

**ELAN MICROELECTRONICS CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 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 June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2021 and 2020, as well as the changes in equity and cash flows for the six months ended June 30, 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 \$916,889 thousand and \$741,840 thousand, constituting 5.11% and 5.55% of the consolidated total assets; and the total liabilities amounting to \$324,149 thousand and \$198,557 thousand, constituting 3.62% and 3.09% of the consolidated total liabilities as of June 30, 2021 and 2020, respectively; as well as the total comprehensive loss amounting to \$(48,200) thousand, \$(72,843) thousand, \$(92,287) thousand and \$(111,505) thousand, constituting (3.67)%, (7.81)%, (3.76)% and (12.33)% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2021 and 2020, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of \$358,770 thousand and \$297,468 thousand as of June 30, 2021 and 2020, respectively, and its equity in net earnings on these investee companies of \$26,812 thousand, \$10,206 thousand, \$43,156 thousand and \$994 thousand for the three months and six months ended June 30, 2021 and 2020, 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 June 30, 2021 and 2020, and of its consolidated financial performance for the three months and six months ended June 30, 2021 and 2020, as well as its consolidated cash flows for the six months ended June 30, 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)

August 2, 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 June 30, 2021 and 2020**

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30, 2021, December 31, 2020, and June 30, 2020**

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2021		December 31, 2020		June 30, 2020		Liabilities and Equity		June 30, 2021		December 31, 2020		June 30, 2020			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:		Current liabilities:															
1100	Cash and cash equivalents (notes 6(a) and (u))	\$	3,772,960	21	2,030,341	14	2,775,087	21	2100	Short-term borrowings (notes 6(l), (u) and 9)	\$	50,000	-	40,000	-	49,620	-
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (u))		1,015,860	6	969,808	8	1,679,691	13	2170	Accounts payable (notes 6(u))		2,008,175	11	1,826,667	13	1,784,359	13
1170	Notes and accounts receivable, net (notes 6(c) and (u))		2,259,687	13	2,162,216	15	1,780,509	13	2206	Employee bonus payable (notes 6(t))		873,096	5	527,000	4	543,237	4
1200	Other receivables (notes 6(c) and (u))		1,528,972	8	1,474,775	10	1,186,672	9	2216	Dividends payable (notes 6(p) and (t))		2,734,924	15	-	-	1,975,216	15
1310	Inventories, net (note 6(d))		1,916,510	11	1,782,653	12	1,876,284	14	2230	Current tax liabilities		949,828	6	802,401	6	480,414	4
1410	Prepayments and other current assets		120,694	1	23,348	-	38,703	-	2280	Current lease liabilities (notes 6(m) and (u))		24,068	-	21,858	-	21,002	-
1476	Current financial assets at amortized cost (notes 6(a), (u) and 8)		<u>3,169,150</u>	<u>18</u>	<u>2,735,650</u>	<u>19</u>	<u>1,145,750</u>	<u>9</u>	2300	Other current liabilities (note 6(u) and 9)		<u>1,219,501</u>	<u>7</u>	<u>1,343,720</u>	<u>9</u>	<u>983,199</u>	<u>7</u>
			<u>13,783,833</u>	<u>78</u>	<u>11,178,791</u>	<u>78</u>	<u>10,482,696</u>	<u>79</u>		Non-Current liabilities:		<u>7,859,592</u>	<u>44</u>	<u>4,561,646</u>	<u>32</u>	<u>5,837,047</u>	<u>43</u>
Non-current assets:		Deferred tax liabilities															
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and (u))		1,161,082	6	1,023,849	8	996,517	7	2570			1,244	-	1,244	-	2,097	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(e) and (u))		374,279	2	304,352	2	160,165	1	2580	Non-current lease liabilities (notes 6(m) and (u))		674,158	4	187,361	1	195,059	1
1536	Non-current financial assets at amortized cost (note 6(a), (u) and 8)		7,200	-	7,200	-	7,200	-	2640	Net defined benefit liability, non-current		375,998	2	389,456	3	372,405	3
1551	Investments accounted for using equity method (note 6(f) and (m))		358,770	2	319,622	2	297,468	2	2645	Guarantee deposits received (note 6(u))		<u>39,534</u>	<u>-</u>	<u>39,427</u>	<u>-</u>	<u>26,290</u>	<u>-</u>
1600	Property, plant and equipment (note 6(i))		860,812	5	872,781	6	801,063	6				<u>1,090,934</u>	<u>6</u>	<u>617,488</u>	<u>4</u>	<u>595,851</u>	<u>4</u>
1755	Right-of-use assets (note 6(j))		851,509	5	205,921	1	213,637	2	Total liabilities			<u>8,950,526</u>	<u>50</u>	<u>5,179,134</u>	<u>36</u>	<u>6,432,898</u>	<u>47</u>
1780	Intangible assets (note 6(k))		431,585	2	449,557	3	361,849	3	Equity attributable to owners of parent: (notes 6(f) and (p))			<u>3,038,804</u>	<u>17</u>	<u>3,038,804</u>	<u>20</u>	<u>3,038,804</u>	<u>23</u>
1840	Deferred tax assets		33,221	-	33,221	-	31,862	-	3100	Capital stock		<u>519,923</u>	<u>3</u>	<u>519,638</u>	<u>4</u>	<u>439,567</u>	<u>3</u>
1900	Other non-current assets (note 6(u))		<u>81,489</u>	<u>-</u>	<u>56,896</u>	<u>-</u>	<u>17,350</u>	<u>-</u>	3200	Capital surplus							
			4,159,947	22	3,273,399	22	2,887,111	21		Retained earnings:							
									3310	Legal reserve		2,159,576	12	1,825,597	13	1,825,597	14
									3350	Undistributed earnings		<u>3,043,206</u>	<u>17</u>	<u>3,692,218</u>	<u>25</u>	<u>1,324,349</u>	<u>10</u>
												<u>5,202,782</u>	<u>29</u>	<u>5,517,815</u>	<u>38</u>	<u>3,149,946</u>	<u>24</u>
									3400	Other equity		<u>73,100</u>	<u>-</u>	<u>3,340</u>	<u>-</u>	<u>97,473</u>	<u>1</u>
									3500	Treasury shares		<u>(28,975)</u>	<u>-</u>	<u>(28,975)</u>	<u>-</u>	<u>(28,975)</u>	<u>-</u>
									Total equity attributable to owners of parent:			8,805,634	49	9,050,622	62	6,696,815	51
									36XX	Non-controlling interests		<u>187,620</u>	<u>1</u>	<u>222,434</u>	<u>2</u>	<u>240,094</u>	<u>2</u>
									Total equity			<u>8,993,254</u>	<u>50</u>	<u>9,273,056</u>	<u>64</u>	<u>6,936,909</u>	<u>53</u>
Total assets		\$	<u>17,943,780</u>	<u>100</u>	<u>14,452,190</u>	<u>100</u>	<u>13,369,807</u>	<u>100</u>	Total liabilities and equity		\$	<u>17,943,780</u>	<u>100</u>	<u>14,452,190</u>	<u>100</u>	<u>13,369,807</u>	<u>100</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 Comprehensive Income****For the three months and six months ended June 30, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		For the three months ended June 30				For the six months ended June 30			
		2021		2020		2021		2020	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	<b>Total operating revenue</b> (notes 6(r), 7 and 14)	\$ 5,036,112	100	3,539,299	100	9,191,933	100	5,745,540	100
5000	<b>Total operating costs</b> (notes 6(d) and (n))	<u>2,507,304</u>	<u>50</u>	<u>1,855,596</u>	<u>52</u>	<u>4,670,446</u>	<u>51</u>	<u>3,018,619</u>	<u>53</u>
5900	<b>Gross profit from operations</b>	2,528,808	50	1,683,703	48	4,521,487	49	2,726,921	47
5920	Add: Realized (unrealized) profit from sales	<u>(525)</u>	<u>-</u>	<u>62</u>	<u>-</u>	<u>34</u>	<u>-</u>	<u>(338)</u>	<u>-</u>
5950	<b>Gross profits</b>	<u>2,528,283</u>	<u>50</u>	<u>1,683,765</u>	<u>48</u>	<u>4,521,521</u>	<u>49</u>	<u>2,726,583</u>	<u>47</u>
6000	<b>Operating expenses:</b> (notes 6(c), (n) and 12)								
6100	Selling expenses	163,398	3	130,493	4	318,465	3	232,212	4
6200	Administrative expenses	133,714	3	100,849	3	249,812	3	171,011	3
6300	Research and development expenses	560,579	11	479,131	14	1,092,893	12	835,900	15
6450	Impairment gain and loss determined in accordance with IFRS 9	<u>1,681</u>	<u>-</u>	<u>1,414</u>	<u>-</u>	<u>(30)</u>	<u>-</u>	<u>1,756</u>	<u>-</u>
		<u>859,372</u>	<u>17</u>	<u>711,887</u>	<u>21</u>	<u>1,661,140</u>	<u>18</u>	<u>1,240,879</u>	<u>22</u>
6900	<b>Operating income</b>	<u>1,668,911</u>	<u>33</u>	<u>971,878</u>	<u>27</u>	<u>2,860,381</u>	<u>31</u>	<u>1,485,704</u>	<u>25</u>
7000	<b>Non-operating income and expenses:</b>								
7100	Interest income (note 6(s))	1,963	-	8,320	-	9,218	-	17,172	-
7010	Other income (note 6(s))	23,250	-	18,119	1	24,760	-	18,869	-
7020	Other gains and losses (notes 6(g), (h) and (s))	(49,812)	(1)	77,357	2	56,689	1	(365,795)	(6)
7050	Finance costs	(2,497)	-	(1,250)	-	(3,732)	-	(3,244)	-
7770	Shares of gain of associates accounted for using equity method (note 6(f))	<u>26,812</u>	<u>1</u>	<u>10,206</u>	<u>-</u>	<u>43,156</u>	<u>-</u>	<u>994</u>	<u>-</u>
		<u>(284)</u>	<u>-</u>	<u>112,752</u>	<u>3</u>	<u>130,091</u>	<u>1</u>	<u>(332,004)</u>	<u>(6)</u>
7900	<b>Profit before tax</b>	1,668,627	33	1,084,630	30	2,990,472	32	1,153,700	19
8110	Less: Income tax expenses (note 6(o))	<u>366,531</u>	<u>7</u>	<u>191,724</u>	<u>5</u>	<u>605,685</u>	<u>7</u>	<u>217,023</u>	<u>4</u>
	<b>Net profit</b>	<u>1,302,096</u>	<u>26</u>	<u>892,906</u>	<u>25</u>	<u>2,384,787</u>	<u>25</u>	<u>936,677</u>	<u>15</u>
8300	<b>Other comprehensive income (loss) (notes 6(f) and (p)):</b>								
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	13,199	-	40,275	1	69,927	1	(31,668)	(1)
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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>13,199</u>	<u>-</u>	<u>40,275</u>	<u>1</u>	<u>69,927</u>	<u>1</u>	<u>(31,668)</u>	<u>(1)</u>
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	(569)	-	(659)	-	(177)	-	(744)	-
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	<u>-</u>	<u>-</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25)</u>	<u>-</u>
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(569)</u>	<u>-</u>	<u>(683)</u>	<u>-</u>	<u>(177)</u>	<u>-</u>	<u>(769)</u>	<u>-</u>
8300	<b>Other comprehensive income (loss), net</b>	<u>12,630</u>	<u>-</u>	<u>39,592</u>	<u>1</u>	<u>69,750</u>	<u>1</u>	<u>(32,437)</u>	<u>(1)</u>
8500	<b>Comprehensive income</b>	<u>\$ 1,314,726</u>	<u>26</u>	<u>932,498</u>	<u>26</u>	<u>2,454,537</u>	<u>26</u>	<u>904,240</u>	<u>14</u>
	<b>Net profit attributable to:</b>								
8610	Owners of parent	\$ 1,320,060	26	918,089	26	2,419,891	25	971,922	16
8620	Non-controlling interests	<u>(17,964)</u>	<u>-</u>	<u>(25,183)</u>	<u>(1)</u>	<u>(35,104)</u>	<u>-</u>	<u>(35,245)</u>	<u>(1)</u>
		<u>\$ 1,302,096</u>	<u>26</u>	<u>892,906</u>	<u>25</u>	<u>2,384,787</u>	<u>25</u>	<u>936,677</u>	<u>15</u>
	<b>Comprehensive income attributable to:</b>								
8710	Owners of the parent	\$ 1,332,700	26	957,681	27	2,489,651	26	939,485	15
8720	Non-controlling interests	<u>(17,974)</u>	<u>-</u>	<u>(25,183)</u>	<u>(1)</u>	<u>(35,114)</u>	<u>-</u>	<u>(35,245)</u>	<u>(1)</u>
		<u>\$ 1,314,726</u>	<u>26</u>	<u>932,498</u>	<u>26</u>	<u>2,454,537</u>	<u>26</u>	<u>904,240</u>	<u>14</u>
	<b>Earnings per share (expressed in dollars) (note 6(q))</b>								
9710	Basic earnings per share	<u>\$ 4.53</u>		<u>3.15</u>		<u>8.30</u>		<u>3.33</u>	
9850	Diluted earnings per share	<u>\$ 4.50</u>		<u>3.14</u>		<u>8.21</u>		<u>3.30</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 six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Ordinary shares	Capital surplus	Retained earnings		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Unappropriated retained earnings						
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	-	-	-	971,922	-	-	-	971,922	(35,245)	936,677
Other comprehensive income	-	-	-	-	(769)	(31,668)	-	(32,437)	-	(32,437)
Total comprehensive income	-	-	-	971,922	(769)	(31,668)	-	939,485	(35,245)	904,240
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	249,674	(249,674)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,975,223)	-	-	-	(1,975,223)	-	(1,975,223)
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	318,861	318,861
Changes in non-controlling interests	-	63,622	-	-	-	-	-	63,622	22,257	85,879
Balance at June 30, 2020	\$ 3,038,804	439,567	1,825,597	1,324,349	(6,306)	103,779	(28,975)	6,696,815	240,094	6,936,909
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	-	-	-	2,419,891	-	-	-	2,419,891	(35,104)	2,384,787
Other comprehensive income	-	-	-	-	(167)	69,927	-	69,760	(10)	69,750
Total comprehensive income	-	-	-	2,419,891	(167)	69,927	-	2,489,651	(35,114)	2,454,537
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	333,979	(333,979)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(2,734,924)	-	-	-	(2,734,924)	-	(2,734,924)
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	3,400	3,400
Changes in non-controlling interests	-	285	-	-	-	-	-	285	(3,100)	(2,815)
Balance at June 30, 2021	\$ 3,038,804	519,923	2,159,576	3,043,206	(6,764)	79,864	(28,975)	8,805,634	187,620	8,993,254

