ -    | \$ -    | \$86,031 |

March 31, 2022

|   | Carrying<br>amount | Fair Value |         |         |          |
|---|--------------------|------------|---------|---------|----------|
|   |                    | Level 1    | Level 2 | Level 3 | Total    |
| <u>Financial assets</u>   |                    |            |         |         |          |
| Financial assets at<br>amortized cost —<br>Foreign Corporate<br>Bonds | \$110,046          | \$97,969   | \$ -    | \$ -    | \$97,969 |

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

March 31, 2023

|                                     | Level 1           | Level 2     | Level 3     | Total             |
|-------------------------------------|-------------------|-------------|-------------|-------------------|
| <u>Financial assets at FVTPL</u>    |                   |             |             |                   |
| Beneficiary certificate of<br>funds | \$ 141,223        | \$ -        | \$ -        | \$ 141,223        |
| Listed shares                       | <u>43,604</u>     | <u>-</u>    | <u>-</u>    | <u>43,604</u>     |
|                                     | <u>\$ 184,827</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 184,827</u> |

December 31, 2022

|  | Level 1           | Level 2     | Level 3     | Total             |
|--|-------------------|-------------|-------------|-------------------|
| <u>Financial assets at FVTPL</u>                 |                   |             |             |                   |
| Beneficiary certificate of<br>funds              | \$ 242,049        | \$ -        | \$ -        | \$ 242,049        |
| Listed shares                                    | <u>42,846</u>     | <u>-</u>    | <u>-</u>    | <u>42,846</u>     |
|  | <u>\$ 284,895</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 284,895</u> |
| <u>Financial assets at FVTOCI</u>                |                   |             |             |                   |
| Investments in equity<br>instruments             |                   |             |             |                   |
| — Listed shares and<br>emerging market<br>shares | <u>\$ 822</u>     | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 822</u>     |

March 31, 2022

|  | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>      |
|--|-------------------|----------------|----------------|-------------------|
| <u>Financial assets at FVTPL</u>           |                   |                |                |                   |
| Beneficiary certificate of funds           | \$ 351,076        | \$ -           | \$ -           | \$ 351,076        |
| Listed shares                              | 47,438            | -              | -              | 47,438            |
|  | <u>\$ 398,514</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 398,514</u> |
| <u>Financial assets at FVTOCI</u>          |                   |                |                |                   |
| Investments in equity instruments          |                   |                |                |                   |
| – Listed shares and emerging market shares | <u>\$ 5,514</u>   | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 5,514</u>   |

There were no transfers between levels 1 and 2 for the three months ended March 31, 2023 and 2022.

### 29.3 Categories of financial instruments

|                                    | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|------------------------------------|-----------------------|--------------------------|-----------------------|
| <u>Financial assets</u>            |                       |                          |                       |
| FVTPL                              |                       |                          |                       |
| Mandatorily classified as at FVTPL | \$ 184,827            | \$ 284,895               | \$ 398,514            |
| Amortized cost (1)                 | 1,387,967             | 1,277,041                | 769,601               |
| FVTOCI                             |                       |                          |                       |
| Investment in equity instrument    | -                     | 822                      | 5,514                 |
| <u>Financial liabilities</u>       |                       |                          |                       |
| Amortized cost (2)                 | 263,921               | 15,900                   | 51,486                |

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

### 29.4 Financial risk management objectives and policies

The Group's major instruments include equity investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Group's corporate financial management function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the

Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

#### (1) Market risk

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

##### (1.1) Foreign currency risks

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

The carrying amounts of the Group's non-functional currency denominated monetary assets and monetary liabilities (including the non-functional currency monetary items that have been written off in the consolidated financial statement) at the balance sheet dates are set out in Note 32.

