



**ELAN Microelectronics Corporation**

**2020  
ANNUAL REPORT**

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**ELAN Microelectronics Corporation**



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# **ELAN MICROELECTRONICS CORP.**

## **2020 Annual Report**

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## **I. Letter to Shareholders**

**Dear Shareholders,**

First of all, I would like to thank you for your continuing support throughout the year. With the outbreak of the COVID-19 pandemic in 2020, the life styles around the world have undergone major changes. Work-from-home, remote teaching, online learning, and housing economy have taken advantages of the trend that leads to a booming demand in the market of notebook computers. The Company's main products, notebook computer touchscreen controllers, and touch modules and fingerprint module products have obviously benefited from the change of this trend, and operations have also grown significantly. The annual consolidated net operating income has reached NT\$15.1 billion, an increase of 59% over the previous year, and a record high since the establishment of the Company. Due to the effects of the continuous product optimization and new product, the combined gross profit margin is significantly better than last year and maintains a high percentage of 46.7%. The combined operating profit ratio reaches 27.9%, and the amount of combined operating profit increases by 102% from the previous year. The consolidated pre-tax surplus reaches NT\$3.89 billion, an increase of 38.6% over the previous year.

Spreading the pandemic from Mainland China to the whole world in 2020, the COVID-19 has caused an interruption of the supply chain in the electronics industry. The Company actively coordinated and cooperated with the supply chain to maximize its ability to respond better than its competitors and maintained a close cooperation with the world's major specification and platform developers such as Microsoft, Wacom, Google, Huawei and other major manufacturers and was able to supply goods to the international first-tier manufacturers within the shortest possible time, and allow the penetration rate of individual customers and the global market share of the Company's touch products to be increased significantly. For example, the revenue of the screen chips dedicated to touch notebooks had an annual growth of 98%, and the revenue of the Touch Pad modules has an annual growth of 62%, both had achieved an outstanding performance.

At present, the Company is leading the industry in three notebook parts and accessories products including the Touch Pad modules, touchscreen controllers, and point sticks which mainly covers a market share of more than 60%. The next target aims at fingerprint recognition products and the goal is also the leading position of the notebook market. According to the information from the major global notebook brand manufacturers, the notebook industry still will continue to grow in 2021. Due to the relatively low penetration rate of fingerprint recognition in the notebook market, the willingness of using the fingerprint recognition function by major notebook brands was increased significantly. We estimate that the main growth momentum will come from the high-value-added fingerprint products for use in notebooks. Since the shipment volume is better than expected, the shipment volume in 2020 is grown by 139% compared to 2019. It is expected that the penetration rate of fingerprint recognition in notebooks will increase again in 2021.

Secondly, the chip solution with the capacitive touch stylus function is one of the most competitive products of the Company, and the growth of shipments in 2020 has exceeded 60% and achieved an outstanding performance. To cope with the advent of foldable smartphones in 2021, the touch controller integrated with the capacitive stylus function will bring opportunities and growth. Therefore, the Company will strive for this huge business opportunity with high potential in 2021.

In addition, the touchscreen controller applied in notebook computers still holds a high market share in the world. Benefiting from the strong demand in the notebook market and the increase in the penetration rate of the touch function in the notebook market in 2020, the Company has increased its sales volume by 104% compared with last year, and the sales volume continues to grow this year. The Touch Pad module products currently dominate the global notebook market. In 2020, the global market share has reached 60%, and the shipment volume will grow 67% annually. With the launch of new high-end products this year, the overall shipment volume will be greater than that of last year and will rank No. 1 in the global market share.

At the same time, the Company actively is making plans for developing automotive electronics. First of all, in response to the special traffic environment of two-wheeled motorcycles and bicycles in Taiwan and Southeast Asian countries, the AI large-scale Advanced Driver Assistance System (ADAS) has been launched, which allows drivers to master the warning of the traffic of two-wheeled vehicles and pedestrians instantly and achieves the effect of implementing the remote safety warning purpose of the Internet of Vehicles, and the AI ADAS has been adopted by the domestic Zhong Xing Bus Group in April 2021. In addition to the application in large vehicles, the AI ADAS can also be applied to cars, integrated with the function of an electronic rear mirror, and connected with its technology in detecting motorcycles, bicycles and pedestrians to greatly improve the safety of driving. The Company's automotive electronic products also include the application of Mini-LED in the field of area dimming technology under strong outdoor light. This technology can be used to set the information of the anti-spooling fingerprint identification door locks and cards for personalized seats, music and radio stations, and other information, and it can also be used in waterproof touch pads and touch screens that can be operated with gloves and their driver chips. These products are scheduled to be launched this year.

With regard to the research and development of products, the Company continues to dig into various products with high market demand and gross profit and respond to the end market development trend. R&D expenditures invested in 2020 were accounted for 12% of revenue; and the development of low-power smart card fingerprint recognition solutions, anti-spooling fingerprint identification solutions, third-generation touch solutions with Active Pens, Low-Power Touch Screen solutions (>15.6 inches), Large-Size FHD Touch Display Integration (LTDI) solutions, Gaming Mouse Control Chips, and the development and application of the notebook support for Keycap Fingerprint solutions, Active Pen Control Chips, etc. were successively completed. In 2020, the company was selected by Business Next Magazine (Digital) as the Seventh Place in the "Top 100 High-Value Companies in 2019" and won the "Outstanding Prize in Greening and Beautification Contest" of Hsinchu Science Park.

As a professional IC design company, the overall supply chain with smooth coordination is very essential. Regardless of 2020 or 2021 under the condition of a very tight production capacity of wafers, we continue to cooperate with major foreign and domestic foundry OEM manufacturers and maintain a good relationship with the upstream and downstream partners of packaging and testing companies to obtain sufficient production capacity to achieve the mission of delivering the wafer required by our customers. At the same time, we also cooperate and work closely with our supply-chain manufacturers including the touch pad manufacturers, LCD panel manufacturers, smartphone, notebook, and tablet manufacturers, and other assembling manufacturers to ensure the smooth product shipment and maintain a longer-term and closer partnership with customers.

Looking forward to the future, ELAN will insist on the concept of “Active Innovation, Honest Interaction, Mutual Benefit, and Sustainable Operation”, which constitutes a continuous and stable business strategy for development, strengthens team competitiveness, introduces the integration of advanced technological innovations such as AI integrated with human-machine interface, audio-visual recognition, biological characteristics, IoT, etc., and moves in a direction towards the goal to be a smart human-computer interaction leader. At the same time, we will base on the concept of sustainable operation to implement our corporate and social responsibilities and impose greater influence on economy, environment, and society by taking our corporate value and social value into account, so as to create higher values and benefits for our shareholder. Finally, we thank each shareholder for your support.

Sincerely yours,

Chairman: **YEH, I-HAU**



## II. Company Profile

**1 Date of Incorporation:** May 5, 1994

### 2 Company History

Year	Milestones
2020	Selected by Business Next Magazine (Digital) as the seventh place in the “Top 100 High-Value Companies in 2019
	Won the “Outstanding Prize in Greening and Beautification Contest” of Hsinchu Science Park.
2019	ELAN Microelectronics obtained the certification of ISO 45001: 2018 Occupational Health and Safety Management Systems.
	Won “Best Choice Award” in Taipei International Information Technology Show (the “COMPUTEX Taipei”) for the “panoramic 360-degree fisheye AI smart traffic detection technology”.
	Won silver medal the Talent Quality-management System (TTQS) Award
	ELAN Microelectronics won SGS’s 2019 “ISO Plus Award”
	ELAN Microelectronics won the “Innovation Workplace Award” in the 2019 Creative Healthy Workplace Award issued by the Health Promotion Administration of the Ministry of Health and Welfare
	The “battery-free contactless biometric smart card solution” won 2019 Hsinchu Science Park’s “Smart Science Park Innovation Application Award”.
2018	Won Taiwan Industrial Technology Association’s “Taiwan Golden Root Award - Industrial Technology Special Contribution Award”.
	Won Hsinchu Science Park Bureau’s “Distinguished Green Landscaping and Contribution Award”.
	Won Hsinchu Science Park’s “2018 R & D Achievement Award”.
	Won Hsinchu Science Park’s “2018 Innovative Product Awards”.
	Won the “Excellent Health workplace” prize and “Gender-Friendly Health Award” issued by the Health Promotion Administration of the Ministry of Health and Welfare.
2017	Won Hsinchu Science Park Bureau’s “Distinguished Green Landscaping and Contribution Award”.
	The “Biometric Smart Card” won “Top 100 Innovative Product Award” in the consumer electronic product category of 2017 IT Month.
	The “Pen-Emulated Finger-Pen-Concurrent Touch Screen Solutions” won Hsinchu Science Park’s “2017 Innovative Product Awards”.
2016	Won Hsinchu Science Park Bureau’s “Distinguished Green Landscaping Award”.
	Won Hsinchu Science Park’s “2016 R & D Achievement Award”;
	The “Smart-ID Solution” won Hsinchu Science Park’s “2016 Innovative Product Awards”.

2015	Obtained SGS certification for the Corporate Social Responsibility Report; passed international certifications of AA1000 AS Type 2 Moderate-Level Assurance and GRI G4.
	Won Hsinchu Science Park Bureau's "Distinguished Green Landscaping Award".
	Won Hsinchu Science Park's "2015 R & D Achievement Award";
	The "Chromebook Smart Touch pad and Touch Screen Solution" won Hsinchu Science Park's "2015 Innovative Product Awards";
	Won the "Vitality Award" in the "Healthy Workplace Health Promotion" from the Health Promotion Administration, Ministry of Health and Welfare.
2014	Won Hsinchu Science Park Bureau's "Distinguished Green Landscaping Award" for the 10th time.
	Won Hsinchu Science Park's "2014 R & D Achievement Award".
2013	Received grants for "Portable Product with 3D Depth Sensor for Hand Gesture Recognition" program from the "Leading Program" of Ministry of Economic Affairs.
	Won the "Corporate Standardization Award" in the "14 <sup>th</sup> National Standardization Award" of Ministry of Economic Affairs.
	The "Windows 8 Single-Chip Smart Touch Screen Solution" won 2013 IT Month's "Gold Award" and "Top 100 Innovative Product Award".
	Won Hsinchu Science Park's "2013 R & D Achievement Award";
	The "Windows 8 Single-Chip Smart Touch Screen Solutions]" won Hsinchu Science Park's "2013 Innovative Product Awards";
	Won the "2nd Term Excellent Backbone Enterprises Award" from the Industrial Development Bureau, MOEA.
2012	The "Smart-Touchscreen™ IC" won "Golden Award" and "Best Choice of the Year" in the IC & components product category of the Best Choice Award of COMPUTEX Taipei.
2011	Received grants for the "Capacitive Touch Screen with Force Sensing Program" from the "Leading Program" of Ministry of Economic Affairs.
	The "Capacitive 10-Finger Touch Screen and Stylus" won Hsinchu Science Park's "2011 Innovative Product Awards".
2010	The "Smart Remote Control" won "Innovative Design and Engineering Award" in USA's 2010 Consumer Electronics Show.
	The "Capacitive Multi-Finger Touch Screen and Stylus" won the "13 <sup>th</sup> Outstanding Photonics Product Award".
	Received grants for the "Optical System Integration Chip Plan with High Recognition Rate and Wide Dynamic Range" from Hsinchu Science Park's "Research on Policy of University-Industry Collaboration for Enhancing Sustainable Growth for NSC Science Park";
	Won Hsinchu Science Park's "2010 R & D Achievement Award";
	The "Smart-3D Remote Control" won Hsinchu Science Park's "2010 Innovative Product Awards".

2009	Won “Best Choice Award” in Taipei International Information Technology Show (the “COMPUTEX Taipei”) for the awarded items hereinunder:
	The “Transparent Touch pad” won the Annual Award;
	The “Transparent Touch pad” won the Excellence Award in the peripheral and accessories category;
	The “Smart Remote Control” won the Excellent Digital Entertainment Product Award.
	Received grants for the “Portable Soft-Film Multi-Touch Surface Capacitive Module Program” from the “Industrial Technology Development Program” of Ministry of Economic Affairs.
	Won Outstanding Innovation Award in the 17 <sup>th</sup> “Industrial Science and Technology Development Award” from Ministry of Economic Affairs.
	The “Smart Remote Control” won the “2009 IT Month’s Outstanding Information Application and Products Award”.
	Won the 10 <sup>th</sup> “Industrial Excellence Award” from Ministry of Economic Affairs.
	The “Smart Remote Control” won Hsinchu Science Park’s “2009 Innovative Product Awards”;
	Won 2009 Hsinchu Science Park’s “R & D Achievement Award”;
	Won Hsinchu Science Park’s “2009 Promotion of International Exchange and Cooperation Award for Excellence”;
	Won Outstanding Award in Hsinchu Science Park’s “2009 Environmental Protection Competition”.
2008	Won Hsinchu Science Park’s “2008 Innovative Product Award”.
	ELAN Microelectronics was officially merged with Elantech Devices.
2007	Won Hsinchu Science Park Bureau’s “Distinguished Green Landscaping Award” for seven consecutive years.
	Won Contribution Award in the “2007 National Invention and Creation Award” from Ministry of Economic Affairs.
2006	Won Hsinchu Science Park Bureau’s “Distinguished Green Landscaping Award” for six consecutive years.
	Received a subsidy from the consultation program for the development of leading new products (“Leading Product”) of the Industrial Development Bureau, MOEA.
	Won Hsinchu Science Park’s “2006 Innovative Product Award”.
2005	Won Hsinchu Science Park Bureau’s “Distinguished Green Landscaping Award” for five consecutive years.
	Won Hsinchu Science Park’s Third Term “R & D Achievement Award”
2004	Won Hsinchu Science Park Bureau’s “Distinguished Green Landscaping Award” for four consecutive years.
	Received grants from Hsinchu Science Park’s innovative technology R & D program “TFT LCD single-chip controller”.
	Received grants from Hsinchu Science Park’s innovative technology R & D program “2.45GHz RF Transceiver IC for Cordless Phones”.
	Received Outstanding Award in the 12 <sup>th</sup> “MOEA Industrial Science and Technology Development Award” from Department of Industrial Technology, MOEA.
	Recognized by Forbes as one of the “100 Best Small Asia-Pacific Companies” in 2003”.
	Won Hsinchu Science Park’s Second “R & D Achievement Award”.
2003	Entered into the European market and established ELAN’s European branch office in Switzerland.

	Won Hsinchu Science Park Bureau's "Distinguished Green Landscaping Award" for three consecutive years.
	Entered southern China market and established Elan Shenzhen Co., Ltd.
2002	Won Hsinchu Science Park Bureau's "Distinguished Green Landscaping Award" for two consecutive years.
	Recognized by Forbes as one of the "200 Top Best Small Companies".
	Entered the eastern China market and established Elan Shanghai, Ltd.
2001	The construction of the ELAN Technology Building located on No. 12, Chuangxin 1st Road has been completed and the Company Elan Microelectronics was officially moved into this building.
	Received Hsinchu Science Park Bureau's "Distinguished Green Landscaping Award".
	Authorized by the Securities and Futures Commission, Ministry of Finance to list and trade its stocks in the exchange market (stock code: 2458).
	Won gold medal in the 10 <sup>th</sup> National Invention Prize.
	Passed ISO9001 quality certification.
	Won Hsinchu Science Park's "2001 Innovative Product Awards".
	Recognized by Forbes as one of the "200 Top Best Small Companies".
	Entered the eastern China market and established Elan Shanghai, Ltd.
2000	Authorized by the Securities and Futures Commission, Ministry of Finance to list and trade its stocks over the counter (stock code: 5433).
1999	Won Hsinchu Science Park's "1999 Research and Development Investment Award".
1998	Won the "1998 Excellent Intellectual Property Management System Award" organized by the Industrial Development Bureau, MOEA.
1997	Won Corporate Silver Medal in the 6 <sup>th</sup> National Invention Prize.
	Established ELAN Microelectronics Hong Kong branch office to expand markets and marketing bases in Hong Kong and mainland China.
1996	The high-speed computer screen controller received grants from Hsinchu Science Park's "Innovation, Technology, Research and Development Plan".
	The MPEG-2 video decoder received grants from Hsinchu Science Park's "Innovation, Technology, Research and Development Plan".
	The MPEG-2 audio decoder received grants from Hsinchu Science Park's "Innovation, Technology, Research and Development Plan".
	Won Hsinchu Science Park's "1996 Research and Development Investment Award".
1995	The neural network IC series and development system have received grants from Hsinchu Science Park's "Key Components and Products R & D Plan".
1994	Formally established with nominal and paid-up capital amounting to NT\$1 billion even.
	Hsinchu Science Park Bureau issued the Business Registration Certificate and the Company officially commence its operations.

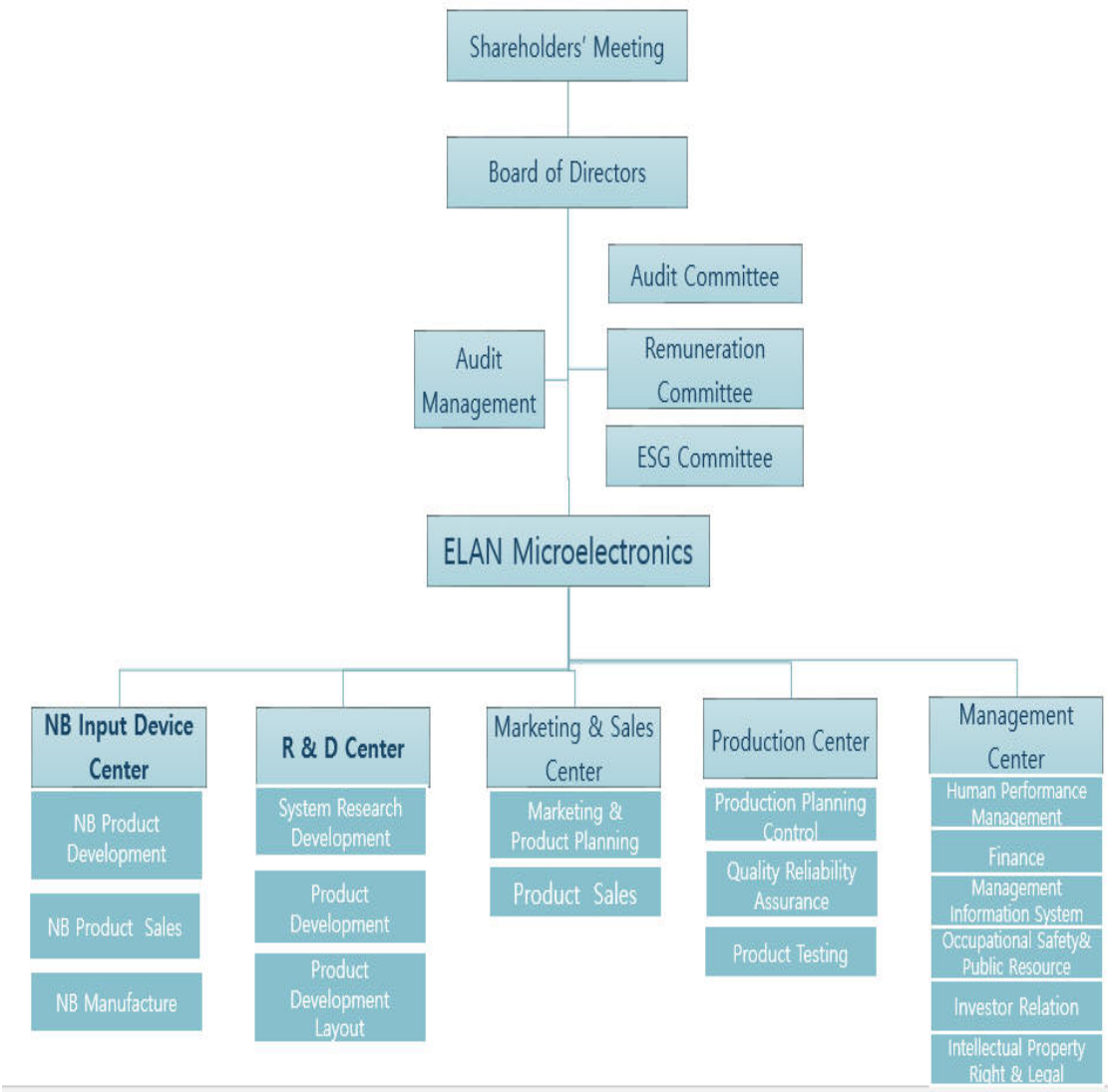
III. Corporate Governance Report

1. Organization

(1) Organizational Structure

Organizational Chart of ELAN Microelectronics Corporation

Effective date: February 7, 2020



## (2) Major Corporate Functions

Department	Functions
Audit Office	Investigate and evaluate the soundness, rationality and effectiveness of the internal control system and various management systems of the Company.
Human Performance Managemnt	Responsible for the recruitment, organization plan, performance evaluation and salary management.
Finance Department	Comprehensive management of financial resources, and the establishment and maintenance of financial accounting, management accounting and tax filing.
Information Management Division	Responsible for MIS system's software assessment, system planning, program writing and maintenance.
Occupational Safety & Public Resource Office	Managing labor safety, fire-fighting, health related operations and the maintenance and operation for plants.
Investor Relation Division	Responsible for the Company's news release and the establishment and maintenance of relationship with domestic and foreign corporate bodies, media and investors.
Intellectual Property Rights & Legal Department	Responsible for patent applications, contract formulation and review and processing of legal proceedings related matters.
Production Planning Control	Responsible for the management of raw materials, the planning and management of production schedules, procurement, import and export, customs bonds, etc.
Quality Control	Quality inspection on incoming / outgoing goods, analyze and process customer complaints, product reliability analysis.
Product Testing	Responsible for coordinating new product development, and the development of product property analysis and testing program.
Marketing & Product Planning	Responsible for developing and expanding new markets, global business promotion for major branding customers, and strategic cooperation with branding customers
Product Sales	Responsible for the development of domestic and foreign markets, planning and implementation of marketing plans, sales of products, customer services, agent management, etc.
System Research and Department	Responsible for the product system specs of fingerprint recognition , optical mouse smoke detector , MCU touch pads and point sticks and related verification and development solution.
Product Development	Responsible for the platform development, design and integration of digital circuits and sensing technology for the Company's products.
Product Development Layout	Responsible for strategically planning and designing the product development.
NB Product Developemnt	Research and develop driver program for point sticks and touch pad module of notebook PCs. Provide related customer service.
NB Product Sales	Responsible for promotion of point sticks and touch pad module of notebook PCs.
NB manufacture	Responsible for manufacture point sticks, touch pad module, touch screen module and fingerprint recognition mduole of notebook PCs.

