

**ELAN MICROELECTRONICS CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2021 and 2020**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of
ELAN MICROELECTRONICS CORPORATION:

Introduction

We have reviewed the accompanying consolidated balance sheets of ELAN MICROELECTRONICS CORPORATION (the "Company") and its subsidiaries (the "Group") as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020 and 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 reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 conducted in accordance with the generally accepted auditing standards 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.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$742,699 thousand and \$807,398 thousand, constituting 4.72% and 7.20% of the consolidated total assets; and the total liabilities amounting to \$253,420 thousand and \$220,132 thousand, constituting 4.75% and 6.77% of the consolidated total liabilities as of March 31, 2021 and 2020, respectively; as well as the total comprehensive loss amounting to \$(44,087) thousand and \$(38,662) thousand, constituting (3.87)% and 136.82% of the consolidated total comprehensive income (loss) respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of \$335,966 thousand and \$294,998 thousand as of March 31, 2021 and 2020, respectively, and its equity in net earnings on these investee companies of \$16,344 thousand and \$(9,212) thousand respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes 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, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 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 reviews resulting in this independent auditors’ review report are Chou, Pao-Lian and Tseng, May-Yu.

KPMG

Taipei, Taiwan (Republic of China)

April 28, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally 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 accepted and applied in the Republic of China.

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2021 and 2020

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31, 2020, and March 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

| Assets | | March 31, 2021 | | December 31, 2020 | | March 31, 2020 | | Liabilities and Equity | | March 31, 2021 | | December 31, 2020 | | March 31, 2020 | | | |
|---------------------|---|----------------|------------|-------------------|------------|----------------|-----------|------------------------|---|--|----|-------------------|-----|----------------|-----|------------|-----|
| | | Amount | % | Amount | % | Amount | % | | | Amount | % | Amount | % | Amount | % | | |
| Current assets: | | | | | | | | Current liabilities: | | | | | | | | | |
| 1100 | Cash and cash equivalents (notes 6(a) and (u)) | \$ | 1,678,967 | 11 | 2,030,341 | 14 | 2,056,521 | 18 | 2100 | Short-term borrowings (notes 6(l), (u) and 9) | \$ | 50,000 | - | 40,000 | - | 48,940 | - |
| 1110 | Current financial assets at fair value through profit or loss (notes 6(b) and (u)) | | 1,040,902 | 7 | 969,808 | 8 | 834,232 | 7 | 2170 | Accounts payable (notes 6(u)) | | 1,742,036 | 11 | 1,826,667 | 13 | 991,696 | 9 |
| 1170 | Notes and accounts receivable, net (notes 6(c) and (u)) | | 2,106,427 | 13 | 2,162,216 | 15 | 1,297,638 | 12 | 2206 | Employee bonus payable (notes 6(t)) | | 705,756 | 5 | 527,000 | 4 | 394,003 | 4 |
| 1200 | Other receivables (notes 6(c) and (u)) | | 1,141,698 | 7 | 1,474,775 | 10 | 464,898 | 4 | 2230 | Current tax liabilities | | 1,041,428 | 7 | 802,401 | 6 | 299,450 | 3 |
| 1310 | Inventories, net (note 6(d)) | | 1,829,243 | 12 | 1,782,653 | 12 | 1,534,483 | 14 | 2280 | Current lease liabilities (notes 6(m) and (u)) | | 23,518 | - | 21,858 | - | 18,956 | - |
| 1410 | Prepayments and other current assets | | 196,010 | 1 | 23,348 | - | 29,847 | - | 2300 | Other current liabilities (note 6(u) and 9) | | 1,173,383 | 7 | 1,343,720 | 9 | 872,845 | 8 |
| 1476 | Current financial assets at amortized cost (notes 6(a), (u) and 8) | | 4,259,050 | 27 | 2,735,650 | 19 | 2,236,050 | 21 | | | | 4,736,121 | 30 | 4,561,646 | 32 | 2,625,890 | 24 |
| | | | 12,252,297 | 78 | 11,178,791 | 78 | 8,453,669 | 76 | 2570 | Deferred tax liabilities | | 1,244 | - | 1,244 | - | 2,097 | - |
| Non-current assets: | | | | | | | | | 2580 | Non-current lease liabilities (notes 6(m) and (u)) | | 184,828 | 1 | 187,361 | 1 | 197,695 | 2 |
| 1510 | Non-current financial assets at fair value through profit or loss (notes 6(b) and (u)) | | 1,148,225 | 7 | 1,023,849 | 8 | 926,967 | 8 | 2640 | Net defined benefit liability, non-current | | 376,386 | 3 | 389,456 | 3 | 372,419 | 3 |
| 1517 | Non-current financial assets at fair value through other comprehensive income (note 6(e) and (u)) | | 361,080 | 2 | 304,352 | 2 | 119,890 | 1 | 2645 | Guarantee deposits received (note 6(u)) | | 39,416 | - | 39,427 | - | 53,174 | - |
| 1536 | Non-current financial assets at amortized cost (note 6(a), (u) and 8) | | 7,200 | - | 7,200 | - | 7,200 | - | | | | 601,874 | 4 | 617,488 | 4 | 625,385 | 5 |
| 1551 | Investments accounted for using equity method (note 6(f) and (m)) | | 335,966 | 2 | 319,622 | 2 | 294,998 | 3 | Total liabilities | | | 5,337,995 | 34 | 5,179,134 | 36 | 3,251,275 | 29 |
| 1600 | Property, plant and equipment (note 6(i)) | | 864,707 | 6 | 872,781 | 6 | 787,063 | 7 | Equity attributable to owners of parent: (notes 6(f) and (p)) | | | | | | | | |
| 1755 | Right-of-use assets (note 6(j)) | | 204,682 | 1 | 205,921 | 1 | 214,737 | 2 | 3100 | Capital stock | | 3,038,804 | 20 | 3,038,804 | 20 | 3,038,804 | 27 |
| 1780 | Intangible assets (note 6(k)) | | 453,003 | 3 | 449,557 | 3 | 366,423 | 3 | 3200 | Capital surplus | | 519,638 | 3 | 519,638 | 4 | 439,011 | 4 |
| 1840 | Deferred tax assets | | 33,221 | - | 33,221 | - | 31,863 | - | Retained earnings: | | | | | | | | |
| 1900 | Other non-current assets (note 6(u)) | | 87,666 | 1 | 56,896 | - | 18,097 | - | 3310 | Legal reserve | | 1,825,597 | 12 | 1,825,597 | 13 | 1,575,923 | 14 |
| | | | 3,495,750 | 22 | 3,273,399 | 22 | 2,767,238 | 24 | 3350 | Undistributed earnings | | 4,792,049 | 30 | 3,692,218 | 25 | 2,631,157 | 23 |
| | | | | | | | | | | | | 6,617,646 | 42 | 5,517,815 | 38 | 4,207,080 | 37 |
| | | | | | | | | | 3400 | Other equity | | 60,460 | - | 3,340 | - | 57,881 | 1 |
| | | | | | | | | | 3500 | Treasury shares | | (28,975) | - | (28,975) | - | (28,975) | - |
| | | | | | | | | | Total equity attributable to owners of parent: | | | 10,207,573 | 65 | 9,050,622 | 62 | 7,713,801 | 69 |
| | | | | | | | | | 36XX | Non-controlling interests | | 202,479 | 1 | 222,434 | 2 | 255,831 | 2 |
| | | | | | | | | | Total equity | | | 10,410,052 | 66 | 9,273,056 | 64 | 7,969,632 | 71 |
| | | | | | | | | | Total liabilities and equity | | | \$ 15,748,047 | 100 | 14,452,190 | 100 | 11,220,907 | 100 |
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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

| | | For the three months ended March 31 | | | |
|------|--|-------------------------------------|-----------|------------------|-------------|
| | | 2021 | | 2020 | |
| | | Amount | % | Amount | % |
| 4000 | Total operating revenue (notes 6(r), 7 and 14) | \$ 4,155,821 | 100 | 2,206,241 | 100 |
| 5000 | Total operating costs (notes 6(d) and (n)) | <u>2,163,142</u> | <u>52</u> | <u>1,163,023</u> | <u>53</u> |
| 5900 | Gross profit from operations | 1,992,679 | 48 | 1,043,218 | 47 |
| 5920 | Add: Realized profit (loss) from sales | <u>559</u> | - | <u>(400)</u> | - |
| 5950 | Gross profits | <u>1,993,238</u> | <u>48</u> | <u>1,042,818</u> | <u>47</u> |
| 6000 | Operating expenses: (notes 6(c), (n) and 12) | | | | |
| 6100 | Selling expenses | 155,067 | 4 | 101,719 | 5 |
| 6200 | Administrative expenses | 116,098 | 3 | 70,162 | 3 |
| 6300 | Research and development expenses | 532,314 | 13 | 356,769 | 16 |
| 6450 | Impairment gain and loss determined in accordance with IFRS 9 | <u>(1,711)</u> | - | <u>342</u> | - |
| | | <u>801,768</u> | <u>20</u> | <u>528,992</u> | <u>24</u> |
| 6900 | Operating income | <u>1,191,470</u> | <u>28</u> | <u>513,826</u> | <u>23</u> |
| 7000 | Non-operating income and expenses: | | | | |
| 7100 | Interest income (note 6(s)) | 7,255 | - | 8,852 | - |
| 7010 | Other income (note 6(s)) | 1,510 | - | 750 | - |
| 7020 | Other gains and losses (notes 6(g), (h) and (s)) | 106,501 | 3 | (443,152) | (20) |
| 7050 | Finance costs | <u>(1,235)</u> | - | <u>(1,994)</u> | - |
| 7770 | Shares of gain of associates accounted for using equity method (note 6(f)) | <u>16,344</u> | - | <u>(9,212)</u> | - |
| | | <u>130,375</u> | <u>3</u> | <u>(444,756)</u> | <u>(20)</u> |
| 7900 | Profit before tax | <u>1,321,845</u> | <u>31</u> | <u>69,070</u> | <u>3</u> |
| 8110 | Less: Income tax expenses (note 6(o)) | <u>239,154</u> | <u>6</u> | <u>25,299</u> | <u>1</u> |
| | Net profit | <u>1,082,691</u> | <u>25</u> | <u>43,771</u> | <u>2</u> |
| 8300 | Other comprehensive income (loss) (notes 6(f) and (p)): | | | | |
| 8310 | Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 56,728 | 1 | (71,943) | (3) |
| 8349 | Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | <u>-</u> | - | <u>-</u> | - |
| | | <u>56,728</u> | <u>1</u> | <u>(71,943)</u> | <u>(3)</u> |
| 8360 | Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 392 | - | (85) | - |
| 8370 | Shares of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | - | - | (1) | - |
| 8399 | Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss | <u>-</u> | - | <u>-</u> | - |
| | Components of other comprehensive income that will be reclassified to profit or loss | <u>392</u> | - | <u>(86)</u> | - |
| 8300 | Other comprehensive income (loss), net | <u>57,120</u> | <u>1</u> | <u>(72,029)</u> | <u>(3)</u> |
| 8500 | Comprehensive income | <u>\$ 1,139,811</u> | <u>26</u> | <u>(28,258)</u> | <u>(1)</u> |
| | Net profit attributable to: | | | | |
| 8610 | Owners of parent | \$ 1,099,831 | 25 | 53,833 | 2 |
| 8620 | Non-controlling interests | <u>(17,140)</u> | - | <u>(10,062)</u> | - |
| | | <u>\$ 1,082,691</u> | <u>25</u> | <u>43,771</u> | <u>2</u> |
| | Comprehensive income attributable to: | | | | |
| 8710 | Owners of the parent | \$ 1,156,951 | 26 | (18,196) | (1) |
| 8720 | Non-controlling interests | <u>(17,140)</u> | - | <u>(10,062)</u> | - |
| | | <u>\$ 1,139,811</u> | <u>26</u> | <u>(28,258)</u> | <u>(1)</u> |
| | Earnings per share (expressed in dollars) (note 6(q)) | | | | |
| 9710 | Basic earnings per share | <u>\$ 3.77</u> | | <u>0.18</u> | |
| 9850 | Diluted earnings per share | <u>\$ 3.73</u> | | <u>0.18</u> | |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | |
|--|---|-----------------|-------------------|----------------------------------|---|---|-----------------|---|---------------------------|--------------|
| | | | Retained earnings | | | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| | Ordinary shares | Capital surplus | Legal reserve | Unappropriated retained earnings | Exchange differences on translation of foreign financial statements | | Treasury shares | | | |
| Balance at January 1, 2020 | \$ 3,038,804 | 375,945 | 1,575,923 | 2,577,324 | (5,537) | 135,447 | (28,975) | 7,668,931 | (65,779) | 7,603,152 |
| Net profit | - | - | - | 53,833 | - | - | - | 53,833 | (10,062) | 43,771 |
| Other comprehensive income | - | - | - | - | (86) | (71,943) | - | (72,029) | - | (72,029) |
| Total comprehensive income | - | - | - | 53,833 | (86) | (71,943) | - | (18,196) | (10,062) | (28,258) |
| Issuance of shares for non-controlling interests | - | - | - | - | - | - | - | - | 318,861 | 318,861 |
| Changes in non-controlling interests | - | 63,066 | - | - | - | - | - | 63,066 | 12,811 | 75,877 |
| Balance at March 31, 2020 | \$ 3,038,804 | 439,011 | 1,575,923 | 2,631,157 | (5,623) | 63,504 | (28,975) | 7,713,801 | 255,831 | 7,969,632 |
| Balance at January 1, 2021 | \$ 3,038,804 | 519,638 | 1,825,597 | 3,692,218 | (6,597) | 9,937 | (28,975) | 9,050,622 | 222,434 | 9,273,056 |
| Net profit | - | - | - | 1,099,831 | - | - | - | 1,099,831 | (17,140) | 1,082,691 |
| Other comprehensive income | - | - | - | - | 392 | 56,728 | - | 57,120 | - | 57,120 |
| Total comprehensive income | - | - | - | 1,099,831 | 392 | 56,728 | - | 1,156,951 | (17,140) | 1,139,811 |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | (2,815) | (2,815) |
| Balance at March 31, 2021 | \$ 3,038,804 | 519,638 | 1,825,597 | 4,792,049 | (6,205) | 66,665 | (28,975) | 10,207,573 | 202,479 | 10,410,052 |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY
ACCEPTED AUDITING STANDARDS**