##### Sensitivity analysis

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

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

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

|                | <b>USD Impact</b>                            |  |
|----------------|--|--|
|                | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
| Profit or loss | \$ 8,990                                     | \$ 6,452                                     |

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

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

### (1.2) Interest rate risk

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

|                               | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|-------------------------------|----------------|-------------------|----------------|
| Fair value interest rate risk |                |                   |                |
| — Financial assets            | \$ 658,111     | \$ 529,583        | \$ 339,046     |
| — Financial liabilities       | 5,140          | 2,068             | 802            |
| Cash flow interest rate risk  |                |                   |                |
| — Financial assets            | 492,691        | 414,729           | 184,571        |
| — Financial liabilities       | -              | -                 | 38,030         |

#### Sensitivity analysis

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

If interest rates had been 100 basis points increase/decrease and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2023 and 2022 would increase(decrease) by NT\$1,232 thousands and NT\$366 thousands, respectively, mainly resulting from the Group's variable-rate bank deposits and long-term borrowings.

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

### (1.3) Other price risk

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

#### Sensitivity analysis

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

If equity prices had been 1% higher/lower, the pre-tax profit for the three months ended March 31, 2023 and 2022 would have increased/decreased by NT\$1,848 thousands and NT\$3,985 thousands, respectively, resulting from the changes in fair value of financial assets at FVTPL. The pre-tax other comprehensive income for the three months ended March 31, 2022 would have increased/decreased by NT\$55 thousands, resulting from the changes in fair value of financial assets at FVTOCI.

## (2) Credit risks

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

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

The credit risk management of investments in debt instruments with financial assets measured at amortized cost is as follows.

The Company's policy is to invest only in debt instruments with a credit rating of investment grade or higher and with low credit risk in terms of impairment assessment. Credit rating information is provided by independent rating agencies. The Company continuously tracks external rating information to monitor changes in the credit risk of the debt instruments it invests in, and also reviews other information such as bond yield curves and material information about the debtor to assess whether the credit risk of the debt instrument investment has increased significantly since the original recognition.

The Company measures the expected 12-month credit loss or expected credit loss over the life of the debt instruments by taking into account the historical default rate and default loss rate of various grades provided by external rating agencies, the debtor's current financial condition and the outlook of the industry in which the debtor is engaged. The Company's current credit risk rating mechanism is as follows:

| <b>Credit Rating</b> | <b>Definition</b>  | <b>Expected Credit Loss Recognition Basis</b> | <b>Expected Credit Loss Rate</b> |
|----------------------|--|---|----------------------------------|
| Good                 | The credit risk of the debtor is low, and the debtor has sufficient ability to settle the contractual cash flows | 12-month expected credit loss                 | -                                |

The Group's concentration of credit risk was mainly attributable to the Group's three largest customers, which accounted for 29%, 33% and 24% of total accounts receivable as of March 31, 2023, December 31, 2022 and March 31 2022, respectively.

### (3) Liquidity risk

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

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

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

##### March 31, 2023

|   | <b>Less than 3<br/>Months</b> | <b>3 Months to<br/>1 Year</b> | <b>1 to 5<br/>Years</b> | <b>Over 5<br/>Years</b> |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <u>Non-derivative<br/>financial liabilities</u> |                               |                               |                         |                         |
| Non-interest bearing                            | \$ 263,921                    | \$ -                          | \$ -                    | \$ -                    |
| Lease liabilities                               | 520                           | 1,568                         | 3,138                   | -                       |
|   | <u>\$ 264,441</u>             | <u>\$ 1,568</u>               | <u>\$ 3,138</u>         | <u>\$ -</u>             |

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

|                   | <b>Less than 1 Year</b> | <b>1 to 5 Years</b> | <b>Over 5 Years</b> |
|-------------------|-------------------------|---------------------|---------------------|
| Lease liabilities | <u>\$ 2,088</u>         | <u>\$ 3,138</u>     | <u>\$ -</u>         |