### 3.2. Directors, Supervisors and Management Team

#### (1) Directors and supervisors

##### 1.1. Shares Held by Directors and Supervisors

Title	Nationality / Country of Origin	Name	Sex	Date Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholder by Nominee Arrangement		Experience (Education) (Note 2)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Yue Lung Investment Co., Ltd.		2018.6.11	3	2002.6.26	9,888,656	2.24%	7,083,059	2.33%	–	–	–	–	None	None	None	None	None	
	R.O.C	YEH, I-Hau	M	2018.6.11	3	1994.5.5	5,621,565	1.19%	5,224,895	1.72%	None	None	None	None	Institute of Electronics / National Chiao Tung University Engineer, ITRI Manager/Hua Chang Semi-Conductor Co., Ltd. Department Head/Hualon Microelectronics Co., Ltd.	<u>Corporate Representatives of the following companies:</u> TOP TWAIWAN VII VENTURE CAPITAL; TOP TWAIWAN VI VENTURE CAPITAL; TOP TWAIWAN IX VENTURE CAPITAL; TOP TWAIWAN X VENTURE CAPITAL; TOP TWAIWAN XI VENTURE CAPITAL; ELAN(HK); POWER ASIA; NORTH STAR BENTURE CAPITAL; <u>Corporate Representatives &amp; Chairman of the following companies:</u> AVISONIC TECHNOLOGY CORP., METANOIA COMMUNICATION, INC.; & PIXORD CORP.	None	None	None	(Note 1)
Directors	R.O.C	YEN, Kuo-Lung	M	2018.6.11	3	1997.6.14	2,860,794	0.65%	2,002,555	0.66%	None	None	None	None	Institute of Electronics / National Chiao Tung University Engineer, ITRI Manager/Hualon Microelectronics Co., Ltd.	<u>Corporate Representatives &amp; Chairman of the following companies:</u> AVISONIC TECHNOLOGY CORP., METANOIA COMMUNICATION, INC.; <u>UNIBAND ELECTRONICS CORP.</u>	None	None	None	

Title	Nationality / Country of Origin	Name	Sex	Date Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholder by Nominee Arrangement		Experience (Education) (Note 2)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Directors	R.O.C	CHIU, Te-Chen	M	2018.6.11	3	2000.3.30	None	None	None	None	None	None	None	None	Institute of Business Management /National Chengchi University	Chairman & /Managing Director of the following companies: TOP TWAIWAN XI VENTURE CAPITAL; TOP TWAIWAN IX VENTURE CAPITAL; TOP TWAIWAN III VENTURE CAPITAL; TOP TWAIWAN X VENTURE CAPITAL; TOP TWAIWAN XI VENTURE CAPITAL; TOP TWAIWAN XII VENTURE CAPITAL; TOP TWAIWAN VENTURE CAPITAL; Managing Director & Director of the following companies: TOP TWAIWAN XI VENTURE CAPITAL; TOP TWAIWAN XII VENTURE CAPITAL; TOP TWAIWAN XIII VENTURE CAPITAL; Independent Director of the following companies: SILITECH TECHNOLOGY CORP ; Chicony Power Technology Co., Ltd. ; Corporate Representatives of the following companies: Debao Industrial, Shenghong Pharmaceutical, Shengke Electronics, Ruixin Aerospace, Shin Kong Financial Holdings (stock) company legal person director representative ; Director of SINBON Electronics, Taikang Precision and Siwei Innovative Materials Co., Ltd. ; Vice Chairman of Shin Kong Life Insurance Co., Ltd	None	None	None	



Title	Nationality / Country of Origin	Name	Sex	Date Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholder by Nominee Arrangement		Experience (Education) (Note 2)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Directors	R.O.C	Zonglong Investment Co., Ltd		2018.6.11	3	2002.6.26	4,398,434	1.01%	3,078,903	1.01%	None	None	None	None	None	None	None	None	None	
	R.O.C	WEI, Chi-Lin	M	2018.6.11	3	2006.6.12	None	None	None	None	None	None	None	None	Doctor of Philosophy, Université de Paris ; Master of Business, Administration, Imperial College London ; Chairman, Land Bank of Taiwan Secretary-General, Executive Yuan Director, Institute of International Business/National Taiwan University	Professor of the Institute of Business Studies of National Taiwan University; Director of Kangshu Technology; Chairman of Qiding and Yuanding Venture Capital; Independent Director of SINBON, Formosa Plastics and Inventec	None	None	None	
Independent Directors	R.O.C	LIN, Hsien-Ming	M	2018.6.11	3	2015.6.2	None	None	None	None	None	None	None	None	Dept. of Electronics Engineering / National Chiao Tung University ; General Manager of Acer Computer Co., Ltd.	Chairman & Chief Strategy Officer, Wistron Corp. Director of Gamania Digital, Independent Director of Taiwan Model Semiconductor, Chairman of Wisdom Technology Services, Chairman of Wistron Digital Technology Investment Holdings, Independent Director of Powerchip Semiconductor	None	None	None	
Independent Directors	R.O.C	CHEN, Ho-Ming	M	2018.6.11	3	2015.6.2	None	None	None	None	None	None	None	None	Doctor of Marketing, National Taiwan University Business Research Institute, Dean of Business Development Research Institute, National Chung Hsing University and School of Management	Independent Director of Fugiao Industrial Independent Director of SINBON Electronics	None	None	None	

Title	Nationality / Country of Origin	Name	Sex	Date Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholder by Nominee Arrangement		Experience (Education) (Note 2)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Directors	R.O.C	Chung, Rong-Ta	M	2019.6.10	2	2019.6.10	None	None	None	None	None	None	None	None	Institute of Applied Mathematics, Tsinghua University; Institute of Electronics Industry, Industrial Technology Research Institute; Elan Electronics , Business Office	Chairman of Mengxin International and Yinghua International Independent Director of SINBON Electronics	None	None	None	

Note 1: The same person as the President in order to promote the Company's operating efficiency and reduce the management level. Responding measure: More than half of the directors on the Board of Directors are not concurrently serving as employees or managers and it is estimated to add one seat of independent director.

## 1.2. Main Shareholders of Corporate Shareholders

April 8, 2021

Name of Corporate Shareholders	Major Shareholders
Yulong Investment Co., Ltd.	YEH, I-HAU (100%)
Zonglong Investment Co., Ltd.	YEH, I-HAU (100%)

## 1.3. Independence of Directors and Supervisors

April 18, 2021

Criteria  Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Yulong Investment Representative YEH, I-HAO			V					V	V		V	V	V	V		
YEN, KUO-LUNG			V			V	V	V	V	V	V	V	V	V	V	
CHIU, TE-CHEN			V	V	V	V	V	V	V	V	V	V	V	V	V	2
Zonglong Investment Representative WEI, CHI-LIN	V		V	V	V	V	V	V	V	V	V	V	V	V		3
LIN, HSIEN-MING			V	V	V	V	V	V	V	V	V	V	V	V	V	2
CHEN, HOMIN	V		V	V	V	V	V	V	V	V	V	V	V	V	V	2
CHUNG, RONG-DAR			V	V	V	V	V	V	V	V	V	V	V	V	V	0

- (1) Not an employee of the Company nor its affiliates;
- (2) Not a director or supervisor of the Company's affiliate (this does not apply to the independent director established pursuant to the Act or local law of the Company or its parent company and/or subsidiary);
- (3) Not a person, or his/her spouse, or his/her children under twenty (20) years of age, or in the name of others, who holds more than 1 percent of the Company's total shares issued or a top 10 natural person shareholder;
- (4) Not the spouse, a relative by blood or marriage within second degree of kinship or relationship or a relative by blood within fifth degree of kinship of those listed in (1) – (3);
- (5) Not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the Company's total shares issued, nor a director, supervisor or employee of top five shareholders, nor a director, supervisor or employee of a corporate shareholder who is appointed to act as corporate director or supervisor pursuant to Article 27 paragraphs 1 or 2 of the Company Act (however, this does not apply to the independent directors established and inter-concurrently served between the Company and its parent company, subsidiaries or a subsidiaries under the same parent company pursuant to the Company Act or local national laws and regulations).
- (6) Not a director, supervisor or employee of other company which is controlled by the same person who holds more than half of the director seats or voting rights of the Company (however, this does not apply to the independent directors established and inter-concurrently served between the

- Company and its parent company, subsidiaries or a subsidiaries under the same parent company pursuant to the Company Act or local national laws and regulations).
- (7) Not another company or organization's director (council), supervisor or employee who is also the Company's chairman, president (or equivalent) or the spouse thereof (however, this does not apply to the independent directors established and inter-concurrently served between the Company and its parent company, subsidiaries or a subsidiaries under the same parent company pursuant to the Company Act or local national laws and regulations).
  - (8) Not a director, supervisor or employee of a specific company or organization which directly holds more than 5% of the Company's total shares issued, nor a director, supervisor or employee of a top 5 corporate shareholder (however, this does not apply to specific company or organization holding 20% (inclusive) ~ 50% of the Company's total issued shares and independent directors were established and inter-concurrently served between the Company and its parent company, subsidiaries or a subsidiaries under the same parent company pursuant to the Company Act or local national laws and regulations).
  - (9) Not a professional providing audit or business, legal, financial, and accounting services or consultation to the Company or its affiliates with cumulative remuneration of less than NT\$500,000 in the past two years; not an owner, partner, directors (council), supervisor, manager or his/her spouse of a sole proprietorships, partnership, company or institution (however, this does not apply to member of the Remuneration Committee, Public Tender Offers Review Committee or Special Committees for Merger / Consolidation and Acquisition pursuant to the Securities and Exchange Act or the Business Mergers And Acquisitions Act).
  - (10) Not a spouse or a relative by blood or marriage within second degree of kinship or relationship of another director;
  - (11) Not having any one of the circumstances as identified in Article 30 of the Company Act;
  - (12) Not a government agency, juristic person or its proxy pursuant to Article 27 of the Company Act.

## (2) Management Team

April 18, 2021

Title (Note 1)	Nationality/ Country of Origin	Name	Sex	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education ) (Note 2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman, CEO & President	ROC	YEH, I-HAO	M	1994. 09.01	5,224,895	1.72%	None	None	None	None	Institute of Electronics / National Chiao Tung University Engineer, ITRI Manager/Hua Chang Semi-Conductor Co., Ltd. Department Head/Hualon Microelectronics Co., Ltd.	<u>Corporate Representatives of the following companies:</u> TOP TWAIWAN VII VENTURE CAPITAL; TOP TWAIWAN VI VENTURE CAPITAL; TOP TWAIWAN IX VENTURE CAPITAL; TOP TWAIWAN X VENTURE CAPITAL; TOP TWAIWAN XI VENTURE CAPITAL; ELAN(HK); POWER ASIA; NORTH STAR BENTURE CAPITAL; <u>Corporate Representatives &amp; Chairman of the following companies:</u> AVISONIC TECHNOLOGY CORP., METANOIA COMMUNICATION, INC.; & PIXORD CORP.	None	None	None	(Note 3)
Vice President	ROC	YEN, KUO- LUNG	M	2000. 11.10	2,002,555	0.66%	None	None	None	None	Institute of Electronics / National Chiao Tung University Engineer, ITRI Manager/Hualon Microelectronics Co., Ltd.	<u>Corporate Representatives &amp; Chairman of the following companies:</u> AVISONIC TECHNOLOGY CORP., METANOIA COMMUNICATION, INC.; <u>UNIBAND ELECTRONICS CORP.</u>	None	None	None	
Accounting Chief Officer	ROC	CHEN, YI-LIN	M	2013. 06.28	0	0	None	None	None	None	Institute of Accounting/National Chung Cheng University Department of Public Finance, National Chengchi University Assistand Manager of KPMG Manager of Elantech Co., Ltd. Senior Manager of Elan Electronics Co., Ltd.	None	None	None	None	

Note 1: All job positions, regardless of the job title, equivalent to President, Vice President or Director shall be disclosed.

Note 2: If the experiences related to the current position involves serving in the firm of the auditing Certified Public Accountant or its affiliate during the prior period thereof, the job title and job descriptions therein shall be specified.

Note 3: The same person as the Chairman in order to promote the Company's operating efficiency and reduce the management level. Responding measure: More than half of the directors on the Board of Directors are not concurrently serving as employees or managers and it is expected to add one seat of independent director.

(3) **Remuneration of Directors, Supervisors, President and Vice President during the last fiscal year**

**3.1 Remuneration of Directors**

December 31, 2020

Unit: NT\$ thousand / Thousand shares

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay (B) (Note 1)		Renumeration of Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F) (Note 1)		Renumeration of Employees (G) (Note 6)						
		The company	All companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The company		Companies in the consolidated financial statements (Note 7)		The company	Companies in the consolidated financial statements (Note 8)	
																Cash	Shares	Cash	Shares			
Chairman	Yulong Investment	1,800	1,800	0	0	60,000	60,000	780	780	1.93%	1.93%	23,812	28,835	301	301	17,272	0	17,272	0	3.20%	3.36%	1,410
	YEH, I-HAU																					
Director	YEN, KUO-LUNG																					
Director	Zonglong Investment																					
	WEI, CHI-LIN																					
Director	CHIU, TE-CHEN																					
Independent Director	LIN, HSIEN-MING																					
Independent Director	CHEN, HOMIN																					
Independent Director	CHUNG, RONG-DAR [Note 2]																					
1.Please state the policy, system, standards and structure for the payment of independent director’s remuneration, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: According to the Company's “Directors' Remuneration Management Measures”, the monthly remuneration of an independent director of the Company is set as NT\$50,000, which shall be paid regardless of the Company's profit or loss, provided that the independent director does not take part in the directors' remuneration from annual profit distribution. Any director who leaves the Company due to re-election or resignation during the term of office shall be paid thereof according to the proportion of their actual term to the entire year.																						
2.The remuneration received by the Company’s Directors for services rendered (such as serving as non-employee consultants) to all companies listed in the financial statements other than those disclosed in the schedule above: N/A																						
[Note 1] “Pension” referred to the pension amount contributed in 2020																						

Schedule of Remuneration

Remuneration range paid to each Director of the Company	Name of Directors e			
	Total remuneration amount (A+B+C+D)		Total remuneration amount (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the financial statements (Note 9) H	The Company (Note 8)	Parent company and all reinvested companies (Note 9) I
Less than NT\$1,000,000	CHUNG, RONG-DAR; LIN, HSIEN-MING; CHEN, HOMIN	CHUNG, RONG-DAR; LIN, HSIEN-MING; CHEN, HOMIN	CHUNG, RONG-DAR; LIN, HSIEN-MING; CHEN, HOMIN	CHUNG, RONG-DAR; LIN, HSIEN-MING; CHEN, HOMIN
NT\$1,000,000 (including) ~ NT\$2,000,000(excluding)				
NT\$2,000,000 (including) ~ NT\$3,500,000(excluding)				
NT\$3,500,000 (including) ~ NT\$5,000,000(excluding)				
NT\$5,000,000 (including) ~ NT\$10,000,000(excluding)				
NT\$10,000,000 (including) ~ NT\$15,000,000(excluding)	WEI, CHI-LIN, CHIU, TE-CHEN; YENKUO-LUNG; Yulong Investment; Zonglong Investment;	WEI, CHI-LIN, CHIU, TE-CHEN; YENKUO-LUNG; Yulong Investment; Zonglong Investment;	WEI, CHI-LIN, CHIU, TE-CHEN; Yulong Investment; Zonglong Investment;	WEI, CHI-LIN, CHIU, TE-CHEN; Yulong Investment; Zonglong Investment;
NT\$15,000,000 (including) ~ NT\$30,000,000(excluding)			YEH, I-HAU; YEN, KUO-LUNG	YEH, I-HAU; YEN, KUO-LUNG
NT\$30,000,000 (including) ~ NT\$50,000,000(excluding)				
NT\$50,000,000 (including) ~ NT\$100,000,000(excluding)				
NT\$100,000,000 or above				
Total	8 seats	8 seats	9 seats	9 seats

Note 1: The names of the Directors shall be separately presented (a corporate shareholder shall list the name of the corporate shareholder and its representative separately) as general director or independent director respectively, and disclose the amount of each payment in a consolidated manner. If a Director is serving concurrently as a President or Vice President, this form and form (3-1) or (3-2-1) and (3-2-2) hereunder shall be filled in.

Note 2: Referred to the Directors' remuneration in the last fiscal year (including Directors' salary, supervisory differential pay, termination pay, various bonuses, incentives, etc.).

Note 3: Fill in Directors' remuneration amount of the last fiscal year authorized by the Board of Directors to be distributed.

Note 4: Referred to the relevant business execution costs (including transportation allowances, special disbursements, various allowances, living quarters, assigned company cars, etc.) of the Directors incurred during the last fiscal year. If house, car and other transportation or personal expenditures are provided, the nature and costs of the assets so provided, actual rent or rent at fair market value, gasoline allowances and other payments shall be disclosed. In addition, if driver(s) is provided, please specify relevant

compensation of the driver(s) paid by the Company, of which shall not be included in the remuneration.

- Note 5: Referred to the salary, supervisory differential pay, termination pay, various bonus, incentives, transportation allowances, special disbursements, various allowances, living quarters and assigned company cars of the Directors for serving concurrently as employee (including serving concurrently as President, Vice President, other manager and employee) incurred during the last fiscal year. If house, car and other transportation or personal expenditures are provided, the nature and costs of the assets so provided, actual rent or rent at fair market value, gasoline allowances and other payments shall be disclosed. In addition, if driver(s) is provided, please specify relevant compensation of the driver(s) paid by the Company, of which shall not be included in the remuneration. Furthermore, salary expenses, including employee stock option certificate(s), restricted stock award(s) and participation in stock options at cash capital increase, recognized pursuant to IFRS 2 “Share-based Payment” shall also be included in the remuneration.
- Note 6: The employee compensation (including shares and cash) of the Directors serving concurrently as employee (including serving concurrently as President, Vice President, other manager and employee) during the last fiscal year shall be disclosed upon the Board of Directors’ authorization to distribute. If the amount cannot be estimated, the proposed amount to be distributed shall be based on the proportional actual distributed amount of the previous year and fill out the attached form 1 – 3.
- Note 7: The total amount of various remunerations paid to the Company’s Directors by the companies (including the Company) listed in the consolidated financial statements shall all be disclosed.
- Note 8: The total amount of various remunerations paid to each Director by the Company shall be disclosed in the Schedule of Remuneration along with name of the Directors.
- Note 9: The total amount of various remunerations paid to each Director by the companies listed in the consolidated financial statements shall be disclosed in the Schedule of Remuneration along with name of the Directors.
- Note 10: Net Income After Taxes referred to Net Income After Taxes of the last fiscal year; for those who have adopted the International Financial Reporting Standards, Net Income After Taxes shall be Net Income After Taxes presented on the Individual Financial Statements of last fiscal year.
- Note 11: a) The remuneration amount received by the Company’s Directors from the related no subsidiary joint venture business(es) or parent company shall be clearly stated in this field if applicable, Otherwise, fill in as “N/A”.  
b) If the Company’s Directors received remuneration from related no subsidiary joint venture business(es) or parent company, the remuneration received by the Company’s Directors from no subsidiary joint venture business(es) or parent company shall be consolidated in field-I of the Schedule of Remuneration and revise the field name to be “parent company and all joint venture businesses”.  
c) The remuneration referred to the remunerations (including employee compensation and Directors and Supervisors’ remuneration) and business execution costs related compensation received by the Company’s Directors for serving as Directors, Supervisors or managers in the no subsidiary joint venture business(es) or parent company.



### 3.2 Remuneration of Supervisors

The Company has appointed 3 Independent Directors in 2015 to establish the Audit Committee in lieu of Supervisors; therefore, there was no remuneration of supervisors in 2020.

### 3.3 Remuneration of the President and Vice President

December 31, 2020

Unit: NT\$'000 / '000 shares

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonus and Allowances (C) (Note 3)		Employee compensation amount (D) (Note 4)				Percentage of A+B+C+D to Net Income After Taxes (Note 8)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary (Note 8)
		The Company	All companies listed in the financial statements (Note 5)	The Company	All companies listed in the financial statements (Note 5)	The Company	All companies listed in the financial statements (Note 5)	The Company		All companies listed in the financial statements (Note 5)		The Company	All companies listed in the financial statements (Note 5)	
								Cash amount	Amount in shares	Cash amount	Amount in shares			
President	YEH, I-HAU	17,346	21,652	301	301	6,466	7,183	17,272	0	17,272	0	1.28%	1.43%	115
Execute Vice President	YEN, KUO-LUNG													

[Note] "Severance Pay" referred to the pension amount contributed in 2020.