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 six months ended June 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 2,990,472	1,153,700
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	56,935	48,423
Amortization expense	61,866	35,764
Expected credit loss (gain)	(30)	1,756
Net loss (gain) on financial assets at fair value through profit or loss	(113,278)	341,801
Interest expense	3,732	3,244
Interest income	(9,218)	(17,172)
Dividend income	(15,252)	(11,338)
Shares of loss (gain) of associates accounted for using equity method	(43,156)	(994)
Loss on disposal of property, plant and equipment	340	2,982
Gain on disposal of investment properties	(1,343)	(14,724)
Gain on a bargain purchase	(1,201)	-
Difference between net pension liability and actual appropriations	(13,458)	32
Impairment loss and disposal loss on inventory	48,753	61,694
Others	-	(590)
<b>Total adjustments to reconcile profit</b>	<b>(25,310)</b>	<b>450,878</b>
<b>Changes in operating assets and liabilities:</b>		
Increase in notes and accounts receivable	(105,872)	(539,655)
Increase in inventories	(182,610)	(532,123)
Decrease (increase) in prepayments and other current assets	(97,506)	9,423
Decrease (increase) in other receivables	6,975	(321,818)
Increase in notes and accounts payable	181,508	583,952
Increase in other current liabilities	223,871	141,742
Cash inflow generated from operations	2,991,528	946,099
Interest received	9,129	17,518
Interest paid	(3,732)	(3,457)
Income taxes paid	(458,258)	(15,482)
<b>Net cash flows from operating activities</b>	<b>2,538,667</b>	<b>944,678</b>
<b>Cash flows from (used in) investing activities:</b>		
Dividends received	16,769	12,610
Acquisition of current financial assets at fair value through profit or loss	(118,034)	(1,154,080)
Proceeds from disposal of current financial assets at fair value through profit or loss	30,034	221,983
Acquisition of non-current financial assets at fair value through profit or loss	(48,022)	(15,486)
Proceeds from disposal of non-current financial assets at fair value through profit or loss	-	4,002
Proceeds from capital reduction of financial assets at fair value through profit or loss	7,473	34,856
Decrease (increase) in financial assets at amortized cost	(433,500)	1,136,500
Net cash flow from acquisition of subsidiaries	2,337	123,128
Proceeds from disposal of subsidiaries	9,166	-
Acquisition of property, plant and equipment	(30,399)	(63,199)
Proceeds from disposal of property, plant and equipment	-	1,000
Acquisition of intangible assets	(45,779)	(88,798)
Increase in refundable deposits	(20,517)	-
Decrease (Increase) in other non-current assets	(4,169)	2,298
<b>Net cash flows from (used in) investing activities</b>	<b>(634,641)</b>	<b>214,814</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	10,000	71,620
Decrease in short-term loans	-	(263,000)
Increase (decrease) in guarantee deposits received	107	(71)
Payment of lease liabilities	(174,746)	(13,115)
Change in non-controlling interests	3,400	318,861
<b>Net cash flows from (used in) financing activities</b>	<b>(161,239)</b>	<b>114,295</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(168)</b>	<b>(821)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,742,619</b>	<b>1,272,966</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>2,030,341</b>	<b>1,502,121</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 3,772,960</b>	<b>2,775,087</b>

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

**June 30, 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 six months ended June 30, 2021 and 2020 were authorized for issuance by the Board of Directors on August 2, 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. 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”

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

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (c) 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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	<p>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.</p> <p>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.</p>	Effective date to be determined by IASB

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Disclosure of Accounting Policies”	<p>The key amendments to IAS 1 include:</p> <ul style="list-style-type: none"> <li>• requiring companies to disclose their material accounting policies rather than their significant accounting policies;</li> <li>• clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and</li> <li>• clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.</li> </ul>	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	<p>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.</p> <p>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.</p>	January 1, 2023

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 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (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.