##### December 31, 2022

|   | <b>Less than 3<br/>Months</b> | <b>3 Months to<br/>1 Year</b> | <b>1 to 5<br/>Years</b> | <b>Over 5<br/>Years</b> |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| <u>Non-derivative<br/>financial liabilities</u> |                               |                               |                         |                         |
| Non-interest bearing                            | \$ 15,900                     | \$ -                          | \$ -                    | \$ -                    |
| Lease liabilities                               | 225                           | 675                           | 1,200                   | -                       |
|   | <u>\$ 16,125</u>              | <u>\$ 675</u>                 | <u>\$ 1,200</u>         | <u>\$ -</u>             |

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

|                   | <u>Less than 1 Year</u> | <u>1 to 5 Years</u> | <u>Over 5 Years</u> |
|-------------------|-------------------------|---------------------|---------------------|
| Lease liabilities | \$ <u>900</u>           | \$ <u>1,200</u>     | \$ <u>-</u>         |

March 31, 2022

|   | <u>Less than 3 Months</u> | <u>3 Months to 1 Year</u> | <u>1 to 5 Years</u> | <u>Over 5 Years</u> |
|---|---------------------------|---------------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> |                           |                           |                     |                     |
| Non-interest bearing                        | \$ 13,456                 | \$ -                      | \$ -                | \$ -                |
| Long-term borrowings                        | 629                       | 1,898                     | 10,389              | 25,114              |
| Lease liabilities                           | <u>302</u>                | <u>504</u>                | <u>-</u>            | <u>-</u>            |
|   | <u>\$ 14,387</u>          | <u>\$ 2,402</u>           | <u>\$ 10,389</u>    | <u>\$ 25,114</u>    |

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

|                      | <u>Less than 1 Year</u> | <u>1 to 5 Years</u> | <u>Over 5 Years</u> |
|----------------------|-------------------------|---------------------|---------------------|
| Long-term borrowings | \$ <u>2,527</u>         | \$ <u>10,389</u>    | \$ <u>25,114</u>    |
| Lease liabilities    | \$ <u>806</u>           | \$ <u>-</u>         | \$ <u>-</u>         |

### (3.2) Financing Amount

|                          | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--------------------------|-----------------------|--------------------------|-----------------------|
| Secured bank loan amount |                       |                          |                       |
| — Amount utilized        | \$ -                  | \$ -                     | \$ 300,000            |
| — Unutilized amount      | <u>-</u>              | <u>-</u>                 | <u>-</u>              |
|                          | <u>\$ -</u>           | <u>\$ -</u>              | <u>\$ 300,000</u>     |

## 30. TRANSACTIONS WITH RELATED PARTIES

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

### 30.1 Name and relationship of related parties

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



### 30.2 Operating Revenue

| <b>Financial Statement<br/>Accounts</b> | <b>Related Party Category/Name</b>       | <b>Three Months<br/>Ended<br/>March 31, 2023</b> | <b>Three Months<br/>Ended<br/>March 31, 2022</b> |
|---|--|--|--|
| Service revenue                         | Related party<br>MSquare (Shanghai) Ltd. | <u>\$ 17,363</u>                                 | <u>\$ -</u>                                      |

The price for services provided to the related party is mutually agreed upon after referencing general market rates, with a payment term of 30 days. As stipulated in the contracts, for the three months ended March 31, 2023 and 2022, payments for services rendered by the Group to non-related parties shall be received within 30 to 90 days after the completion of each phase.

### 30.3 Receivables from Related Parties

| <b>Financial Statement<br/>Accounts</b> | <b>Related Party<br/>Category/Name</b>      | <b>March 31,<br/>2023</b> | <b>December 31,<br/>2022</b> | <b>March 31,<br/>2022</b> |
|---|---|---------------------------|------------------------------|---------------------------|
| Notes and<br>accounts<br>receivable     | Related party<br>MSquare<br>(Shanghai) Ltd. | <u>\$ 10,231</u>          | <u>\$ 3,010</u>              | <u>\$ 20,173</u>          |

Outstanding receivables from related parties were not secured by guarantees. For the three months ended March 31, 2023 and 2022, no loss allowance was recognized for receivables from related parties.