### Schedule of Remuneration

Range of Remuneration paid to each President and Vice President of the Company	Name of the President and Vice President	
	The Company (Note 6)	Parent company and all joint venture businesses (Note 7) E
Less than NT\$1,000,000		
NT\$1,000,000 (including) ~ NT\$2,000,000(excluding)		
NT\$2,000,000 (including) ~ NT\$3,500,000(excluding)		
NT\$3,500,000 (including) ~ NT\$5,000,000(excluding)		
NT\$5,000,000 (including) ~ NT\$10,000,000(excluding)		
NT\$10,000,000 (including) ~ NT\$15,000,000(excluding)		
NT\$15,000,000 (including) ~ NT\$30,000,000(excluding)	YEH, I-HAU, YEN, KUO-LUNG	YEH, I-HAU, YEN, KUO-LUNG
NT\$30,000,000 (including) ~ NT\$50,000,000(excluding)		
NT\$50,000,000 (including) ~ NT\$100,000,000(excluding)		
NT\$100,000,000 or above		
Total	2 persons	2 persons

Note 1: The names of the President and Vice President shall be separately presented and disclose the amount of each payment in a consolidated manner. If a Director is serving concurrently as a President or Vice President, this form and form (1-1) or (1-2) hereunder shall be filled in.

Note 2: Referred to the President and Vice President's remuneration in the last fiscal year (including Directors' salary, supervisory differential pay, termination pay, various bonuses, incentives, etc.).

Note 3: Fill in various bonus, incentives, transportation allowances, special disbursements, various allowances, living quarters, assigned company cars and other remuneration amount of the President and Vice President incurred during the last fiscal year. If house, car and other transportation or personal expenditures are provided, the nature and costs of the assets so provided, actual rent or rent at fair market value, gasoline allowances and other payments shall be disclosed. In addition, if driver(s) is provided, please specify relevant compensation of the driver(s) paid by the Company, of which shall not be included in the remuneration. Furthermore, salary expenses, including employee stock option certificate(s), restricted stock award(s) and participation in stock options at cash capital increase, recognized pursuant to IFRS 2 "Share-based Payment" shall also be included in the remuneration.

Note 4: The employee compensation (including shares and cash) of the President and Vice President during the last fiscal year authorized to be distributed by

the Board of Directors. If the amount cannot be estimated, the proposed amount to be distributed shall be based on the proportional actual distributed amount of the previous year and fill out the attached form 1 – 3. Net Income After Taxes referred to Net Income After Taxes of the last fiscal year; for those who have adopted the International Financial Reporting Standards, Net Income After Taxes shall be Net Income After Taxes presented on the Individual Financial Statements of last fiscal year.

- Note 5: The total amount of various remunerations paid to the Company’s President and Vice President by the companies (including the Company) listed in the consolidated financial statements shall all be disclosed.
- Note 6: The total amount of various remunerations paid to each President and Vice President by the Company shall be disclosed in the Schedule of Remuneration along with name of the President and Vice President.
- Note 7: The total amount of various remunerations paid to each President and Vice President by the companies listed in the consolidated financial statements (including the Company) shall be disclosed in the Schedule of Remuneration along with name of the President and Vice President.
- Note 8: Net Income After Taxes referred to Net Income After Taxes of the last fiscal year; for those who have adopted the International Financial Reporting Standards, Net Income After Taxes shall be Net Income After Taxes presented on the Individual Financial Statements of last fiscal year.
- Note 9: a) The remuneration amount received by the Company’s Directors from the related no subsidiary joint venture business(es) or parent company shall be clearly stated in this field if applicable, Otherwise, fill in as “N/A”.
- b) If the Company’s Directors received remuneration from related no subsidiary joint venture business(es) or parent company, the remuneration received by the Company’s Directors from no subsidiary joint venture business(es) or parent company shall be consolidated in field-I of the Schedule of Remuneration and revise the field name to be “parent company and all joint venture businesses”.
- c) The remuneration referred to the remunerations (including employee compensation and Directors and Supervisors’ remuneration) and business execution costs related compensation received by the Company’s Directors for serving as Directors, Supervisors or managers in the no subsidiary joint venture business(es) or parent company.

3.4 Name(s) of the manager(s) and the employee compensation distributed:

December 31, 2020

Unit: NT\$'000 / share

	Title (Note 1)	Name (Note 1)	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income After Tax (%)
Managers	President	YEH, I-HAU	0	18,159	18,159	0.56%
	Executive Vice President	YEN, KUO-LUNG				
	Chief Finance and Accounting Officer	CHEN, YI-LIN				

Note 1: The names and job title(s) of the manager(s) shall be presented and disclose the amount of profit distribution in a consolidated manner.

Note 2: The employee compensation (including shares and cash) of the manager(s) during the last fiscal year authorized to be distributed by the Board of Directors. If the amount cannot be estimated, the proposed amount to be distributed shall be based on the proportional actual distributed amount of the previous year. Net Income After Taxes referred to Net Income After Taxes of the last fiscal year; for those who have adopted the International Financial Reporting Standards, Net Income After Taxes shall be Net Income After Taxes presented on the Individual Financial Statements of last fiscal year.

Note 3: "Manager" shall, pursuant to the provisions prescribed in document number Tai-Cai-Zheng-San-Zi-0902001301 issued by the Chamber on 27 March 2003, include the following:

- (1) President and those assuming equivalent position;
- (2) Vice President and those assuming equivalent position;
- (3) Director and those assuming equivalent position;
- (4) Chief Financial Officer
- (5) Chief Accounting Officer
- (6) Other managing personnel and signatory of the Company.

Note 4: The Director, President and Vice President who received employee compensation (including shares and cash) shall, in addition to filling out the attached for 1 – 2, also fill out this form.

- (4) Analysis on the percentage of total remuneration amount paid to the Company's Directors, Supervisors, President and Vice President by the Company and all companies listed in the consolidated financial statements to Net Income After Taxes in the Last Two Years and explain the policies, standards and mix of remuneration, the procedures of setting the remuneration, and the correlation with operating performance:

Unit: NT\$ thousands

Job title	2020				2019			
	The Company		All companies listed in the consolidated financial statements		The Company		All companies listed in the consolidated financial statements	
	Total remuneration amount	Percentage to Net Income After Taxes	Total remuneration amount	Percentage to Net Income After Taxes	Total remuneration amount	Percentage to Net Income After Taxes	Total remuneration amount	Percentage to Net Income After Taxes
Director	62,580	1.93%	62,580	1.93%	45,050	1.80%	45,050	1.80%
Supervisor	0	0%	0	0%	0	0%	0	0%
President and Vice President	41,385	1.28%	46,408	1.43%	35,233	1.41%	40,557	1.62%

Explanation:

- (1) The independent directors of the company do not receive other remuneration except for the fixed remuneration and attendance fee. The remuneration of directors and managers shall be handled in accordance with the company's articles of association: Article 29 of the company's articles of association stipulates that if the company makes a profit in the year, it shall allocate no less than 10% for employee bonus and no more than 2% for directors' remuneration; the remuneration of directors and managers is reviewed by the remuneration committee to review the degree of participation, contribution value and financial indicators (revenue and net profit after tax) of each director and manager in the company's operations, and submit to the board of directors for approval after considering the level of payment in the industry.
- (2) The 2020 Profit Distribution was the proposed distribution amount; the 2019 Profit Distribution was the actual distributed remuneration;
- (3) The company's directors' remuneration increased in 2020 compared to 2019, mainly due to the increase in profit in 2020 compared to 2019, which resulted in an increase in directors' remuneration based on profit. The increase rate of directors' remuneration in 2020 is greater than the increase rate of after-tax net profit. The reason is that the 108-year after-tax net profit contains higher income tax benefits. When comparing the rate of increase in directors' remuneration in 2020 with the rate of increase in pre-tax net profit in 2020, there is not much difference between the two.

### 3. Implementation of Corporate Governance

#### (1) Operation of the Board of Directors

##### (1) Operation of the Board of Directors

A total of seven (7) (A) meetings of the Board of Directors were held in the previous period. The attendance of director was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Yulong Investment Co., Ltd. Representative: YEH, I-HAU	7	0	100%	
Director	YEN, KUO-LUNG	7	0	100%	
Director	Zonglong Investment Co., Ltd. Representative: WEI, CHI-LIN	7	0	100%	
Director	CHIU, TE-CHEN	7	0	100%	
Independent Director	LIN, HSIEN-MING	7	0	100%	
Independent Director	CHEN, HOMIN	7	0	100%	
Independent Director	CHUNG, RONG-DAR	7	0	100%	

Other mentionable items:

- In the event of any of the following circumstances concerning the operation of the Board of Directors, the date, session number, agenda of the Board meeting, all Independent Director's opinions and how the Company process the Independent Director's opinions shall be specified:
  - Matters relating to Article 14-3 of the Securities and Exchange Act: Not applicable; the Company has established the Audit Committee.
  - Other Board resolutions, except the matters mentioned above, opposed or given qualified opinion by Independent Director(s) with record(s) or written statement(s): not applicable.
- Where the Director avoided conflict of interests, specify the Director's name, agenda, reason for the avoidance of conflict of interests and participation in voting: not applicable.
- The TWSE/TOPIX Listed Companies shall disclose the cycle, period, scope, method and contents of the Board's self (or by peer) evaluation and other information, and fill out Schedule 2 "Results of the Implementation of Board of Directors' Evaluation": the 2020 Results of the Implementation of Board of Directors' Evaluation are shown in the schedule below.
- The goals to strengthen the functions of the Board of Directors (such as establishing an Audit Committee, enhance information transparency, etc.) for the current year and last fiscal year and assessment on the execution: On June 2, 2015, three (3) Independent Directors were appointed during the shareholders' meeting and formed an Audit Committee to improve the diversity among the Board members; the Board of Directors and Audit Committee conduct performance evaluation and self-assessment to implement corporate governance and enhance functions of the Board.

## (2) Results of the Implementation of Board of Directors' Evaluation:

Evaluation Cycle (Note 1)	Evaluation Period (Note 2)	Scope of Evaluation (Note 3)	Method of Evaluation (Note 4)	Contents of Evaluation (Note 5)
Once a year	January 1, 2020 to December 31, 2020	Board of Directors	Self-evaluation by the Board member	The level of participation in the Company's operations, quality of decision-making of the Board of Directors, composition and structure of the Board of Directors, Election, appointment and continuous training of the directors, internal control.
Once a year	January 1, 2020 to December 31, 2020	Audit Committee	Self-evaluation by the Board member	The level of participation in the Company's operations, understanding of the duties of the functional committee, quality of decision-making of the functional committee, composition of the functional committee, election and appointment of members of the functional committee, internal control.
Once a year	January 1, 2020 to December 31, 2020	Individual member of the Board	Self-evaluation by the Board member	The level of mastering the Company's goals and tasks, understanding of director's duties, level of participation in the Company's operations, internal relationship management and communication, continuous training of Director's profession, internal control

Note 1: Fill in the cycle of evaluation executed by the Board of Directors (e.g. once a year).

Note 2: Fill in the period of evaluation of the Board of Directors (e.g. evaluate the Board of Directors' performance for the period of January 1, 2020 to December 31, 2020).

Note 3: The scope of the evaluation, which includes performance evaluation on the Board of Directors, Individual member of the Board and functional committee.

Note 4: The method of evaluation, which includes internal self-evaluation of the Board of Directors, self-evaluation by the Board member, peer evaluation, commissioned performance evaluation by external professional institutions, experts or other appropriate methods.

Note 5: The contents of evaluation, which include at least the following items according to the scope of evaluation:

- (1) Performance evaluation on the Board of Directors: which at least include the level of participation in the Company's operations, quality of decision-making of the Board of Directors, composition and structure of the Board of Directors, election, appointment and continuous training of the directors, internal control, etc.
- (2) Performance evaluation on the individual member of the Board: which at least include the level of mastering the Company's goals and tasks, understanding of director's duties, the level of participation in the Company's operations, internal relationship management and communication, director's profession and continuous training, internal control, etc.
- (3) Performance evaluation on the functional committees: the level of participation in the Company's operations, understanding of functional committee's duties, the quality of decision-making of the functional committees, composition and structure of the functional committees, election and appointment of members of the functional committee, internal control, etc.

**(2) Operation of the Audit Committee:**

Audit Committee's objective is to assist the Board of Directors in overseeing the quality and integrity of the Company's accounting, auditing, and financial reporting processes and financial control.

The subjects reviewed by the audit committee mainly consist of:

- Financial statements;
- Audit and accounting policies and procedures;
- Internal control system and related policies and procedures;
- Major asset or derivative commodity transactions;
- Major capital loan and endorsement or guarantee;
- Complaint filing;
- Fraud prevention plan and fraud investigation report;
- Information security;
- Corporate risk management;
- Qualification, independence and performance evaluation of Certified Public Accountant;
- Appointment, dismissal or remuneration of Certified Public Accountant;
- Appointment and removal of the head of finance, accounting or internal audit;
- Performance of Audit Committee's duties; and
- Self-assessment questionnaire for performance evaluation on Audit Committee.
- Placement or issuing securities;
- Derivative financial products and cash investment;
- Compliance;
- Whether there are related party transactions and possible conflicts of interest between the manager and director;
- Evaluate the effectiveness of the internal control system

The Audit Committee assesses the Company's internal control system policies and procedures (including finance, operation, risk management, information security, outsourcing, compliance and other control measures), and reviews the periodic reports of the Company's audit department and Certified Public Accountant.

● Review of financial report

The Board of Directors has prepared the Company's 2019 business report, financial statements, profit distribution proposal, etc., of which the financial statements were commissioned to Klynveld Peat Marwick Goerdeler (KPMG) for audit with an audit report issued upon completion thereby. The Audit Committee had reviewed and believed that there are no discrepancies in the above-mentioned business report, financial statements and profit distribution proposal.

The Audit Committee has held 6 meetings (A) during the last fiscal year, and the attendance of the Independent Director is described as follows:



Title	Name	Attendance in Person [B]	By Proxy	Attendance rate (%) [B/A] (Note)	Remarks
Independent Director	CHEN, HOMIN	6	0	100%	
Independent Director	LIN, HSIEN-MING	6	0	100%	
Independent Director	CHUNG, RONG-DAR	6	0	100%	
Other mentionable items:					
1. In the event of any of the following circumstances concerning the operation of the Audit Committee, the date, session number, agenda of the Board meeting, the Audit Committee resolution and how the Company process the Audit Committee resolution shall be specified.					
(1) Matters relating to Article 14-5 of the Securities and Exchange Act;					
(2) Other Board resolutions, except the matters mentioned above, authorized by 2/3 (or above) of the Directors but opposed by the Audit Committee:					
Board Meeting	Agenda and subsequent processes			Matters relating to Article 14-5 of the Securities and Exchange Act	Board resolutions authorized by 2/3 (or above) of the Directors but opposed by the Audit Committee
The Ninth Session No. 10 March 10, 2020	1. To discuss about the Company's 2019 self-closing financial statements and consolidated financial statements.			V	
	2. To pass the internal control design and Statement on Internal Control.			V	
	3. To appoint accountant(s) of Klynveld Peat Marwick Goerdeler (KPMG) to audit and certify the Company's 2020 financial statements and tax reports.			V	
	4. Proposal for Adoption of the first cash capital increase of Bruckewell Technology Co., Ltd. in 2020			V	
	The Audit Committee resolutions (March 10, 2020): all members of the Audit Committee have agreed to authorize.				
	How the Company process the Audit Committee resolution: all attending Directors agreed to authorize.				
The Ninth Session No. 11 May 8, 2020	1. Proposal for Subscribing to the second cash capital increase of Bruckewell Technology Co., Ltd. in 2020			V	
	Audit Committee resolution (May 08, 2020): all members of the Audit Committee have agreed to authorize.				
	The Company's means of dealing with Audit Committee's resolution: all attending Directors agreed to authorize.				
The Ninth Session No.12 August 05, 2020	1. Proposal for amendment of the internal control system related to the management operation of the financial statement preparation process			V	
	2. Proposal for Subscribing to the private equity case of Macroblock, Inc. (3527)			V	
	The Audit Committee resolutions (August 05, 2020): all members of the Audit Committee have agreed to authorize.				
The Ninth Session No. 15 November 12, 2020	1. Apply for bidding for the establishment of superficial rights for the "Hsinchu County International AI Smart Park"			V	
	The Audit Committee resolutions (November 12, 2020): all members of the Audit Committee have agreed to authorize.				

	How the Company process the Audit Committee resolution: all attending Directors agreed to authorize.			
The Ninth Session No. 16 December 28, 2020	1. Proposal for establishment of the audit plan for the year 2021.	V		
	2. Proposal for Amendments to the management operations of FC001 group companies, specific companies and related parties	V		
	1. Proposal for Amendments to the review procedures for management operations of related party transactions of the Audit implementation rules:	V		
	The Audit Committee resolutions (December 28, 2020): all members of the Audit Committee have agreed to authorize.			
	How the Company process the Audit Committee resolution: all attending Directors agreed to authorize.			

2. Where the Independent Director avoided conflict of interests, specify the Independent Director's name, agenda, reason for the avoidance of conflict of interests and participation in voting: not applicable.
3. Communication between the Independent Director and chief audit executive and accountant (include major topics, methods and results relating to the Company's financial and business status that shall be communicated):

**Summary of communications between independent directors and internal audit supervisor**

Date	Method of communication	Key points	Recommendations and results
Mar. 10, 2020	Audit Committee	1. Internal Audit Report from Dec. 2019 to Jan. 2020. 2. Approved the "Internal Control Design and Implementation Effective Declaration"	No objection
May 8, 2020	Audit Committee	Internal Audit Report from Feb. 2020 to March 2020	No objection
Aug. 5 2020	Audit Committee	1. Internal Audit Report from April 2020 to June 2020. 2. Amendment of the management operations of the financial statement preparation process	No objection
Oct. 26, 2020	Audit Committee	Internal Audit Report from July 2020 to Sep. 2020.	No objection
Dec. 28, 2020	Audit Committee	1. Internal Audit Report from Oct. 2020 to Nov. 2020. 2. Amendment of the management of transactions between group companies, specific companies and related parties 3. Amendment of the procedures for checking management operations of related party transactions	No objection

**Summary of communications between independent directors and the internal audit supervisor**

Date	Key points	Recommendations and results
Mar. 10, 2020	1. Auditor's responsibility to audit the financial statements; 2. The scope of audit; 3. Audit result; 4. Independence; 5. Provisions on the company's self-editing financial report 6. Updates on FSC rules and tax laws and regulations.	No objection

Note:

- \* If an Independent Director left his/her position before the end of the year, the date he/she left the position shall be specified in the "remarks" field and the actual attendance rate (%) shall be calculated based on the number of Audit Committee meetings and his/her actual number of times of attendance during his/her term.

- \* If there is an independent director re-election before the end of the year, the information of both previous and new Independent Directors shall be filled in the “remarks” field specifying who is the previous Independent Director, who is the new or re-elected Independent Director and the re-election date; and the actual attendance rate (%) shall be calculated based on the number of Audit Committee meetings and his/her actual number of times of attendance during his/her term.

**(3) Supervisors’ participation in the operation of the Board of Directors: N/A.**

(Note: The Company has established the Audit Committee in lieu of Supervisors in 2015.

**(4)Corporate Governance Implementation Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons**

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on November 8, 2018. The information has been disclosed on the Company’s website and the Market Observation Post System (MOPS).	N/A
2. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		The Company has set up Spokesperson system and legal department to process relevant issues.	N/A
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The Company has set up personnel dedicated to stocks/shares related matters and entrusted agent Masterlink Securities to process stocks/shares related affairs.	N/A
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		The Company has formulated the “Regulations on the Operating Management of Subsidiary” as the basis for control.	N/A
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		The Company has formulated the “Major Internal Information Processing Procedures” and “Ethical Code of Conduct” specifications.	N/A
3. Composition and responsibilities of the Board of Directors				
(1) Does the Board of Directors formulate and implement a diversified approach for the member composition?	V		1. The Company adopted the “Code of Corporate Governance” on the Ninth Session No. 3 Board meeting on November 8, 2018, of which diversified policy was set out in Chapter 3 “Strengthening the Board Functions”. The nomination and selection of the Board members of the Company adopts the nomination system for candidates as prescribed in the Articles of Association and abides by the “Guidelines Governing the Election of Directors” and “Code of Corporate Governance” to ensure the diversity and independence of the Board members.	N/A
(2) Does the Company, in addition to the establishment of the Remuneration Committee and Audit Committee by laws, voluntarily establish other types of functional committees?	V	V	2. The Company’s current Board of Directors consists of 4 directors and 3 independent directors. Among the directors, there are those specialized in	
(3) Does the Company set methods of evaluating the performances of the Board of Directors perform the				

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>evaluation regularly on a yearly basis and report the performance evaluation results to the Board of Directors as references for individual director’s remuneration and nomination?</p> <p>(4) Does the Company regularly evaluate the independence of the Certified Public Accountant?</p>	V		<p>leadership, operational judgment, management, crisis management, industrial and international market knowledges such as YEH, I-HAU, YEN, KUO-LUNG, CHIU, TE-CHEN, WEI, CHI-LIN and CHIU, TE-CHEN has many years experiences in venture capital management and rich experiences in the industry; WEI, CHI-LIN has served as a professor in government unit and university and is currently chairman of a bills finance company with rich industrial, government, and academic experiences; Independent director CHEN, HOMIN is currently a professor in College of Commerce of a national university, providing relevant academic views to the Company. Another independent director CHUNG, RONG-DAR has many years of practical experience in the domestic IC design industry.</p> <p>3. Among the Company’s directors, 29% of them are employees, 43% of them are independent directors. The term of 1 director is less than 2 years; the term of both directors is 6 years, and their ages are between 60-69. There is one director whose age is over 70 years old; there are two director whose age is between 60 to 69 years old; and there is one director whose age is below 60 years old. The company pays attention to the diversity of the composition of the board of directors, and expects to add one director and one independent director in the latest board election to achieve the goal. Currently, no other functional committees have been established.</p> <p>The Company’s Board of Directors has formulated the “methods of evaluating the performances of the Board of Directors” on December 21, 2018, which stipulated that the Board of Directors shall perform an internal Board performance evaluation once a year. The internal evaluation period of the Board of Directors shall be at the end of each year, which shall conduct annual performance evaluations on the entire Board of Directors, individual Board members and the functional committees. The results of the Board’s internal performance evaluation shall be completed prior to the earliest Board meeting of the following year. The results of the 2020 annual performance evaluation were reported to the board of directors on February 17, 2021.</p> <p>Performance evaluation of the Board of Directors (functional committee):</p> <ol style="list-style-type: none"> <li>1. The level of participation in the Company's operations.</li> <li>2. Improve the quality of decision-making of the Board of Directors.</li> </ol>	N/A