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | For the three months ended March 31 | |
|---|--|-------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Profit before tax | \$ 1,321,845 | 69,070 |
| Adjustments: | | |
| Adjustments to reconcile profit: | | |
| Depreciation expense | 26,493 | 24,219 |
| Amortization expense | 30,721 | 17,703 |
| Expected credit loss (gain) | (1,711) | 342 |
| Net loss (gain) on financial assets at fair value through profit or loss | (116,318) | 458,536 |
| Interest expense | 1,235 | 1,994 |
| Interest income | (7,255) | (8,852) |
| Shares of loss (gain) of associates accounted for using equity method | (16,344) | 9,212 |
| Loss on disposal of property, plant and equipment | 341 | 6,256 |
| Gain on disposal of investment properties | (1,343) | (15,000) |
| Difference between net pension liability and actual appropriations | (13,070) | 46 |
| Impairment loss and disposal loss on inventory | 31,095 | 39,617 |
| Total adjustments to reconcile profit | (66,156) | 534,073 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in notes and accounts receivable | 49,069 | (32,043) |
| Increase in inventories | (77,685) | (170,834) |
| Increase in prepayments and other current assets | (172,848) | (9,251) |
| Decrease in other receivables | 333,200 | 430,201 |
| Decrease in notes and accounts payable | (84,631) | (205,760) |
| Increase (decrease) in other current liabilities | 9,584 | (110,072) |
| Cash inflow generated from operations | 1,312,378 | 505,384 |
| Interest received | 7,132 | 8,797 |
| Interest paid | (1,235) | (2,205) |
| Income taxes paid | (127) | (4,722) |
| Net cash flows from operating activities | 1,318,148 | 507,254 |
| Cash flows used in investing activities: | | |
| Acquisition of current financial assets at fair value through profit or loss | (98,034) | (212,080) |
| Proceeds from disposal of current financial assets at fair value through profit or loss | 30,034 | 82,080 |
| Acquisition of non-current financial assets at fair value through profit or loss | (11,152) | (10,574) |
| Decrease (increase) in financial assets at amortized cost | (1,523,400) | 46,200 |
| Acquisition of investments accounted for using equity method | - | (8,000) |
| Acquisition of property, plant and equipment | (12,962) | (18,218) |
| Acquisition of intangible assets | (36,027) | (76,804) |
| Increase in refundable deposits | (31,688) | (551) |
| Net cash inflows from disposal of subsidiaries | 9,166 | - |
| Net cash inflows from business combination | - | 123,128 |
| Decrease in other non-current assets | 825 | 2,097 |
| Net cash flows used in investing activities | (1,673,238) | (72,722) |
| Cash flows used in financing activities: | | |
| Increase in short-term loans | 10,000 | 70,940 |
| Decrease in short-term loans | - | (263,000) |
| Increase (decrease) in guarantee deposits received | (11) | 57 |
| Payment of lease liabilities | (6,657) | (6,907) |
| Change in non-controlling interests | - | 318,861 |
| Net cash flows used in financing activities | 3,332 | 119,951 |
| Effect of exchange rate changes on cash and cash equivalents | 384 | (83) |
| Net increase (decrease) in cash and cash equivalents | (351,374) | 554,400 |
| Cash and cash equivalents at the beginning of period | 2,030,341 | 1,502,121 |
| Cash and cash equivalents at the end of period | \$ 1,678,967 | 2,056,521 |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Elan Microelectronics Corp. (hereinafter referred to as the “Company”) was incorporated on May 5, 1994, under the approval of Ministry of Economic Affairs, Republic of China (“R.O.C.”). The Group is located at the Hsinchu Science-based Industrial Park. The major business activities of the Group are the manufacture and sale of neural network and fuzzy processors, digital signal processors, 8-bit RISC micro-controllers, and integrated circuits for special use. The Group also offers research and development services with respect to the products presented above. The Group’s common shares were listed on the Taiwan Stock Exchange on September 17, 2001. Pursuant to the resolution of the shareholders’ meeting held on June 13, 2008, the Group acquired Elantech Devices Corp. (Elantech). The Group was the surviving company, and Elantech was dissolved in the merger effective from October 1, 2008. Elantech was incorporated on September 18, 2003 as a company limited by shares under the laws of Taiwan, the Republic of China (R.O.C.). Elantech was located at Zhonghe District, New Taipei City. The major business activities of Elantech are the research, manufacture, and sale of wireless and wired communication equipment and electronic modules. Please refer to note 4(b) for the main operating activities for Elan Microelectronics Corp. and its subsidiaries (collectively as the “Group”).

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements for the three months ended March 31, 2021 and 2020 were authorized for issuance by the Board of Directors on April 28, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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- (b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|--|--|---|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture” | The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. | Effective date to be determined by IASB |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | The key amendments to IAS 1 include: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. | January 1, 2023 |
| Amendments to IAS 8 “Definition of Accounting Estimates” | The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. | January 1, 2023 |

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(4) Summary of significant accounting policies:

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

(b) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (1) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (2) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

| Name of investor | Name of subsidiary | Principal activity | Shareholding | | | Note |
|---------------------------------------|--|---|----------------|-------------------|----------------|-------------------|
| | | | March 31, 2021 | December 31, 2020 | March 31, 2020 | |
| The Company | Elan Investment Corp. | Investment holding | 100.00 % | 100.00 % | 100.00 % | - |
| The Company and Elan Investment Corp. | Metanoia Communications Inc. (MetaCom) | Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network | 51.57 % | 51.57 % | 51.57 % | note 1 |
| The Company and Elan Investment Corp. | Avisonic Technology Corp. (Avisonic) | Research, design, develop, manufacture and sale on digital image-process chips | 84.21 % | 84.21 % | 84.21 % | note 1 |
| The Company | JPUP Electron Co., Ltd. (JPUP) | Wholesale and installation of electronic devices, data storage and equipment process | 49.00 % | 49.00 % | 49.00 % | note 1 and note 2 |
| The Company and Elan Investment Corp. | PiXORD Corporation (PiXORD) | Research, design, develop, manufacture and sale on Webcam and server | 98.23 % | 98.23 % | 97.27 % | note 1 and note 6 |
| The Company and Elan Investment Corp. | Eminent Electronic Technology Corp. Ltd. (Eminent) | Manufactures and sells electronic devices, computers and its related products, manufactures optical instruments | 43.98 % | 43.98 % | 43.98 % | note 1 and note 3 |

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Name of investor | Name of subsidiary | Principal activity | Shareholding | | | Note |
|------------------|--|--|----------------|-------------------|----------------|-------------------|
| | | | March 31, 2021 | December 31, 2020 | March 31, 2020 | |
| The Company | RisingStar Technology Company Limited (RisingStar) | Software information and supply of electronic services | - % | 86.96 % | 86.96 % | note 1 and note 4 |
| The Company | Bruckewell Technology Co., Ltd. (Bruckewell) | Manufactures and sells electronics devices | 61.16 % | 61.16 % | 38.65 % | note 1 and note 5 |
| The Company | Elan H.K. | Sale and after-sales service | 100.00 % | 100.00 % | 100.00 % | - |
| The Company | Elan Information | After-sales service and provide new informational skills | 100.00 % | 100.00 % | 100.00 % | note 1 |
| Elan H.K. | Power Asia | Investment holding | 100.00 % | 100.00 % | 100.00 % | - |
| Power Asia | Elan Shanghai | Provide system design, information on applications expansion | 100.00 % | 100.00 % | 100.00 % | - |
| Power Asia | Elan Shenzhen | Provide system design, information on applications expansion | 100.00 % | 100.00 % | 100.00 % | - |

Note 1: Non-significant consolidated subsidiaries, based solely on the unreviewed financial statements.

Note 2: The Company obtained 3 out of 5 Board seats, and gained control over JPUP.

Note 3: On February 19, 2020, the Company obtained 3 out of 5 Board seats and gained control over Eminent, thus, the investee has been included in the consolidated financial statements since then.

Note 4: On January 31, 2020, the Company acquired 86.96% equity of RisingStar. However, the Group disposed 86.96% of RisingStar's equity ownership and lost control on February 9, 2021. RisingStar was excluded from the consolidated financial statements thereafter.

Note 5: On May 31, 2020, the Company acquired additional 22.51% equity of Bruckewell and accordingly, the Company's ownership increased from 38.65% to 61.16%. Bruckewell has been included in the consolidated financial statements since then.

Note 6: On August, 2020, the Company's ownership increased to 98.23% after participating in the capital increase of PiXORD.

(c) Employee benefits

The pension cost in the interim period is calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events..

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Income tax expenses for the period are best calculated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2020 consolidated financial statements. Please refer to Note 6 of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-----------------------|--------------------------|-----------------------|
| Petty cash | \$ 603 | 737 | 606 |
| Checking and demand deposits | 1,549,979 | 1,739,104 | 1,523,150 |
| Time deposits with maturities of three months or less | 128,385 | 290,500 | 532,765 |
| | \$ 1,678,967 | 2,030,341 | 2,056,521 |

- (i) As of March 31, 2021, December 31 and March 31, 2020, time deposits with maturities of more than three months held by the Group amounted to \$4,266,250 thousand, \$2,742,850 thousand, and \$2,243,250 thousand, respectively, and were recorded as current and non-current financial assets at amortized cost.
- (ii) The Group did not recognize impairment loss on current and non-current financial assets at amortized cost for the three months ended March 31, 2021 and 2020. Other information relating to credit risk is provided in Note 6(u).

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets at fair value through profit or loss

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> | <u>March 31, 2020</u> |
|--|----------------------------|--------------------------|-------------------------|
| Mandatorily measured at fair value through profit or loss: | | | |
| Current: | | | |
| Listed stocks | \$ 4,750 | 4,310 | 4,897 |
| Open-end certificates of beneficial interest | 974,579 | 905,044 | 733,005 |
| Short-term commercial papers | <u>61,573</u> | <u>60,454</u> | <u>96,330</u> |
| Subtotal | <u>1,040,902</u> | <u>969,808</u> | <u>834,232</u> |
| Non-current: | | | |
| Listed stocks | 461,039 | 393,842 | 304,526 |
| Non-publicly traded stocks | 616,415 | 570,840 | 585,295 |
| Unlisted funds | <u>70,771</u> | <u>59,167</u> | <u>37,146</u> |
| Subtotal | <u>1,148,225</u> | <u>1,023,849</u> | <u>926,967</u> |
| Total | <u><u>\$ 2,189,127</u></u> | <u><u>1,993,657</u></u> | <u><u>1,761,199</u></u> |

(c) Notes and accounts receivable

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> | <u>March 31, 2020</u> |
|---|----------------------------|--------------------------|-------------------------|
| Notes receivable | \$ 5,932 | 5,343 | 2,915 |
| Accounts receivable - fair value through other comprehensive income | 1,205,037 | 772,934 | 558,658 |
| Accounts receivable - measured at amortized cost | 929,001 | 1,419,193 | 764,776 |
| Less: Loss allowance | <u>(33,543)</u> | <u>(35,254)</u> | <u>(28,711)</u> |
| | <u><u>\$ 2,106,427</u></u> | <u><u>2,162,216</u></u> | <u><u>1,297,638</u></u> |

The Group has assessed a portion of its accounts receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such accounts receivables were measured at fair value through other comprehensive income.