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.

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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
			June 30, 2021	December 31, 2020	June 30, 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, computer and its related products, manufactures optical instruments	42.96 %	43.98 %	43.98 %	note 1 and note 3
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 %	61.16 %	note 1 and note 5

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			June 30, 2021	December 31, 2020	June 30, 2020	
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 technical support and information service	100.00 %	100.00 %	100.00 %	-
Power Asia	Elan Shenzhen	Provide technical support and information service	100.00 %	100.00 %	100.00 %	-
MetaCom	Metanoia EU	Provide technical support and information service	100.00 %	- %	- %	note 7

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. In addition, Eminent issued share capital due to the exercise of employee stock options on April 19, 2021. The Group's ownership decreased to 42.96%.

Note 4: On January 31, 2020, the Company acquired 86.96% equity of RisingStar. However, the Company 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 Group's ownership increased to 98.23% after participating in the capital increase of PiXORD.

Note 7: On April 28, 2021, MetaCom acquired 100.00% equity of Metanoia EU, thus, the investee has been included in the consolidated financial statements since then.

(c) **Employee benefits**

The pension cost for 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.

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.

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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**

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Petty cash	\$ 538	737	664
Checking and demand deposits	1,948,122	1,739,104	2,597,003
Time deposits with maturities of three months or less	1,824,300	290,500	177,420
	<b><u>\$ 3,772,960</u></b>	<b><u>2,030,341</u></b>	<b><u>2,775,087</u></b>

- (i) As of June 30, 2021, December 31 and June 30, 2020, time deposits with maturities more than three months held by the Group amounted to \$3,176,350 thousand, \$2,742,850 thousand, and \$1,152,950 thousand, respectively, and were recorded as current and non-current financial assets measured at fair value.
- (ii) The Group did not recognize impairment loss on current and non-current financial assets measured at fair value for the six months ended June 30, 2021 and 2020. Other information relating to credit risk is provided in Note 6(u).

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Mandatorily measured at fair value through profit or loss:			
Current:			
Listed stocks	\$ 5,934	4,310	6,312
Certificates of beneficial interest	949,998	905,044	1,609,747
Short-term commercial papers	<u>59,928</u>	<u>60,454</u>	<u>63,632</u>
Subtotal	<u>1,015,860</u>	<u>969,808</u>	<u>1,679,691</u>
Non-current:			
Listed stocks	375,596	393,842	412,219
Non-publicly traded stocks	704,679	570,840	543,148
Unlisted funds	<u>80,807</u>	<u>59,167</u>	<u>41,150</u>
Subtotal	<u>1,161,082</u>	<u>1,023,849</u>	<u>996,517</u>
Total	<u><u>\$ 2,176,942</u></u>	<u><u>1,993,657</u></u>	<u><u>2,676,208</u></u>

(c) Notes and accounts receivable

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Notes receivable	\$ 3,814	5,343	11,749
Accounts receivable - fair value through other comprehensive income	1,126,700	772,934	916,960
Accounts receivable - measured at amortized cost	1,164,397	1,419,193	881,925
Less: Loss allowance	<u>(35,224)</u>	<u>(35,254)</u>	<u>(30,125)</u>
	<u><u>\$ 2,259,687</u></u>	<u><u>2,162,216</u></u>	<u><u>1,780,509</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.

(Continued)



**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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:

<b>June 30, 2021</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Expected credit loss</b>
Current	\$ 2,156,713	0.36%	7,786
1 to 30 days past due	93,853	2.30%	2,158
31 to 60 days past due	21,197	15.54%	3,293
61 to 90 days past due	612	73.86%	452
More than 90 days past due	22,536	50%~100%	21,535
	<b>\$ 2,294,911</b>		<b>35,224</b>
<b>December 31, 2020</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Expected credit loss</b>
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
	<b>\$ 2,197,470</b>		<b>35,254</b>
<b>June 30, 2020</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Expected credit loss</b>
Current	\$ 1,733,655	0.40%	6,981
1 to 30 days past due	48,174	2.16%	1,043
31 to 60 days past due	6,591	14.40%	949
61 to 90 days past due	1,681	36.83%	619
More than 90 days past due	20,533	50%~100%	20,533
	<b>\$ 1,810,634</b>		<b>30,125</b>

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>For the six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1, 2021 and 2020	\$ 35,254	28,369
Impairment loss recognized (reversed)	(30)	1,756
Balance at June 30, 2021 and 2020	<u><u>\$ 35,224</u></u>	<u><u>30,125</u></u>

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 the risks and rewards of their ownership, and it does not have any continuing involvement in them. The amounts receivable from the financial institutions were recognized as “other receivables” upon the derecognition of those accounts receivables.

<b>June 30, 2021</b>						
<b>Purchaser</b>	<b>Accounts derecognized</b>	<b>Factoring Line</b>	<b>Advanced Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest Rate</b>	<b>Collateral</b>
Financial Institution	<u>\$ 1,378,179</u>	<u>2,870,120</u>	<u>-</u>	<u>1,378,179</u>	<u>0.05%~0.10%</u>	None

<b>December 31, 2020</b>						
<b>Purchaser</b>	<b>Accounts derecognized</b>	<b>Factoring Line</b>	<b>Advanced Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest Rate</b>	<b>Collateral</b>
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

<b>June 30, 2020</b>						
<b>Purchaser</b>	<b>Accounts derecognized</b>	<b>Factoring Line</b>	<b>Advanced Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest Rate</b>	<b>Collateral</b>
Financial Institution	<u>\$ 1,040,802</u>	<u>2,932,800</u>	<u>-</u>	<u>1,040,802</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 June 30, 2021, December 31 and June 30, 2020. The remaining amount has been reclassified into other receivables. The Group did not recognize impairment loss on other receivables for the six months ended June 30, 2021 and 2020, and other information on credit risk is disclosed in Note 6(u).

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Inventories

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Raw materials	\$ 693,846	657,429	730,213
Work in progress	998,426	851,032	863,587
Finished goods	224,238	274,192	282,484
	<b><u>\$ 1,916,510</u></b>	<b><u>1,782,653</u></b>	<b><u>1,876,284</u></b>

The details of the cost of sales are as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Inventory that has been sold	\$ 2,489,894	1,833,589	4,622,488	2,957,248
Write-down of inventories	17,658	22,077	48,753	61,694
Others	(248)	(70)	(795)	(323)
	<b><u>\$ 2,507,304</u></b>	<b><u>1,855,596</u></b>	<b><u>4,670,446</u></b>	<b><u>3,018,619</u></b>

As of June 30, 2021, December 31 and June 30, 2020, the Group had not provided any inventories as collateral for its loans.

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Equity investments at fair value through other comprehensive income:			
Emerging stocks	\$ 25,277	13,732	17,083
Quoted shares	349,002	290,620	143,082
	<b><u>\$ 374,279</u></b>	<b><u>304,352</u></b>	<b><u>160,165</u></b>

- (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 June 30, 2021 and 2020.
- (iii) For market risk, please refer to note 6(u).
- (iv) As of June 30, 2021, December 31 and June 30, 2020, the Group had not provided any financial assets as collateral for its loans.

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(f) Investments accounted for using equity method

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Associates	\$ <u>358,770</u>	<u>319,622</u>	<u>297,468</u>

The related information on the original cost investments of the associates was as follows:

			<b>June 30, 2021</b>		<b>December 31, 2020</b>		<b>June 30, 2020</b>	
	<b>Nature of the relationship</b>	<b>Principal country</b>	<b>Amount</b>	<b>Share- holding (%)</b>	<b>Amount</b>	<b>Share- holding (%)</b>	<b>Amount</b>	<b>Share- holding (%)</b>
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, computers and its related products, manufactures optical instruments	R.O.C.	77,706	38.46	77,706	38.46	77,706	38.46
			<u>\$ 415,418</u>		<u>415,418</u>		<u>415,418</u>	

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

	<b>For the three months ended June 30</b>	<b>For the six months ended June 30</b>
	<b>2021</b>	<b>2020</b>
Attributable to the Group:		
Profit (Loss) from continuing operations	\$ 26,812	10,206
Other comprehensive income (loss)	-	(24)
Comprehensive income	<u>\$ 26,812</u>	<u>10,182</u>
	<u>43,156</u>	<u>994</u>

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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Investments were accounted 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.