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>3. Composition and structure of the Board of Directors.</p> <p>4. Election, appointment and continuous training of the directors.</p> <p>5. Internal control.</p> <p>Performance evaluation of the Board members (self or peers) shall at least cover the following six aspects:</p> <p>1. The level of mastering the Company's goals and tasks.</p> <p>2. Understanding of director's duties.</p> <p>3. The level of participation in the Company's operations.</p> <p>4. Internal relationship management and communication.</p> <p>5. Director's profession and continuous training.</p> <p>6. Internal control.</p> <p>At the end of each year, each implementation unit shall collect relevant information concerning activities of the Board of Directors and distribute relevant self-assessment questionnaires to fill out. Then, the organizing implementation unit shall collect the data, record the evaluation results report and sends it to the Board of Directors for report.</p> <p>The Company has completed the performance evaluation of the Board of Directors and the directors in January 2021 and reported at the Board meeting on February 17, 2021. The Results of the performance evaluation of the Company's Board member are all good.</p> <p>The Company assessed the independence of the accountant on yearly basis and has submitted the results on March 23, 2021 to the Audit Committee and the Board of Directors for authorization before the appointment of the accountant. The Company has evaluated Accountant CHOU, PAO-LIEN and Accountant TSENG, MEI-YU of Klynveld Peat Marwick Goerdeler (KPMG) and concluded with the issuance of written statement that they both met the Company's independence assessment standards (Note 1) and are suitable to serve as the Company's Certified Public Accountants and accounting firm.</p>	N/A

Evaluation Item	Implementation Status (Note)			Abstract Illustration	Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No			
			Note 1: Independence assessment standards for accountant(s)		
			Evaluation Item	Assessment Results	Independence
			1. Does the Accountant has direct or major indirect financial interests with the Company?	No	Yes
			2. Does the Accountant have financing or guarantee behaviors with the Company or the Company’s Directors?	No	Yes
			3. Does the Accountant have close business relationship and potential employment relationship with the Company?	No	Yes
			4. Does the Accountant and its audit team member currently or use to serve in the Company as a director, manager or other position having major influence on the audit work in the Last Two Years?	No	Yes
			5. Does the Accountant provide the Company with non-audit service item that may directly affect audit the work?	No	Yes
			6. Does the accountant intermediate the stocks or other securities issued by the company?	No	Yes
			7. Does the Accountant ever serve as the Company’s defender or represent the Company in coordinating conflicts with other third parties?	No	Yes
			8. Is the Accountant related in kinship or marriage with the Company’s Director, manager or other person having major influence on the audit work?	No	Yes

4. Does the TWSE/TPEX listed companies arrange adequate Corporate Governance personnel and assign Corporate Governance supervisor to be responsible for corporate governance related affairs (including but not limited to providing information required by the Directors and/or Supervisors to execute the business, assist directors and supervisors to comply with laws and regulations, processing the Board meeting and shareholders' meeting related matters pursuant to laws and regulation, generating minutes of the Board meetings and shareholders' meetings, etc.)?	V		<p>On April 28, 2021 the Board of Directors of the Company has appointed the finance and accounting chief officer to be acting as the Corporate Governance Senior officer as well, responsible for handling and administration of the corporate governance related operation business operated by the Finance and Accounting Department, the Administration Department, the Intellectual Property Rights &amp; Legal Department and the Audit Office etc.:</p> <ol style="list-style-type: none"> <li>1. To study and plan appropriate company system and organizational structure to promote the independence of the Board of Directors, transparency of the Company, compliance with the laws and regulations, and implementation of the internal control of internal audit.</li> <li>2. To prepare the agenda before the Board meeting and notify all Directors to attend and provide sufficient meeting materials at least 7 days before the meeting to facilitate the Directors in understanding the contents of the related topics; the interested parties shall be reminded should the contents of the issues call for their avoidance of conflict of interests.</li> <li>3. Register the date of the shareholders' meeting within the deadline on yearly basis pursuant to laws and regulations, generate and file the meeting notification, meeting handbook and minutes within the deadline, and register after the amendment on Article of Association or re-election of the Directors.</li> </ol>	N/A
5. Does the Company establish communication channel with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up an Interested Parties Zone on the Company's website, and duly respond to important corporate social responsibility issues concerned by the interested parties?	V		The Company's website has set up an Interested Parties Zone and public e-mail to safeguard the communication channel of the interested parties.	N/A
6. Does the Company appoint professional service agency to process affairs of the shareholders' meeting?	V		The Company has entrusted professional stock agent Masterlink Securities to handle the shareholders' meeting related affairs.	N/A



7. Information disclosure (1) Does the Company set up a website to disclose information concerning financial operations and corporate governance? (2) Does the Company adopt other means of disclosing information (such as setting up an English website, assigning someone to take charge of the collection and disclosure of the Company's information, implementing the Spokesperson system, posting Corporate Conference process on the Company's website)? (3) Does the Company declare and file annual financial report within two months after the end of the fiscal year, and declare and file the financial reports and monthly Implementation Status for the first, second, and third quarter within the required deadline?	V  
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						Sep./2020	Securities and Futures Market Development Foundation	2020 Annual Prevention of Insider Trading and Insider Equity Trading Publicity Seminar	3H	
				Director	YEN, KUO-LUNG	Sep./2020	Securities and Futures Market Development Foundation	2020 Annual Prevention of Insider Trading and Insider Equity Trading Publicity Seminar	3H	
						Sep. 2020	Securities and Futures Market Development Foundation	Discussion on Fraud Cases of Enterprise Financial Statements	3H	
				Director	CHIU, TE-CHEN	Aug. 2020	Corporate Governance Association	Disclosure of Major Company Information and The Responsibilities of Directors and Supervisors	3H	
						Aug. 2020	Corporate Governance Association	The Impact of The New Company Act on Directors, Supervisors and Shareholders	3H	
				Corporate director	WEI, CHI-LIN	August 2020	Corporate Governance Association	Disclosure of Major Company Information and The Responsibilities of Directors and Supervisors	3H	
						August 2020	Corporate Governance Association	The Impact of The New Company Act on Directors, Supervisors and Shareholders	3H	
						August 2020	Corporate Governance Association	Looking at The Little Blue Cup Storm from The Perspective of Corporate Governance-Ruixing Coffee	3H	
						Sep. 2020	Securities and Futures Market Development Foundation	New Trends in Corporate Governance Regulations, Legal Person Transparency and Money Laundering Prevention Regulations in Corporate Mergers and Acquisitions	3H	

					Nov. 2020	Corporate Governance Association	The New Generation of Consumer Behavior Creates Economic Models	3H
					Nov. 2020	Corporate Governance Association	Institutional Investors Play A Role in Improving Corporate Governance	3H
					Nov. 2020	Securities and Futures Market Development Foundation	2021 Economic Outlook and Industry Trends	3H
			Independent Director	LIN, HSIEN-MING	September 2020	Corporate Governance Association	2021 Economic Outlook and Industry Trends Analysis of The Top Ten Global Risks	3H
					September 2020	Corporate Governance Association	The Latest Practical Development of Our Country's Domestic Online Transactions and The Way to Respond to Corporate Prevention and Control	3H
			Independent Director	CHUNG, RONG-DAR	September 2020	Securities and Futures Market Development Foundation	2020 Annual Prevention of Insider Trading and Insider Equity Trading Publicity Seminar	3H
					Oct. 2020	Taiwan Stock Exchange	2020 Corporate Governance and Corporate Integrity Directors and Supervisors Promotion Conference	3H
			Independent Director	CHEN, HOMIN	July 2020	Cross-Strait Business Development Foundation	Corporate Governance and Intellectual Property Rights	3H
						Cross-Strait Business Development Foundation	Business Secrets and Non-Competition Clause	3H
			4. If the Board meeting convened by the Company involves personal interests of the Director(s) which are potentially damaging to the Company's interests, the Director(s) shall uphold self-discipline to avoid the participation in voting or represent other					

			Director(s) in exercising voting power. 5. The Company has purchased NT\$16,000,000 liability insurance for the Directors and managers, of which the related underwriting period and premiums has been reported in the Board meeting on August 5, 2020.	
9.	<p>Please state the status of improvement for issues identified in the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the last fiscal year and propose priority enhancements and measures for those that have not yet improved. (This is not applicable for the companies not listed as a rated company): The Chinese version interim financial statements will be disclosed in English version on Market Observation Post System within 2 months after the filing period of the interim financial statements.</p> <p>The issues identified in the Company's 2019 corporate governance evaluation results that have been improved: Establishment of information security risk management framework, formulation of information security policies and specific management plans, and disclosure thereof on the Company's website.</p> <p>Priority enhancement in the future: Reveal the annual operation of risk management on the company's website</p>			

Note: Explanations shall be specified in the "Abstract Illustration" field regardless whether "Yes" or "No" was selected for the operating status.

### (5) Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Name	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
			An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Has work experience in the areas of commerce, law, finance, or accounting, or Otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	CHEN, HOMIN		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	We, based on professional and objective position, evaluated directors' and managers' remuneration policies and systems of the Company and made recommendation to the Board of Directors as decision-making reference.
Independent Director	LIN, HSIEN-MING				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	CHUNG, RONG-DAR				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please fill in the job title as “Director”, “Independent Director” or “other”.

Note 2: Please tick ☒ the corresponding boxes that apply to a member during the two years prior to be being elected or during the terms(s) of office.” in the cell under that number.

- (1) Not an employee of the Company or its affiliates;
- (2) Not a director or supervisor of the Company or its affiliates. However, this does not apply to the Independent Director established pursuant to the Act or local law of the Company or its parent company and/or subsidiary);
- (3) Not a person, or his/her spouse, or his/her children under 20 years of age, or in the name of others, who holds more than 1 percent of the Company's total shares issued or a top 10 natural person shareholder;
- (4) Not manager listed in (1) or spouse, relative by blood or marriage within second degree of kinship or relationship or a relative by blood within third degree of kinship of those listed in (2), (3);
- (5) Not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the Company's total shares issued, nor a director, supervisor or employee of top five shareholders, nor a director, supervisor or employee of a corporate shareholder who is appointed to act as corporate director or supervisor pursuant to Article 27 paragraphs 1 or 2 of the Company Act (however, this does not apply to the independent

- directors established and inter-concurrently served between the Company and its parent company, subsidiaries or a subsidiaries under the same parent company pursuant to the Company Act or local national laws and regulations).
- (6) Not a director, supervisor or employee of other company which is controlled by the same person who holds more than half of the director seats or voting rights of the Company (however, this does not apply to the independent directors established and inter-concurrently served between the Company and its parent company, subsidiaries or a subsidiary under the same parent company pursuant to the Company Act or local national laws and regulations).
  - (7) Not another company or organization's director (council), supervisor or employee who is also the Company's chairman, president (or equivalent) or the spouse thereof (however, this does not apply to the independent directors established and inter-concurrently served between the Company and its parent company, subsidiaries or a subsidiary under the same parent company pursuant to the Company Act or local national laws and regulations).
  - (8) Not a director, supervisor or employee of a specific company or organization which directly holds more than 5% of the Company's total shares issued, nor a director, supervisor or employee of a top 5 corporate shareholder (however, this does not apply to specific company or organization holding 20% (inclusive) ~ 50% of the Company's total issued shares and independent directors were established and inter-concurrently served between the Company and its parent company, subsidiaries or a subsidiaries under the same parent company pursuant to the Company Act or local national laws and regulations).
  - (9) Not a professional providing audit or business, legal, financial, and accounting services or consultation to the Company or its affiliates with cumulative remuneration of less than NT\$500,000 in the past two years; not an owner, partner, directors (council), supervisor, manager or his/her spouse of a sole proprietorships, partnership, company or institution (however, this does not apply to member of the Remuneration Committee, Public Tender Offers Review Committee or Special Committees for Merger / Consolidation and Acquisition pursuant to the Securities and Exchange Act or the Business Mergers And Acquisitions Act).
  - (10) Not a person of any conditions defined in Article 30 of the Company Act.

**(6) Attendance of Members at Remuneration Committee Meetings**

1. The Company has a total of 3 Remuneration Committee members
2. Term of the members of the 4<sup>th</sup> Committee: CHEN, HOMIN, LIN, HSIEN-MING, June 11, 2018 to June 10, 2021; CHUNG, RONG-DAR, November 8, 2018 to June 10, 2021. A total of three (3) (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members are as follows:

Title	Name	Attendance In Person [B]	By Proxy	Attendance Rate (%) [B/A] (Note)	Remarks
Convener	CHEN, HOMIN	3	0	100%	
Committee Member	LIN, HSIEN-MING	3	0	100%	
Committee Member	CHUNG, RONG-DAR	3	0	100%	

The dates, sessions, motions and resolutions of the Remuneration Committee's meetings during the most recent year, and the Company's actions towards the Remuneration Committee's opinions:

Remuneration Committee	Content of the motions and its follow-up actions	Resolution	The Company's method of handling opinions of the Remuneration Committee
The Fourth Session No.6 Mar.10, 2020	1. Payment of manager's 2019 performance bonus 2. Payment of 2019 employee's compensation and directors' remuneration	All members of the Committee have agreed to authorize.	Submit to the Board meeting to be authorized upon consent of all the attending directors.
The Fourth Session No.7 Aug. 5, 2020	1. Payment of 2019 directors' remuneration 2. Managers' salary adjustment 3. Payment of managers' 2020 incentives 4. Payment of 2019 managers' remuneration	All members of the Committee have agreed to authorize.	Submit to the Board meeting to be authorized upon consent of all the attending directors.
The Fourth Session No. 5 Dec. 28, 2020	1. Reward planning schedule for directors and managers 2. Amendment of the "Administrative Measures for Directors' Salary and Remuneration"	All members of the Committee have agreed to authorize.	Submit to the Board meeting to be authorized upon consent of all the attending directors.

Other mentionable items:

1. In the event of where the Board of Directors did not approve or correct the Remuneration Committee's propose, the date, session number, agenda of the Board meeting, the Board resolution and how the Company process the Remuneration Committee's resolution shall be specified (if the remuneration authorized by the Board of Directors is better than that of proposed by the Remuneration Committee, please specify the differences and reason therefor): N/A.
2. In the event of where the Remuneration Committee's resolutions opposed or given qualified opinion by its member(s) with record(s) or written statement(s), the date, session number, agenda of the Remuneration Committee meeting, opinions of all members and how the members' opinions were processed: N/A.

Note:

- (1) If a Remuneration Committee member left his/her position before the end of the year, the date he/she left the position shall be specified in the "remarks" field and the actual attendance rate (%) shall be calculated based on the number of Remuneration Committee meetings and his/her actual number of times of attendance during his/her term.
- (2) If there is a Remuneration Committee member re-election before the end of the year, the information of both previous and new Remuneration Committee members shall be filled in the "remarks" field specifying who is the previous Remuneration Committee member, who is the new or re-elected Remuneration Committee member and the re-election date; and the actual attendance rate (%) shall be calculated based on the number of Remuneration Committee meetings and his/her actual number of times of attendance during his/her term.

(7) Deviations from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation Status (Note 1)			Deviations from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons									
	Yes	No	Abstract Illustration (Note 2)										
1. Does the Company conduct risk assessments on corporate operation related environmental, social and corporate governance issues and formulate relevant risk management policies or strategies based on materiality principle? (Note 3)	Yes		<p>As operating risks continue to rise globally, ELAN Microelectronics has formulated "Risk Management Procedures" to conduct risk assessments on corporate operation related environmental, social and corporate governance issues and formulate relevant risk management policies or strategies based on materiality principle on yearly basis. The risk management and processes are implemented via the "risk assessment form system" and integrates into daily operations and decision-making operations to reduce the possibility and consequences of damage and ensure the achievement of operational goals and performance.</p> <p>The company's risk management policy was approved by the board of directors on 12.28.2020.</p> <p>The company's policies regarding environmental, social and corporate governance issues evaluated on the principle of the importance of corporate social responsibility are as follows:</p> <table><tr><th>Major Issues</th><th>Risk Evaluation Items</th><th>Risk Management Policy or Strategy</th></tr><tr><td>Environment</td><td>Environmental protection and ecological conservation</td><td>The company is committed to environmental protection. All Elan products comply with RoHS, Sony GP, REACH, no halogen requirements, and provide customers with a guarantee that they do not use hazardous substances; they have passed the 2015 version of the ISO-14001 environmental quality management certification.</td></tr><tr><td>Social</td><td>Product Safety</td><td>All products of the company comply with government -related product and service laws and regulations, and are</td></tr></table>	Major Issues	Risk Evaluation Items	Risk Management Policy or Strategy	Environment	Environmental protection and ecological conservation	The company is committed to environmental protection. All Elan products comply with RoHS, Sony GP, REACH, no halogen requirements, and provide customers with a guarantee that they do not use hazardous substances; they have passed the 2015 version of the ISO-14001 environmental quality management certification.	Social	Product Safety	All products of the company comply with government -related product and service laws and regulations, and are	None
Major Issues	Risk Evaluation Items	Risk Management Policy or Strategy											
Environment	Environmental protection and ecological conservation	The company is committed to environmental protection. All Elan products comply with RoHS, Sony GP, REACH, no halogen requirements, and provide customers with a guarantee that they do not use hazardous substances; they have passed the 2015 version of the ISO-14001 environmental quality management certification.											
Social	Product Safety	All products of the company comply with government -related product and service laws and regulations, and are											



Evaluation Item	Implementation Status (Note 1)					Deviations from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration (Note 2)			
					managed through the ISO quality system to provide customers with stable product quality; at the same time, to ensure customer service quality and improve customer satisfaction, a customer service procedure is formulated and established for customers Service website to protect the rights and interests of customers; provide customer service satisfaction surveys every year, strengthen the cooperative relationship with customers, and establish a mutually beneficial and common prosperity relationship with customers.	
			Corporate Governance	Socio-economic and legal compliance	Through the establishment of a governance organization and implementation of internal control mechanisms, it is ensured that all personnel and operations of the company actually comply with relevant laws and regulations.	
2. Does the Company establish dedicated unit to promote corporate social responsibility, which is authorized to the top management level by the Board of Directors to take charge and report the status to the Board of Directors?	Yes		The Industry Performance Management Department is a part-time unit which promotes corporate social responsibility and has reported the implementation status of the year to the Board of Directors on December 28, 2020.			None
3.. Environmental issues: (1)Does the Company establish suitable environmental management system according to the nature of its industry? (2)Does the Company commit to improving the efficiency in the utilization of various resources and use recycled materials that	Yes  Yes  Yes		(1) “Green Product” is the most basic requirement of ELAN Microelectronics. ELAN ‘s full range of products are all in compliance with RoHS, Sony GP, REACH, and halogen-free requirements, of which the customers are provided with Certificate of Non-Use of Hazardous Substances. (2) The Company has passed the ISO-14001:2015 Environmental Quality Management certification. (3) The Corporate Social Responsibility Report was introduced in 2014.			None

Evaluation Item	Implementation Status (Note 1)			Deviations from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration (Note 2)	
<p>have a low impact on the environment?</p> <p>(3) Does the Company assess the potential current and future risks and opportunities of climate change on the Company, and take countermeasures to address such climate-related issues?</p> <p>(4) Does the Company calculate its greenhouse gas emissions, water consumption and total weight of waste in the past two years and formulate policies for energy conservation, carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?</p>	Yes		<p>(4) In 2014, inspection on greenhouse gases was commenced, and a minimum 1% annual energy conservation and carbon reduction KPI was set.</p>	
<p>4. Social issues:</p> <p>(1) Does the Company formulate management policies and procedures in accordance with relevant laws and regulations and international Human Rights Treaties?</p> <p>(2) Does the Company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and</p>	Yes Yes Yes		<p>(1) In addition to the Work Rules are in compliance with the relevant laws and regulations, the Company has also adopted the “Human Rights Policy” upon Board resolution to safeguard basic human rights of the employees, to shape protect the environment with full human rights protection, and to recognize and support UN’s “Universal Declaration of Human Rights”, “The United Nations Global Compact” and other internationally recognized basic human rights, while requiring cooperative manufacturers to prevent any violation of human rights in operate activities, treating internal and external staff members with dignity and respect, and abide by the local labor related laws and regulations of the company.</p> <p>(2) The Company has formulated Work Rules and related personnel management</p>	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration (Note 2)	
<p>adequately reflect operating performance or results in employee compensation?</p> <p>(3) Does the Company provide employees with a safe and healthy work environment and regular safety and health education?</p> <p>(4) Does the Company establish effective training programs to develop career ability for the employees?</p> <p>(5) Does the Company comply with relevant regulations and international standards and formulate relevant policies and complaint procedures for customer health and safety, customer privacy, marketing and labeling of products and services in order to protect consumer rights?</p> <p>(6) Does the Company formulate supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health or labor human rights? What’s the status of implementation thereof?</p>	Yes		<p>regulations covering basic wage, working hours, vacations, pension payments, labor and health insurance payments, and occupational disaster compensation of/for the Company’s employees, which all comply with the relevant provisions of the Labor Standards Act. Establishment of Employee Welfare Committee to handle various welfare matters: The Company’s remuneration policy is based on individual capacity, level of contribution to the Company, performance, and positive relevance to the operating performance.</p> <p>(3) The Company began promoting the latest occupational safety and health management system ISO 45001 in 2018 and obtained the certification in 2019. The Company had won Hsinchu Science Park Bureau’s “Distinguished Green Landscaping Award” for the 16 consecutive years providing employees with a healthy, comfortable and safe working environment, while regularly implementing safety and health education and training and health promotion activities in accordance with relevant laws and regulations</p> <p>(4) The Company has created a good environment and established an effective career ability development training program for the career development of its employees.</p> <p>(5) The marketing and labeling of the Company’s products and services all complied with “ISO 9001 Quality Management System”, “ISO 14001 Environmental Management System” international standards, as well as laws and regulations. The Company formulated Customer Service Procedures and established customer service website to protect the rights and interests of customers.</p> <p>(6) Relevant issues are regulated in ISO9001, ISO14001 and ISO45001 certifications; investigate the implementation status during annual audit by the [Field Review Form for Outsourced Vendors] and request the suppliers to update relevant certificates and warranty.</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration (Note 2)	
5. Does the Company refer to internationally accepted report preparation standards or guidelines to prepare corporate social responsibility reports and other reports that disclose the Company's non-financial information? Does the aforementioned reports obtain confirmation or assurance opinions from third-party verification unit?	Yes		The Company’s “2018 Corporate Social Responsibility Report” was verified by British Standards Institution (BSI) according to GRI Standards G4 Core Option’s AA1000 Accountability Assurance Standard, AA1000AS principle and, due to the nature and regionality of the industry, the Responsible Business Alliance (RBA), Taiwan’s “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” were also referenced for social responsibility behaviors specifications. The report is attached with SGS statement.	None
6. If the Company has its own code of corporate social responsibility based on the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please state the difference between its operation and the code thereof: No difference, because the “ELAN Microelectronics’ Corporate Social Responsibility Management System and Promotion Plan” are all in compliance with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”.				