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The allowance for doubtful accounts was determined as follows:

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| March 31, 2021 | | | |
|----------------------------|------------------------------|-----------------------------------|-----------------------------|
| | Gross carrying amount | Weighted-average loss rate | Expected credit loss |
| Current | \$ 2,009,138 | 0.41% | 8,177 |
| 1 to 30 days past due | 92,176 | 2.04% | 1,877 |
| 31 to 60 days past due | 16,909 | 12.93% | 2,186 |
| 61 to 90 days past due | 752 | 63.43% | 477 |
| More than 90 days past due | 20,995 | 50%~100% | 20,826 |
| | \$ 2,139,970 | | 33,543 |

| December 31, 2020 | | | |
|----------------------------|------------------------------|-----------------------------------|-----------------------------|
| | Gross carrying amount | Weighted-average loss rate | Expected credit loss |
| Current | \$ 2,061,924 | 0.36% | 7,366 |
| 1 to 30 days past due | 96,834 | 1.94% | 1,878 |
| 31 to 60 days past due | 8,953 | 12.83% | 1,149 |
| 61 to 90 days past due | 8,524 | 44.85% | 3,823 |
| More than 90 days past due | 21,235 | 50%~100% | 21,038 |
| | \$ 2,197,470 | | 35,254 |

| March 31, 2020 | | | |
|----------------------------|------------------------------|-----------------------------------|-----------------------------|
| | Gross carrying amount | Weighted-average loss rate | Expected credit loss |
| Current | \$ 1,215,014 | 0.13% | 1,579 |
| 1 to 30 days past due | 76,028 | 2.30% | 1,749 |
| 31 to 60 days past due | 9,603 | 15.33% | 1,472 |
| 61 to 90 days past due | 149 | 39.29% | 59 |
| More than 90 days past due | 25,555 | 50%~100% | 23,852 |
| | \$ 1,326,349 | | 28,711 |

The movement in the allowance for notes and accounts receivable was as follows:

| | For the three months ended March 31 | |
|---------------------------------------|--|---------------|
| | 2021 | 2020 |
| Balance at January 1, 2021 and 2020 | \$ 35,254 | 28,369 |
| Impairment loss recognized (reversed) | (1,711) | 342 |
| Balance at March 31, 2021 and 2020 | \$ 33,543 | 28,711 |

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The Group entered into non-recourse factoring agreements with different financial institutions to sell its accounts receivables. Under the agreements, the Group does not have the responsibility to assume the default risk of the transferred accounts receivables. The Group derecognized the above accounts receivables because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The accounts receivable from the financial institutions were recognized as “other receivables” upon the derecognition of those accounts receivables.

| March 31, 2021 | | | | | | |
|-----------------------|----------------------------------|---------------------------|----------------------------|---|-----------------------------------|-------------------|
| Purchaser | Accounts derecognized | Factoring Line | Advanced Amount | Amount Recognized in Other Receivables | Range of Interest Rate | Collateral |
| Financial Institution | <u>\$ 1,039,643</u> | <u>2,898,260</u> | <u>-</u> | <u>1,039,643</u> | <u>0.05%~0.10%</u> | None |

| December 31, 2020 | | | | | | |
|--------------------------|----------------------------------|---------------------------|----------------------------|---|-----------------------------------|-------------------|
| Purchaser | Accounts derecognized | Factoring Line | Advanced Amount | Amount Recognized in Other Receivables | Range of Interest Rate | Collateral |
| Financial Institution | <u>\$ 1,390,090</u> | <u>2,880,000</u> | <u>-</u> | <u>1,390,090</u> | <u>0.05%~0.10%</u> | None |

| March 31, 2020 | | | | | | |
|-----------------------|----------------------------------|---------------------------|----------------------------|---|-----------------------------------|-------------------|
| Purchaser | Accounts derecognized | Factoring Line | Advanced Amount | Amount Recognized in Other Receivables | Range of Interest Rate | Collateral |
| Financial Institution | <u>\$ 308,477</u> | <u>2,809,200</u> | <u>-</u> | <u>308,477</u> | <u>0.05%~0.10%</u> | None |

The Group has deducted the advanced amount from the accounts receivable in accordance with the condition of derecognition as of March 31, 2021, December 31 and March 31, 2020. The remaining amount has been reclassified into other receivables. The Group did not recognize impairment loss on other receivables for the three months ended March 31, 2021 and 2020, and other information on credit risk is disclosed in Note 6(u).

(d) Inventories

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------|----------------------------|--------------------------|-------------------------|
| Raw materials | <u>\$ 668,693</u> | <u>657,429</u> | <u>413,226</u> |
| Work in progress | <u>903,433</u> | <u>851,032</u> | <u>898,901</u> |
| Finished goods | <u>257,117</u> | <u>274,192</u> | <u>222,356</u> |
| | <u>\$ 1,829,243</u> | <u>1,782,653</u> | <u>1,534,483</u> |

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Notes to the Consolidated Financial Statements

The details of the cost of sales are as follows:

| | For the three months ended March 31 | |
|------------------------------|--|-------------------------|
| | 2021 | 2020 |
| Inventory that has been sold | \$ 2,132,594 | 1,123,659 |
| Write-down of inventories | 31,095 | 39,617 |
| Others | (547) | (253) |
| | <u>\$ 2,163,142</u> | <u>1,163,023</u> |

As of March 31, 2021 and 2020, the Group had not provided any inventories as collateral for its loans.

(e) Financial assets at fair value through other comprehensive income

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> | <u>March 31, 2020</u> |
|--|------------------------------|-------------------------------------|----------------------------------|
| Equity investments at fair value through other comprehensive income: | | | |
| Emerging stocks | \$ 27,808 | 13,732 | 10,153 |
| Quoted shares | <u>333,272</u> | <u>290,620</u> | <u>109,737</u> |
| | <u>\$ 361,080</u> | <u>304,352</u> | <u>119,890</u> |

(i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities were held for long-term strategic purposes instead of for trading.

(ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of March 31, 2021 and 2020.

(iii) For market risk, please refer to note 6(u).

(iv) As of March 31, 2021, December 31 and March 31, 2020, the Group had not provided any financial assets as collateral for its loans.

(f) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> | <u>March 31, 2020</u> |
|------------|------------------------------|-------------------------------------|----------------------------------|
| Associates | <u>\$ 335,966</u> | <u>319,622</u> | <u>294,998</u> |

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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The related information on the original cost investments of the associates was as follows:

| | Nature of the relationship | Principal country | March 31, 2021 | | December 31, 2020 | | March 31, 2020 | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|-------------------|
| | | | Amount | Share-holding (%) | Amount | Share-holding (%) | Amount | Share-holding (%) |
| Tong Fu Investment Corporation | Investment holding | R.O.C. | \$ 30,000 | 46.73 | 30,000 | 46.73 | 30,000 | 46.73 |
| Lighting Device Technologies Corp. | Research, design, develop, manufacture and sale on LED chips | R.O.C. | 11,712 | 45.07 | 11,712 | 45.07 | 11,712 | 45.07 |
| Top Taiwan X Venture Capital Co. Ltd | Venture capital | R.O.C. | 240,000 | 30.00 | 240,000 | 30.00 | 240,000 | 30.00 |
| Uniband Electronic Corp | Manufactures and sells electronic devices | R.O.C. | 50,000 | 24.69 | 50,000 | 24.69 | 50,000 | 24.69 |
| Finger Pro. Incorporation | Manufactures and sells electronic devices | R.O.C. | 6,000 | 23.08 | 6,000 | 23.08 | 6,000 | 23.08 |
| RONG CHENG Technology | Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments | R.O.C. | 77,706 | 38.46 | 77,706 | 38.46 | 77,706 | 38.46 |
| Bruckewell Technology Co., Ltd.(Bruckewell) (note 1) | Manufactures and sells electronics devices | R.O.C. | - | - | - | - | 8,000 | 38.65 |
| | | | <u>\$ 415,418</u> | | <u>415,418</u> | | <u>423,418</u> | |

Note 1: On May 31, 2020, the Company acquired additional 22.51% equity of Bruckewell and accordingly, the Company's ownership increased from 38.65% to 61.16%. Bruckewell was included in the consolidated financial statements thereafter.

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

| | For the three months ended | |
|--|----------------------------|----------------|
| | March 31 | |
| | 2021 | 2020 |
| Attributable to the Group: | | |
| Profit (Loss) from continuing operations | \$ 16,344 | (9,212) |
| Other comprehensive income (loss) | - | (1) |
| Comprehensive income | <u>\$ 16,344</u> | <u>(9,213)</u> |

Investments were accounts for by using the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

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(g) Business combinations

- (i) 1) The Group expects to improve its management synergy. Therefore, on February 29, 2020, the Company gained control over Eminent. The Group's equity interest in Eminent is 43.98%. The main business activities of Eminent are the manufacturing and sales of optical instruments, electronic devices, computer and related products.
- 2) The following table summarized the consideration paid for Eminent and the fair values of the assets acquired, and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

| | |
|---|-------------------|
| | 109.2.19 |
| Fair value of pre-existing interest in Eminent | \$ 54,466 |
| Non-controlling interest in the acquire, if any | 69,376 |
| | \$ 123,842 |
| Current assets | |
| Cash and cash equivalents | \$ 105,009 |
| Accounts receivables | 70,642 |
| Inventories | 17,064 |
| Prepayments | 2,538 |
| Non-current assets | |
| Property, plant and equipment (note 6(i)) | 29,697 |
| Intangible assets (note 6(k)) | 247 |
| Other non-current assets | 36 |
| Guarantee deposits | 5 |
| Current liabilities | |
| Accounts payables | (27,695) |
| Other payables | (719) |
| Other current liabilities | (30,631) |
| Guarantee deposits | (42,351) |
| Total identifiable net assets acquired | \$ 123,842 |

- 3) After the business combinations, the Group's equity interest in Eminent did not change. The Group recognized its profit based on the fair value remeasurement amounting to \$15,000 thousand; please refer to note 6(s).
- (ii) 1) The Group expects to enhance its AI's business development and operational efficiency. Therefore, on January 31, 2020, the Group participated in RisingStar's capital increased by cash contribution. The Group acquired 86.96% shares of RisingStar at an investment cost of \$20,000 thousands and gained control over it.

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- 2) The following table summarized the consideration paid for RisingStar and the fair values of the assets acquired, and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

| | <u>109.2.19</u> |
|---|-------------------------|
| Consideration paid by cash | <u>\$ 20,000</u> |
| Current assets | |
| Cash and cash equivalents | \$ 18,119 |
| Prepayments | 169 |
| Non-current assets | |
| Property, plant and equipment (note 6(i)) | 280 |
| Intangible assets (note 6(k)) | 2,857 |
| Guarantee deposits | 78 |
| Current liabilities | |
| Other current liabilities | <u>(1,503)</u> |
| Total identifiable net assets acquired | <u>\$ 20,000</u> |

- (iii) 1) On May 31, 2020, the Company participated in Bruckewell's capital increased by cash contribution. The Company's ownership increased from 38.65% to 61.16% and had control over the investee.
- 2) The following table summarizes the acquisition-date fair value of major class of consideration transferred.

| | <u>May 31, 2020</u> |
|---|----------------------------|
| Cash | \$ 12,000 |
| Fair value of pre-existing in Bruckewell | 4,047 |
| Non-controlling interest in the acquire, if any | <u>8,735</u> |
| | <u>\$ 24,782</u> |

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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- 3) The following table summarized the consideration paid for Bruckewell and the fair value of the assets acquired, and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

Current assets

| | |
|---------------------------|-----------|
| Cash and cash equivalents | \$ 11,542 |
| Accounts receivables | 3,428 |
| Inventories | 2,589 |
| Other current assets | 2,158 |

Non-current assets

| | |
|---|--------|
| Property, plant and equipment (note 6(i)) | 10,008 |
| Intangible assets (note 6(k)) | 37 |
| Guarantee deposits | 5 |

Current liabilities

| | |
|--|-------------------------|
| Other current liabilities | <u>(4,985)</u> |
| Total identifiable net assets acquired | <u><u>\$ 24,782</u></u> |

- 4) The Group re-measured the fair value of its existing equity interest in Bruckewell 38.65% before the business combination, and the resulting loss of \$1,246 thousand; please refer to note 6(s).

(h) Loss of control over a subsidiary

The Group had sold 60% of its shares in RisingStar, wherein the proceeds of \$20,111 thousand on February 9, 2021, resulted in a loss of control over the RisingStar. Therefore, the \$1,343 thousand gain on disposal of a subsidiary had been recognized as other gains and losses under other comprehensive income.

- (i) The carrying amounts of assets and liabilities of RisingStar on the date of disposal were as follow:

| | |
|---|-------------------------|
| Cash and cash equivalents | \$ 10,945 |
| Accounts receivables | 8,431 |
| Prepayments | 186 |
| Property, plant and equipment (note 6(i)) | 245 |
| Intangible assets (note 6(k)) | 1,860 |
| Guarantee deposits | 93 |
| Other payables | <u>(177)</u> |
| Carrying amount of net assets | <u><u>\$ 21,583</u></u> |

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(ii) Gain on disposal of a subsidiary

| | |
|--|------------------------|
| Cash received | \$ 20,111 |
| Carrying amount of net assets | (21,583) |
| Carrying amount of non-controlling interests | <u>2,815</u> |
| Gain on disposal | <u><u>\$ 1,343</u></u> |

(iii) Net cash flows form disposal of a subsidiary

| | |
|---|------------------------|
| Cash received | \$ 20,111 |
| Less : Carrying amount of cash and cash equivalents | <u>(10,945)</u> |
| | <u><u>\$ 9,166</u></u> |

(i) Property, plant and equipment

The movements of cost and accumulated depreciation of property, plant and equipment were as follows:

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery and equipment</u> | <u>Office and transportation equipment</u> | <u>Equipment awaiting examination and prepayments on construction</u> | <u>Total</u> |
|------------------------------------|--------------------------|-------------------------|--|--|---|-------------------------|
| Cost: | | | | | | |
| Balance at January 1, 2021 | \$ 230,790 | 1,162,385 | 575,934 | 160,230 | 30,451 | 2,159,790 |
| Additions | - | 91 | 7,189 | 1,493 | 4,189 | 12,962 |
| Effect of disposal of a subsidiary | - | - | - | (365) | - | (365) |
| Derecognized | - | - | (2,336) | (864) | - | (3,200) |
| Reclassification | - | - | 4,347 | - | (4,347) | - |
| Effect of exchange rate changes | <u>-</u> | <u>-</u> | <u>43</u> | <u>52</u> | <u>-</u> | <u>95</u> |
| Balance at March 31, 2021 | <u><u>\$ 230,790</u></u> | <u><u>1,162,476</u></u> | <u><u>585,177</u></u> | <u><u>160,546</u></u> | <u><u>30,293</u></u> | <u><u>2,169,282</u></u> |
| Balance at January 1, 2020 | \$ 230,790 | 1,089,827 | 518,632 | 151,594 | 8,567 | 1,999,410 |
| Acquisitions | - | - | 26,939 | 358 | 2,680 | 29,977 |
| Additions | - | 2,546 | 6,895 | 4,010 | 4,767 | 18,218 |
| Derecognized | - | - | (9,400) | (60) | - | (9,460) |
| Reclassification | - | 234 | 3,020 | - | (819) | 2,435 |
| Effect of exchange rate changes | <u>-</u> | <u>-</u> | <u>(85)</u> | <u>(86)</u> | <u>-</u> | <u>(171)</u> |
| Balance at March 31, 2020 | <u><u>\$ 230,790</u></u> | <u><u>1,092,607</u></u> | <u><u>546,001</u></u> | <u><u>155,816</u></u> | <u><u>15,195</u></u> | <u><u>2,040,409</u></u> |

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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| | <u>Land</u> | <u>Buildings</u> | <u>Machinery and equipment</u> | <u>Office and transportation equipment</u> | <u>Equipment awaiting examination and prepayments on construction</u> | <u>Total</u> |
|------------------------------------|-------------------|------------------|--------------------------------|--|---|------------------|
| Accumulated depreciation: | | | | | | |
| Balance at January 1, 2021 | \$ - | 694,485 | 456,020 | 136,504 | - | 1,287,009 |
| Depreciation | - | 4,949 | 13,284 | 2,229 | - | 20,462 |
| Effect of disposal of a subsidiary | - | - | - | (120) | - | (120) |
| Derecognized | - | - | (2,074) | (785) | - | (2,859) |
| Effect of exchange rate changes | - | - | 39 | 44 | - | 83 |
| Balance at March 31, 2021 | <u>\$ -</u> | <u>699,434</u> | <u>467,269</u> | <u>137,872</u> | <u>-</u> | <u>1,304,575</u> |
| Balance at January 1, 2020 | \$ - | 677,667 | 427,276 | 133,930 | - | 1,238,873 |
| Depreciation | - | 4,062 | 11,897 | 1,867 | - | 17,826 |
| Derecognized | - | - | (3,144) | (60) | - | (3,204) |
| Effect of exchange rate changes | - | - | (74) | (75) | - | (149) |
| Balance at March 31, 2020 | <u>\$ -</u> | <u>681,729</u> | <u>435,955</u> | <u>135,662</u> | <u>-</u> | <u>1,253,346</u> |
| Carrying amount: | | | | | | |
| Balance at January 1, 2021 | <u>\$ 230,790</u> | <u>467,900</u> | <u>119,914</u> | <u>23,726</u> | <u>30,451</u> | <u>872,781</u> |
| Balance at March 31, 2021 | <u>\$ 230,790</u> | <u>463,042</u> | <u>117,908</u> | <u>22,674</u> | <u>30,293</u> | <u>864,707</u> |
| Balance at March 31, 2020 | <u>\$ 230,790</u> | <u>410,878</u> | <u>110,046</u> | <u>20,154</u> | <u>15,195</u> | <u>787,063</u> |

As of March 31, 2021, December 31 and March 31, 2020, the Group had not provided any property, plant and equipment as collateral for its loans.

(j) Right-of-use assets

The Group leases many assets including land, buildings, machinery and equipment. Information about leases for which the Group as a lessee is presented below:

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery and equipment</u> | <u>Office equipment</u> | <u>Total</u> |
|---|-------------------|------------------|--------------------------------|-------------------------|----------------|
| Cost: | | | | | |
| Balance at January 1, 2021 | \$ 186,883 | 36,203 | 948 | 12,179 | 236,213 |
| Additions | - | - | - | 4,672 | 4,672 |
| Effect of changes in foreign exchange rates | - | 196 | - | - | 196 |
| Balance at March 31, 2021 | <u>\$ 186,883</u> | <u>36,399</u> | <u>948</u> | <u>16,851</u> | <u>241,081</u> |
| Balance at January 1, 2020 | \$ 186,140 | 40,667 | 375 | 8,847 | 236,029 |
| Additions | - | - | - | 915 | 915 |
| Effect of changes in foreign exchange rates | - | (331) | - | - | (331) |
| Balance at March 31, 2020 | <u>\$ 186,140</u> | <u>40,336</u> | <u>375</u> | <u>9,762</u> | <u>236,613</u> |

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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| | <u>Land</u> | <u>Buildings</u> | <u>Machinery and equipment</u> | <u>Office equipment</u> | <u>Total</u> |
|---|-------------------|------------------|--|-----------------------------|----------------|
| Accumulated depreciation: | | | | | |
| Balance at January 1, 2021 | \$ 11,165 | 14,045 | 132 | 4,950 | 30,292 |
| Depreciation for the year | 1,402 | 3,237 | 79 | 1,313 | 6,031 |
| Effect of changes in foreign exchange rates | - | 76 | - | - | 76 |
| Balance at March 31, 2021 | <u>\$ 12,567</u> | <u>17,358</u> | <u>211</u> | <u>6,263</u> | <u>36,399</u> |
| Balance at January 1, 2020 | \$ 5,570 | 8,024 | 237 | 1,715 | 15,546 |
| Depreciation for the year | 1,393 | 3,982 | 59 | 959 | 6,393 |
| Effect of changes in foreign exchange rates | - | (63) | - | - | (63) |
| Balance at March 31, 2020 | <u>\$ 6,963</u> | <u>11,943</u> | <u>296</u> | <u>2,674</u> | <u>21,876</u> |
| Carrying amount: | | | | | |
| Balance at January 1, 2021 | <u>\$ 175,718</u> | <u>22,158</u> | <u>816</u> | <u>7,229</u> | <u>205,921</u> |
| Balance at March 31, 2021 | <u>\$ 174,316</u> | <u>19,041</u> | <u>737</u> | <u>10,588</u> | <u>204,682</u> |
| Balance at March 31, 2020 | <u>\$ 179,177</u> | <u>28,393</u> | <u>79</u> | <u>7,088</u> | <u>214,737</u> |

(k) Intangible assets

The movements of cost and accumulated amortization of intangible assets were as follows:

| | <u>Goodwill</u> | <u>Technical Know-how</u> | <u>Computer software</u> | <u>Total</u> |
|------------------------------------|-------------------|-------------------------------|------------------------------|----------------|
| Cost: | | | | |
| Balance at January 1, 2021 | \$ 176,838 | 230,769 | 233,204 | 640,811 |
| Additions | - | 7,911 | 28,116 | 36,027 |
| Effect of disposal of a subsidiary | - | - | (3,007) | (3,007) |
| Derecognized | - | - | (1,892) | (1,892) |
| Balance at March 31, 2021 | <u>\$ 176,838</u> | <u>238,680</u> | <u>256,421</u> | <u>671,939</u> |
| Balance at January 1, 2020 | \$ 176,838 | 153,837 | 161,364 | 492,039 |
| Additions | - | 240 | 76,564 | 76,804 |
| Acquisitions | - | - | 3,104 | 3,104 |
| Derecognized | - | - | (67,741) | (67,741) |
| Balance at March 31, 2020 | <u>\$ 176,838</u> | <u>154,077</u> | <u>173,291</u> | <u>504,206</u> |
| Accumulated amortization: | | | | |
| Balance at January 1, 2021 | \$ - | 92,014 | 99,240 | 191,254 |
| Additions | - | 11,218 | 19,503 | 30,721 |
| Effect of disposal of a subsidiary | - | - | (1,147) | (1,147) |
| Derecognized | - | - | (1,892) | (1,892) |
| Balance at March 31, 2021 | <u>\$ -</u> | <u>103,232</u> | <u>115,704</u> | <u>218,936</u> |

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Notes to the Consolidated Financial Statements

| | Goodwill | Technical Know-how | Computer software | Total |
|----------------------------|-------------------|-------------------------------|------------------------------|----------------|
| Balance at January 1, 2020 | \$ - | 58,927 | 128,893 | 187,820 |
| Additions | - | 6,995 | 10,708 | 17,703 |
| Derecognized | - | - | (67,741) | (67,741) |
| Balance at March 31, 2020 | <u>\$ -</u> | <u>65,922</u> | <u>71,860</u> | <u>137,782</u> |
| Carrying amount: | | | | |
| Balance at January 1, 2021 | <u>\$ 176,838</u> | <u>138,755</u> | <u>133,964</u> | <u>449,557</u> |
| Balance at March 31, 2021 | <u>\$ 176,838</u> | <u>135,448</u> | <u>140,717</u> | <u>453,003</u> |
| Balance at March 31, 2020 | <u>\$ 176,838</u> | <u>88,155</u> | <u>101,431</u> | <u>366,424</u> |

(l) Short-term borrowings

The short-term borrowings were summarized as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--------------------------------|-----------------------|------------------------------|---------------------------|
| Unsecured bank loans | <u>\$ 50,000</u> | <u>40,000</u> | <u>48,940</u> |
| Range of interest rate | <u>1.78%~2.05%</u> | <u>1.80%~1.99%</u> | <u>1.69%~2.045%</u> |
| Unused short-term credit lines | <u>\$ 405,000</u> | <u>345,000</u> | <u>665,000</u> |

(m) Lease liabilities

The lease liabilities were as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-------------|-----------------------|------------------------------|---------------------------|
| Current | <u>\$ 23,518</u> | <u>21,858</u> | <u>18,956</u> |
| Non-current | <u>\$ 184,828</u> | <u>187,361</u> | <u>197,695</u> |

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss were as follows:

| | For the three months ended March 31 | |
|--|--|--------------|
| | 2021 | 2020 |
| Interest on lease liabilities | <u>\$ 988</u> | <u>1,088</u> |
| Expenses relating to short-term leases | <u>\$ 4,286</u> | <u>397</u> |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | <u>\$ 223</u> | <u>70</u> |

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Notes to the Consolidated Financial Statements

The amounts recognized in the statement of cash flows for the Group were as follows:

| | For the three months ended March 31, 2021 | |
|-------------------------------|--|--------------|
| | 2021 | 2020 |
| Total cash outflow for leases | \$ 12,154 | 8,462 |

(i) Real estate leases

As of March 31, 2021, December 31 and March 31, 2020, the Group leases land and buildings for its office space. The lease of land typically run for a period of 20 years, and of buildings for 2-3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. Some leases provide for additional rent payments that are based on changes in local price indices.

(ii) Other leases

The Group leases machinery and equipment, with lease terms for 1-3 years. These leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. The Group leases its office and transportation equipment, with lease terms ranging from one to three years. These leases are short-term or leases of low-value items which the Group has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(n) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019. The expenses recognized in profit or loss for the Group were as follows:

| | For the three months ended March 31 | |
|-----------------------------------|--|--------------|
| | 2021 | 2020 |
| Operating cost | \$ 83 | 114 |
| Selling expenses | 85 | 147 |
| Administration expenses | 84 | 130 |
| Research and development expenses | 773 | 1,043 |
| | \$ 1,025 | 1,434 |

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the and three months ended March 31, 2021 and 2020 were as follows:

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| | For the three months ended March 31 | |
|-----------------------------------|--|---------------|
| | 2021 | 2020 |
| Operating cost | \$ 2,112 | 1,912 |
| Selling expenses | 1,578 | 1,217 |
| Administration expenses | 2,243 | 1,875 |
| Research and development expenses | 12,239 | 10,943 |
| | \$ 18,172 | 15,947 |

(o) Income taxes

- (i) Income tax expenses for the period are best calculated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management.

The Group's income tax expenses were as follows:

| | For the three months ended March 31 | |
|----------------------------|--|---------------|
| | 2021 | 2020 |
| Current income tax expense | 239,154 | 25,299 |

- (ii) The tax authorities have examined the Company's income tax returns as of the year 2018.

(p) Capital and other equity

(i) Ordinary share

As of March 31, 2021, December 31 and March 31, 2020, the authorized capital of the Company amounted to \$4,800,000 thousand, divided into 303,880 thousand ordinary shares, with a par value of \$10 per share. The issued shares were composed of common stocks only and have been fully paid up.

(ii) Capital surplus

The balances of capital surplus were as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-----------------------|------------------------------|---------------------------|
| Additional paid-in capital | \$ 231,051 | 231,051 | 231,051 |
| Treasury share transactions | 225,742 | 225,742 | 144,894 |
| Difference arising from subsidiary's share price and its carrying value | 62,845 | 62,845 | 63,066 |
| | \$ 519,638 | 519,638 | 439,011 |

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

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In accordance with the Companies Act, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting against losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

According to the Company's articles of incorporation, annual earnings after income tax shall be first used to offset any deficit, then be appropriated 10% as legal reserve, and subsequently appropriate for special reserve. The surplus to be distributed for the current year shall not be lower than 50% of accumulated attributable retained earnings. Cash dividends shall not be lower than 10% of total dividends.

1) Legal reserve

If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve, either by new shares or by cash of up to 25 percent of the actual capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net reduction of other shareholders' equity. Such special reserve will be available for dividend distribution only after the related shareholders' equity reduction has been reversed by the approval of the shareholders' meeting.

3) Earnings distribution

On February 17, 2021 and May 27, 2020, the Board of Directors and the shareholder's meeting resolved to distribute the 2020 and 2019 earnings via cash dividend respectively. The Company declared a cash dividend of \$9.00 and \$6.50 per share, amounting to \$2,734,924 thousand and \$1,975,223 thousand, respectively, for the year 2020 and 2019.