(g) Business combinations

- (i) 1) The Group expects to improve its management synergy. Therefore, on February 29, 2020, the Company obtained 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, computers and related products.
- 2) The following table summarized the consideration paid for Eminent 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.

	<b>February 19, 2020</b>
Fair value of pre-existing interest in Eminent	\$ 54,466
Non-controlling interest in the acquisition	69,376
	<b><u>\$ 123,842</u></b>
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 received	(42,351)
Total identifiable net assets acquired	<b><u>\$ 123,842</u></b>

- 3) After the business combinations, the Group's equity interest in Eminent did not change. The Group recognized profit based on the fair value remeasurement amounting to \$15,000 thousand, please refer to note 6(s).

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- (ii) 1) The Group expects to enhance artificial intelligence 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 thousand and obtained control over it.
- 2) The following table summarized the consideration paid for RisingStar 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.

	<b>January 31, 2020</b>
Consideration paid by cash	<b>\$ <u>20,000</u></b>
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	<b>\$ <u>20,000</u></b>

- (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 obtained control over the investee.
- 2) The following table summarizes the acquisition-date fair value of major class of consideration transferred.

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

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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 recognized loss of \$1,246 thousand, please refer to note 6(s).
- (iv) 1) To expand European operations and provide technical support and services, the Group acquired 100.00% shares of Metanoia Communication Europe (Metanoia EU) at an investment cost of \$34 thousand (EUR\$1 thousand) and obtained control over it on April 28, 2021.
- 2) The following table summarizes the acquisition-date fair value of major class of consideration transferred.

	<u><b>April 28, 2021</b></u>
Consideration paid by cash	<u><u>\$ 34</u></u>
Current assets	
Cash and cash equivalents	\$ 2,371
Accounts receivables	50
Prepayments and other current assets	1
Non-current assets	
Property, plant and equipment (note 6(i))	250
Current liabilities	
Other current liabilities	<u>(1,437)</u>
Total identifiable net assets acquired	<u><u>\$ 1,235</u></u>

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- 3) The Group recognized gain on a bargain purchase of \$1,201 thousand due to the acquisition of Metanoia EU, please refer to note 6(s).

(h) Loss of control over a subsidiary

The Group had sold 86.96% of its shares in RisingStar, wherein the proceeds of \$20,111 thousand on February 9, 2021, resulted in a loss of control over 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 follows:

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	(177)
Carrying amount of net assets	<u><u>\$ 21,583</u></u>

- (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 from 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>

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(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
Acquisitions	-	-	250	-	-	250
Additions	-	639	16,978	4,712	8,070	30,399
Effect of disposal of a subsidiary	-	-	-	(365)	-	(365)
Derecognized	-	-	(9,181)	(1,176)	-	(10,357)
Reclassification	-	-	4,134	214	(4,348)	-
Effect of movements in exchange rates	-	-	(14)	(16)	-	(30)
Balance at June 30, 2021	<u>\$ 230,790</u>	<u>1,163,024</u>	<u>588,101</u>	<u>163,599</u>	<u>34,173</u>	<u>2,179,687</u>
Balance at January 1, 2020	\$ 230,790	1,089,827	518,632	151,594	8,567	1,999,410
Acquisitions	-	-	32,960	4,345	2,680	39,985
Additions	-	4,266	19,991	6,539	32,403	63,199
Derecognized	-	-	(13,764)	(3,551)	-	(17,315)
Reclassification	-	234	6,148	-	(29,324)	(22,942)
Effect of movements in exchange rates	-	-	(221)	(237)	-	(458)
Balance at June 30, 2020	<u>\$ 230,790</u>	<u>1,094,327</u>	<u>563,746</u>	<u>158,690</u>	<u>14,326</u>	<u>2,061,879</u>
Accumulated depreciation:						
Balance at January 1, 2021	\$ -	694,485	456,020	136,504	-	1,287,009
Depreciation	-	9,883	27,452	4,688	-	42,023
Effect of disposal of a subsidiary	-	-	-	(120)	-	(120)
Derecognized	-	-	(8,919)	(1,098)	-	(10,017)
Reclassification	-	-	(171)	171	-	-
Effect of movements in exchange rates	-	-	(9)	(11)	-	(20)
Balance at June 30, 2021	<u>\$ -</u>	<u>704,368</u>	<u>474,373</u>	<u>140,134</u>	<u>-</u>	<u>1,318,875</u>
Balance at January 1, 2020	\$ -	677,667	427,276	133,930	-	1,238,873
Depreciation	-	8,201	23,584	3,893	-	35,678
Derecognized	-	-	(9,793)	(3,540)	-	(13,333)
Effect of movements in exchange rates	-	-	(198)	(204)	-	(402)
Balance at June 30, 2020	<u>\$ -</u>	<u>685,868</u>	<u>440,869</u>	<u>134,079</u>	<u>-</u>	<u>1,260,816</u>

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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>
Carrying amount:						
Balance at January 1, 2021	\$ 230,790	467,900	119,914	23,726	30,451	872,781
Balance at June 30, 2021	\$ 230,790	458,656	113,728	23,465	34,173	860,812
Balance at June 30, 2020	\$ 230,790	408,459	122,877	24,611	14,326	801,063

As of June 30, 2021, December 31 and June 30, 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	655,854	-	-	4,672	660,526
Effect of movements in exchange rates	-	(65)	-	-	(65)
Balance at June 30, 2021	\$ 842,737	36,138	948	16,851	896,674
Balance at January 1, 2020	\$ 186,140	40,667	375	8,847	236,029
Additions	743	4,892	-	915	6,550
Derecognized	-	(3,654)	-	-	(3,654)
Effect of movements in exchange rates	-	(749)	-	-	(749)
Balance at June 30, 2020	\$ 186,883	41,156	375	9,762	238,176
Accumulated depreciation:					
Balance at January 1, 2021	\$ 11,165	14,045	132	4,950	30,292
Depreciation	5,538	6,461	158	2,755	14,912
Effect of movements in exchange rates	-	(39)	-	-	(39)
Balance at June 30, 2021	\$ 16,703	20,467	290	7,705	45,165

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Balance at January 1, 2020	\$ 5,570	8,024	237	1,715	15,546
Depreciation	2,790	7,919	118	1,918	12,745
Derecognized	-	(3,654)	-	-	(3,654)
Effect of movements in exchange rates	-	(98)	-	-	(98)
Balance at June 30, 2020	<u>\$ 8,360</u>	<u>12,191</u>	<u>355</u>	<u>3,633</u>	<u>24,539</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 June 30, 2021	<u>\$ 826,034</u>	<u>15,671</u>	<u>658</u>	<u>9,146</u>	<u>851,509</u>
Balance at June 30, 2020	<u>\$ 178,523</u>	<u>28,965</u>	<u>20</u>	<u>6,129</u>	<u>213,637</u>

The Group leased the superficies of “Hsinchu County International AI Smart Park Industrial Zone (1)-3” on April 30, 2021, with the royalty of \$15,800 thousand per year. The leased land will be calculated and adjusted based on the announced land price during the contract period. The Group recognized right-of-use assets and lease liabilities amounting to \$655,854 thousand, respectively.

(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	-	8,898	36,881	45,779
Effect of disposal of a subsidiary	-	-	(3,007)	(3,007)
Reclassifications	-	(25)	-	(25)
Derecognized	-	(5,579)	(3,936)	(9,515)
Balance at June 30, 2021	<u>\$ 176,838</u>	<u>234,063</u>	<u>263,142</u>	<u>674,043</u>
Balance at January 1, 2020	\$ 176,838	153,837	161,364	492,039
Additions	-	3,587	85,211	88,798
Acquisitions	1,455	-	3,141	4,596
Derecognized	-	(402)	(69,750)	(70,152)
Balance at June 30, 2020	<u>\$ 178,293</u>	<u>157,022</u>	<u>179,966</u>	<u>515,281</u>

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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	<b>Goodwill</b>	<b>Technical Know-how</b>	<b>Computer software</b>	<b>Total</b>
Accumulated amortization:				
Balance at January 1, 2021	\$ -	92,014	99,240	191,254
Additions	-	22,582	39,284	61,866
Effect of disposal of a subsidiary	-	-	(1,147)	(1,147)
Derecognized	-	(5,579)	(3,936)	(9,515)
Balance at June 30, 2021	<u>\$ -</u>	<u>109,017</u>	<u>133,441</u>	<u>242,458</u>
Balance at January 1, 2020	\$ -	58,927	128,893	187,820
Additions	-	14,197	21,567	35,764
Derecognized	-	(402)	(69,750)	(70,152)
Balance at June 30, 2020	<u>\$ -</u>	<u>72,722</u>	<u>80,710</u>	<u>153,432</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 June 30, 2021	<u>\$ 176,838</u>	<u>125,046</u>	<u>129,701</u>	<u>431,585</u>
Balance at June 30, 2020	<u>\$ 178,293</u>	<u>84,300</u>	<u>99,256</u>	<u>361,849</u>