7. Other important information that may facilitate the understanding about the status of the Company's social responsibility operation:

**Active disclosure of social responsibility information**

In order to implement the disclosure of corporate social responsibility information, the Company has officially issued "2020 Corporate Social Responsibility Report" in Traditional and Simplified Chinese and English versions and disclosed on the Company's external website and Market Observation Post System.

In addition, the abstracts of various social activities of which the Company had participated are as follows:

**Caring for the disadvantaged groups - elderly living alone**

Since 2010, Elan has cooperated with the Catholic Social Service Center for ten consecutive years and jointly held cherish fair on the eve of the Mid-Autumn Festival. In response to the event, the Company set up charity sell booth and took the initiative to purchase tickets of fair; the Company's staff members volunteered to support the charity sale on the same day. The proceeds from the charity sale was then all donated to Hsinchu Social Service Center for the care of the vulnerable elderly and the purchase of transportation, hoping that through the charity sale activities, the elderlies who are poor, living alone and disabled will be able to enjoy a beautiful Mid-Autumn Festival. In 2020, the donation amount was about NT\$1,300,000, and there were about 1000 volunteers participated in the activity.

**Supporting Talent and Intern Programs – College Students**

Elan is a professional IC design company; cultivating talents is the most direct and effective way to give back to the society. Starting from campuses, Elan provides internship quota to the school, which creates a mutually beneficial win-win situation between Elan and the school. There is no doubt that internship is where the corporation and school connect together and one of the most effective and easiest ways to develop talents in an early stage. Through the provision of workplace internship opportunities to the students, the internships and work content are arranged in a planned manner. Under the leadership and subtle influence of the seniors, the interns are able to practice the practical ability of the workplace and cultivate correct working attitudes. The enterprise can also assess the development potential of interns during the process, which can reduce pre-employment training costs and reserve future talent.

Such internship program is planned in advance by Elan and the school to conduct business internships through "semester" or "full academic year" approach arrangements, setting a system with specific job descriptions and achievable tasks, so that students can enter the workplace early to broaden knowledge and practice what they have learned, as well as to inject new vitality and creativity into the organization of Elan and to use this opportunity to explore suitable talents and keep excellent internships as new force of the Company. For the students, it is possible to understand workplace and employment environment early, to strengthen own skills, and to make the right career choices. By the end of 2020, 82 job vacancies have been provided to college students and postgraduate internships.

**Cultivate AI talents - AI industry talents**

In order to enhance Taiwan's industrial competitiveness, ELAN Electronics and its affiliates jointly promoted "Taiwan AI Academy", hoping to use this school as a platform to promote accurate understanding and latest technology of artificial intelligence, to foster AI talent pool for industrial, government, academic and research circles, while referring to the industrial-academic demand and supply, allowing Taiwan to occupy a place in the rapid development of global artificial intelligence and information science and technology. The establishment of AI Academy can help the industry to solve the big challenge of industrial AI: to make up for the lack of practical talents, to narrow the industrial-academic gap, and to gradually establish Taiwan's independent technology as a contribution to Taiwan's technology ecosystem. In 2018~2020, more than NT\$30,000,000 has been donated.

**Implementation of Ecological Conservation**

Participated in the "Shennong Project" of the Taiwan Good Foundation. Elan Electronics has donated NT\$500,000 since 2020 and will continue to participate in the said project up to the year 2022. We mainly agree with the foundation's philosophy of focusing on organic food, land education, and hometown recognition. For many years Assisting 14 primary schools in Miaoli and Pingtung to establish friendly planting school fields, turning the countryside into classrooms, not only promotes a closer connection between parents and teachers, but also draws the distance between schools and local communities and communities, and develops a kind of cross-domain. The learning mode allows children to accept unique teaching application courses. In November, Chairman YEH personally went to Zhongxing Elementary School teachers/children to have a meal, visited the campus, and personally experienced the beautiful changes brought about by this series of benevolent activities to the friendly nature and environment.

- Note 1: If “Yes” was selected for the operating status, please explain the major policies, strategies and measures adopted and the implementation thereof; if “No” was selected for the operating status, please explain the reasons and describe the policies, strategies and measures to be adopted in the future.
- Note 2: If the Company has prepared the Corporate Social Responsibility Report, “see page \_\_\_\_ of the Corporate Social Responsibility Report” can be noted in lieu of brief explanations.
- Note 3: The materiality principle refers to those environmental, social and corporate governance issues that have significant impact on the Company's investors and other interested parties.

**(8) Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons**

[illegible]

Evaluation Item	Implementation Status (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<b>2. Implementation of ethical operation</b>				None
(1) Does the Company evaluate ethical records of the counterparties, and specify provision of ethical conduct in the contract it entered into with its transaction counterparties?	Yes		(1) The Company fully understood counterparties’ ethical operating conditions when entering into contract with others, and specified in the contract that the contract may be unconditionally terminated or rescind if the operating activities involve unethical conduct.	
(2) Does the Company establish dedicated unit under the Board of Directors to promote corporate ethical operation and regularly (at least once a year) report the status of its implementation of ethical operation policies and unethical conducts prevention plan and supervisory to the Board of Directors?	Yes		(2) The company designates the president’s office as a unit responsible for promoting corporate integrity management. If an incident of dishonest behavior occurs, the president's office will report to the board of directors on its handling methods and follow-up review and improvement measures, and the annual integrity management implementation status will be reported to the board of directors on a regular basis every year. The operation and implementation of the integrity management unit in 2020 were reported to the board of directors on December 28, 2020.	
(3) Does the Company formulate, provide and implement policies to prevent conflict of interests and suitable channel to express opinion / statement?	Yes		(3) In the event when Company’s staff member performed the Company’s business found that there is a conflict with the interests of his/her own or the juristic person it represents, or may result in the obtaining of improperly interests by him/herself or him/herself spouse, parent(s), children or interested parties, he/she shall report the matter to his/her direct superior and the Company’s dedicated unit, and the direct superior shall provide adequate guidance.	
(4) Does the Company establish effective accounting system and internal control system and have the internal audit unit formulating relevant audit plan based on the	Yes		(4) The Company has established effectively accounting system and internal control system; external accounts or secret account(s) are prohibited, and review were conducted to ensure	



Evaluation Item	Implementation Status (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>results of assessment on risk of unethical conduct, while examining the compliance with the unethical conduct prevention plan (or commissioning an accountant to perform the examination)?</p> <p>(5) Does the Company regularly hold internal and/or external training on ethical operation?</p>	Yes		<p>that the design and implementation of the system continues to be effective. The internal audit unit regularly check compliance of the relevant systems according to the audit plan.</p> <p>(5) Since 2018, newcomers’ on-the-job training has included anti-corruption digital courses, the relevant training and online tests of which are subject to be completed 100% and updated regularly thereafter. In 2020, the Company held internal and external education and trainings on ethical operations (including courses on compliance with ethical operations regulations, accounting systems, internal control systems and other relevant courses) with a total of 241 man-count and 294 man-hours.</p>	
<p><b>3. Implementation Status of the Company’s allegation reporting system</b></p> <p>(1) Does the Company set specific reporting allegations and reward system, establish convenient reporting allegations channel, and assign appropriate dedicated personnel to process the allegations?</p> <p>(2) Does the Company set standards operating procedures, post-investigation measures and related confidentiality mechanisms to be taken to process allegations?</p>	Yes	Yes	<p>(1) The Company has set specific reporting allegations and reward system, of which the employee may report to the Supervisors, managers, internal audit unit or other appropriate personnel when violation of laws and regulations or Ethical Code of Conduct is suspected or found.</p> <p>(2) The Company's website is equipped with a “Complaint Mailbox” and “Employee Complaint Measures” for employees and outsiders to report anonymously, and the head of the Industry Performance Management Department was appointed as the responsible person therefor. The Company has set standards operating procedures and related confidentiality mechanisms. The Intellectual Property Rights &amp; Legal Department was established as the dedicated unit for processing business secrets, responsible for formulating and</p>	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the Company adopt measures to protect those who reported allegations from improper treatment due to the allegations?	Yes		<p>implementing the Company’s business secrets management, storage and safeguarding procedures to ensure continued effectiveness of the operating procedures.</p> <p>(3) The Company will do its best to protect safety of who reported allegations from improper treatment due to the allegations.</p>	
4. Strengthen information disclosure Does the Company disclose its set Ethical Corporate Management Best Practice Principles contents and effectiveness in promotion on its website and Market Observation Post System?	Yes		The Company has disclosed its “Ethical Corporate Management Best Practice Principles” and “Ethical Corporate Management Best Practice Procedures and Code of Conduct” on its website and the Market Observation Post System, and disclose status of the implementation of ethical operations under “corporate governance” section of the Company's website.	None
5. Where the Company has formulated its own Ethical Corporate Management Best Practice Principles based on the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please specify the differences between the two: None				
6. Other important information that may facilitate the understanding about the status of the Company’s ethical operation: (such as: the Company’s review and revise its own Ethical Corporate Management Best Practice Principles) As of the end of 2020, the Company did not incur any case of corruption, violation of business ethics and trust.				

Note 1: Explanations shall be specified in the “Abstract Illustration” field regardless of whether the evaluation item is archived or not.

- (9) If the Company has set corporate governance code and related regulations, it shall disclose the equity methods: The Company's "Code of Corporate Governance" and related regulations have been disclosed on the Company's website and Market Observation Post System. For enquiries, please refer to our URL (<http://www.emc.com.tw>) or Market Observation Post System (<http://mops.twse.com.tw>).
- (10) Other important information that may facilitate the understanding about the implementation status of the corporate governance operation shall also be disclosed: There are regulation concerning corporate governance under "Code of Corporate Governance" in the Company's external webpage.
- (11) Disclosure about the implementation of internal control system shall include the following items:
  1. Statement on Internal Control: (please see page 273)
  2. Where there is ad hoc audit on internal control system by outsourced accountant(s), the Accountant's audit report shall be disclosed: N/A.
- (12) Where, during the last fiscal year and as of the publishing date of the annual report, the Company and its staff members were sanctioned by law and/or the Company applied punitive measures on its staff members who violated provisions of the internal control system, if the result of the punishment may have a significant impact on shareholders' equity or the price of securities, the content of the punishment, the major deficiencies and improvement thereof shall be specified: N/A.
- (13) Important resolution adopted by shareholders' meeting and the Board meeting during the last fiscal year and until the publishing date of the annual report:

**Major Resolutions of Shareholders' Meeting and the Implementation:**

Date	Item	Major resolutions	Implementation status
May 27, 2020	2020 Annual Shareholders' Meeting	Acknowledgement:	
		(1) Approval of the 2019 business report and financial statements	Proceed as per resolutions.
		(2) Approval of the proposal for distribution of 2019 retained earnings	Set June 21, 2020 as the reference date of the distribution of rights, and July 03, 2020 as the cash dividends pay day (cash dividend distributed per share was NT\$ 6.50).
		Discussion:	
		(3) Amendment to Operational Procedures for Endorsements and Guarantees	Proceed as per resolutions.
		Election Matters:	

## Major Resolutions of Board Meetings

Date	Item	Major Resolutions
Mar. 10, 2020	Board meeting	<ol style="list-style-type: none"> <li>1. Report on the results of the performance appraisal and self-evaluation of the board of directors;</li> <li>2. To discuss and approve the proposal for equity subscription in Metanoia Communications Inc.'s 2019 cash capital increase;</li> <li>3. To Report the status of investing in the Vertex Growth (SG) LP Fund;</li> <li>4. Approval of the company's 2019 self-closing financial statements and consolidated financial statements;</li> <li>5. To discuss and approve the proposal for distribution of the company's 2019 profits;</li> <li>6. To discuss and approve the distribution of 2019 managers' performance bonuses proposed by the Remuneration Committee;</li> <li>7. To discuss and approve the distribution of employee bonus and directors' remuneration proposed by the Remuneration Committee;</li> <li>8. To discuss the date and place to hold the company's annual shareholders' meeting in 2020;</li> <li>9. To discuss and stipulate the period for accepting shareholder proposals and the place of acceptance;</li> <li>10. To discuss and approve the proposal for equity subscription in Bruckewell Electronic Technology Co. Ltd. 's first cash capital increase in 2020;</li> <li>11. The company's internal control system for the year 2019 has been completed after self-assessment. To discuss and approve the proposal for issuing an internal control statement;</li> <li>12. To discuss and approve the proposal for appointing the accountants from KPMG Taiwan to audit and verify the company's financial statements and tax reports for 2020;</li> <li>13. To discuss and approve the proposal for equity subscription in Metanoia Communications Inc.'s first cash capital increase in 2020;</li> </ol>
May 8, 2020	Board meeting	<ol style="list-style-type: none"> <li>1. To report the Financial report on the Company's 2020 Q1 Consolidated Financial Statements</li> <li>2. To discuss and approve the proposal for equity subscription in Bruckewell Electronic Technology Co. Ltd. 's second cash capital increase in 2020;</li> </ol>
Aug. 05, 2020	Board meeting	<ol style="list-style-type: none"> <li>1. To report on the self-consolidated financial report for the second quarter of 2020;</li> <li>2. To report on the subscription of liability insurance for the Company's directors and managers;</li> <li>3. To approve the payment of the 2019 remuneration of the Directors proposed by the Remuneration Committee;</li> <li>4. To approve the adjustment of remuneration of managers proposed by the Remuneration Committee;</li> <li>5. To approve the payment of the 2020 incentive bonuses of the managers proposed by the Remuneration Committee;</li> <li>6. To approve the payment of the 2019 remuneration of managers proposed by the Remuneration Committee;</li> <li>7. To approve the proposal for amendments of the management operation procedures related to the preparation process of the financial statement of the internal control system;</li> </ol>

Date	Item	Major Resolutions
		<ul style="list-style-type: none"> <li>8. To approval the subscription of the private equity of Macroblock (3527);</li> <li>9. To discuss and approve the proposal for equity subscription in Pixord Corporations 's cash capital increase in 2020;</li> <li>10. To discuss and approve the proposal for cooperation with BRUCKEWELL TECHNOLOGY CO., LTD. to develop the SIC project</li> </ul>
Sep. 24, 2020	Board meeting	<ul style="list-style-type: none"> <li>1. To discuss and approve the proposal for the delayed collection of accounts receivable is not classified as a financing activity;</li> <li>2. To discuss and approve the proposal for the construction of Elan Southern Production and Innovation Center;</li> <li>3. To discuss and approve the proposal for the plan to build employee dormitories in Tainan and for the plan to settle down residences to retain talents sponsored by the Industry-Academy Cooperation Foundation;</li> <li>4. To discuss and approve the proposal for amendments of the “Integrity Management Operating Procedures and Behavior Guide”</li> </ul>
Oct. 26, 2020	Board meeting	<ul style="list-style-type: none"> <li>1. Provision of the 2010 Q3 Consolidated Financial Statements to the appointed certified public accountants for auditing and verification;</li> </ul>
Nov. 12, 2020	Board meeting	<ul style="list-style-type: none"> <li>1. To discuss and approve the proposal for application for mortgage in the superficial rights bidding of the Hsinchu County International AI Smart Park;</li> <li>2. To discuss and approve the proposal for purchasing the GCRS accounting system provided by M-Power Information Co., Ltd.</li> </ul>
Dec. 28, 2020	Board meeting	<ul style="list-style-type: none"> <li>1. Report on the achievement of the Corporate Social Responsibility Implementation Plan;</li> <li>2. Report on the operation and implementation status of the integrity management unit</li> <li>3. Report on communications with related parties;</li> <li>4. Report on related improvement measures and related improvement measures in the "Explanation and Evaluation Form for the Compilation of Financial Reporting Ability of Listed Companies"</li> <li>5. To approve the planned schedule for payment of the remuneration of directors and managers proposed by the Remuneration Committee;</li> <li>6. To discuss and approve the proposal for amendment of the Rules governing the management of remuneration of directors proposed by the Remuneration Committee;</li> <li>7. To discuss and approve the proposal for establishment of the 2021 Audit plan;</li> <li>8. To discuss and approve the proposal for establishment of the Rules and Regulations for Establishing a “Sustainable Development Committee”</li> <li>9. To discuss and approve the proposal for appointment of the Members of the “Sustainable Development Committee”</li> <li>10. To discuss and approve the proposal for establishment of the Risk Management Policies;</li> <li>11. To discuss and approve the proposal for amendment of the Rules governing the business transaction of the FC001</li> </ul>

Date	Item	Major Resolutions
		<p>Group companies and specific companies with the related parties;</p> <p>12. To discuss and approve the proposal for amendment of the Audit Implementing Regulation governing the audit procedures of management procedures of the business transaction with the related parties;</p> <p>13. To discuss and approve the proposal for amendment of the Rules of Procedure of the Board of Directors;</p> <p>14. To discuss and approve the proposal for amendment of the Measures for the Audit Committee to Exercise its Functions and Powers;</p> <p>15. To discuss and approve the proposal for amendment of the Organizational Rules of Remuneration Committee</p>
Feb. 17, 2021	Board meeting	<p>1. To report on the requisition of the land ownership of the "Hsinchu County International AI Park Industrial Zone (1)-3 Hill";</p> <p>2. To Report on the results of the performance appraisal and self-evaluation of the board of directors;</p> <p>3. To approve the proposed 2020 Self-settled and consolidated financial statements;</p> <p>4. To discuss and approve the proposal for distribution of the Company's earnings in 2020;</p> <p>5. To discuss and approve the proposal for distribution of the remuneration of employees and directors;</p> <p>6. To discuss and approve the proposal for election of the 10th term of office of the Company's directors;</p> <p>7. To discuss and approve the proposal for amendment of the Company's Rules of Procedure of Shareholders' Meeting;</p> <p>8. To discuss the date and place to hold the company's annual shareholders' meeting in 2021;</p> <p>9. To discuss and stipulate the period for accepting shareholder proposals and the place of acceptance;</p> <p>10. To discuss and approve the proposal for disposal of the equity of the Rising Star Technology Co., Ltd.;</p>
Mar. 23, 2021	Board meeting	<p>1. Report on related improvement measures and related improvement measures in the "Explanation and Evaluation Form for the Compilation of Financial Reporting Ability of Listed Companies";</p> <p>2. To discuss and approve the distribution of 2020 managers' performance bonuses proposed by the Remuneration Committee;</p> <p>3. To discuss and stipulate the period for accepting shareholder proposals and the place of acceptance;</p> <p>4. The company's internal control system for the year 2020 has been completed after self-assessment. To discuss and approve the proposal for issuing an internal control statement;</p> <p>5. To discuss and approve the application for establish a joint venture investment management company on the NO. 2 Industry Land of the "Hsinchu County International AI Smart Park";</p> <p>6. To discuss and approve the proposal for appointing the accountants from KPMG Taiwan to audit and verify the company's financial statements and tax reports for 2021;</p>

- (12) Where there are recorded or written statements during the last fiscal year and until the publishing date of the annual report regarding the Directors or Supervisors' opposing on important Board resolution(s), its main contents are: N/A.
- (13) Summary of resignation and dismissal of financial statements related staff members (including Chairman, President, Chief Accounting Officer, Chief Financing Officer, Chief Audit Executive and Chief R & D Officer, etc.) during the last fiscal year and until the publishing date of the annual report: N/A.

**4. Audit Fee Information:**

Range of Audit fee (please check-mark the corresponding range or fill in the amount)

Accounting Firm	Name of CPA	Audit period	Remarks
Klynveld Peat Marwick Goerdeler (KPMG)	CHOU, PAO-LIEN TSENG, MEI-YU	2020.01.01~ 2020.12.31	

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

Unit: NT\$ thousands

Fee Range \ Fee Items		Audit Fee	Non-audit Fees	Total
1	Under NT\$ 2,000,000		V	
2	NT\$2,000,001 ~ NT\$4,000,000			
3	NT\$4,000,001 ~ NT\$6,000,000	V		V
4	NT\$6,000,001 ~ NT\$8,000,000			
5	NT\$8,000,001 ~ NT\$10,000,000			
6	Over NT\$100,000,000			

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others (Note 2)	Subtotal		
KPMG	CHOU, PAO-LIEN	4,950	-	-	-	202	202	2020.01.01~ 2020.12.31	Offshore investment company maintenance fees, tax consultation service charges, traveling expenses
	TSENG, MEI-YU								

Note 1: If the company changes its accountant or accounting firm in the current year, please list their audit periods separately and explain the reasons for replacement in the "remark" field. Please disclose the auditing and non-auditing fees in sequence.