(iv) Treasury stock

| | March 31, 2021 | | December 31, 2020 | | March 31, 2020 | |
|---|-----------------------|-----------|-----------------------|---------|-----------------------|---------|
| | Shares (in thousands) | Amounts | Shares (in thousands) | Amounts | Shares (in thousands) | Amounts |
| The Company's shares held by subsidiaries | 12,438 | \$ 28,975 | 12,438 | 28,975 | 12,438 | 28,975 |

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Elan Investment Corp., a subsidiary of the Company, invested in Elantech before the Company acquired Elantech, and held the Company's stock after the Company's acquisition of Elantech. For the three months ended March 31, 2021 and 2020, the information on the Company's stock held by Elan Investment Corp. was as follows:

| | For the three months ended March 31 | | | | | |
|-----------------------------|-------------------------------------|------------------|--------------------|-----------------------|------------------|--------------------|
| | 2021 | | | 2020 | | |
| | Shares (in thousands) | Acquisition cost | Total market value | Shares (in thousands) | Acquisition cost | Total market value |
| Opening balance | 12,438 | \$ 28,975 | 1,660,500 | 12,438 | 28,975 | 1,134,364 |
| Effects of valuation change | - | - | 771,168 | - | - | (90,799) |
| Ending balance | <u>12,438</u> | <u>\$ 28,975</u> | <u>2,431,668</u> | <u>12,438</u> | <u>28,975</u> | <u>1,043,565</u> |

(v) Other equity

The movements of other equity were as follows:

| | For the three months ended March 31, 2021 | | |
|---|---|---|---------------|
| | Foreign exchange differences arising from foreign operation | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total |
| Balance at January 1 | \$ (6,597) | 9,937 | 3,340 |
| Foreign exchange differences: | | | |
| The Group | 392 | - | 392 |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | | | |
| The Group | - | 56,728 | 56,728 |
| Balance at March 31 | <u>\$ (6,205)</u> | <u>66,665</u> | <u>60,460</u> |

| | For the three months ended March 31, 2020 | | |
|---|---|---|---------------|
| | Foreign exchange differences arising from foreign operation | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total |
| Balance at January 1 | \$ (5,537) | 135,447 | 129,910 |
| Foreign exchange differences: | | | |
| The Group | (85) | - | (85) |
| Associates | (1) | - | (1) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | | | |
| The Group | - | (71,943) | (71,943) |
| Balance at March 31 | <u>\$ (5,623)</u> | <u>63,504</u> | <u>57,881</u> |

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(q) Earnings per share

Basic and diluted earnings per share for the three months ended March 31, 2021 and 2020 were calculated as follows:

(i) Basic earnings per share:

| | For the three months ended March 31 | |
|--|--|----------------|
| | 2021 | 2020 |
| Net income | <u>\$ 1,099,831</u> | <u>53,833</u> |
| Weighted-average number of ordinary shares outstanding (in thousands) | <u>291,442</u> | <u>291,442</u> |
| Earnings per share | <u>\$ 3.77</u> | <u>0.18</u> |

(ii) Diluted earnings per share:

| | For the three months ended March 31 | |
|---|--|----------------|
| | 2021 | 2020 |
| Net income | <u>\$ 1,099,831</u> | <u>53,833</u> |
| Weighted-average number of ordinary shares outstanding (in thousands) | 291,442 | 291,442 |
| Effect of dilutive potential ordinary stock (in thousands) — employee emoluments | <u>3,702</u> | <u>4,040</u> |
| Weighted-average number of ordinary shares outstanding (in thousands) | <u>295,144</u> | <u>295,482</u> |
| Diluted earnings per share | <u>\$ 3.73</u> | <u>0.18</u> |

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the three months ended March 31 | |
|----------------|--|------------------|
| | 2021 | 2020 |
| Taiwan | <u>\$ 137,582</u> | <u>203,894</u> |
| Mainland China | 717,765 | 465,163 |
| Hong Kong | 3,240,750 | 1,505,451 |
| America | 10,156 | 5,738 |
| Europe | 1,918 | 1,977 |
| Other | <u>47,650</u> | <u>24,018</u> |
| | <u>\$ 4,155,821</u> | <u>2,206,241</u> |

For details on revenue for the three months ended March 31, 2021 and 2020, please refer to note 14.

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(ii) Contract balances

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

(s) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

| | For the three months ended March 31 | |
|------------------------------------|--|--------------|
| | 2021 | 2020 |
| Interest income from bank deposits | \$ <u>7,255</u> | <u>8,852</u> |

(ii) Other income

| | For the three months ended March 31 | |
|------------------|--|-------------|
| | 2021 | 2020 |
| Rental income | \$ - | 477 |
| Government grant | 535 | - |
| Others | <u>975</u> | <u>273</u> |
| Total | <u>\$ 1,510</u> | <u>750</u> |

(iii) Other gains and losses

| | For the three months ended March 31 | |
|--|--|------------------|
| | 2021 | 2020 |
| Foreign exchange gains (losses) | \$ (10,382) | 12,041 |
| Gains (losses) on financial asset at fair value through profit or loss | 116,318 | (458,536) |
| Loss on disposal of property, plant and equipment | (341) | (6,256) |
| Gains on disposal of investment | 1,343 | 15,000 |
| Miscellaneous disbursements | <u>(437)</u> | <u>(5,401)</u> |
| Total | <u>\$ 106,501</u> | <u>(443,152)</u> |

(t) Compensation to employees, directors and supervisors

According to the Company's Articles of Incorporation, should the Company net a profit for the year, it shall allocate no less than 10% of the profit as employees' compensation and not more than 2% of the profit as compensation to directors and supervisors. Should the Company have accumulated losses, it shall first allocate its earnings to offset these losses.

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For the three months ended March 31, 2021 and 2020, the remunerations to employees, directors and supervisors were calculated using the Company's net income before tax without the remunerations to employees, directors and supervisors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

The estimated employees' compensation and directors' and supervisors' remuneration are as follows:

| | For the three months ended March 31 | |
|--|--|---------------|
| | 2021 | 2020 |
| Employees' compensation | 158,443 | 10,190 |
| Directors' and supervisors' remuneration | 20,313 | 1,312 |
| | \$ 178,756 | 11,502 |

For the year ended December 31, 2020 and 2019, the amounts of employees' compensation were estimated at \$467,000 thousand and \$339,000 thousand respectively, whereas, the amount of remuneration to directors and supervisors were estimated at \$60,000 thousand and \$43,500 thousand respectively. The estimated amounts mentioned above is consistent with the content as per the Board of Directors minutes of meetings, to which information can be found on the Market Observation Post System website.

(u) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group' s financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2020.

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The major customers of the Group are centralized in the high-tech computer industry. To minimize credit risk, the Group periodically evaluates the financial positions of clients and the possibility of collecting accounts receivables. Where necessary, the Group will require the customers to provide guarantees or collateral against their debts.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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Furthermore, the Consolidated Company monitors and reviews the recoverable amount of the accounts receivables to ensure the uncollectible amount is recognized appropriately as impairment loss.

As of March 31, 2021 and 2020, 90% and 77%, respectively, of accounts receivable were due from the ten largest customers. Thus, credit risk was significantly concentrated.

3) Receivables and debt securities

For credit risk exposure in respect of notes and accounts receivable, please refer to note 6(c).

Other financial assets at amortized cost, including time deposits with maturities of more than three months and other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2020. There was no loss allowance provision for the three months ended March 31, 2021 and 2020, respectively.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

| | <u>Carrying amount</u> | <u>Con- tractual cash flows</u> | <u>Within 6 months</u> | <u>6-12 months</u> | <u>1-2 months</u> | <u>2-5 years</u> | <u>More than 5 years</u> |
|--------------------------------------|----------------------------|---|----------------------------|------------------------|-----------------------|----------------------|------------------------------|
| March 31, 2021 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Short-term borrowings | \$ 50,000 | 50,107 | 50,107 | - | - | - | - |
| Notes and accounts payable | 1,742,036 | 1,742,036 | 1,742,036 | - | - | - | - |
| Other payables | 853,938 | 853,938 | 853,938 | - | - | - | - |
| Lease liabilities | 208,346 | 260,685 | 13,530 | 13,502 | 17,523 | 23,632 | 192,498 |
| | <u>\$ 2,854,320</u> | <u>2,906,766</u> | <u>2,659,611</u> | <u>13,502</u> | <u>17,523</u> | <u>23,632</u> | <u>192,498</u> |
| December 31, 2020 | | | | | | | |
| Non derivative financial liabilities | | | | | | | |
| Short-term borrowing | \$ 40,000 | 40,291 | 40,291 | - | - | - | - |
| Notes and accounts payable | 1,826,667 | 1,826,667 | 1,826,667 | - | - | - | - |
| Other payable | 878,762 | 878,762 | 878,762 | - | - | - | - |
| Lease liabilities | 209,219 | 260,614 | 12,690 | 12,800 | 19,981 | 22,645 | 192,498 |
| | <u>\$ 2,954,648</u> | <u>3,006,334</u> | <u>2,758,410</u> | <u>12,800</u> | <u>19,981</u> | <u>22,645</u> | <u>192,498</u> |
| March 31, 2020 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Short-term loans | \$ 48,940 | 49,084 | 40,127 | 8,957 | - | - | - |
| Notes and accounts payable | 991,696 | 991,696 | 991,696 | - | - | - | - |
| Other payables | 600,020 | 600,020 | 600,020 | - | - | - | - |
| Lease liabilities | 216,651 | 270,714 | 13,106 | 11,033 | 21,192 | 28,118 | 197,265 |
| | <u>\$ 1,857,307</u> | <u>1,911,514</u> | <u>1,644,949</u> | <u>19,990</u> | <u>21,192</u> | <u>28,118</u> | <u>197,265</u> |

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The Group is not expecting the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

| | March 31, 2021 | | | | December 31, 2020 | | | March 31, 2020 | | |
|-------------------------------|---------------------|------------------|-------|-----------|---------------------|------------------|-----------|---------------------|------------------|-----------|
| | Foreign currency | Exchange rate | TWD | | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| <u>Financial assets:</u> | | | | | | | | | | |
| <u>Monetary item</u> | | | | | | | | | | |
| US dollar | \$ | 147,174 | 28.53 | 4,198,874 | 165,617 | 28.10 | 4,653,824 | 84,787 | 30.23 | 2,563,116 |
| <u>Financial liabilities:</u> | | | | | | | | | | |
| <u>Monetary item</u> | | | | | | | | | | |
| US dollar | | 79,075 | 28.53 | 2,256,010 | 82,036 | 28.10 | 2,305,212 | 40,607 | 30.23 | 1,227,563 |

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the retranslation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of the TWD against the USD as of March 31, 2021 and 2020 would have increased (decreased) net income by \$77,714 thousand and \$53,422 thousand, respectively, for the three months ended March 31, 2021 and 2020, assuming all other factors remained constant. The analysis is performed on the same basis in 2021 and 2020.

The foreign exchange gains or losses were disclosed on an aggregate basis as there were various types of functional currencies in the Group. The foreign exchange gains and losses (including realized and unrealized) amounted to \$10,382 thousand and \$12,041 thousand for the three months ended March 31, 2021 and 2020, respectively.

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(iv) Other market price risk

For the three months ended March 31, 2021 and 2020, the sensitivity analysis of the changes in the securities price at the reporting date were performed on the same basis for the profit and loss as illustrated below:

| Prices of securities at the reporting date | For the three months ended March 31 | | For the three months ended March 31 | |
|--|--|------------|--|------------|
| | 2021 | | 2020 | |
| | Other comprehensive income after tax | Net income | Other comprehensive income after tax | Net income |
| Increase 5% | \$ 14,443 | 43,288 | 4,796 | 35,789 |
| Decrease 5% | \$ (14,443) | (43,288) | (4,796) | (35,789) |

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

| | March 31, 2021 | | | | |
|--|----------------|-----------|---------|---------|-----------|
| | Book value | Level 1 | Level 2 | Level 3 | total |
| Financial assets measured at fair value through profit or loss (current and non-current) | \$ 2,189,127 | 1,371,139 | 130,802 | 687,186 | 2,189,127 |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Stocks | 361,080 | 55,932 | 277,340 | 27,808 | 361,080 |
| Accounts receivable | 1,205,037 | - | - | - | - |
| Subtotal | 1,566,117 | 55,932 | 277,340 | 27,808 | 361,080 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 1,678,967 | - | - | - | - |
| Notes and accounts receivables | 934,933 | - | - | - | - |
| Other receivables | 1,141,698 | - | - | - | - |
| Financial assets measured at amortized cost (current and non-current) | 4,266,250 | - | - | - | - |
| Guarantee deposits | 56,255 | - | - | - | - |
| Subtotal | 8,078,103 | - | - | - | - |
| Total | \$ 11,833,347 | 1,427,071 | 408,142 | 714,994 | 2,550,207 |