(l) Short-term borrowings

The short-term borrowings were summarized as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Unsecured bank loans	<u>\$ 50,000</u>	<u>40,000</u>	<u>49,620</u>
Range of interest rate	<u>1.78%~ 1.80%</u>	<u>1.80%~ 1.99%</u>	<u>1.50%~2.045%</u>
Unused short-term credit lines	<u>\$ 2,360,000</u>	<u>345,000</u>	<u>665,000</u>

(m) Lease liabilities

The lease liabilities were as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Current	<u>\$ 24,068</u>	<u>21,858</u>	<u>21,002</u>
Non-current	<u>\$ 674,158</u>	<u>187,361</u>	<u>195,059</u>

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

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The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Interest on lease liabilities	\$ <u>2,266</u>	<u>1,037</u>	<u>3,254</u>	<u>2,125</u>
Expenses relating to short-term leases	\$ <u>4,370</u>	<u>4,224</u>	<u>8,656</u>	<u>8,063</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>338</u>	<u>43</u>	<u>561</u>	<u>113</u>
Covid-19-related rent concessions	\$ <u>-</u>	<u>(590)</u>	<u>-</u>	<u>(590)</u>

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

	For the six months ended June 30, 2021	
	2021	2020
Total cash outflow for leases	\$ <u>187,217</u>	<u>22,826</u>

(i) Real estate leases

As of June 30, 2021, December 31 and June 30, 2020, the Group leases land and buildings for its office space. The lease of land typically run for a period of 20 to 40 years, and of buildings for 2 to 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 to 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 1 to 3 years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term. 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.

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(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:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating cost	\$ 83	114	166	228
Selling expenses	69	147	154	294
Administration expenses	83	96	167	226
Research and development expenses	773	1,076	1,546	2,119
	<u>\$ 1,008</u>	<u>1,433</u>	<u>2,033</u>	<u>2,867</u>

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months and six months ended June 30, 2021 and 2020 were as follows:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating cost	\$ 2,043	2,155	4,155	4,067
Selling expenses	1,621	1,437	3,199	2,654
Administration expenses	2,301	1,293	4,544	3,168
Research and development expenses	12,033	10,759	24,272	21,702
	<u>\$ 17,998</u>	<u>15,644</u>	<u>36,170</u>	<u>31,591</u>

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(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:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current period	\$ 335,365	174,103	574,519	199,402
Additional tax on undistributed earnings	31,166	17,621	31,166	17,621
Current tax expense	<u><b>\$ 366,531</b></u>	<u><b>191,724</b></u>	<u><b>605,685</b></u>	<u><b>217,023</b></u>

- (ii) The Company's income tax return for the year 2018 had been examined by the tax authorities.

(p) Capital and other equity

- (i) Ordinary share

As of June 30, 2021, December 31 and June 30, 2020, the authorized capital of the Company amounted to \$4,800,000 thousand, divided into 303,880 thousand ordinary shares, with 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:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
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	63,130	62,845	63,622
	<u><b>\$ 519,923</b></u>	<u><b>519,638</b></u>	<u><b>439,567</b></u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Retained earnings

The Company's Article of Incorporation stipulate that Company's net earnings should be used to offset the prior years' deficits, if any, after paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. Aside from the aforesaid legal reserve, the Company may appropriate another sum as a special reserve according to operation needs and legal requirements, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval. For dividends of at least 50% of current-period earnings and undistributed prior-period earnings, the cash dividends shall not be less than 10% of the total amount dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

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 special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriations of earnings for 2020 exceeded the statutory resolution threshold via electronic voting on June 13, 2021, and then the shareholders' meeting resolved to distribute the 2020 earnings on July 2, 2021. Earnings distribution for 2019 was decided by the resolution adopted, at the general meeting of shareholders held on May 27, 2020. The Company declared cash dividends 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

	June 30, 2021		December 31, 2020		June 30, 2020	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
The Company's shares held by subsidiaries	<u>12,438</u>	<u>\$ 28,975</u>	<u>12,438</u>	<u>28,975</u>	<u>12,438</u>	<u>28,975</u>

(Continued)



## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 six months ended June 30, 2021 and 2020, the information on the Company's stock held by Elan Investment Corp. was as follows:

	For the six months ended June 30					
	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
Effect of valuation changes	-	-	758,730	-	-	364,439
Ending balance	<u>12,438</u>	<u>\$ 28,975</u>	<u>2,419,230</u>	<u>12,438</u>	<u>28,975</u>	<u>1,498,803</u>

(v) Other equity

The movements of other equity were as follows:

	For the six months ended June 30, 2021		
	Exchange differences on translation of foreign financial statements	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
Exchange differences on foreign operations:			
The Group	(167)	-	(167)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	69,927	69,927
Balance at June 30	<u>\$ (6,764)</u>	<u>79,864</u>	<u>73,100</u>

  

	For the six months ended June 30, 2020		
	Exchange differences on translation of foreign financial statements	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
Exchange differences on foreign operations:			
The Group	(744)	-	(744)
Associates	(25)	-	(25)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	(31,668)	(31,668)
Balance at June 30	<u>\$ (6,306)</u>	<u>103,779</u>	<u>97,473</u>

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Earnings per share

The Company's earnings per share for the three months and six months ended June 30, 2021 and 2020 were calculated as follows:

(i) Basic earnings per share:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Net profit attributable to ordinary shareholders of the Company	\$ <u>1,320,060</u>	<u>918,089</u>	<u>2,419,891</u>	<u>971,922</u>
Weighted-average number of ordinary shares outstanding (thousands)	<u>291,442</u>	<u>291,442</u>	<u>291,442</u>	<u>291,442</u>
Earnings per share	\$ <u>4.53</u>	<u>3.15</u>	<u>8.30</u>	<u>3.33</u>

(ii) Diluted earnings per share:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Net profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>1,320,060</u>	<u>918,089</u>	<u>2,419,891</u>	<u>971,922</u>
Weighted-average number of ordinary shares outstanding (thousands)	291,442	291,442	291,442	291,442
Effect of dilutive potential ordinary shares (thousands)				
— employee emoluments	<u>1,851</u>	<u>1,182</u>	<u>3,297</u>	<u>3,142</u>
Weighted-average number of ordinary shares outstanding (diluted)(thousands)	\$ <u>293,293</u>	<u>292,624</u>	<u>294,739</u>	<u>294,584</u>
Diluted earnings per share	\$ <u>4.50</u>	<u>3.14</u>	<u>8.21</u>	<u>3.30</u>

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Taiwan	\$ 547,295	205,173	684,877	409,067
Mainland China	651,467	699,062	1,369,232	1,164,225
Hong Kong	3,762,664	2,578,208	7,003,414	4,083,659
America	5,889	7,426	16,045	13,164
Europe	2,666	1,847	4,584	3,824
Others	66,131	47,583	113,781	71,601
	<u>\$ 5,036,112</u>	<u>3,539,299</u>	<u>9,191,933</u>	<u>5,745,540</u>

For details on revenue, please refer to note 14.

(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 June 30		For the six months ended June 30	
	2021	2020	2021	2020
Interest income from bank deposits	\$ <u>1,963</u>	<u>8,320</u>	<u>9,218</u>	<u>17,172</u>

(ii) Other income

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Rent income	\$ -	476	-	953
Dividend income	15,252	11,338	15,252	11,338
Government grants	4,983	-	5,518	-
Gain on a bargain purchase	1,201	-	1,201	-
Others	1,814	6,305	2,789	6,578
Total	<u>\$ 23,250</u>	<u>18,119</u>	<u>24,760</u>	<u>18,869</u>

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Other gains and losses

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Foreign exchange gains (losses)	\$ (46,813)	(35,110)	(57,195)	(23,069)
Gains (losses) on financial asset at fair value through profit or loss	(3,040)	116,735	113,278	(341,801)
Gains (Losses) on disposals of property, plant and equipment	1	3,274	(340)	(2,982)
Gains (Losses) on disposals of investment property	-	(276)	1,343	14,724
Miscellaneous disbursements	40	(7,266)	(397)	(12,667)
<b>Total</b>	<b>\$ (49,812)</b>	<b>77,357</b>	<b>56,689</b>	<b>(365,795)</b>

(t) Employee compensation and directors' and supervisors' remuneration

According to the Company's Articles of Incorporation, once the Company has annual profit, it should appropriate no less than 10% of the profit as employee compensation and less than 2% as directors' and supervisors' remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the six months ended June 30, 2021 and 2020, the remunerations to employees and directors were calculated using the Company's net income before tax without the remunerations to employees and directors 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 shareholders' 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 employee remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The estimated employee compensation and directors' and supervisors' remuneration were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Employee compensation	\$ 201,506	132,242	359,949	142,432
Directors' and supervisors' remuneration	25,834	16,993	46,147	18,305
	<u>\$ 227,340</u>	<u>149,235</u>	<u>406,096</u>	<u>160,737</u>

For the years ended December 31, 2020 and 2019, the Company estimated its employee compensation amounting to \$467,000 thousand and \$339,000 thousand, and directors' and supervisors' remuneration amounting to \$60,000 thousand and \$43,500 thousand, respectively. The compensation and remuneration were all paid in cash. There were no differences between the distribution amounts of compensation and remuneration decided by the Board of Directors and the estimated amounts. Related information would be available at 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 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.