Note 2: Please list the non-auditing fees separately according to the service items. If the "others" non-auditing fees amount to 25% of the total non-auditing fees, its service content shall be listed in the remark field:

- (1) If the non-auditing fees for the Certified Public Accountant and his/her firm and its

- affiliate(s) are more than one quarter of the auditing fees: None
- (2) Nature of the non-auditing fees: i.e. the offshore investment company maintenance fees, tax consultation service charges and traveling expenses.
  - (3) If there is a change in accounting firm and the auditing fees in the year of such change is less than the auditing fees in the previous year: No change.
  - (4) If the auditing fees was decrease by more than 10% comparing to that of in the previous year: None



## 5. Replacement of CPA

### (1) Regarding the former CPA

Replacement Date	March 12, 2019		
Replacement reasons and explanations	The original CPAs of the Company were GAO, WEI-CHUAN and TSENG, MEI-YU. Due to internal restructuring at the CPA firm, the CPAs of the Company were changed to CHOU, PAO-LIEN and TSENG, MEI-YU, beginning January 1, 2019.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		
	Status	CPA	The Company
	Termination of appointment	None	
No longer accepted (continued) appointment			
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	V	
Remarks/specify details:			
Other Revealed Matters (Those that are subject to be disclosed pursuant to Article 10 Paragraph 6 Item 1-4 to 1-7 hereof)	None		

**(2) Regarding the successor CPA**

Name of accounting firm	Klynveld Peat Marwick Goerdeler (KPMG)
Name of CPA	CHOU, PAO-LIEN; TSENG, MEI-YU
Date of appointment	March 12, 2019 (Adopted by the Board of Directors)
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(3) The former CPA's reply to matters identified in Article 10 Paragraph 6 item 1 and 2.3 hereof: N/A

- 6. The Company's Chairman, President, Chief Financial Officer or Chief Accounting Officer who hold any positions in the Company's independent auditing firm or its affiliates during the last fiscal year: None**
- 7. Any transfer of shareholdings and changes in equity pledge from the directors, managers and shareholder(s) holding more than 10% of the shares during the last fiscal year and until the publishing date of the annual report:**

(1) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2020		As of March 31, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	YULONG INVESTMENT	-	-	-	-
Chairman and President	YEH, I-HAO	40,000	-	-	-
Director	YEN, KUO-LUNG	-	-	-	-
Director	CHIU, TE-CHEN	-	-	-	-
Director	ZONGLONG INVESTMENT	-	-	-	-
Independent Director	CHUNG, RONG-DAR	-	-	-	-
Independent Director	LIN, HSIEN-MING	-	-	-	-
Independent Director	CHEN, HOMIN	-	-	-	-
Manager	CHEN, I-LIN	-	-	-	-

(2) The counterparty of an equity pledge who is also a related party shall disclose name of the counterparty, the relationship with the Company, Director, Supervisor, and/or shareholder holding more than 10% of the shares and number of shares obtained or pledged:

- 2.1 Equity transfer information: Not applicable, because it is traded freely in the exchange market.
- 2.2. Equity pledge information: Not applicable.

## 8. Relationship among the Top Ten Shareholders:

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Nan Shan Life Insurance	13,370,000	4.40%	N/A	N/A	N/A	N/A	—	—	
Representative: CHEN, Tan	0	0%	N/A	N/A	N/A	N/A	—	—	
New Labor Pension Fund	12,609,724	4.15%	N/A	N/A	N/A	N/A	—	—	
Yuanta Taiwan High Dividend Fund Account	9,336,056	3.07%	N/A	N/A	N/A	N/A	—	—	
Yuanta Taiwan High-yield Leading Company Fund	7,703,000	2.53%	N/A	N/A	N/A	N/A	—	—	
Yulong Investment Co., Ltd.	7,083,059	2.33%	N/A	N/A	N/A	N/A	YEH, I-HAU	The Company's major shareholder	
Representative: YEH, I-MING	0	0%	N/A	N/A	N/A	N/A	YEH, I-HAU	Second degree of kinship or relationship	
YEH, I-HAU	5,224,895	1.72%	N/A	N/A	N/A	N/A	Yulong / Zonglong Investment Co., Ltd.	The Company's major shareholder	
Vanguard Emerging Market Stock Index Fund Account	4,176,870	1.37%	N/A	N/A	N/A	N/A	—	—	
Advanced Starlight Advanced Sum International Stock Index	3,801,344	1.25%	N/A	N/A	N/A	N/A	—	—	
Standard Chartered Custody of the Global Investor PIMCO Fund	3,654,709	1.20%	N/A	N/A	N/A	N/A	—	—	
Public Service Retirement Pension Fund Management Committee	3,265,000	1.07%	N/A	N/A	N/A	N/A	—	—	

Note 1: The top ten shareholders shall be listed in full; corporate shareholder shall list its name and the names of its representative separately;

Note 2: The calculation of the shareholding percentage referred to the percentage of shares held in his/her/its own name, or under the name of his/her/its spouse, children under 20 years of age, or others;

Note 3: The relationship between above-listed juristic person shareholders and natural person shareholders shall be disclosed pursuant to the regulations governing the preparation of financial statements of the issuer.

## 9. Ownership of Shares in Affiliated Enterprises

Unit: Thousand shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares		Shares	%
Elan (HK)	29,328	100.00%			29,328	100.00%
Elan Investment Corporation	50,000	100.00%			50,000	100.00%
Elan Information	65	100.00%			65	100.00%
JPUP Electron Co., Ltd.	784	49.00%			784	49.00%
Metanoia Communications Inc.	32,695	50.29%	831	1.28%	33,526	51.57%
Avisonic Technology Corporation	12,542	80.08%	646	4.13%	13,188	84.21%
Tongfu Investment Co., Ltd.	3,000	46.73%			3,000	46.73%
Brighten Heart Technology Co., Ltd.	1,805	45.07%			1,805	45.07%
PiXORD Corporation Co., Ltd.	15,427	97.95%	43	0.28%	15,470	98.23%
Eminent Electronic Technology Co., Ltd.	4,113	28.94%	2,138	15.04%	6,251	43.98%
Rising Star Technology Co., Ltd.	2,000	86.96%			2,000	86.96%
Bruckewell Technology Co., Ltd.	2,000	61.16%			2,000	61.16%
Top Taiwan X Venture Capital Co., Ltd.	24,000	30.00%			24,000	30.00%
Uniband Electronic Corporation	5,000	24.69%			5,000	24.69%
Finger Pro. Incorporation	600	23.08%			600	23.08%

Note: Long-term equity investments of the Company using equity method.

#### IV. Capital Overview

##### 1. Capital and Shares:

##### (1) Source of capital

##### A. Issued Shares

Unit: Thousand shares

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-up Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Source of Capital	Capital Increased by Assets Other than Cash	Other
May 1994	10	100,000	1,000,000	100,000	1,000,000	Established	N/A	N/A
Aug. 1997	10	110,600	1,106,000	110,600	1,106,000	Retained Earnings Transferred to Capital 100,000 Employee bonus 6,000	N/A	Document No. (86)Tai-Cai-Zheng(1)- 52750 issued on July 5, 1997
Jul. 1998	10	147,140	1,471,400	147,140	1,471,400	Retained Earnings Transferred to Capital 331,800 Employee bonus 33, 600	N/A	Document No. (87)Tai-Cai-Zheng(1)- 52941 issued on June 18, 1998
Sep. 1999	10	164,854	1,648,540	164,854	1,648,540	Retained Earnings Transferred to Capital 147,140 Employee bonus 30,000	N/A	Document No. (88)Tai-Cai-Zheng-63 446 issued on July 12, 1999
Jun. 2000	10	220,810	2,208,102	220,810	2,208,102	Retained Earnings Transferred to Capital 494,562 Employee bonus 65,000	N/A	Document No. (89)Tai-Cai-Zheng-35 156 issued on May 2, 2000
Jul. 2001	10	450,000	4,500,000	295,038	2,950,383	Retained Earnings Transferred to Capital 662,431 Employee bonus 79,850	N/A	Document No. (90)Tai-Cai-Zheng(1)- 43780 issued on May 2, 2001
Jul. 2002	10	450,000	4,500,000	329,239	3,292,391	Retained Earnings Transferred to Capital 295,038 Employee bonus 46,970	N/A	Document No. (91)Tai-Cai-Zheng-Yi- Zi-0910137334 issued on July 8, 2002
Jul. 2003	10	450,000	4,500,000	330,792	3,307,923	Convert corporate bonds to shares 15,532	N/A	Document No. Yuan-Shang-Zi-09200 20871 issued on July 30, 2003
Oct. 2003	10	450,000	4,500,000	335,307	3,353,071	Convert corporate bonds to shares 45,148	N/A	Document No. Yuan-Shang-Zi-09200 29312 issued on October 21, 2003
Jan. 2004	10	450,000	4,500,000	338,311	3,383,114	Convert corporate bonds to shares 30,043	N/A	Document No. Yuan-Shang-Zi-09300 01801 issued on January 29, 2004
Apr. 2004	10	450,000	4,500,000	338,903	3,389,028	Convert corporate bonds to shares 5,914	N/A	Document No. Yuan-Shang-Zi-09300 10383 issued on April 21, 2004
Jul. 2004	10	450,000	4,500,000	343,235	3,432,348	Convert corporate bonds to shares 43,319	N/A	Document No. Yuan-Shang-Zi-09300 199753 issued on July 27, 2004
Sep. 2004	10	450,000	4,500,000	355,684	3,556,841	Retained Earnings Transferred	N/A	Document No.

						to Capital 101,493 Employee bonus 23,000		Yuan-Shang-Zi-09300 25813 issued on September 21, 2004
Jan. 2005	10	450,000	4,500,000	364,625	3,646,253	Convert corporate bonds to shares 89,412	N/A	Document No. Yuan-Shang-Zi-09400 01655 issued on January 20, 2005
Apr. 2005	10	450,000	4,500,000	359,625	3,596,253	Capital reduction by Treasury Stock Retired (50,000)	N/A	Document No. Yuan-Shang-Zi-09400 11303 issued on April 28, 2005
Oct. 2005	10	450,000	4,500,000	367,876	3,678,760	Retained Earnings Transferred to Capital 67,507 Employee bonus 15,000	N/A	Document No. Yuan-Shang-Zi-09400 26465 issued on October 5, 2005
Aug. 2006	10	450,000	4,500,000	366,876	3,668,760	Capital reduction by Treasury Stock Retired (10,000)	N/A	Document No. Yuan-Shang-Zi-09500 22570 issued on August 23, 2006
Oct. 2006	10	450,000	4,500,000	371,755	3,717,548	Retained Earnings Transferred to Capital 36,788 Employee bonus 12,000	N/A	Document No. Yuan-Shang-Zi-09500 25887 issued on October 2, 2006
Nov. 2006	10	450,000	4,500,000	361,785	3,617,848	Capital reduction by Treasury Stock Retired (99,700)	N/A	Document No. Yuan-Shang-Zi-09500 29921 issued on November 15, 2006
Oct. 2008	10	480,000	4,800,000	410,670	4,106,698	Capital addition from merger 488,850	N/A	Document No. Yuan-Shang-Zi-09700 29807 issued on October 21, 2008
Aug. 2009	10	480,000	4,800,000	415,936	4,159,360	Employee stock option executed 11,480 Retained Earnings Transferred to Capital 41,182	N/A	Document No. Yuan-Shang-Zi-09800 23343 issued on August 26, 2009
Jul. 2010	10	480,000	4,800,000	416,094	4,160,936	Employee stock option executed 1,576	N/A	Document No. Yuan-Shang-Zi-09900 20694 issued on July 19, 2010
Jul. 2011	10	480,000	4,800,000	416,343	4,163,428	Employee stock option executed 2,492	N/A	Document No. Yuan-Shang-Zi-21017 issued on July 21, 2011
Oct. 2012	10	480,000	4,800,000	418,245	4,182,445	Employee stock option executed 19,017	N/A	Document No. Yuan-Shang-Zi-32156 issued on October 17, 2012
Jan. 2013	10	480,000	4,800,000	418,938	4,189,381	Employee stock option executed 6,936	N/A	Document No. Yuan-Shang-Zi-1954 issued on January 17, 2013
Apr. 2013	10	480,000	4,800,000	428,228	4,282,277	Employee stock option executed 92,896	N/A	Document No. Yuan-Shang-Zi-10200 10764 issued on April 16, 2013

Jul. 2013	10	480,000	4,800,000	432,599	4,325,985	Employee stock option executed 43,708	N/A	Document No. Yuan-Shang-Zi-10200 20794 issued on July 15, 2013
Oct. 2013	10	480,000	4,800,000	433,215	4,332,125	Employee stock option executed 6,140	N/A	Document No. Yuan-Shang-Zi-10200 31608 issued on October 18, 2013
Apr. 2014	10	480,000	4,800,000	435,121	4,351,214	Employee stock option executed 19,089	N/A	Document No. Zhu-Shang-Zi-103001 0997 issued on April 18, 2014
May 2014	10	480,000	4,800,000	438,598	4,385,978	Employee stock option executed 34,764	N/A	Document No. Zhu-Shang-Zi-103001 4030 issued on May 19, 2014
Oct. 2014	10	480,000	4,800,000	439,335	4,393,348	Capital addition by employee stock option 7,370	N/A	Document No. Zhu-Shang-Zi-103003 0508 issued on October 20, 2014
Dec. 2014	10	480,000	4,800,000	441,145	4,411,448	Employee stock option executed 18,100	N/A	Document No. Zhu-Shang-Zi-103003 8314 issued on December 26, 2014
Aug. 2016	10	480,000	4,800,000	434,115	4,341,148	Capital reduction by Treasury Stock Retired (70,300)	N/A	Document No. Zhu-Shang-Zi-105002 3250 issued on August 16, 2016
Aug. 2018	10	480,000	4,800,000	303,880	3,038,804	Capital reduction 1,302,344	N/A	Document No. Zhu-Shang-Zi-107002 5345 issued on August 29, 2018

## B. Type of Stock:

Unit: share

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Registered common stocks	303,880,392	176,119,608	480,000,000	-

## (2) Status of Shareholders

As of April 18, 2021

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	18	274	41,801	362	42,455
Shareholding (shares)	-	20,772,700	82,875,573	99,504,890	100,727,229	303,880,392
Percentage	-	6.84%	27.27%	32.74%	33.15%	100%

Note: The Company has no mainland China shareholders.

Note: The primary listing (OTC) company and public listed company at emerging market shall disclose the percentage of shareholding funded by mainland China investment; “mainland China investment” shall, as identified in Article 3 of the “Regulations Governing the Permission for People from the Mainland Area to Invest in Taiwan”, refer to the individuals, juristic person, group, other agencies or the company it invested in the third region.

**(3) Shareholding Distribution Status**

As of April 18, 2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	21,348	3,685,247	1.21
1,000 ~ 5,000	18,178	31,726,285	10.44
5,001 ~ 10,000	1,459	11,157,574	3.67
10,001 ~ 15,000	422	5,340,042	1.76
15,001 ~ 20,000	218	3,983,221	1.31
20,001 ~ 30,000	221	5,648,172	1.86
30,001 ~ 50,000	185	7,380,978	2.43
50,001 ~ 100,000	154	11,168,595	3.68
100,001 ~ 200,000	105	15,261,814	5.02
200,001 ~ 400,000	53	14,874,397	4.89
400,001 ~ 600,000	30	14,185,482	4.67
600,001 ~ 800,000	19	13,147,994	4.33
800,001 ~ 1,000,000	13	11,570,287	3.81
1,000,001 or over	50	154,750,304	50.92
Total	42,455	303,880,392	100

**(4) List of Major Shareholders**

As of April 18, 2021

Shareholder's Name	Shareholding	
	Shares	Percentage
Nan Shan Life Insurance	13,370,000	4.40%
New Labor Pension Fund	12,609,724	4.15%
Yuanta Taiwan High Dividend Fund Account	9,336,056	3.07%
Yuanta Taiwan High-yield Leading Company Fund	7,703,000	2.53%
Yulong Investment Co., Ltd.	7,083,059	2.33%
YEH, I-HAU	5,224,895	1.72%
Vanguard Emerging Market Stock Index Fund Account	4,176,870	1.37%
Advanced Starlight Advanced Sum International Stock Index	3,801,344	1.25%
Standard Chartered Custody of the Global Investor PIMCO Fund	3,654,709	1.20%
Public Service Retirement Pension Fund Management Committee	3,265,000	1.07%



**(5) Market Price, Net Worth, Earnings and Dividends per Share in the Last Two Years**

Unit: NT\$

Items \ Year		2019	2020	As of March 31, 2021 Note (8)
Market price per Share Note (1)	Highest Market Price	96.1	163	202.5
	Lowest Market Price	67.5	68.4	134
	Average Market Price	83.73	118.92	171.08
Net Worth per Share Note (2)	Before distribution	25.02	30.52	34.26
	After distribution	18.52	21.52	25.26
Earnings per Share	Weighted Average Shares (thousand shares)	291,442	291,442	291,442
	Earnings per share (Note 3)	Diluted EPR	8.57	11.14
		Adjusted Diluted EPR	—	—
Dividends per Share (Note 9)	Cash dividends		6.50	9.00
	Stock dividends	From Retained Earnings	—	—
		From Capital Surplus	—	—
	Accumulated Undistributed dividends (Note 4)		—	—
Return on Investment	Price / Earnings Ratio (Note 5)		9.77	10.68
	Price /Dividend Ratio (Note 6)		12.88	13.21
	Cash Dividend Yield (Note 7)		7.76%	7.57%

- Note 1: List the highest and lowest market prices of each year and calculate average market price base on trading value and trading volume of each year.
- Note 2: Please fill in the number of shares that have been issued as of the end of the year according to the distribution decided by the shareholders meeting.
- Note 3: If there are retrospective adjustments due to circumstances such as stock grants, both pre-adjustment and post-adjustment earnings per share shall be listed.
- Note 4: If the equity securities issuance conditions stipulated that dividends that have not been paid in the current year can be accumulated to be paid in the surplus year, the accumulated unpaid dividends as of the current year shall be separately disclosed.
- Note 5: Price / Earnings Ratio = average closing price per share of the year / earnings per share.
- Note 6: Price /Dividend Ratio = average closing price per share of the year / cash dividends per share.
- Note 7: Cash Dividend Yield = cash dividend per share / average closing price per share of the year.
- Note 8: Shall fill in information of the year as of the publishing date of the annual reports.
- Note 9: Dividend per share shall be filled in according to profit distribution of the year and the distribution resolution to be adopted by a shareholders' meeting in the following year.

**(6) Dividend Policy and Implementation Status**

**(1) Dividend policy**

The Company's dividends policies, taking into consideration the future demand of funds, overall internal and external environmental changes and shareholders' cash inflow demand, stipulated that if there is a surplus after the annual closing, 10% statutory surplus reserve will be contributed first, in addition to pay the profit-seeking enterprise income tax make up for previous annual losses pursuant to the laws, and the decreased shareholders equity amount of the year will be recognized in special reserve. Any remaining, together with the accumulated undistributed earnings carrying forward from the previous year, will be subject to resolution

to be adopted by a shareholders' meeting for the distribution proposal adopted by the Board of Directors. The distribution ratio is as follows:

The amount of surplus to be distributed for the current year shall not be less than 50% of the cumulative distributable surplus; considering the funding demand for future expansion plan and investment, the cash dividend shall not be less than 10% of total dividends.

**(2) Proposed Distribution of Dividend at the shareholders' meeting**

The proposal for the distribution of 2020 profits was passed at the meeting of the 2021 9<sup>th</sup> Term Session No. 17 Board of Directors' meeting, of which shareholders' bonus of NT\$2,734,923,528 was proposed to be appropriated from the available surplus as cash dividends at NT\$9 per share. The aforementioned dividend distributions are subject to the target dividend distribution date to be set by the Board of Directors upon resolutions adopted by the Annual Shareholders' Meeting this year.

**(3) Any anticipated material changes in dividend policies shall be explained: N/A.**

**(7) The impact of stock grants to be proposed at the shareholders' meeting on the Company's business performance and earnings per share**

Not applicable, because the Company did not disclosure 2020 financial forecast information pursuant to document number Tai-Cai-Zheng (1)-OO371 issued on 1 February 2000, provided that the Company is not required to disclose such information.

**(8) Employee Bonus and Directors and Supervisors' remuneration**

1. Information relating to employee bonus and the Directors and Supervisors' remuneration is stipulated in the Articles of Association:

If earnings are available for distribution at the end of a fiscal year, 10% of net earnings – that is, after offsetting any loss from prior year(s) and paying all taxes and dues – shall be set aside as legal reserve and appropriated in accordance with the law. However, this is not applicable if the statutory surplus reserve has reached the same amount as the Company's paid-up capital. In addition, special reserve shall be recognized according to the Company's Operating requirements and statutory provisions. The remaining net earnings can be distributed along with prior accumulated unappropriated retained earnings. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. The dividend distribution ratio is as follows: The amount of surplus to be distributed for the current year shall not be less than 50% of the cumulative distributable surplus; the cash dividend shall not be less than 10% of total dividends.

The Company shall, if there surplus of the year, contribute no less than 10% as employee bonus and no more than 2% as Directors' remuneration, provided that, if the Company still has accumulated loss, the amount for making up the previous losses shall be reserved first.

2. The Estimated Basis for Calculating the Employee Bonus and Directors' and Supervisors' Remuneration of the period and if the actual distribution amount is different from the estimated amount: For this period, the Company relied on the Articles of Association and past references of actual Directors and Supervisors' remuneration payment to estimate possible payment amount for the employee compensation and Directors' remuneration. Any difference between the actual payment amount and the estimated amount will be treated according to "Changes in Accounting Estimates" and listed as profit or loss of the following year.

3. Profit Distribution for Employee Bonus and Directors' and Supervisors' Remuneration approved in Board of Directors Meeting:

The proposal for the 2020 profit distribution of the Company has been adopted at the resolution made by the Board of Directors' Meeting on February 17, 2021, which is still not yet adopted by the shareholders' meeting.