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| | | March 31, 2021 | | | |
|---|----------------------|--------------------------|----------------|----------------|------------------|
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | total |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | \$ 50,000 | - | - | - | - |
| Notes and accounts payables | 1,742,036 | - | - | - | - |
| Other payables | 853,938 | - | - | - | - |
| Lease liabilities (current and non-current) | 208,346 | - | - | - | - |
| Guarantee deposits received | 39,416 | - | - | - | - |
| Total | <u>\$ 2,893,736</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | December 31, 2020 | | | |
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | total |
| Financial assets at FVTPL (current and non-current) | \$ 1,993,657 | 1,235,860 | 127,790 | 630,007 | 1,993,657 |
| Financial assets at FVOCI | | | | | |
| Stocks | 304,352 | 47,790 | 242,830 | 13,732 | 304,352 |
| Accounts receivable | 772,934 | - | - | - | - |
| Subtotal | <u>1,077,286</u> | <u>47,790</u> | <u>242,830</u> | <u>13,732</u> | <u>304,352</u> |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 2,030,341 | - | - | - | - |
| Notes and trade receivables | 1,424,536 | - | - | - | - |
| Other receivables | 1,474,775 | - | - | - | - |
| Financial assets measured at amortized cost (current and non-current) | 2,742,850 | - | - | - | - |
| Guarantee deposits | 24,661 | - | - | - | - |
| Subtotal | <u>7,697,163</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 10,768,106</u> | <u>1,283,650</u> | <u>370,620</u> | <u>643,739</u> | <u>2,298,009</u> |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | \$ 40,000 | - | - | - | - |
| Notes and accounts payables | 1,826,667 | - | - | - | - |
| Other payables | 878,762 | - | - | - | - |
| Lease liabilities (current and non-current) | 209,219 | - | - | - | - |
| Guarantee deposits received | 39,427 | - | - | - | - |
| Total | <u>\$ 2,994,075</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | March 31, 2020 | | | |
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | total |
| Financial assets at FVTPL (current and non-current) | \$ 1,761,199 | 980,432 | 158,326 | 622,441 | 1,761,199 |
| Financial assets at FVOCI | | | | | |
| Stocks | 119,890 | 109,737 | - | 10,153 | 119,890 |
| Accounts receivable | 558,658 | - | - | - | - |
| Subtotal | <u>678,548</u> | <u>109,737</u> | <u>-</u> | <u>10,153</u> | <u>119,890</u> |

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| | March 31, 2020 | | | | |
|---|---------------------|------------------|----------------|----------------|------------------|
| | Book value | Fair Value | | | total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 2,056,521 | - | - | - | - |
| Notes and trade receivables | 767,691 | - | - | - | - |
| Other receivables | 464,898 | - | - | - | - |
| Financial assets measured at amortized cost (current and non-current) | 2,243,250 | - | - | - | - |
| Guarantee deposits | 10,302 | - | - | - | - |
| Subtotal | 5,542,662 | - | - | - | - |
| Total | <u>\$ 7,982,409</u> | <u>1,090,169</u> | <u>158,326</u> | <u>632,594</u> | <u>1,881,089</u> |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | 48,940 | - | - | - | - |
| Note and trade payable | 991,696 | - | - | - | - |
| Other payables | 600,020 | - | - | - | - |
| Lease liabilities (current and non-current) | 216,651 | - | - | - | - |
| Guarantee deposits received | 53,174 | - | - | - | - |
| Total | <u>\$ 1,910,481</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date. (For example, over the counter yield curve and Reuters Primary CP Rate average prices.)

If the Group's financial instruments do not have an active market, their fair value classifications are determined to be equity instruments with no observable prices, and their fair values are estimated by comparing with competitors whose market prices are available. The main assumption used in this estimation is to calculate the product of the earnings before interest, tax, depreciation and amortization and the price to earnings ratio of listed companies on the stock market. This estimate is discounted by the fact that the equity is not readily available to be traded because there is no active market.

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3) Transfers between Level 1 and Level 2

There were no transfers of financial instruments made between any levels for the three months ended March 31, 2021 and 2020.

4) Reconciliation of Level 3 fair values

| | Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets) | Financial assets at fair value through other comprehensive income | Total |
|------------------------------------|---|--|----------------|
| Opening balance, January 1, 2021 | \$ 630,007 | 13,732 | 643,739 |
| Total gains and losses recognized: | | | |
| In profit or loss | 46,027 | - | 46,027 |
| In other comprehensive income | - | 14,076 | 14,076 |
| Purchased | 11,152 | - | 11,152 |
| Ending Balance, March 31, 2021 | <u>\$ 687,186</u> | <u>27,808</u> | <u>714,994</u> |
| Opening balance, January 1, 2020 | \$ 639,426 | 11,924 | 651,350 |
| Total gains and losses recognized: | | | |
| In profit or loss | (26,019) | - | (26,019) |
| In other comprehensive income | - | (1,771) | (1,771) |
| Purchased | 10,574 | - | 10,574 |
| Disposal | (1,540) | - | (1,540) |
| Ending Balance, March 31, 2020 | <u>\$ 622,441</u> | <u>10,153</u> | <u>632,594</u> |

For the three months ended March 31, 2021 and 2020, total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

| | For the three months ended March 31 | |
|--|--|-------------|
| | 2021 | 2020 |
| Total gains and losses recognized: | | |
| In profit or loss, and presented in “other gains and losses “ | \$ 46,027 | (26,019) |
| In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income” | 14,076 | (1,771) |

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – equity investments”.

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Quantified information of significant unobservable inputs was as follows:

| Item | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|----------------------------|--|---|
| Financial assets at fair value through profit or loss - equity investments without an active market | Market Comparison Method | <ul style="list-style-type: none"> Price to book ratio (March 31, 2021, December 31, 2020 and March 31, 2020: 1.70 to 2.74, 1.37 to 2.79 and 1.06 to 2.27) Non-liquid discount (March 31, 2021 and December 31, 2020: 0% to 10%, March 31, 2020: 7% to 10%) Price to earnings ratio (March 31, 2021, December 31, 2020 and March 31, 2020: 0.84 to 2.53, 0.64 to 2.52 and 0.79 to 2.53) Price to book assets ratio (March 31, 2021, December 31, 2020 and March 31, 2020: 0.76 to 1.29, 0.66 to 1.28 and 0.41 to 1.33) | <p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the price to book ratio were higher (lower); the non-liquid discount were lower (higher); the price to earnings ratio were higher (lower); the price to book assets ratio were higher (lower). |
| Financial assets at fair value through profit or loss - equity investments without an active market | Net Asset Value Method | Net Asset Value | The estimated fair value would increase (decrease) if net asset value were higher (lower). |

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions by the following percentages to reflect reasonably possible alternative assumptions would have the following effects:

| | <u>Input</u> | <u>Increase or decrease</u> | <u>Profit or loss</u> | |
|---|---------------------|-----------------------------|-----------------------|--------------------|
| | | | <u>Favorable</u> | <u>Unfavorable</u> |
| March 31, 2021 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity investments without an active market | Price to book ratio | 10% | 3,173 | (3,173) |
| | Non-liquid discount | 10% | 294 | (294) |

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| | | Input | Increase or decrease | Profit or loss Favorable | Unfavorable |
|---|---------------------|-------|-------------------------|-----------------------------|-------------|
| December 31, 2020 | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| Equity investments without an active market | Price to book ratio | | 10% | 2,731 | (2,731) |
| | Non-liquid discount | | 10% | 230 | (230) |
| March 31, 2020 | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| Equity investments without an active market | Price to book ratio | | 10% | 3,411 | (3,411) |
| | Non-liquid discount | | 10% | 2,112 | (2,112) |

(v) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(u) of the consolidated financial statements for the year ended December 31, 2020.

(w) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2020. Please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2020 for further details.

(x) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the three month months ended March 31, 2021 and 2020, were as follows:

- (i) For right-of-use assets under leases, please refer to note 6 (j)
- (ii) Reconciliation of liabilities arising from financing activities were as follows:

| | | | Non-cash changes | | | |
|---|--------------------|--------------|---------------------------------|---------------------|--------------|-------------------|
| | January 1, 2021 | Cash flows | Foreign exchange movement | Interest expense | Others | March 31, 2021 |
| Short-term borrowings | \$ 40,000 | 10,000 | - | - | - | 50,000 |
| Lease liabilities | 209,219 | (6,657) | 124 | 988 | 4,672 | 208,346 |
| Guarantee deposits received | 39,427 | (11) | - | - | - | 39,416 |
| Total liabilities from financial activities | <u>\$ 288,646</u> | <u>3,332</u> | <u>124</u> | <u>988</u> | <u>4,672</u> | <u>297,762</u> |

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| | January 1, 2020 | Cash flows | Non-cash changes | | | March 31, 2020 |
|--|--------------------|------------------|---------------------------------|---------------------|---------------|-------------------|
| | | | Foreign exchange movement | Interest expense | Others | |
| Short-term borrowings | \$ 241,000 | (192,060) | - | - | - | 48,940 |
| Lease liabilities | 221,842 | (6,907) | (287) | 1,088 | 915 | 216,651 |
| Guarantee deposits received | 10,766 | 57 | - | - | 42,351 | 53,174 |
| Total liabilities from financial activities | <u>\$ 473,608</u> | <u>(198,910)</u> | <u>(287)</u> | <u>1,088</u> | <u>43,266</u> | <u>318,765</u> |

(7) Related-party transactions:

- (a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|--|---|
| Eminent Electronic Technology Corp. Ltd. | Eminent was originally an associate of the Group. However, the Company gained control over Eminent on February 19, 2020; hence it became one of the Company's subsidiaries; thus, it has been included in the Company's consolidated financial statements since then. |

- (b) Significant transactions with related parties

- (i) Raw materials purchasing services and other operating income

| | For the three months ended March 31 | |
|--------------------|--|--------------|
| | 2021 | 2020 |
| Associates-Eminent | \$ - | <u>1,821</u> |

- (ii) Rental income

| | For the three months ended March 31 | |
|--------------------|--|------------|
| | 2021 | 2020 |
| Associates-Eminent | \$ - | <u>262</u> |

- (c) Key management personnel compensation

| | For the three months ended March 31 | |
|------------------------------|--|--------------|
| | 2021 | 2020 |
| Short-term employee benefits | \$ 37,319 | 8,575 |
| Post-employment benefits | 195 | 210 |
| | <u>\$ 37,514</u> | <u>8,785</u> |

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The short-term employee benefits include emoluments to directors and employees. Please refer to Note 6(t) for estimation methods.

(8) Pledged assets: None.

| <u>Asset name</u> | <u>Pledge asset</u> | <u>March 31, 2021</u> | <u>December 31, 2020</u> | <u>March 31, 2020</u> |
|---|---|-----------------------|--------------------------|-----------------------|
| Current financial assets at amortized cost (Certificate Deposit) | Guarantee of the creditors of the purchase transactions | \$ 2,400 | 2,400 | - |
| Non-current Financial assets at amortized cost (Certificate Deposit) | Use land guarantee for Hsinchu Science Park Bureau | 7,200 | 7,200 | 7,200 |
| | | <u>\$ 9,600</u> | <u>9,600</u> | <u>7,200</u> |

(9) Commitments and contingencies:

- (a) The Group entered into performance guarantee agreements with financial institutions for the Group's obligation to pay for the goods purchased and the tax payable on bonded raw materials, commodities, fuel, and semi-finished products shipped outside the bond areas for domestic sales, demonstration, repair or testing. As of March 31, 2021, December 31 and March 31, 2020, the financial institutions had issued performance guarantees amounting to \$3,000 thousand, \$3,000 thousand, and \$4,000 thousand, respectively.
- (b) As of March 31, 2021, December 31 and March 31, 2020, the refundable notes payable for short-term loans amounted to \$455,000 thousand, \$385,000 thousand, and \$713,000 thousand, respectively.
- (c) The Group entered into non-infringement guarantee agreements with some customers (guarantees) to provide a guarantee regarding the selling of touchpad module products.
- (d) As of March 31, 2021, December 31 and March 31, 2020, the refundable notes payable for lease amounted to \$600 thousand.
- (e) Government grant

To implement the project "Elan Electronic Smart Supply Chain AI Application" under the guidance from the Ministry of Economics Affairs, the Group entered into a program contract with the Taiwan Small and Medium Enterprise Counseling Foundation in order to receive a grant amounting to \$9,000 thousand. The project runs between April 1, 2020 and March 31, 2022. The Group recognizes income based on the progress of the projects. On March 31, 2021 and December 31, 2020 the subsidy received but not recognized amounting to \$4,000 thousand, was classified as other current liabilities. As of March 31, 2021 and December 31, 2020, the Group had entrusted financial institutions to guarantee that the Group would fulfill its obligations specified in the project contract. The financial institutions have issued performance guarantee amounting \$4,000 thousand.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Royalty fee

The Group signed a software authorization contract with a software company. The contract can be terminated anytime upon the request of either party. Pursuant to the contract, the Group shall pay a royalty fee based on the sales quantity or other agreed conditions when the Group produces and sells products using this software.