### 30.4 Compensation of key management personnel

|                              | <b>Three Months Ended<br/>March 31, 2023</b> | <b>Three Months Ended<br/>March 31, 2022</b> |
|------------------------------|--|--|
| Short-term employee benefits | \$ 4,078                                     | \$ 3,468                                     |
| Post-employment benefits     | 135  | 81   |
| Share-based payment          | <u>535</u>                                   | <u>292</u>                                   |
|                              | <u>\$ 4,748</u>                              | <u>\$ 3,841</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.

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

The following assets were provided as collateral for bank borrowings:

|                               | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|-------------------------------|-----------------------|--------------------------|-----------------------|
| Property, plant and equipment | \$ 415,929            | \$ 417,520               | \$ 422,293            |

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

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

#### March 31, 2023

|                       | <u>Foreign Currencies<br/>(In Thousands)</u> | <u>Exchange Rate</u> | <u>Carrying Amount<br/>(In Thousands)</u> |
|-----------------------|--|----------------------|---|
| Financial assets      |  |                      |   |
| <u>Monetary items</u> |  |                      |   |
| USD                   | \$ 29,626                                    | 30.450 (USD : NTD)   | \$ 902,112                                |
| CNY                   | 1,527  | 4.431 (CNY : NTD)    | 6,766                                     |
| Financial liabilities |  |                      |   |
| <u>Monetary items</u> |  |                      |   |
| USD                   | 101  | 30.450 (USD : NTD)   | 3,075                                     |

#### December 31, 2022

|                       | <u>Foreign Currencies<br/>(In Thousands)</u> | <u>Exchange Rate</u> | <u>Carrying Amount<br/>(In Thousands)</u> |
|-----------------------|--|----------------------|---|
| Financial assets      |  |                      |   |
| <u>Monetary items</u> |  |                      |   |
| USD                   | \$ 31,513                                    | 30.710 (USD : NTD)   | \$ 967,764                                |
| CNY                   | 1,321  | 4.408 (CNY : NTD)    | 5,823                                     |
| Financial liabilities |  |                      |   |
| <u>Monetary items</u> |  |                      |   |
| USD                   | 325  | 30.710 (USD : NTD)   | 9,981                                     |

March 31, 2022

|                       | <b>Foreign Currencies<br/>(In Thousands)</b> | <b>Exchange Rate</b> | <b>Carrying Amount<br/>(In Thousands)</b> |
|-----------------------|--|----------------------|---|
| Financial assets      |  |                      |   |
| <u>Monetary items</u> |  |                      |   |
| USD                   | \$ 23,330                                    | 28.625 (USD : NTD)   | \$ 667,821                                |
| CNY                   | 5  | 4.506 (CNY : NTD)    | 23  |
| Financial liabilities |  |                      |   |
| <u>Monetary items</u> |  |                      |   |
| USD                   | 789  | 28.625 (USD : NTD)   | 22,585                                    |

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

|                             | <b>Three Months Ended March 31, 2023</b> |  | <b>Three Months Ended March 31, 2022</b> |                                       |
|-----------------------------|--|--|--|---------------------------------------|
| <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b>                     | <b>Net Foreign<br/>Exchange Losses</b> | <b>Exchange Rate</b>                     | <b>Net Foreign<br/>Exchange Gains</b> |
| USD                         | 30.395 (USD : NTD)                       | ( \$ 2,907 )                           | 27.994 (USD : NTD)                       | \$ 19,184                             |

### 33. SEPARATELY DISCLOSED ITEMS

33.1 Significant transactions and 33.2 Information about investees:

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

### 33.3 Information on investments in mainland China

- (1) The name of the investee company in mainland China, the principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current profit and loss, recognized investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 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.
  - (2.1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
  - (2.2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
  - (2.3) The amount of property transactions and the amount of the resultant gains or losses.
  - (2.4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
  - (2.5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
  - (2.6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