Furthermore, the Group monitors and reviews the recoverable amount of the accounts receivables to ensure the uncollectible amount is recognized appropriately as impairment loss.

As of June 30, 2021 and 2020, 92% and 81% of accounts receivable were due from the ten largest customers, respectively. Credit risk was significantly concentrated.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 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 credit 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 six months ended June 30, 2021 and 2020, respectively.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including 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>Over 5 years</u>
<b>June 30, 2021</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 50,000	50,776	452	50,324	-	-	-
Notes and accounts payable	2,008,175	2,008,175	2,008,175	-	-	-	-
Other payables	766,924	766,924	766,924	-	-	-	-
Dividends payable	2,734,924	2,734,924	2,734,924	-	-	-	-
Lease liabilities	698,226	927,118	18,607	12,737	18,945	37,956	838,873
	<u>\$ 6,258,249</u>	<u>6,487,917</u>	<u>5,529,082</u>	<u>63,061</u>	<u>18,945</u>	<u>37,956</u>	<u>838,873</u>
<b>December 31, 2020</b>							
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>
<b>June 30, 2020</b>							
Non-derivative financial liabilities							
Short-term loans	\$ 49,620	50,429	463	49,966	-	-	-
Notes and accounts payable	1,784,359	1,784,359	1,784,359	-	-	-	-
Other payables	691,868	691,868	691,868	-	-	-	-
Dividends payable	1,975,216	1,975,216	1,975,216	-	-	-	-
Lease liabilities	216,061	267,917	13,081	11,831	23,312	25,338	194,355
	<u>\$ 4,717,124</u>	<u>4,769,789</u>	<u>4,464,987</u>	<u>61,797</u>	<u>23,312</u>	<u>25,338</u>	<u>194,355</u>

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Currency risk

1) Exposure to foreign currency risk

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

	June 30, 2021				December 31, 2020			June 30, 2020		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets:										
<u>Monetary item</u>										
USD	\$	173,442	27.86	4,832,104	165,617	28.10	4,653,824	126,525	29.57	3,741,342
Financial liabilities:										
<u>Monetary item</u>										
USD		85,480	27.86	2,381,483	82,036	28.10	2,305,212	68,735	29.57	2,032,504

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 strengthening (weakening) of 5% of the NTD against the USD at June 30, 2021 and 2020 would have increased (decreased) the net profit after tax by \$98,025 thousand and \$68,354 thousand for the six months ended June 30, 2021 and 2020, respectively, with all other variables remaining constant. The analysis is performed on the same basis in 2021 and 2020.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. The foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(57,195) thousand and \$(23,069) thousand for the six months ended June 30, 2021 and 2020, respectively.

(iv) Other market price risk

For the six months ended June 30, 2021 and 2020, the sensitivity analysis of the changes in the securities prices at the reporting date were performed on the same basis for profit or loss as illustrated below:

	For the six months ended June 30		For the six months ended June 30	
	2021		2020	
Prices of securities at the reporting date	Other comprehensive income after tax		Other comprehensive income after tax	
	Net income		Net income	
Increase 5%	\$ 14,971	43,448	6,407	38,464
Decrease 5%	\$ (14,971)	(43,448)	(6,407)	(38,464)

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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 which has no quoted market prices and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

<b>June 30, 2021</b>					
	<b>Book value</b>	<b>Fair Value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>total</b>
Financial assets at fair value through profit or loss (current and non-current)	\$ 2,176,942	1,313,569	77,887	785,486	2,176,942
Financial assets at fair value through other comprehensive income					
Stocks	374,279	47,967	301,035	25,277	374,279
Accounts receivable	1,126,700	-	-	-	-
Subtotal	1,500,979	47,967	301,035	25,277	374,279
Financial assets measured at amortized cost					
Cash and cash equivalents	3,772,960	-	-	-	-
Notes and accounts receivable	1,168,211	-	-	-	-
Other receivables	1,528,972	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	3,176,350	-	-	-	-
Guarantee deposits	45,085	-	-	-	-
Subtotal	9,691,578	-	-	-	-
Total	<u>\$ 13,369,499</u>	<u>1,361,536</u>	<u>378,922</u>	<u>810,763</u>	<u>2,551,221</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 50,000	-	-	-	-
Notes and accounts payable	2,008,175	-	-	-	-
Other payables	766,924	-	-	-	-
Lease liabilities (current and non-current)	698,226	-	-	-	-
Guarantee deposits received	39,534	-	-	-	-
Total	<u>\$ 3,562,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>December 31, 2020</b>					
	<b>Book value</b>	<b>Fair Value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>total</b>
Financial assets at fair value through profit or loss (current and non-current)	\$ 1,993,657	1,235,860	127,790	630,007	1,993,657
Financial assets at fair value through other comprehensive income					
Stocks	304,352	47,790	242,830	13,732	304,352
Accounts receivable	772,934	-	-	-	-
Subtotal	1,077,286	47,790	242,830	13,732	304,352

(Continued)



**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>December 31, 2020</b>					
	<b>Book value</b>	<b>Fair Value</b>			<b>total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets measured at amortized cost					
Cash and cash equivalents	2,030,341	-	-	-	-
Notes and trade receivable	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	7,697,163	-	-	-	-
Total	<b>\$ 10,768,106</b>	<b>1,283,650</b>	<b>370,620</b>	<b>643,739</b>	<b>2,298,009</b>
Financial liabilities measured at amortized cost					
Bank loans	\$ 40,000	-	-	-	-
Notes and accounts payable	1,826,667	-	-	-	-
Other payables	878,762	-	-	-	-
Lease liabilities (current and non-current)	209,219	-	-	-	-
Guarantee deposits received	39,427	-	-	-	-
Total	<b>\$ 2,994,075</b>	-	-	-	-
<b>June 30, 2020</b>					
	<b>Book value</b>	<b>Fair Value</b>			<b>total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss (current and non-current)	\$ 2,676,208	1,966,563	125,347	584,298	2,676,208
Financial assets at fair value through other comprehensive income					
Stocks	160,165	143,082	-	17,083	160,165
Accounts receivable	916,960	-	-	-	-
Subtotal	1,077,125	143,082	-	17,083	160,165
Financial assets measured at amortized cost					
Cash and cash equivalents	2,775,087	-	-	-	-
Notes and trade receivable	893,674	-	-	-	-
Other receivables	1,186,672	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	1,152,950	-	-	-	-
Guarantee deposits	10,572	-	-	-	-
Subtotal	6,018,955	-	-	-	-
Total	<b>\$ 9,772,288</b>	<b>2,109,645</b>	<b>125,347</b>	<b>601,381</b>	<b>2,836,373</b>
Financial liabilities measured at amortized cost					
Bank loans	49,620	-	-	-	-
Note and trade payable	1,784,359	-	-	-	-
Other payables	691,868	-	-	-	-
Lease liabilities (current and non-current)	216,061	-	-	-	-
Guarantee deposits received	26,290	-	-	-	-
Total	<b>\$ 2,768,198</b>	-	-	-	-

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

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.

3) Transfers between Level 1 and Level 2

There were no transfers from Level 2 to Level 1 and no transfers in either direction for the six months ended June 30, 2021 and 2020, respectively.

4) Reconciliation of Level 3 fair values

	<b>Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Total</b>
Opening balance, January 1, 2021	\$ 630,007	13,732	643,739
Total gains and losses recognized:			
In profit or loss	123,078	-	123,078
In other comprehensive income	-	11,545	11,545
Purchased	48,022	-	48,022
Capital reduction for redistribution to shareholders	(7,473)	-	(7,473)
Receivables from Capital reduction for redistribution to shareholders	(8,148)	-	(8,148)
Ending Balance, June 30, 2021	<u>\$ 785,486</u>	<u>25,277</u>	<u>810,763</u>

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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	<b>Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Total</b>
Opening balance, January 1, 2020	\$ 639,426	11,924	651,350
Total gains and losses recognized:			
In profit or loss	(30,495)	-	(30,495)
In other comprehensive income	-	5,159	5,159
Purchased	15,486	-	15,486
Disposal	(5,263)	-	(5,263)
Capital reduction for redistribution to shareholders	(34,856)	-	(34,856)
Ending Balance, June 30, 2020	<u>\$ 584,298</u>	<u>17,083</u>	<u>601,381</u>

For the six months ended June 30, 2021 and 2020, the 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:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Total gains and losses recognized:				
In profit or loss, and presented in “other gains and losses”	\$ 77,051	(4,476)	123,078	(30,495)
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	(2,531)	6,930	11,545	5,159

- 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”.