(g) Litigation and actions

As of March 31, 2021, the pending litigation of the Group was as follows:

- (i) On December 2, 2020, the Company filed an appeal with the Beijing Intellectual Property Court against Shenzhen Goodix Technology Co., Ltd. (hereinafter referred to as Goodix) and Beijing Xingyitongda Technology Co., Ltd. for an infringement of the Company's PRC Patent No.ZL03158451.9. The Company appealed to the court to prohibit the defendant from using, manufacturing and selling the product, and requested for damages compensation amounting to CNY 25 million. Since the Company is the plaintiff in this case, no significant influence on the Company is expected.
- (ii) On December 23, 2020, the Company filed an appeal with Taiwan Intellectual Property Court against Goodix and Shouhon Technology Co., Ltd. for an infringement of the Company's ROC Patent No.I556033. The Company appealed to the court to prohibit the defendant from using, manufacturing and selling the product. Since the Company is the plaintiff in this case, no significant influence on the Company is expected.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Others:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

| | For the three months ended March 31 | | | | | |
|----------------------------|-------------------------------------|-------------------|---------|----------------|-------------------|---------|
| | 2021 | | | 2020 | | |
| | Operating cost | Operating expense | Total | Operating cost | Operating expense | Total |
| Employee expenses | | | | | | |
| Salaries and wages | \$ 88,179 | 511,413 | 599,592 | 67,211 | 329,213 | 396,424 |
| Labor and health insurance | 7,518 | 25,657 | 33,175 | 6,356 | 22,242 | 28,598 |
| Pension expenses | 2,195 | 17,002 | 19,197 | 2,026 | 15,355 | 17,381 |
| Others | 5,787 | 11,475 | 17,262 | 4,103 | 10,161 | 14,264 |
| Depreciation expenses | 9,336 | 17,157 | 26,493 | 9,483 | 14,736 | 24,219 |
| Amortization expenses | 1,085 | 29,636 | 30,721 | 597 | 17,106 | 17,703 |

- (b) Seasonality of operations

Compared with the off-season in consumer electronics market of prior years, the Group's product sales in the first quarter of 2021 were not weak. At the same time, the Group set the best first-quarter revenue since its establishment. Although there was a shortage of materials in the industrial supply chain, the first-quarter revenue was still significantly better than the same period last year, mainly due to the sales of laptop touch panels, touch screen chips, fingerprints and pointing devices, etc. Therefore, the Group's revenue, operating income, and net profit after tax in the first quarter of 2021 were much better than those of the same period last year.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three month ended March 31, 2021:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of March 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Note |
|-----------------------------------|---|---------------------------|---|--------------------------|----------------|-----------------------------|------------|------|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value | |
| Elan Microelectronics Corporation | Harvatek Corporation | - | Current financial assets at fair value through profit or loss | 244 | 4,750 | 0.12% | 4,750 | |
| Elan Microelectronics Corporation | Fubon China Money Market Fund-TWD | - | Current financial assets at fair value through profit or loss | 1,867 | 20,108 | - | 20,108 | |
| Elan Microelectronics Corporation | Fubon Chi-Hsiang Money Market Fund | - | Current financial assets at fair value through profit or loss | 2,540 | 40,158 | - | 40,158 | |
| Elan Microelectronics Corporation | PineBridge Taiwan Money Market Fund | - | Current financial assets at fair value through profit or loss | 2,209 | 30,411 | - | 30,411 | |
| Elan Microelectronics Corporation | Cathay Taiwan Money Market Fund | - | Current financial assets at fair value through profit or loss | 7,224 | 90,596 | - | 90,596 | |
| Elan Microelectronics Corporation | Nomura Global Short Duration Bond Fund-TWD | - | Current financial assets at fair value through profit or loss | 3,282 | 35,166 | - | 35,166 | |
| Elan Microelectronics Corporation | Nomura Taiwan Money Market Fund | - | Current financial assets at fair value through profit or loss | 1,887 | 31,047 | - | 31,047 | |
| Elan Microelectronics Corporation | KGI Victory Money Market Fund | - | Current financial assets at fair value through profit or loss | 6,855 | 80,052 | - | 80,052 | |
| Elan Microelectronics Corporation | Taishin 1699 Money Market Fund | - | Current financial assets at fair value through profit or loss | 2,900 | 39,601 | - | 39,601 | |
| Elan Microelectronics Corporation | Yuanta De-Li Money Market Fund | - | Current financial assets at fair value through profit or loss | 2,400 | 39,475 | - | 39,475 | |
| Elan Microelectronics Corporation | Diversified FX Trading Segregated Portfolio | - | Current financial assets at fair value through profit or loss | 190 | 18,189 | - | 18,189 | |
| Elan Microelectronics Corporation | Global Strategic FX Arbitrage Note | - | Current financial assets at fair value through profit or loss | 71 | 20,256 | - | 20,256 | |
| Elan Microelectronics Corporation | Multi-Manager FX Trading Note (M2) | - | Current financial assets at fair value through profit or loss | 44 | 12,787 | - | 12,787 | |
| Elan Microelectronics Corporation | Global Strategic FX Arbitrage Note (USD)(SERIES II) | - | Current financial assets at fair value through profit or loss | 100 | 28,530 | - | 28,530 | |
| Elan Microelectronics Corporation | ThroughTek Co., Ltd. | - | Non-current financial assets at fair value through other comprehensive income | 1,077 | 27,808 | 4.14% | 27,808 | |
| Elan Microelectronics Corporation | Macroblock, Inc. | - | Non-current financial assets at fair value through other comprehensive income | 3,500 | 277,340 | 7.87% | 277,340 | |
| Elan Microelectronics Corporation | Chino-Excel Technology Corporation | - | Non-current financial assets at fair value through profit or loss | 823 | - | 1.48% | - | |
| Elan Microelectronics Corporation | Panther technology Co., Ltd. | - | Non-current financial assets at fair value through profit or loss | 340 | 4,992 | 0.94% | 4,992 | |

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Note |
|-----------------------------------|---|---------------------------|---|--------------------------|----------------|-----------------------------|------------|------|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value | |
| Elan Microelectronics Corporation | XINCE Co., Ltd | - | Non-current financial assets at fair value through profit or loss | 2,866 | - | 9.24% | - | |
| Elan Microelectronics Corporation | TOP TAIWAN II VENTURE CAPITAL CO., LTD. | - | Non-current financial assets at fair value through profit or loss | 1,391 | 1,867 | 17.39% | 1,867 | |
| Elan Microelectronics Corporation | TOP TAIWAN IV VENTURE CAPITAL CO., LTD. | - | Non-current financial assets at fair value through profit or loss | 490 | 2,002 | 7.00% | 2,002 | |
| Elan Microelectronics Corporation | TOP TAIWAN V VENTURE CAPITAL CO., LTD. | - | Non-current financial assets at fair value through profit or loss | 1,138 | 1,554 | 8.13% | 1,554 | |
| Elan Microelectronics Corporation | TOP TAIWAN VI VENTURE CAPITAL CO., LTD. | - | Non-current financial assets at fair value through profit or loss | 552 | 6,290 | 2.17% | 6,290 | |
| Elan Microelectronics Corporation | TOP TAIWAN VII VENTURE CAPITAL CO., LTD. | - | Non-current financial assets at fair value through profit or loss | 2,265 | 32,197 | 6.12% | 32,197 | |
| Elan Microelectronics Corporation | TOP TAIWAN VIII VENTURE CAPITAL CO., LTD. | - | Non-current financial assets at fair value through profit or loss | 2,708 | 36,029 | 4.17% | 36,029 | |
| Elan Microelectronics Corporation | Midatouch Research Corporation | - | Non-current financial assets at fair value through profit or loss | 2,500 | 7,975 | 9.43% | 7,975 | |
| Elan Microelectronics Corporation | TOP TAIWAN IX VENTURE CAPITAL CO., LTD. | - | Non-current financial assets at fair value through profit or loss | 5,000 | 81,514 | 6.25% | 81,514 | |
| Elan Microelectronics Corporation | InnoBridge Venture Capital | - | Non-current financial assets at fair value through profit or loss | 800 | 3,822 | 11.35% | 3,822 | |
| Elan Microelectronics Corporation | Startek Engineering Inc. | - | Non-current financial assets at fair value through profit or loss | 189 | - | 0.53% | - | |
| Elan Microelectronics Corporation | North Star Venture Capital | - | Non-current financial assets at fair value through profit or loss | 3,000 | 42,635 | 10.00% | 42,635 | |
| Elan Microelectronics Corporation | TOP TAIWAN XI VENTURE CAPITAL CO., LTD. | - | Non-current financial assets at fair value through profit or loss | 5,000 | 51,728 | 6.25% | 51,728 | |
| Elan Microelectronics Corporation | Genius Vision Digital Inc. | - | Non-current financial assets at fair value through profit or loss | 495 | - | 6.56% | - | |
| Elan Microelectronics Corporation | Lyra Semiconductor Incorporated | - | Non-current financial assets at fair value through profit or loss | 1,440 | - | 5.87% | - | |
| Elan Microelectronics Corporation | TOP TAIWAN XII VENTURE CAPITAL CO., LTD. | - | Non-current financial assets at fair value through profit or loss | 25,000 | 289,457 | 18.52% | 289,457 | |
| Elan Microelectronics Corporation | Chimei Motor Electronics Co., Ltd. | - | Non-current financial assets at fair value through profit or loss | 950 | 4,319 | 4.13% | 4,319 | |
| Elan Microelectronics Corporation | Waltop International Corporation | - | Non-current financial assets at fair value through profit or loss | 200 | 1,096 | 1.63% | 1,096 | |
| Elan Microelectronics Corporation | Vertex Growth (SG) LP | - | Non-current financial assets at fair value through profit or loss | - | 70,771 | - | 70,771 | |
| Elan Investment Corp. | FSITC Money Market Fund | - | Current financial assets at fair value through profit or loss | 131 | 23,494 | - | 23,494 | |

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Note |
|-----------------------|--|---------------------------|---|--------------------------|----------------|-----------------------------|------------|------|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value | |
| Elan Investment Corp. | FSITC US Top 100 Bond Fund Acc TWD | - | Current financial assets at fair value through profit or loss | 1,500 | 14,518 | - | 14,518 | |
| Elan Investment Corp. | FSITC Global Wealthy Nations Bond Fund Acc TWD | - | Current financial assets at fair value through profit or loss | 2,629 | 25,966 | - | 25,966 | |
| Elan Investment Corp. | FSITC Taiwan Money Market Fund | - | Current financial assets at fair value through profit or loss | 2,271 | 35,069 | - | 35,069 | |
| Elan Investment Corp. | FSITC Global Video Gaming & eSports Fund | - | Current financial assets at fair value through profit or loss | 500 | 5,420 | - | 5,420 | |
| Elan Investment Corp. | FSITC Global Health & Weight Loss Fund | - | Current financial assets at fair value through profit or loss | 500 | 4,995 | - | 4,995 | |
| Elan Investment Corp. | Nomura Taiwan Money Market Fund | - | Current financial assets at fair value through profit or loss | 4,134 | 68,022 | - | 68,022 | |
| Elan Investment Corp. | Nomura Global Financial Bond Fund-N Accumulate TWD | - | Current financial assets at fair value through profit or loss | 4,783 | 51,250 | - | 51,250 | |
| Elan Investment Corp. | Nomura Global Financial Bond Fund | - | Current financial assets at fair value through profit or loss | 3,589 | 39,100 | - | 39,100 | |
| Elan Investment Corp. | Taishin Global Multi-asset Fund of Funds-TWD-A | - | Current financial assets at fair value through profit or loss | 1,000 | 11,690 | - | 11,690 | |
| Elan Investment Corp. | Taishin Global Disruptive Innovation Fund | - | Current financial assets at fair value through profit or loss | 1,500 | 22,260 | - | 22,260 | |
| Elan Investment Corp. | Taishin 1699 Money Market Fund | - | Current financial assets at fair value through profit or loss | 5,556 | 75,874 | - | 75,874 | |
| Elan Investment Corp. | Taishin North American Income Trust Fund-A | - | Current financial assets at fair value through profit or loss | 1,943 | 48,101 | - | 48,101 | |
| Elan Investment Corp. | Taishin Ta-Chong Money Market Fund | - | Current financial assets at fair value through profit or loss | 3,003 | 29,485 | - | 29,485 | |
| Elan Investment Corp. | Taishin Short Duration Emerging High Yield Bond Fund | - | Current financial assets at fair value through profit or loss | 4,200 | 43,492 | - | 43,492 | |
| Elan Investment Corp. | Diversified FX Trading Segregated Portfolio | - | Current financial assets at fair value through profit or loss | 534 | 51,040 | - | 51,040 | |
| Elan Investment Corp. | Elan Microelectronics Corporation | Subsidiary | Non-current financial assets at fair value through other comprehensive income | 12,438 | 2,431,668 | 4.09% | 2,431,668 | |
| Elan Investment Corp. | Rafael Microelectronics, Inc. | - | Non-current financial assets at fair value through other comprehensive income | 354 | 55,932 | 1.38% | 55,932 | |
| Elan Investment Corp. | Panther Technology Co., Ltd. | - | Non-current financial assets at fair value through profit or loss | 1,396 | 20,485 | 3.88% | 20,485 | |
| Elan Investment Corp. | RISE Technology Com | - | Non-current financial assets at fair value through profit or loss | 769 | - | 3.23% | - | |
| Elan Investment Corp. | Finemat Applied Materials Co., Ltd | - | Non-current financial assets at fair value through profit or loss | 8,900 | 461,039 | 13.41% | 461,039 | |
| Elan Investment Corp. | Linkinwave - Preferred shares | - | Non-current financial assets at fair value through profit or loss | - | - | - | - | |
| Elan Investment Corp. | Pica 8 - Preferred shares | - | Non-current financial assets at fair value through profit or loss | 342 | - | 2.25% | - | |
| Elan Investment Corp. | Arplanet Digital Technology Co., Ltd | - | Non-current financial assets at fair value through profit or loss | 75 | 1,183 | 2.57% | 1,183 | |