Recommended Distribution of Employee Bonus and Directors' Remuneration:

Unit: NT\$ thousands; Thousand Shares

Amount Items	Cash distribution	Share distribution – in Cash/Stock			Remuneration	Any difference with the recognized estimated expenses of the year?
		Amount	Shares	Proportion to the sum of Net Income After Taxes plus employee bonus		
Employee Bonus	<b>467,000</b>	0	0	0	0	None
Directors' remuneration	0	0	0	0	<b>60,000</b>	

4. The proposal for distribution of 2019 profits was adopted by Annual Shareholders' Meeting on June 10, 2019 and approved by the Board of Directors' Meeting on March 10, 2020 and. The actual distributed employee bonus and Directors Supervisors remunerations was in the line with the recommended resolution of the Board of Directors. The actual distribution is as follows:

Unit: NT\$ thousands; Thousand Shares

Amount Items	Cash Distribution	Share distribution- In Cash/Stock			Remuneration	Differences between the expenses recognized with the original amount proposed by the Board of Directors
		Amount	Shares	Proportion to profit transferred		
Employee bonus	<b>339,000</b>	0	0	0	0	None
Directors and Supervisors' Remuneration	0	0	0	0	<b>43,500</b>	

(7)The Company's Buyback of Stock: None

2. **Corporate Bonds: N/A.**
3. **Preference Share: N/A.**
4. **Issuance of Global Depositary Receipt: N/A.**

**5. Employee Stock Options:**

- (1) The progress of the Company's outstanding Employee Stock Options as of the publishing date of the annual reports and its impact on shareholders' equity shall be disclosed: The Company has no outstanding employee stock option certificate.
- (2) Name of the managers who acquired Employee Stock Options and top 10 employees who acquired stock option certificates, and the detailed of the Employee Stock Options acquisition as of the publishing date of the annual reports: N/A.
- (3) Status of restricted stock awards: N/A.

**6. Status of New Shares Issuance in Connection with Mergers and Acquisitions: N/A.**

**7. Financing Plans and Implementation: N/A.**

## V. Operational Highlights

### 1. Business Activities

#### (1) Business Scope

##### (1) Main areas of business operations

Research, development, production, manufacturing, and sales of the following products:

- (a) Neural network and fuzzy processor.
- (b) Digital signal processor.
- (c) Eight-bit reduced instruction microcontroller.
- (d) Application specific integrated circuit.
- (e) Concurrently engaging in import and export trading related to the company's business.

##### (2) 2020 Main Products, Revenue and Weight

Scope of Business	Revenue (thousand dollars)	Weight (%)
Consumer touch IC	5,121,681	33.92
Notebook input device module	9,555,839	63.29
Network communications IC	71,286	0.47
Others	350,884	2.32
Total	15,099,690	100.00

##### (3) New Products Development

The new products planned to be developed by the Company

- New-generation NIST AI hardware acceleration touch pad chip
- New-generation PVC substrate smart card solution
- New-generation flexible panel smartphone touch screen solution
- New-generation flexible panel NB touch screen solution
- New-generation large QHD touch display integration (LTDI) solution
- New-generation low-power gaming mouse controller chip
- Automotive touch screen solution
- Mini-LED area dimming solution

#### (2) Industry Overview

##### (1) Relevance of the upstream, midstream and downstream of the industry

Taiwan's semiconductor industry has completed an upstream and downstream system, a unique professional division of labor model, the world's No. 1 output value in foundry and IC testing, and the world's No. 2 output value in IC design. Its overall development plays an important role in the world, and the most important feature is its division of labor, which is also the most important factor that has driven the development of Taiwan's semiconductor industry for more than 40 years.

Compared to the IC manufacturers in the United States, Japan, Korea and other countries that adopt an integrated operation of upstream, midstream and downstream, Taiwan adopts a highly specialized division of labor, and the areas from IC design, mask manufacturing, wafer manufacturing, cutting, packaging, and testing can be divided independently into individual industries. The vertical division of labor system has been become a complete

system after years of integration, so that the benefits of the semiconductor industries are emerging under a specific model of concentrating the resources in the area of a single industry. At present, Taiwan's semiconductor industry has broken through a value of three trillion dollars, not just being an important economic condition of Taiwan, but also holding an unshakable position in the world's 3C industry and market.

## **(2) Product development trend and competition**

The company has been investing in the development and application of touch technology for a long time and possesses patents in the United States, Japan, China, Taiwan and other countries. In general, the application of the touch chip successfully developed and mass-produced by the Company covers all sizes of large, medium and small touch pads, and the company will provide complete pre-sales and after-sales services of smartphones, tablets and touch laptops and continue to provide customers with total solutions and better competitiveness in the international market.

Secondly, biometric recognition has become a standard equipment of smartphones. Under the conditions of the high penetration rate and the saturated application of fingerprint recognition chips in smartphones, the market has gradually developed towards diversified biometrics products. In addition, the capacitive, optical, ultrasonic and other biometrics have been launched, and our products are developed in a direction to cope with the market of diversified biometric products. It is a key point of the Company to escape from the market filled with price-cutting competitors and seek a profitable market. In addition to the functions of capacitive and optical fingerprint recognition chips and the anti-spooling fingerprints, the Company continues to focus on smartphones and strongly promote the markets of notebook computers and smart cards with high value-added support for encryption and payment, and the addition of the anti-spooling fingerprint and other functions to provide our clients with the best market competitiveness.

In the meantime, while facing strong competitors in the global touch chip industry, the Company occupies a key position of the market, and the touch notebook chips account for nearly 60% of the global market share, and the Touch Pad modules also account for 60% of the market share. Leading other competitors and ranking first in the market, the Company is competing with many foreign and domestic chip design companies including American companies: Synaptics, Wacom, and Microchip, Japanese company: Alps and Chinese company: Goodix. To improve competitiveness and offer better-quality and cost-effective chips, this Company actively improves chip performance, enhances added value of products, reduces chip production cost, and establishes competitive technical threshold and sales channel. These are the goals of our continuous efforts in 2021.

### **Current Product Lines of Elan and Affiliated Companies**

#### **The Company's products are divided into two main categories and five product lines:**

The two main product categories are touch and non-touch, and the revenue of the touch products is the main driving force for the operation in 2020 accounting for the revenue up to 72%. The five product lines include touchscreen controller, Touch Pad module and fingerprint recognition chip of the touch products, and microcontroller (MCU) and point stick of the of the non-touch products.

#### **Touchscreen controller:**

This controller is applied to products such as smartphones, tablets, notebook computers, AIO PC, E-books, etc. In addition, touch screens are successively introduced to automotive electronics and can be applied to the Mini-LED area dimming technology under strong

outdoor light.

**Touch Pad module and chip:** These products are mainly applied in notebook computers.

**Biometric recognition chip:**

This product is applicable in a wide range covering smartphones, notebooks, tablets, smart cards, PC peripherals, etc. At present, the company is actively rushing into the car market and will use capacitive and optical fingerprint recognition chips with high value-added support encryption and add the payment function and anti-spoofing fingerprints to the products in order to provide our clients with the best market competitiveness and maximize our revenue and profits.

**Microcontroller IC (MIC):**

This product is mainly applied in large and small electric appliances, safety system, communication peripherals such as chargers, high-end interactive toys, mobile phones, electronic dictionaries, language learning machines, optical mice, keyboard controllers, and other markets.

**Pointing Stick:**

This product is mainly applied in notebook computers

**(3) Research and Development**

- (1) Research and Development Expenses by the Elan Microelectronics in the Past Two Years

Unit: NT\$ thousands

Items \ Year	2020	2019
Research and Development expenses	1,858,343	1,596,392
Net Income	15,099,690	9,487,977
Proportion to Net Income	12%	17%

Source: CPA's report

- (2) Technology or products successfully developed:

- Develop low-power smart card fingerprint recognition solutions
- Develop fingerprint recognition solutions for anti-fake fingerprints
- Development of Mini-LED area dimming solutions
- Completed the development of a touch pad solution with active pen
- Completed the development of highly integrated point stick solutions
- Completed the development and support of low-power touch screen solutions (>15.6 inches)
- Completed the development and support of large-size FHD touch display integration (LTDI) solutions
- Completed the development of gaming mouse control chip
- Completed the development and application of the fingerprint solution supporting Keycap in NB
- Completed the development of active pen control chip

(3) Affiliates:

Products and planned product developments of Metanoia Communications, Avisonic Technology and PiXORD etc.

- Metanoia Communications:  
The main products include ICs and solutions for VDSL2 /VDSL35b system, ICs and solutions for G.fast system, and VDSL2/VDSL35b/G.fast SFP modules.  
Products planned to be developed include new generation VDSL35b, G.fast's latest ultra-high-speed broadband IC for 424MHz /212MHz /106MHz bandwidth, 5G MIMO AAU / RRU (Sub-6G) digital antenna ICs, and 5G NR small cell and FWA CPE ICs.
- Avisonic Technology:  
Avisonic Technology's current main products include: (1) fisheye lens image calibration processing ICs; (2) megapixel high-resolution image processing ICs; (3) AI Box application on advanced driver-assistance systems (ADAS).
- PiXORD:  
Current products include: (1) 5 Mega Pixel 360-degree Fisheye H.264 IP Camera; (2) Dual Lens Panoramic Dome Network Camera; (3) 2 Mega Pixel Low Lux Outdoor Bullet Network Camera; (4) VDSL2 Point to Point Long Distance Media Converter; (5) Artificial Intelligence Traffic Detection System.
- Eminent Electronic Technology Co. Ltd. :  
The main products include (1) Ambient light sensor (2) Proximity sensor (3) Ambient light-proximity sensor three-in-one module (4) LED ambient light under OLED screen-Proximity sensor (5) RGB color temperature sensor. The TWS proximity sensor will be launched in 2021.
- Bruckewell Electronic Technology Co. Ltd. :  
The main products are discrete semiconductor components including diodes, MOSFET transistors and IGBTs. The products planned to be developed include wide-bandwidth SiC Diode/MOS transistors and high-voltage GaN power devices.
- Rising Star Technology Co., Ltd. :  
The main products are: single intersection AI signal control module, multiple intersection AI signal control module.

**(4) Long-term and short-term business development plan**

**(1) Short-term development plan**

- A. Marketing strategy:
- (a) To provide customers with the best platform backed by the most competitive cost-effective and engineering support to help customers in gaining a broader market share.
  - (b) To require the business marketing personnel to work deeper into the industry and face customer demand directly, in order to master the overall industrial



supply chain, understand the key demand of the market, identify customers who can generate business energy, and seek cooperation and collaboration with muscle of the industry. At the same time, establish office in the main markets with after-sales service engineers ready at all time to provide customer with the best services in line with business demands.

B. Product development direction:

- (a) The development of touch-and-display 2-in-1 integrated ICs for smart phones was completed: and equipped with pen function, while the touch-control ICs with pen function can also apply to both hard and soft OLED panels, which will effectively reduce costs and improve performance. At the same time, the Company seeks market difference through touch-control ICs with pen functions to emphasize market difference and gain more branding customers. All of these are various IC solutions for smart phones.
- (b) Introduce touch pads with gloves and waterproof operation, touch screens and driver chips into the automotive market
- (c) A fingerprint recognition solution with low power consumption and anti-fake fingerprints to protect personal information. This move will help expand business opportunities in smart phones, notebook computers, credit cards, financial cards, employee access cards, and automotive electronics.
- (d) The Touch Pad solution with active pen provides users with the best solution when online learning is currently prevailing.
- (e) Complete the development of a highly integrated point stick solution. This differentiated integration solution is expected to help expand the market share of point sticks.
- (f) Completion of the development and support of large-size FHD touch display integration (LTDI) solutions, and the introduction of embedded touch pad devices will help expand the application level of the market.
- (g) Provide Mini-LED area dimming technology under strong outdoor light, so that the image quality of the car screen is not affected by light.

C. Production strategies:

Strengthen the planning and management for automation of the entire production process to improve output efficiency of the modules and achieve rapid delivery. Maintain close cooperative relationship with upstream, midstream and downstream players in the semiconductor industry, and ensure close cooperation with each other, for the purpose of effectively reduce inventory by various countermeasures through motorized operations and activate optimal production efficiency.

D. Operating strategies:

- (a) More flexible product sales strategies: The use of modular, single-chip and other sales approaches etc. are the key sales approaches for continuous implementation, in order to strengthen market expansion, increase revenue scale effectively, meet customer demands and further enhance deeper understanding of the market.
- (b) Concentration: In order to cope with the increasingly fierce competition in the overall market, the Company focuses on the competitive and profitable application markets.
- (c) Performance optimization: Maximized performance: All of the company's products are activated with touch performance, and the competitive pen function and anti-fake fingerprint function are introduced into various terminal consumer products, with the goal of increasing the product's gross

- profit margin.
- (d) Close cooperation with well-known brands, ODMs and related supply chains customers: strengthen cooperative programs with branding customers while diversifying by collaborating with ODMs and customer resources of upstream, midstream, and downstream supply chains to improve operating performance.
- E. Financial strategy:  
Seeking cooperation opportunities in the industry's upstream, mid-stream and downstream supply chains to achieve corporate financial benefits by means of investment, to increase product complementarity and drive revenue growth by combining the resources of both companies, while achieving maximum effectiveness in fund utilization through sound financial operation.

## **(2) Long-term development plan**

- A. Marketing strategy:
  - (a) With Taiwan in Asia as the operating headquarters, as the center of strategic planning, the deployment of a global marketing network and channel system, including the world's well-known brand manufacturers such as laptops, smartphones and tablets, are important customers of the company, and flexible Using our own energy and the marketing and technical support capabilities of the agency distribution system, and combining with the cooperation of well-known companies in the United States, Japan and mainland China, we will jointly develop new application markets to strive for products to become the most important market leader and provide a full range of marketing and complete after-sales service to drive revenue growth to increase market visibility and market share
  - (b) Actively establish the Company's own elite talent pool, to enhance international marketing capabilities and strengthen technical support, and obtain cooperative opportunities with world-class manufacturers.
- B. Product development direction:
  - (a) Continue the collaboration with multiple renowned platform industry players in U.S. and Japan to launch products that respond to the latest demands of the market, which will be applied in smart phones, tablet PCs, notebooks, smart home appliances and other products, in order to cost effectively promote the increase in volume and price.
  - (b) Actively collaborate with affiliate(s) of joint venture(s) and related IoT technology companies to jointly develop AI technology related platforms and the trending products such as MiniLED/Micro LED etc. as well as to invest in automotive electronics, smart home, smart city, smart transportation, video surveillance, and wearable product etc. different fields.
- C. Production strategies:
  - (a) Continuously improve product yields to improve product quality, reduce production costs, and effectively increase gross margins.
  - (b) Establish a close cooperative relationship or strategic alliance with the outsource factories to ensure sufficient production capacity.
- D. Operating strategies:
  - (a) Focus on competitive products and expand their application range, emphasize differentiated competitive strategies, effectively use self-developed microcontrollers and digital signal processor technologies of

various bits, combined with external advanced development technologies, or authorize or Through cooperation and other methods, we will launch highly integrated chips and modularized products and application platforms with price and quality competitiveness, and strategically cooperate with leading manufacturers in various fields to create a win-win situation and expand the scale of operations.

- (b) Strategic alliances: leverage on external strength, seek related upstream and downstream industries with similar goals, work together to achieve coexistence and common prosperity.

E. Financial strategies:

Fully utilize, in line with the continuous expansion of business scale, various types of financial instruments in the capital market to obtain lower-cost working capital and strengthen the financial structure.

## 2. Market and Sales Overview

### (1) Market analysis:

#### (1) Sales (Service) region of major products in the Last Two Years

Unit: NT\$ thousands

Year Region \ sales	2020		2019	
	Sales amount	Percentage (%)	Sales amount	Percentage (%)
Taiwan	973,713	6.45	987,990	10.41
China	2,512,482	16.64	2,020,647	21.30
Hong Kong	11,380,557	75.37	6,424,206	67.71
Other Area	232,938	1.54	55,134	0.58
Total Net Income	15,099,690	100.00	9,487,977	100.00

The notebook computer shipment report shows that the impact of the new COVID-19 epidemic in 2020 will drive home office, remote teaching, and the home economy. The demand for notebook computers is very strong, with an annual increase of 28%, reaching 207 million units, which can be the best performance in recent years. According to current observations, the overall demand is still strong. According to the forecast of notebook brands, notebook computer shipments will be 253 million units in 2021, which is still a double-digit annual increase, and demand continues to be optimistic. According to the latest Canals report, tablet shipments will reach 156 million units in 2020; 155 million units will be shipped in 2021.

Users have higher requirements for information security, and the user experience of fingerprint technology has also been improving. Therefore, the proportion of laptops using fingerprint recognition is increasing year by year, and the market penetration rate is estimated to be 33% in 2021. And fingerprint recognition with encryption and anti-fake fingerprint functions can more protect consumers' privacy and the security of using the Internet, so it can be widely used in smart phones, laptops and tablets, and extended to smart cards, credit cards, financial cards, etc. In the car's fingerprint identification lock or fingerprint identification card, the personalized seat, music, radio and other information can be automatically activated when unlocked. This product helps to provide differentiated competitive energy and enhance operations to a higher level.

How to give full play to the competitive advantage of an enterprise is a top priority job. The company maintains close cooperation with the world's major specification and platform makers such as Microsoft, Wacom, Google, Huawei and other major manufacturers in various countries, and responds to the update specifications of the specification makers at any time. Smart phones, laptops, tablets and other products provide the latest and best solutions to end customers at the first time. As the touch panel of smart phones increase day by day, and the era of foldable phones is coming, touch chips with pen functions are even more driven demand and the potential for development in the future can be expected.

As for the point stick products used for notebooks, the Company currently ranks first in the world in terms of market share. The Company mainly supplies to the world's largest notebook manufacturers. A new generation of pointing device sensor chips has been completed successively, and has been shipped to the second American notebook brand customer and continues to expand its market share

As for the MCUs, the Company will continue to develop lower power consumption IC platforms to provide customers with the best solutions, while strengthening the collaboration with solution companies in mainland China and providing the best cost-effective control ICs.

Effectively improving chip performance, reducing chip production costs, establishing differentiated product features and competitive technical thresholds and sales channels are the Company's goals of continuous efforts in 2021.

## (2) Market share

The Company is a professional IC design company with a full range of integrated solutions. It has a strong research and development (R&D) team and invests more than 12% in R & D each year. It is an IC design company that focuses on research and development of new products. The quality of products developed by the Company is recognized by the customers; the proportion of revenue from global tier-one manufacturer customers accounted for more than half of the total revenue. The touch control notebook ICs accounted for nearly half of the world's market share. At present, the Company has three products that ranks first in the world, namely stylus notebook screen IC, touch pad module and point stick.

According to the data from IEK of ITRI, output value of Taiwan's IC design industry reached NT\$852.9 Billion in 2020; the proportion that the Company accounted for was approximately 1.77%.

## (3) Future supply, demand and growth of the market

What really affects semiconductors is the changes in terminal market demand. It is obvious that the main demand for semiconductors is the largest consumer electronics, including smart phones, laptops and tablets. At present, with the blessing of 5G, the overall buying momentum of smart phones this year. It is expected to increase sales in the mobile phone market. Under the ever-increasing trends of home office and online learning, the demand in the notebook industry will continue to be strong in 2021. At the same time, due to the poor sales of the automobile market previously affected by the epidemic, it will obviously turn into an increase in demand from 2021. Drive the increase growth in semiconductor demand, therefore, the trend of semiconductor growth this year seems to be clear, and the follow-up development is still attractive.

The application of artificial intelligence can be regarded as the next wave of huge business opportunities following smart phones, PCs and tablets. The Company plans to use artificial intelligence (AI) technology of the existing products in the initial stage to enhance the competitiveness of the IC products and combine its own technology to jointly develop competitive smart devices to drive the Company's business growth.

(4) Competitive niche:

- A. Possession of strong R & D team and huge patented technologies;
- B. Master the key technologies and IP of the products with important competitive advantages;
- C. Specialized technical services, effective product integration and provision of customer & technical engineering supports;
- D. Provide modularized solution that is different from the peers' operating models. Differentiated sales strategies effectively enhanced closer relationships with the customers;
- E. Well-established distribution agents and global sales offices at home and abroad;
- F. Collaboration and mass production experience with domestic and foreign smart phone module manufacturers, touch control manufacturers, panel manufacturers and notebook ODMs.

(5) Favorable and unfavorable factors of development in the long term:

A. Favorable factors

- The Company focused on the global market, combined with renowned platforms providers and specification makers in the United States and Japan, and conducted comprehensive contacts with tier-one brands and customers in China to gain purchase orders. There is gradual progress, which gradually reflected in operating performance. In 2021, the focus of market development will be continuous enhancing the penetration rate of global branding manufacturers in using the Company's IC products, as well as the tier-one branding customers in mainland China.
- Flexible business strategies: modularized, single-chip or chipset methods of sales are available.
- Touch applications have clearly penetrated into various consumer electronic products, and the penetration rate has been increasing year by year. The company has a considerable number of semiconductor-related technologies that can be widely used in various consumer electronic products, just in line with the development trend of the market.
- Own a strong research and development (R & D) team and hundreds of patented technologies.
- Close to the market: outsource production in the vast consumer market, achieve the goal of rapid delivery, and strengthen customer service.
- Complete system of production chain: Fully maintain close cooperative relations with upstream, midstream and downstream manufacturers in the semiconductor industry.

- Long-term collaboration with upstream, midstream, and downstream supply chains of the customers: understand the requirements of production and process nodes, reduce processing time, reduce peripheral costs and increase production efficiency.
- In response to the demand for market price/function ratio: As the market is increasingly competitive, continue to provide cost-effective products has always been the goal of the company. At the same time, with regard to the different requirements of product features in different markets, the company also provides a diversified product range to provide different product solutions in response to customer demand.
- Product diversification: low impact from the economic environment, broad distribution channels, low impact from changes in a single market, and a stable customer base.
- Consumer electronic digitalization has become the mainstream of the market. Since the establishment of the Company, it has oriented towards consumer electronics and the market, and realized that consumer electronics is already the mainstream industry in the future. Therefore, the continuous introduction of new products helps the Company in meeting the market demand.