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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Quantified information of significant unobservable inputs was as follows:

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Financial assets at fair value through profit or loss - equity investments without an active market	Market Comparison Method	<ul style="list-style-type: none"> <li>Price to book ratio (June 30, 2021, December 31, 2020 and June 30, 2020: 1.32 to 1.77, 1.37 to 2.79 and 1.04 to 2.87)</li> <li>Liquidity discount (June 30, 2021, December 31, 2020 and June 30, 2020: 28.63% to 30%, 0% to 10%, and 7% to 10%)</li> <li>Price to earnings ratio (June 30, 2021, December 31, 2020 and June 30, 2020: 0.00 to 0.00, 0.64 to 2.52 and 0.43 to 2.13)</li> <li>Price to book assets ratio (June 30, 2021, December 31, 2020 and June 30, 2020: 0.00 to 0.00, 0.66 to 1.28 and 0.45 to 1.38)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>the price to book ratio were higher (lower);</li> <li>the liquidity discount were lower (higher);</li> <li>the price to earnings were higher (lower); or</li> <li>the price to book assets ratio were higher (lower).</li> </ul>
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>Increase or decrease</u>	<u>Profit or loss</u>	
	<u>Inputs</u>		<u>Favorable</u>	<u>Unfavorable</u>
<b>June 30, 2021</b>				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	1,601	(1,601)
	Liquidity discount	10%	657	(657)
<b>December 31, 2020</b>				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	2,731	(2,731)
	Liquidity discount	10%	230	(230)
<b>June 30, 2020</b>				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	6,707	(6,707)
	Liquidity discount	10%	1,056	(1,056)

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(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. Also, management believes that there were no significant changes in the Group's capital management information as disclosed 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 the current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the six months ended June 30, 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:

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>June 30, 2021</u>
			<u>Foreign exchange movement</u>	<u>Interest expense</u>	<u>Others</u>	
Short-term borrowings	\$ 40,000	10,000	-	-	-	50,000
Lease liabilities	209,219	(174,746)	(27)	3,254	660,526	698,226
Guarantee deposits received	39,427	107	-	-	-	39,534
Total liabilities from financing activities	<u>\$ 288,646</u>	<u>(164,639)</u>	<u>(27)</u>	<u>3,254</u>	<u>660,526</u>	<u>787,760</u>

  

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>June 30, 2020</u>
			<u>Foreign exchange movement</u>	<u>Interest expense</u>	<u>Others</u>	
Short-term borrowings	\$ 241,000	(191,380)	-	-	-	49,620
Lease liabilities	221,842	(13,115)	(751)	2,125	5,960	216,061
Guarantee deposits received	10,766	(71)	-	-	15,595	26,290
Total liabilities from financing activities	<u>\$ 473,608</u>	<u>(204,566)</u>	<u>(751)</u>	<u>2,125</u>	<u>21,555</u>	<u>291,971</u>

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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**(7) Related-party transactions:**

(a) Names and relationships with related parties

The following are entities that have had transactions with related parties 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 obtained control over Eminent on February 19, 2020; hence it became one of the Company's subsidiaries; thus, it had 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

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Associates-Eminent	\$ -	-	-	1,821

(ii) Rent income

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Associates-Eminent	\$ -	-	-	262

(c) Key management personnel compensation

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 41,864	27,975	79,183	36,550
Post-employment benefits	293	117	293	327
	<b>\$ 42,157</b>	<b>28,092</b>	<b>79,476</b>	<b>36,877</b>

The short-term employee benefits include remuneration to employees and directors. Please refer to Note 6(t) for further details.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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**(8) Pledged assets:**

The carrying amounts of pledged assets were as follows:

<u>Asset name</u>	<u>Pledge asset</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 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>\$ 7,200</u>	<u>9,600</u>	<u>9,600</u>

**(9) Commitments and contingencies:**

- (a) The Company entered into performance guarantee agreements with financial institutions for the Company'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 June 30, 2021, December 31 and June 30, 2020, the financial institutions had issued performance guarantees amounting to \$3,000 thousand, \$3,000 thousand, and \$4,000 thousand, respectively.
- (b) As of June 30, 2021, December 31 and June 30, 2020, the refundable notes payable for short-term borrowings amounted to \$2,410,000 thousand, \$385,000 thousand, and \$713,000 thousand, respectively.
- (c) The Company entered into non-infringement guarantee agreements with some customers (guarantees) to provide a guarantee regarding the selling of touchpad module products.
- (d) As of June 30, 2021, December 31 and June 30, 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 Economic Affairs, the Company 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 Company recognizes income based on the progress of the project. On June 17, 2021, the Company submitted the phase I summary report and recognized other income amounting to \$3,993 thousand. As of June 30, 2021 and December 31, 2020, the Company had entrusted financial institutions to guarantee that the Company would fulfill its obligations specified in the project contract. The financial institutions have issued performance guarantee amounting to \$4,000 thousand.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(f) Royalty fee

The Company 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 Company shall pay a royalty fee based on the sales quantity or other agreed conditions when the Company produces and sells products using this software.

(g) Litigation and actions

As of June 30, 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 damage 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.
- (iii) On May 11 and 13, 2021, the Company and its subsidiary Elan Microelectronics (Shenzhen) Co., Ltd. (hereinafter referred to as Elan Shenzhen) received litigation documents which indicated Goodix filed an appeal with Inner Mongolia Hohhot Intermediate People's Court against the Company and Elan Shenzhen for patent infringement. The Company had appointed a lawyer and made an objection against jurisdiction to the court within the defense period. Since the case is on trial, no significant influence on the Company is expected.

**(10) Losses due to major disasters: None.**

**(11) Subsequent events: None.**

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**Notes to the Consolidated Financial Statements**

**(12) Others:**

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

	For the three months ended June 30					
	2021			2020		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salaries and wages	\$ 90,235	559,552	649,787	90,786	475,358	566,144
Labor and health insurance	7,215	26,170	33,385	6,910	22,447	29,357
Pension	2,126	16,880	19,006	2,269	14,808	17,077
Others	6,911	11,370	18,281	5,327	10,895	16,222
Depreciation	9,698	20,744	30,442	7,730	16,474	24,204
Amortization	953	30,192	31,145	704	17,357	18,061

	For the six months ended June 30					
	2021			2020		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salaries and wages	\$ 178,414	1,070,965	1,249,379	157,997	804,571	962,568
Labor and health insurance	14,733	51,827	66,560	13,266	44,689	57,955
Pension	4,321	33,882	38,203	4,295	30,163	34,458
Others	12,698	22,845	35,543	9,430	21,056	30,486
Depreciation	19,034	37,901	56,935	17,213	31,210	48,423
Amortization	2,038	59,828	61,866	1,301	34,463	35,764

- (b) Seasonality of operations

Because of the global working from home, online learning and stay-at-home economics, the demand for laptops was constantly strong in the second quarter of 2021. The sales of the Group's touchpads, touchscreen chips and fingerprint identification products increased 28%, 11% and 53% quarter-on-quarter, respectively. The Group had growth in global laptop market share and penetration in supply chains of major laptop brands. Overall, the Group's revenue, gross margin, operating income and net profit for the second quarter of 2021 turned out to be higher than those of the first quarter.

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## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (13) Other disclosures:

(a) Information on significant transactions:

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2021:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of June 30, 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	5,934	0.12%	5,934	
Elan Microelectronics Corporation	Fubon China Money Market Fund-TWD	-	Current financial assets at fair value through profit or loss	1,867	20,024	-	20,024	
Elan Microelectronics Corporation	Fubon Chi-Hsiang Money Market Fund	-	Current financial assets at fair value through profit or loss	2,540	40,172	-	40,172	
Elan Microelectronics Corporation	PineBridge Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,209	30,418	-	30,418	
Elan Microelectronics Corporation	Cathay Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	7,224	90,640	-	90,640	
Elan Microelectronics Corporation	Nomura Global Short Duration Bond Fund-TWD	-	Current financial assets at fair value through profit or loss	3,282	35,069	-	35,069	
Elan Microelectronics Corporation	Nomura Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	1,887	31,062	-	31,062	
Elan Microelectronics Corporation	KGI Victory Money Market Fund	-	Current financial assets at fair value through profit or loss	6,855	80,084	-	80,084	
Elan Microelectronics Corporation	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	2,900	39,624	-	39,624	
Elan Microelectronics Corporation	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	2,400	39,493	-	39,493	
Elan Microelectronics Corporation	PineBridge Quantitative Diversified Income Fund-A	-	Current financial assets at fair value through profit or loss	2,001	20,061	-	20,061	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	190	17,959	-	17,959	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	71	19,781	-	19,781	
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	12,287	-	12,287	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (USD)(SERIES II)	-	Current financial assets at fair value through profit or loss	100	27,860	-	27,860	
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,077	25,277	4.14%	25,277	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,500	301,035	7.87%	301,035	