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Note |
|-----------------------|---|---------------------------|---|--------------------------|----------------|-----------------------------|------------|------|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value | |
| Elan Investment Corp. | INNOJOY TECHNOLOGY INC. - Preferred Shares | - | Non-current financial assets at fair value through profit or loss | 143 | - | 7.62% | - | |
| Elan Investment Corp. | ZQAM Communications Corporation - Preferred shares | - | Non-current financial assets at fair value through profit or loss | 250 | 2,520 | 1.44% | 2,520 | |
| Elan Investment Corp. | e-Formula Technologies, Inc. | - | Non-current financial assets at fair value through profit or loss | 550 | 17,319 | 3.03% | 17,319 | |
| Elan Investment Corp. | ALGOLREALITY CO., LTD. - Preferred Shares | - | Non-current financial assets at fair value through profit or loss | 100 | - | 13.04% | - | |
| Elan Investment Corp. | Vita Genomics, Inc. | - | Non-current financial assets at fair value through profit or loss | 677 | 5,413 | 1.13% | 5,413 | |
| Elan Investment Corp. | Cognito Health International Inc. | - | Non-current financial assets at fair value through profit or loss | 1,010 | - | 1.13% | - | |
| Elan Investment Corp. | Taiwan Intelligent Connect Co., Ltd. - Preferred shares | - | Non-current financial assets at fair value through profit or loss | 10,000 | 2,018 | 14.29% | 2,018 | |
| Elan Investment Corp. | Genius Vision Digital Inc. | - | Non-current financial assets at fair value through profit or loss | 370 | - | 4.91% | - | |

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$ 300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$ 300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$ 300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$ 100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|-----------------------------------|---------------|------------------------|---------------------|---------|-------------------------------------|----------------------|---|---------------|-------------------------------------|---|------|
| | | | Purchase/Sale | Amount | Percentage of total purchases/sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| Elan Microelectronics Corporation | Elan H.K. | Subsidiary | Sale | 154,698 | 3.72 % | Open Account 45 Days | - | | 57,209 | 2.67% | |

Note: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of TWD\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

Significant transactions and business relationship between the parent company and its subsidiaries exceeding 1% of total assets or operating revenue are as follows:

(In Thousands of New Taiwan Dollars)

| No. | Name of company | Name of counter-party | Nature of relationship | Intercompany transactions | | | |
|-----|-----------------------------------|-----------------------------------|------------------------|---------------------------|---------|----------------------|--|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 0 | Elan Microelectronics Corporation | Elan H.K. | 1 | Operating revenue | 154,698 | Open Account 45 Days | 3.72% |
| 0 | Elan Microelectronics Corporation | Elan H.K. | 1 | Accounts receivables | 57,209 | Open Account 45 Days | 0.36% |
| 1 | Elan H.K. | Elan Microelectronics Corporation | 2 | Commission revenue | 86,163 | Monthly settlement | 2.07% |

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investees:

The followings are the information on investees for the three months ended March 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of March 31, 2021 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|-----------------------------------|--|-------------------------|---|----------------------------|-------------------|------------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|------|
| | | | | March 31, 2021 | December 31, 2020 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| Elan Microelectronics Corporation | Elan H.K. Microelectronics Corp. Ltd. | Hong Kong, China | Sale and after-sales service | 123,272 | 123,272 | 29,328 | 100.00 % | 530,649 | 36,455 | 36,455 | Note |
| Elan Microelectronics Corporation | Elan Investment Corp. | Taipei, Taiwan | Investment holding | 500,000 | 500,000 | 50,000 | 100.00 % | 1,169,667 | 73,531 | 73,531 | Note |
| Elan Microelectronics Corporation | Elan Information Technology Group | California, USA | Sale, after-sales service and provide new informational skills | 22,822 | 22,822 | 65 | 100.00 % | 17,106 | (430) | (430) | Note |
| Elan Microelectronics Corporation | SHENZHEN JUPUP Electron Co., Ltd | New Taipei City, Taiwan | Wholesale and installation of electronic devices, data storage and equipment process | 7,840 | 7,840 | 784 | 49.00 % | (259) | (984) | (482) | Note |
| Elan Microelectronics Corporation | Metanoia Communications Inc. | Hsin-Chu, Taiwan | Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network | 460,516 | 460,516 | 32,695 | 50.29 % | 126,387 | (25,771) | (12,949) | Note |
| Elan Microelectronics Corporation | Avisonic Technology Corp. | Hsin-Chu, Taiwan | Research, design, develop, manufacture and sale on digital image-process chips | 134,523 | 134,523 | 12,542 | 80.08 % | (17,022) | (5,518) | (4,024) | Note |
| Elan Microelectronics Corporation | Tong fu Investment Corp. | Hsin-Chu, Taiwan | Investment holding | 30,000 | 30,000 | 3,000 | 46.73 % | - | - | - | |
| Elan Microelectronics Corporation | Lighting Device Technologies Corp. | Hsin-Chu, Taiwan | Research, design, develop, manufacture and sale on LED chips | 11,712 | 11,712 | 1,805 | 45.07 % | - | - | - | |
| Elan Microelectronics Corporation | PIXORD Corporation | Hsin-Chu, Taiwan | Research, design, develop, manufacture and sale on Webcam and server | 163,599 | 163,599 | 15,427 | 97.95 % | 59,065 | (4,881) | (4,781) | Note |
| Elan Microelectronics Corporation | EMINENT ELECTRONIC TECHNOLOGY CORP. LTD. | Hsin-Chu, Taiwan | Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments | 52,100 | 52,100 | 4,113 | 28.94 % | 31,983 | (5,042) | (1,459) | Note |
| Elan Microelectronics Corporation | TOP TAIWAN X VENTURE CAPITAL CO., LTD. | Taipei, Taiwan | Venture capital | 240,000 | 240,000 | 24,000 | 30.00 % | 326,969 | 55,111 | 16,533 | |
| Elan Microelectronics Corporation | Uniband Electronic Corp. | Hsin-Chu, Taiwan | Manufactures and sells electronic devices | 50,000 | 50,000 | 5,000 | 24.69 % | 8,997 | (768) | (189) | |
| Elan Microelectronics Corporation | Finger Pro. Incorporation | Hsin-Chu, Taiwan | Manufactures and sells electronic devices | 6,000 | 6,000 | 600 | 23.08 % | - | - | - | |
| Elan Microelectronics Corporation | RisingStar Technology Company Limited | Taipei, Taiwan | Software information and supply of electronic services | - | 20,000 | - | - % | - | 781 | 679 | Note |
| Elan Microelectronics Corporation | Bruckewell Technology Co., Ltd | Hsin-Chu, Taiwan | Manufactures and sells electronic devices | 20,000 | 20,000 | 2,000 | 61.16 % | 11,806 | (1,224) | (749) | Note |
| Elan Microelectronics Corporation | Avisonic Technology Corp. | Hsin-Chu, Taiwan | Research, design, develop, manufacture and sale on digital image-process chips | 6,463 | 6,463 | 646 | 4.13 % | (856) | (5,518) | (207) | Note |
| Elan Microelectronics Corporation | RONG CHENG Technology | Hsin-Chu, Taiwan | Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments | 77,706 | 77,706 | 8,000 | 38.46 % | - | - | - | |
| Elan Investment Corp. | PIXORD Corporation | Hsin-Chu, Taiwan | Research, design, develop, manufacture and sale on Webcam and server | 665 | 665 | 43 | 0.28 % | 166 | (4,881) | (13) | Note |
| Elan Investment Corp. | Metanoia Communications Inc. | Hsin-Chu, Taiwan | Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network | 10,211 | 10,211 | 831 | 1.28 % | 19,468 | (25,771) | (329) | Note |
| Elan Investment Corp. | EMINENT ELECTRONIC TECHNOLOGY CORP. LTD. | Hsin-Chu, Taiwan | Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments | 38,481 | 38,481 | 2,138 | 15.04 % | 16,922 | (5,042) | (758) | Note |
| Elan (H.K.) Corporation | Power Asia Investment Corporation | Republic of Mauritius | Investment business | 89,572 | 89,572 | 2,861 | 100.00 % | 12,199 | (13,631) | (13,631) | Note |

Note: Investments in subsidiaries the Company has control over have been eliminated at the Group level from long-term investment.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The name of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2021 | Investment flows | | Accumulated outflow of investment from Taiwan as of March 31, 2021 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) recognized | Carrying value as of March 31, 2021 | Accumulated inward remittance of earnings as of March 31, 2021 |
|------------------|--|---------------------------------|----------------------|---|------------------|--------|--|-------------------------------------|-------------------------|---------------------------------------|-------------------------------------|--|
| | | | | | Outflow | Inflow | | | | | | |
| Elan Shanghai | Provide system design, information on applications expansion | 52,095 | (2) | 52,095 | - | - | 52,095 | (11,959) | 100.00% | (11,959) | 5,004 | - |
| Elan Shenzhen | Provide system design, information on applications expansion | 34,670 | (2) | 34,670 | - | - | 34,670 | (1,675) | 100.00% | (1,675) | 6,747 | - |

Note 1: Method of investment:

- (1) Direct investment in Mainland China.
- (2) Indirect investment in Mainland China through a holding company established in other countries (Power Asia Investment Corporation).
- (3) Others.

Note 2: The investment income (losses) from Elan Shanghai and Elan Shenzhen are calculated on the reviewed financial statements in the same period.

(ii) Upper limit on investment in Mainland China:

| Accumulated Investment in Mainland China as of March 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|--|---------------------------|
| 86,765 (USD2,855,500) | 98,333 (USD3,000,000) | 6,124,544 |

Note: The investment limit was calculated on the official document No.09704604680 announced by the MOEAIC on August 29, 2008.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

No shareholders owned more than 5% equity interest in the Company.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

The Group's operating segment information and reconciliation are as follows:

| For the three month ended March 31, 2021 | | | | | | | | |
|--|--|---|---|--------------------------------|--|---------------------------|--|-------------------|
| | Consumer Touch Control Business Unit | Laptop Input Device Business Unit | Network Communi- cation Business Unit | Investment Business Unit | Sales and Retailing Business Unit | Other Business Unit | Reconcilia- tion and elimination | Total |
| Revenue | | | | | | | | |
| Revenue from external customers | \$ 1,233,386 | 2,630,439 | 23,451 | - | 151,737 | 116,808 | - | 4,155,821 |
| Intersegment revenues | 155,766 | - | - | - | 86,163 | 6,084 | (248,013) | - |
| Interest revenue | 6,481 | - | - | 709 | 18 | 47 | - | 7,255 |
| Total revenue | <u>\$ 1,395,633</u> | <u>2,630,439</u> | <u>23,451</u> | <u>709</u> | <u>237,918</u> | <u>122,939</u> | <u>(248,013)</u> | <u>4,163,076</u> |
| Reportable segment profit or loss | <u>\$ 475,951</u> | <u>956,712</u> | <u>(25,771)</u> | <u>73,530</u> | <u>18,616</u> | <u>(17,298)</u> | <u>(159,895)</u> | <u>1,321,845</u> |
| Assets | | | | | | | | |
| Equity-accounted investees | <u>\$ 2,276,157</u> | <u>-</u> | <u>-</u> | <u>35,701</u> | <u>-</u> | <u>-</u> | <u>(1,975,892)</u> | <u>335,966</u> |
| Non-current assets capital expenditure | <u>\$ 45,481</u> | <u>2,348</u> | <u>1,697</u> | <u>-</u> | <u>-</u> | <u>4,135</u> | <u>-</u> | <u>53,661</u> |
| Reportable segment assets | <u>\$ 11,798,137</u> | <u>3,447,656</u> | <u>376,039</u> | <u>3,602,008</u> | <u>690,349</u> | <u>352,981</u> | <u>(4,519,123)</u> | <u>15,748,047</u> |
| For the three month ended March 31, 2020 | | | | | | | | |
| | Consumer Touch Control Business Unit | Laptop Input Device Business Unit | Network Communi- cation Business Unit | Investment Business Unit | Sales and Retailing Business Unit | Other Business Unit | Reconcilia- tion and elimination | Total |
| Revenue | | | | | | | | |
| Revenue from external customers | \$ 700,342 | 1,310,016 | 18,677 | - | 106,792 | 71,427 | (1,013) | 2,206,241 |
| Intersegment revenues | 108,614 | - | - | - | 52,553 | 5,602 | (166,769) | - |
| Interest revenue | 8,161 | 648 | - | - | 2 | 1 | 40 | 8,852 |
| Total revenue | <u>\$ 817,117</u> | <u>1,310,664</u> | <u>18,677</u> | <u>-</u> | <u>159,347</u> | <u>77,030</u> | <u>(167,742)</u> | <u>2,215,093</u> |
| Reportable segment profit or loss | <u>\$ (322,271)</u> | <u>448,412</u> | <u>(20,040)</u> | <u>(431,562)</u> | <u>(23,583)</u> | <u>(16,466)</u> | <u>434,580</u> | <u>69,070</u> |
| Assets | | | | | | | | |
| Equity-accounted investees | <u>\$ 1,717,460</u> | <u>-</u> | <u>-</u> | <u>38,706</u> | <u>-</u> | <u>-</u> | <u>(1,461,168)</u> | <u>294,998</u> |
| Non-current assets capital expenditure | <u>\$ 92,178</u> | <u>2,859</u> | <u>-</u> | <u>-</u> | <u>21</u> | <u>879</u> | <u>-</u> | <u>95,937</u> |
| Reportable segment assets | <u>\$ 8,274,537</u> | <u>2,428,720</u> | <u>429,672</u> | <u>1,902,999</u> | <u>381,021</u> | <u>419,102</u> | <u>(2,615,144)</u> | <u>11,220,907</u> |