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

| Shareholder Name                 | Shares               |                             |
|----------------------------------|----------------------|-----------------------------|
|                                  | Shares Held (Shares) | Percentage of Ownership (%) |
| Huey-Ling Chen                   | 6,762,000            | 21.33%                      |
| Chen-An Lin                      | 1,986,500            | 6.26%                       |
| Yi-Chen Lin                      | 1,787,000            | 5.63%                       |
| Jui-Chun Investment Company Ltd. | 1,651,000            | 5.20%                       |

## 34. SEGMENT INFORMATION

### 34.1 Industrial financial information

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

**TABLE 1**

**M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)**

**MARCH 31, 2023**

**(In Thousands of New Taiwan Dollars, Thousands of Shares/Units)**

| Holding Company Name | Type and Name of Marketable Securities                                | Relationship with the Holding Company | Financial Statement Account                                     | March 31, 2023         |                 |                             |            | Note |
|----------------------|---|---------------------------------------|---|------------------------|-----------------|-----------------------------|------------|------|
|                      |   |                                       |   | Number of Shares/Units | Carrying Amount | Percentage of Ownership (%) | Fair Value |      |
| The Company          | <u>Shares</u><br>Fubon Financial Holding Co., Ltd. (Type C)           | —                                     | Financial assets at fair value through profit or loss — current | 300                    | \$ 17,730       | -                           | \$ 17,730  | —    |
|                      | China Development Financial Holding Corporation (Type B)              | —                                     | Financial assets at fair value through profit or loss — current | 3,400                  | 25,874          | -                           | 25,874     | —    |
|                      | <u>Fund beneficiary certificate</u><br>Taishin 1699 Money Market Fund | —                                     | Financial assets at fair value through profit or loss — current | 4,394                  | 60,683          | -                           | 60,683     | —    |
|                      | Jih Sun Money Market Fund   | —                                     | Financial assets at fair value through profit or loss — current | 3,334                  | 50,393          | -                           | 50,393     | —    |
|                      | FSITC Taiwan Money Market Fund  | —                                     | Financial assets at fair value through profit or loss — current | 1,933                  | 30,147          | -                           | 30,147     | —    |
|                      | <u>Corporate Bond</u><br>APPLE INC.                                   | —                                     | Financial assets at amortized cost — non-current                | -                      | 86,057          | -                           | 59,795     | —    |
|                      | Petróleos Mexicanos   | —                                     | Financial assets at amortized cost — non-current                | -                      | 30,964          | -                           | 27,633     | —    |

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

TABLE 2

M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2023  
(In Thousands of New Taiwan Dollars, Thousands of Units)

| Company Name | Type and Name of Marketable Securities                                | Financial Statement Account                                     | Beginning Balance |            | Acquisition     |        | Disposal        |            |                 |                         | Ending Balance  |               |
|--------------|---|---|-------------------|------------|-----------------|--------|-----------------|------------|-----------------|-------------------------|-----------------|---------------|
|              |   |   | Number of Units   | Amount     | Number of Units | Amount | Number of Units | Amount     | Carrying Amount | Gain (Loss) on Disposal | Number of Units | Amount (Note) |
| The Company  | <u>Fund beneficiary certificate</u><br>Taishin 1699 Money Market Fund | Financial assets at fair value through profit or loss – current | 11,749            | \$ 161,732 | -               | \$ -   | 7,355           | \$ 101,561 | \$ 100,000      | \$ 1,561                | 4,394           | \$ 60,683     |

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

**TABLE 3**

**M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2023  
(In Thousands of New Taiwan Dollars)**

| <b>Seller</b> | <b>Property</b>    | <b>Date of Occurrence</b> | <b>Date of Acquisition</b> | <b>Carrying Amount</b> | <b>Transaction Amount</b> | <b>Payment Status</b>     | <b>Gain (Loss) on Disposal</b> | <b>Counterparty</b>     | <b>Relationship</b> | <b>Purpose of Disposal</b>  | <b>Price Reference Basis</b>  | <b>Other Terms</b> |
|---------------|--------------------|---------------------------|----------------------------|------------------------|---------------------------|---------------------------|--------------------------------|-------------------------|---------------------|---|---|--------------------|
| The Company   | Land and buildings | 11/03/2022                | 10/31/2017                 | \$ 98,853              | \$ 144,000                | According to the contract | \$ 42,914                      | Raffar Technology Corp. | None                | Enhancement of working capital and increase the efficiency of capital utilization | Based on the valuation results of the professional appraisal institution as a reference for decision-making | None               |

Note: The above transaction was completed on 31 March 2023.