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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	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	5,334	0.94%	5,334	
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	335	1,865	1.32%	1,865	
Elan Microelectronics Corporation	TOP TAIWAN VII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,776	25,117	6.12%	25,117	
Elan Microelectronics Corporation	TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	2,383	40,531	4.17%	40,531	
Elan Microelectronics Corporation	Midatouch Research Corporation	-	Non-current financial assets at fair value through profit or loss	2,500	4,600	9.43%	4,600	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	98,323	6.25%	98,323	
Elan Microelectronics Corporation	InnoBridge Venture Capital	-	Non-current financial assets at fair value through profit or loss	800	2,415	11.35%	2,415	
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	39,831	10.00%	39,831	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	58,761	6.25%	58,761	
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	352,579	18.52%	352,579	
Elan Microelectronics Corporation	Chimei Motor Electronics Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	950	3,286	4.13%	3,286	
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through profit or loss	100	-	1.63%	-	

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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	Vertex Growth (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	80,807	-	80,807	
Elan Microelectronics Corporation	Taiwania Capital Buffalo Fund V, LP.	-	Non-current financial assets at fair value through profit or loss	-	24,848	3.30%	24,848	
Elan Investment Corp.	FSITC Money Market Fund	-	Current financial assets at fair value through profit or loss	131	23,506	-	23,506	
Elan Investment Corp.	FSITC US Top 100 Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	1,500	14,684	-	14,684	
Elan Investment Corp.	FSITC Global Wealthy Nations Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	2,629	26,083	-	26,083	
Elan Investment Corp.	FSITC Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,271	35,090	-	35,090	
Elan Investment Corp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	5,645	-	5,645	
Elan Investment Corp.	FSITC Global Health & Weight Loss Fund	-	Current financial assets at fair value through profit or loss	500	5,780	-	5,780	
Elan Investment Corp.	Nomura Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	4,134	68,052	-	68,052	
Elan Investment Corp.	Nomura Global Short Duration Bond Fund TWD	-	Current financial assets at fair value through profit or loss	4,783	51,109	-	51,109	
Elan Investment Corp.	Nomura Global Financial Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	3,589	39,715	-	39,715	
Elan Investment Corp.	Taishin Global Multi-asset Fund of Funds A TWD	-	Current financial assets at fair value through profit or loss	1,000	11,900	-	11,900	
Elan Investment Corp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	23,430	-	23,430	
Elan Investment Corp.	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	5,556	75,919	-	75,919	
Elan Investment Corp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	51,948	-	51,948	
Elan Investment Corp.	Taishin ESG Emerging Markets Bond Fund A TWD	-	Current financial assets at fair value through profit or loss	3,003	29,155	-	29,155	
Elan Investment Corp.	Taishin Short Duration Emerging High Yield Bond Fund A-TWD	-	Current financial assets at fair value through profit or loss	4,200	43,376	-	43,376	
Elan Investment Corp.	Elan Microelectronics Corporation	Subsidiary	Non-current financial assets at fair value through other comprehensive income	12,438	2,419,230	4.09%	2,419,230	
Elan Investment Corp.	Rafael Microelectronics, Inc.	-	Non-current financial assets at fair value through other comprehensive income	354	47,967	1.38%	47,967	
Elan Investment Corp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	21,888	3.88%	21,888	
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	375,596	13.41%	375,596	

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				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
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	721	1.59%	721	
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	658	1.23%	658	
Elan Investment Corp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	10,747	2.53%	10,747	
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	5,488	1.13%	5,488	
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	2,264	14.29%	2,264	
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	293,607	3.19 %	Open Account 45 Days	-		45,644	1.99%	

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 NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(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	293,607	Open Account 45 Days	3.19%
0	Elan Microelectronics Corporation	Elan (H.K.)	1	Accounts receivable	45,644	Open Account 45 Days	0.25%
1	Elan (H.K.)	Elan Microelectronics Corporation	2	Commission revenue	197,239	Monthly settlement	2.15%

(b) Information on investees:

The followings are the information on investees for the six months ended June 30, 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 June 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
Elan Microelectronics Corporation	Elan (H.K.) Microelectronics Corp. Limited	Hong Kong, China	Sale and after-sales service	123,272	123,272	29,328	100.00 %	588,051	98,301	98,301	Note
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	1,068,968	(19,299)	(19,299)	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 %	16,507	(623)	(623)	Note
Elan Microelectronics Corporation	SHENZHEN JUPP 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 %	(504)	(1,485)	(728)	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 %	105,539	(67,189)	(33,778)	Note
Elan Microelectronics Corporation	Avionic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	134,523	134,523	12,542	80.08 %	(20,746)	(9,426)	(7,654)	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 %	51,941	(12,154)	(11,905)	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	28.27 %	34,221	1,975	538	Note
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	240,000	240,000	24,000	30.00 %	350,212	145,949	43,785	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	5,000	24.69 %	8,558	(2,547)	(629)	
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	Bruckwell Technology Co., Ltd	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	20,000	20,000	2,000	61.16 %	10,428	(3,500)	(2,141)	Note
Elan Investment Corp.	Avionic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	6,463	6,463	646	4.13 %	(1,043)	(9,426)	(394)	Note

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
Elan Investment Corp.	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 %	146	(12,154)	(33)	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 %	18,938	(67,189)	(859)	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	14.69 %	18,056	1,975	279	Note
Elan (H.K.)	Power Asia Investment Co., Ltd.	Republic of Mauritius	Investment holding	89,572	89,572	2,861	100.00 %	11,775	(13,911)	(13,911)	Note
Elan Investment Corp.	Metanoia Communication Europe	France	Provide technical support and information service	34	-	1	100.00 %	627	(587)	(587)	Note

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

(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 June 30, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) recognized	Carrying value as of June 30, 2021	Accumulated inward remittance of earnings as of June 30, 2021
					Outflow	Inflow						
Elan Micro-electronics (Shanghai) Co., Ltd.	Provide technical support and information service	52,095	( 2 )	52,095	-	-	52,095	(11,768)	100.00%	(11,768)	5,121	-
Elan Micro-electronics (Shenzhen) Co., Ltd.	Provide technical support and information service	34,670	( 2 )	34,670	-	-	34,670	(2,141)	100.00%	(2,141)	6,217	-

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 Co., Ltd.).
- (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 June 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
86,765 (USD2,855,500)	98,333 (USD3,000,000)	5,283,380

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 months ended June 30, 2021								
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue								
Revenue from external customers	\$ 1,470,977	3,282,985	20,258	-	131,767	130,125	-	5,036,112
Intersegment revenues	141,193	-	-	-	111,076	7,856	(260,125)	-
Interest income	7,150	60	34	(5,389)	44	64	-	1,963
Total revenue	\$ 1,619,320	3,283,045	20,292	(5,389)	242,887	138,045	(260,125)	5,038,075
Reportable segment profit or loss	\$ 272,154	1,298,638	(41,095)	(92,048)	73,492	(7,134)	164,620	1,668,627
For the three months ended June 30, 2020								
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue								
Revenue from external customers	\$ 1,067,276	2,270,992	19,088	-	133,257	46,632	2,054	3,539,299
Intersegment revenues	140,478	-	-	-	93,382	5,743	(239,603)	-
Interest income	4,636	3,378	88	13	106	139	(40)	8,320
Total revenue	\$ 1,212,390	2,274,370	19,176	13	226,745	52,514	(237,589)	3,547,619
Reportable segment profit or loss	\$ 428,523	765,878	(27,990)	114,297	65,984	(42,486)	(219,576)	1,084,630
For the six months ended June 30, 2021								
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue								
Revenue from external customers	\$ 2,704,363	5,913,424	43,709	-	283,504	246,933	-	9,191,933
Intersegment revenues	296,959	-	-	-	197,239	13,940	(508,138)	-
Interest income	13,631	60	34	(4,680)	62	111	-	9,218
Total revenue	\$ 3,014,953	5,913,484	43,743	(4,680)	480,805	260,984	(508,138)	9,201,151
Reportable segment profit or loss	\$ 748,105	2,255,350	(66,866)	(18,518)	92,108	(24,432)	4,725	2,990,472
Assets								
Investments accounted for using equity method	\$ 2,213,174	-	-	36,097	-	-	(1,890,501)	358,770
Capital expenditure	\$ 718,333	4,896	7,872	-	167	5,436	-	736,704
Reportable segment assets	\$ 13,354,445	4,024,383	550,909	3,488,653	751,938	354,559	(4,581,107)	17,943,780
For the six months ended June 30, 2020								
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue								
Revenue from external customers	\$ 1,767,618	3,581,008	37,765	-	240,049	118,059	1,041	5,745,540
Intersegment revenues	249,092	-	-	-	145,935	11,345	(406,372)	-
Interest income	12,797	4,026	88	13	108	140	-	17,172
Total revenue	\$ 2,029,507	3,585,034	37,853	13	386,092	129,544	(405,331)	5,762,712
Reportable segment profit or loss	\$ 106,252	1,214,290	(48,030)	(317,265)	42,401	(58,952)	215,004	1,153,700
Assets								
Investments accounted for using equity method	\$ 1,882,047	-	-	35,251	-	-	(1,619,830)	297,468
Capital expenditure	\$ 138,765	12,377	610	-	4,973	1,822	-	158,547
Reportable segment assets	\$ 9,559,491	3,337,385	414,331	2,491,447	462,645	314,178	(3,209,670)	13,369,807