**TABLE 4**

**M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2023  
(In Thousands of New Taiwan Dollars)**

| No.<br>(Note 1) | Company                    | Counterparty               | Relationship<br>(Note 2) | Transaction Details                   |                 |  |   |
|-----------------|----------------------------|----------------------------|--------------------------|---------------------------------------|-----------------|--|---|
|                 |                            |                            |                          | Financial Statement<br>Accounts       | Amount (Note 5) | Payment Terms  | Percentage of Total<br>Sales or Assets (Note 3) |
| 0               | M31 Technology Corporation | M31 Technology USA, INC.   | 1                        | Service revenue                       | \$ 12,070       | Decided by mutual agreement<br>based on market price | 4   |
|                 |                            |                            | 1                        | Accounts receivable-<br>related-party | 12,058          | Net 90 days from the end of<br>the transaction month | 1   |
| 1               | M31 Technology USA, INC.   | M31 Technology Corporation | 2                        | Accounts receivable-<br>related-party | 522             | Net 30 days from the end of<br>the transaction month | -   |
|                 |                            |                            | 2                        | Marketing revenue                     | 17,394          | Decided by mutual agreement<br>based on market price | 6   |

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

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

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

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

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

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

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



**TABLE 5**

**M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE THREE MONTHS ENDED MARCH 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investor Company | Investee Company         | Location               | Main Business and Products              | Original Investment Amount |                   | As of March 31, 2023 |     |                 | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note                          |
|------------------|--------------------------|------------------------|---|----------------------------|-------------------|----------------------|-----|-----------------|-----------------------------------|------------------------|-------------------------------|
|                  |                          |                        |   | March 31, 2023             | December 31, 2022 | Number of Shares     | %   | Carrying Amount |                                   |                        |                               |
| The Company      | M31 Technology USA, INC. | USA                    | Product marketing and technical service | \$ 13,531                  | \$ 13,531         | 450,000              | 100 | \$ 18,445       | \$ 450                            | \$ 450                 | Subsidiaries accounted by USD |
|                  | Sirius Venture Ltd.      | Republic of Seychelles | Investment Holdings                     | 5,364                      | 5,364             | 167,000              | 100 | 2,207           | ( 120 )                           | ( 120 )                | Subsidiaries accounted by USD |

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

Note 2: For relevant information on investee companies in mainland China, please refer to Table 6.

**M31 TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**TABLE 6**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2023  
(In Thousands of New Taiwan Dollars or United States Dollars)**

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

| Investee Company               | Main Businesses and Products            | Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2023 | Net Income (Loss) of the investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2 and Note 3) | Carrying Amount as of March 31, 2023 (Note 2 and Note 3) | Accumulated Repatriation of Investment Income as of March 31, 2023 | Note |
|--------------------------------|---|-----------------|-------------------------------|---|---------------------|--------|--|-----------------------------------|--|--|--|--|------|
|                                |   |                 |                               |   | Outward             | Inward |  |                                   |  |  |  |  |      |
| M31 Technology (Shanghai) Inc. | Product marketing and technical service | USD 100         | (2)                           | \$ 3,340  | \$ -                | \$ -   | \$ 3,340   | ( \$ 120 )                        | 100%   | ( \$ 120 )                                 | \$ 2,140   | \$ -   | —    |

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

| Accumulated Outward Remittance for Investments in Mainland China as of March 31, 2023 | 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  | \$ 1,009,582   |

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 three months ended March 31, 2023 and the Carrying Value as of March 31, 2023.

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

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

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

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