B. Unfavorable factors

- The IC design industry is highly dependent on wafer production capacity and is susceptible to wafer manufacturer; when the wafer production capacity is full, IC design companies must pay higher costs to obtain production capacity.
- The amount of development funds invested in artificial intelligence-related applications is relatively high, the application environment is in the thriving period, the product life cycle is short and the changes are rapid, creating pressure on product development.
- Insufficient domestic R & D manpower makes recruitment a problem for companies.
- Competition and price war among domestic and foreign IC design companies have become increasingly fierce; the increasing pressure on product prices created operating pressure.

(6) Countermeasures:

- Grasp the evolution of market trends and develop appropriate strategies. 5G smart phone is about to be commercialized, which is a huge business opportunity worth developing. The introduction of dual-screen notebook products to the market and innovative approach brings room for growth; and there is the artificial intelligence (AI) era coming, the huge potential business will once again lead the prospects of the semiconductor industry. In order to respond to the development trend of the market, the Company still adheres to Deviations business strategy, such as capacitive biometric sensing IC, adding anti-spoof function, which can be applied to the smartphone and notebook computer industry and enter a brand-new financial industry targeting credit cards, debit cards, and personal social security cards. All product

developments are aiming at application products such as smartphones, notebooks and tablets, while seeking new application areas to develop the market. At the same time, the Company is actively investing in the field of artificial intelligence (AI) in order to improve its future product development, effectively enhance the added value of its IC products, strengthen its competitiveness, and further drive its operation and innovation.

- Flexible business strategies: modularized, single-chip or chipset methods of sales are available. Among them, the modularized sales model can enhance closer collaboration with system manufacturers and establish competition threshold.
- Continuous recruit specialized R & D talents, implement localization strategies, increase overall engineering manpower, reduce related operating costs, build the strength of R & D teams, and achieve the goal of shortening product development timelines.
- Expanding the market through strategic alliances with domestic and foreign peers or related players to accelerate revenue and profit growth.
- Build marketing channels, expand marketing outlets at home and abroad, and actively develop new customers.
- Understand the market development trends, understand the needs of end-users and consumers, and respond to their needs in order to achieve the goal of profit growth; strengthen the application of products, and enrich the service mechanism of the application engineering manpower so that the Company can coexist and prosper with customers.

## **(2) Production Procedures of Main Products**

### **(1) Major Products and Their Main Uses**

At present, the company has two major product categories and five product lines. The two product categories are touch control and non-touch control. The touch control category includes touch screen ICs, touch pad module, and Biometric recognition ICs. The non-touch control category includes MCU and a point stick. All related production processes are carried out by the Company from IC design, to outsourcing the photomask company to make the photomask, to transfer to the wafer factory for the various fabrication (such as exposure to UV-light, etching, etc.), to perform wafer testing and packaging testing before ship to the customer for production. All production time varies according to various required IC functions, precision, etc.

- A. Touch application products:  
Touch application products include touch screen IC and touch module products, which are the key sources of income of the Company in 2020 and 2021. It is divided into two categories and one of them is the touch screen ICs, and its major application products include smart phones, tablet computers and notebook computers, E-books, and AIO. PC etc.
- B. Touch Pad module:  
Mainly used on notebook PCs.
- C. Biometric recognition ICs:

In 2020, notebooks will be the most popular application for fingerprint recognition chips. Compared with 2019, there will be a significant growth. In 2021, more additional functions will be added to increase the average selling price and drive the growth of operations. Due to the wide scope of application of the fingerprint recognition chips in the fields of smart phones, laptops, tablets, smart cards, PC peripherals, etc., seeking for potential prospective application industries is the focus of future efforts.



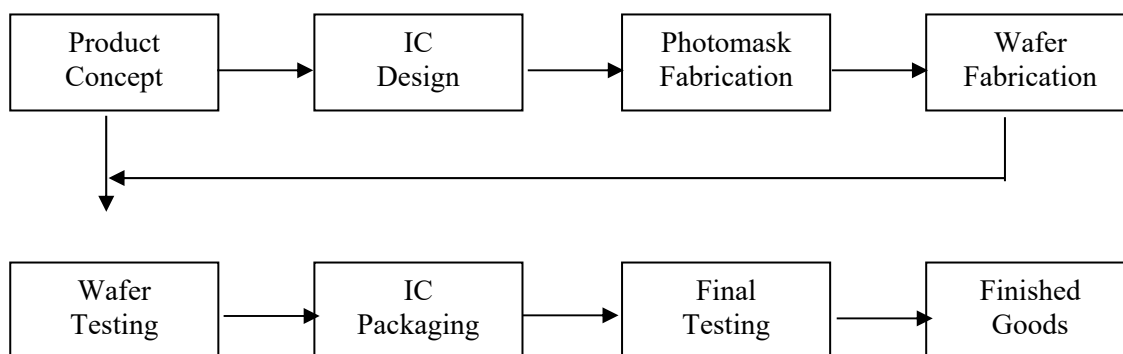
D. MCU IC:

The main core technologies of the Company's MCU IC products include: 8-bit RISC processor and 16-bit MCU with DSP computing function and development platform, which are mainly used in small and large home appliances, security systems, and communications peripherals such as chargers, high-end interactive toys, mobile phones, electronic dictionaries, language learning machines, optical mice, keyboard control ICs and other markets. MCU has been dominated by foreign IC manufacturers. The product lines developed by the Company are competitively priced, and the development tools such as OTP, MTP, and ICE are quite complete, allowing the customers to quickly market their products and achieve “Time to Market” requirements. In the future, more engineering talents will be recruited, and the Company will seek collaboration with more solution companies to provide customers with overall solutions and achieve a customer-corporation-consumer win-win-win situation.

E. Pointing stick products:

Point stick products are mainly applied in notebook computers, it has successively completed high-anti-noise and anti-RFI pointing device sensing chips. In 2021, it will continue to expand its market share and improve operational performance.

(2) Major Products and Their Production Processes



(3) Supply Status of Main Materials

The Company's main raw materials are wafers and photomasks. The Company's main collaborating professional wafer foundries are Key foundry, TSMC, World Advanced, UMC and Macronix etc., which have excellent quality, process nodes technology and on-time delivery. In addition, in the photomask part, the main collaboration partners are Taiwan Mask and Toppan Chunghwa Electronics Corporation (TCE), which are all long-term cooperative manufacturers with no concern in supply shortage or interruption.

**(4) Major Suppliers and Customers**

**(1) List of Major Customers (Major suppliers refer to those commanding 10%-plus share of annual order volume.)**

**Major Customers in the Last Two Calendar Years (consolidated basis)**

Unit: NT\$ thousands

	2019				2020				As of the previous quarter of 2021 (Note 2)			
Item	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Proportion to net sales revenue of the year as of the previous quarter of the year (%)	Relation with Issuer
1	Ultra Source	3,596,183	37.90	non-related parties	Ultra Source	7,395,550	48.98	non-related parties	Ultra Source	1,940,932	46.70	non-related parties
2	Silicon Application	2,060,701	21.72	non-related parties	Silicon Application	2,682,389	17.76	non-related parties	Silicon Application	759,614	18.28	non-related parties
	Others	3,831,093	40.38		Others	5,021,751	33.26		Others	1,455,275	35.02	
	Net Sales Revenue	9,487,977	100.00		Net Sales Revenue	15,099,690	100.00		Net Sales Revenue	4,155,821	100	

Note 1: Specify the name, sales amount and proportion to sales revenue of the customer whose sales amount accounted for more than 10% of the total sales revenue in the past two years. If the customer name cannot be disclosed due to the contractual agreement or the transaction counterparty is a non-related individual, a code can be used in lieu thereof.

Note 2: As of the date of publishing the annual reports, listed company or company of which stocks have been traded at the securities firm shall disclose the most recent financial information certified by CPA.

**(2) Major Suppliers (Major suppliers refer to those commanding 10%-plus share of annual order volume)**

**Major Suppliers in the Last Two Calendar Years (consolidated basis)**

Unit: NT\$ thousands

Item	2019 (Note 3)				2020 (Note 3)				As of the previous quarter of 2021 (Note 2, (Note 3))			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Proportion to net sales revenue of the year as of the h previous quarter of the year (%)	Relation with Issuer
1	Lien Hwa	1,217,805	26.41	non-related parties	Lien Hwa	1,509,227	21.66	non-related parties	Lien Hwa	405,390	21.84	non-related parties
2	TPT	576,201	12.50	non-related parties	TPT	682,912	9.80	non-related parties	TPT	93,663	5.05	non-related parties
	Others	2,816,875	61.09		Others	4,776,759	68.54		Others	1,357,406	73.11	
	Net purchase amount	4,610,881	100		Net purchase amount	6,968,898	100		Net purchase amount	1,856,459	100	

Note 1: Specify the name, sales amount and proportion to sales revenue of the suppliers r whose sales amount accounted for more than 10% of the total sales revenue in the past two years. If the customer name cannot be disclosed due to the contractual agreement or the transaction counterparty is a non-related individual, a code can be used in lieu thereof.

Note 2: As of the date of publishing the annual reports, listed company or company of which stocks have been traded at the securities firm shall disclose the most recent financial information certified by CPA.

Note 3: Including finished goods purchased.

### (5) Production and sales in the Last Two Years

#### 1. Production and sales value (consolidated basis):

Unit: 1,000pcs, NT\$ thousands

Year Output	2019			2020		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major products						
Consumer touch control IC	-	562,169	2,324,614	-	586,784	4,053,884
Notebook input devices module	-	200,134	4,464,770	-	314,197	6,644,754
Network communication IC	-	593	81,225	-	528	78,410
Others	-	539	42,708	-	112,796	271,345
Total		763,435	6,913,317		1,014,305	11,048,393

#### 2. Shipments and Sales (consolidated basis):

Unit: 1,000pcs, NT\$ thousands

Year Shipments & Sales	2019				2020			
	Local		Export		Local		Export	
	Capacity	Quantity	Amount	Capacity	Quantity	Amount	Capacity	Quantity
Major products								
Consumer touch control IC	170,388	767,164	252,984	2,315,152	54,194	666,827	310,463	4,454,854
Notebook input devices module	1,109	80,833	92,367	6,147,163	769	189,764	152,451	9,366,075
Network communication IC	144	59,963	77	28,121	145	47,062	22	24,224
Others	388	80,030	75	9,551	12,137	70,060	61,219	280,824
Total	172,029	987,990	345,503	8,499,987	67,245	973,713	524,155	14,125,977

#### 3. Human Resources

Consolidated number of employees, average years of service, age and academic distribution ratio in the last two years:

Year		2019	2020	March 31, 2021
Number of employees	Managers	214	231	229
	Technicians	340	348	345
	General staffs	669	738	748
	Total	1,223	1,317	1,322
Average age		36.0	34.78	35.37
Average years of service		9.5 Years	7.6 Years	7.9 Years
Education	Ph.D.	1.1%	1.7%	1.4%
	Masters	41.5%	41.0%	41.3%
	Bachelor's Degree	33.0%	36.7%	37.4%
	Senior High School	7.7%	3.1%	2.8%
	Below Senior High School	16.7%	17.5%	17.1%

#### 4. Environmental Protection Expenditure

The Company has always attached great importance to environmental protection; its pollution prevention performance is good, and there was no sanction received due to environmental pollution and violation.

(1) The losses or penalty caused by environmental pollution (including compensation and environmental protection audit results that indicate violation of the environmental protection laws and regulations, and the date of prosecution, prosecution number, provision of law violated, content of the provision of law violated, and content of the prosecution thereof) during the last fiscal year and until the publishing date of the annual report, and disclose the amount and countermeasures that might incur at present and in the future. If it cannot be reasonably estimated, please explain why it cannot be reasonably estimated: N/A.

(2) Work environment and employee personal safety protection measures:

The Company's working environment is excellent and is the only integrated circuit (IC) design company that has won the Distinguished Green Landscaping Award of Hsinchu Science Park Bureau for 16 consecutive years. In addition, the Company has always attached importance to matters concerning employees' health and safety, such as:

1. Employee health checkups;
2. Established Safety & Health Office and medical room for labor safety health education and environmental protection management;
3. Invite lecture with expertise to hold several health promotion seminars;
4. Hire professional medical practitioners to the Company on monthly basis to perform on-site health services and provide health advice to the employees;
5. Hold safety and health training every six months;
6. Hold weight loss classes and weight loss competitions to promote employee health;
7. Drinking water quality testing;
- 8.. The Company commissions professional manufacturers to overhaul and report firefighting facilities on yearly basis;
9. Conduct employees' firefighting training every six months.
10. Conduct CO<sub>2</sub> measurement for the workplace environment every six months to safeguard employee health;
11. Obtained ISO 14001 Environmental System Certification. Environmental policies: prevention of pollution, company-wide full participation, commitment to environmental protection, continuous improvement;
12. The Corporate Social Responsibility Report has been introduced since 2014; the greenhouse gases inspections were commenced since 2014; and a KPI performance indicator of at least 1% in energy conservation and carbon reduction per year was set;
13. Obtained OHSAS 18001 Occupational Safety and Health Management System certification in May 2016. In 2018, the Company began to promote the latest occupational safety and health management system ISO 45001 and is expected to be certified in 2019.
14. In 2018, the Company participated in the prize issued by the Health Promotion Administration of the Ministry of Health and Welfare and won the "Gender-Friendly Health Award".
15. In 2019, the Company participated in the healthy workplace selection held by the Health Promotion Administration of the Ministry of Health and Welfare and won the "Creative Healthy Workplace Award".

## 5. Labor Relations

The Company's labor relations are harmonious and there was no major loss due to labor disputes.

(1) Current important employer-employee agreement and its implementation status

1. Employee benefit measures

- (1) In addition to the canteen, exercise is, fitness equipment area and medical room facilities established by the Company, employees also enjoy health insurance, group insurance, pension benefits, regular health checkups, and health management services provided by professional medical personnel. In addition, the benefits provided by the Company also include: bonuses of the year, employees' compensation, club activities subsidy, New Year gift certificates, etc.
- (2) The Company has established the Employee Welfare Committee pursuant to laws and selected the Welfare Committee to handle employee welfare issues. The source of its benefits is 1% capital contribution at the time of establishment and 0.5% and 0.12% contributed from monthly salary and revenue, respectively. The Welfare Committee is responsible in setting annual plan and budget, holding Welfare Committee meetings on a regular basis to discuss, resolve and organize various welfare activities, and to disclose the income and expenses of the welfare funds. The welfare provided by the Welfare Committee include: birthday gifts, travel subsidies, wedding subsidies, funeral subsidies and maternity subsidies.

2. Employee education and training

In order to enrich the knowledge and skills of our staff members and enhance their morale and quality, the Company has set up a dedicated unit to plan the training for all staff members and provide external training opportunities in accordance with their professionalism, in order to combine the growth of staff members with the development of the Company to create a joint corporate vision.

Complete training system-

- (1) New recruit training: company environment/work rules/electronic targeted recruitment system introduction, firefighting training, occupational safety and health education and training.
- (2) Professional technical training: cross-departmental technical training, direct personnel skill appraisal, quality inspection, instrument calibration, internal audit and internal control, regulatory personnel, green environmental quality personnel, green environmental quality internal audit personnel, reliability personnel, outsourcing management personnel, And the special expertise or license personnel required to introduce a new system or system.
- (3) Management skills training: departmental personnel management, problem solving, cross-departmental teamwork, innovative spirit
- (4) Labor safety and health seminars: covering various topics of work and life, such as nutrition, various epidemic prevention measures, physical health, and a friendly environment
- (5) General education lectures: celebrity lectures, humanities and art sharing lectures are arranged from time to time

Multiple learning channels-

(1) Internal training:

The training courses are planned by the company, and experts and teachers are hired to teach in the company.

(2) Dispatched training:

Employees take part in training courses and seminars organized by external

organizations.

- (3) Knowledge inheritance:  
Hold work experience sharing courses from time to time.
- (4) Interlibrary cooperation:  
Cooperate with Soc Alliance, Industrial Technology Research Institute, Chiao Tung University and many other institutions.
- (5) Knowledge management website:  
Plan knowledge management website to provide technical document sharing.

**Consolidated employee training and training execution status of the Company of the last fiscal year (2020)**

Unit: NT\$ / number of person / hours

Items	Expenses	Number of persons	Hours
Technology and R & D category	115,500	273	42
Management category	206,737	334	84
Total	322,237	607	126

Certificate(s) obtained by the chief financing, accounting and auditing officers:

Job title	Name	Date	Certificate Name	Certificate No.
Chief auditor	CHUNG, I-MEI	Mar. 2006	Internal Auditor of The Institute of Internal Auditors-Chinese Taiwan	9420032
Financial & Accounting Officer	CHEN, YI-LIN	Dec. 2009	CPA of the Republic of China	(98) -000085

**3. Pension system**

- (1) Pension fund contribution:
  - A. The Company has formulated an employee retirement plan and established a Retirement Reserve Supervision Committee. The Company contributes 2% of the monthly salary to the retirement reserve funds pursuant to the "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds" and deposits in the Retirement Reserve Account at Taiwan bank.
  - B. The Company, pursuant to the Labor Pension Act, also deposits the 6% contribution from monthly salary of those employees who are eligible for pension as identified by the Labor Pension Act to each individual pension account.
- (2) Pension system:
  - A. Mandatory retirement:
    - a. Those who reached the age of 65; or
    - b. Those who suffer from the loss of mind or physical disability and unfit to work.
  - B. Volunteer retirement:
    - a. Those who have served over 25 years; or
    - b. Those who have served over 15 years and reached the age of 55; or
    - c. Those who have served over 10 years and reached the age of 60.
  - C. Base point: average salary of the last 6 months prior to the retirement.
- (3) Retirement benefits: For those who have reached the years of serve applicable for pension pursuant to the Labor Standards Act shall receive 2 base points for each full year; for those who have served for more than 15 years shall receive additional 1 base point for each full year; the total number of base points is limited to 45 points.

4. Agreements between employee / employer and the safeguarding of employees' rights and interests

The Company has not established a written agreement with the employee. Employees can freely express various advices for the Company through the quarterly employee-employer meeting, annual meeting with employees, employee suggestion boxes, e-mail, internal network systems, etc.; the Manpower Performance Management Department gathers opinions from employees and distributes them, based on their opinions, to the responsible units for reply, and be processed pursuant to Employees' Code of Work after reporting to the President; the protection of the rights and interests of employees are subject to the Employees' Code of Work and the relevant regulations of the competent authorities.

- (2) The losses incurred due to industrial disputes (including labor inspection results that indicate violation of the Labor Standards Act, and the date of prosecution, prosecution number, provision of law violated, content of the provision of law violated, and content of the prosecution thereof) during the last fiscal year and until the publishing date of the annual report, and disclose the amount and countermeasures that might incur at present and in the future. If it cannot be reasonably estimated, please explain why it cannot be reasonably estimated: N/A.

## 6. Important Contracts

Agreements	Counterparty	Period	Major Contents	Restriction
Technology Licensing	Synatics	2008/10/19 ~	Settlement and Cross -License Agreement	N/A
Technology Licensing	Apple	2021/01/03~	Settlement and License Agreement	N/A
Technology Licensing	Startek	2014/7/30~	Software License Agreement	N/A
Technology Licensing	NEC Corporation	2012/11/30~	Software License for Evaluation	N/A
Technology Licensing	Precise Biometrics AB	2019/7/13~2020/7/12	Software Business Agreement	N/A
Technology Licensing	ARM	2018/12/28~ 2021/12/27	Technology License Agreement Cortex-M0+	N/A
Technology Licensing	ARM	2018/12/30~	ARM Cortex-M4 Perpetual License	N/A
Cooperative Licensing	Chengdu Finchos Electronics Co., Ltd.	2016/8/22~	Cooperative Contract for Fingerprint Algorithm	N/A
Cooperative Licensing	Chengdu Finchos Electronics Co., Ltd.	2017/6/1/4	Supplementary Cooperative Contract for Fingerprint Algorithm	N/A
Technology Licensing and Development	Taluko Holdings SAS	2015/6/4~	Licensing and Development Collaboration Agreement	N/A
Technology Licensing	NXP	2017/10/1~2021/10/1	METANOIA-NXP Frame Agreement	N/A
Technology Licensing	NXP	2019/4/22	Amendment No.1	N/A
Development Service	NXP	2020/6/29~2030/6/28	Product Development Agreement	



Commissioned Development	National Taiwan University of Science and Technology	2010/12/01 ~ termination date of the rights and obligation	Industry-Academy Cooperative Contract	N/A
Commissioned Development	Industrial Technology Research	2013/12/01 ~2024/02/28	Commissioned Service and Licensing Contract	N/A
Commissioned Development	Intel	2014/9/18~	Software Development, Support and Demonstration Agreement	N/A
Commissioned Development	Quanta Technology Co., Ltd.	2017/5/18~	Entrusted Development Software Contract	N/A
Joint Appointment Turnkey Contract	Lianqi Development Co., Ltd.	2019/9/23 ~ Project warranty period expires	National Chiao Tung University/ Tainan Campus: Joint-Appointment Turnkey Contract for The New Construction of Zhiyuan Building-Industry-School Space No. 5	N/A
Joint Appointment Turnkey Contract	National Chiao Tung University	2019/2/1~2039/1/31	National Chiao Tung University/ Tainan Campus: Joint-Appointment Turnkey Contract for The New Construction of Zhiyuan Building-Industry-School Space No. 5	N/A
Joint Appointment Turnkey Contract	Lianqi Development Co., Ltd.	2019/9/23 ~ Project warranty period expires	National Chiao Tung University/ Tainan Campus: Joint-Appointment Turnkey Contract for The New Construction of Zhiyuan Building-Industry-School Space No. 6	N/A
Joint Lease for Self-Construction Contract	National Chiao Tung University	2019/2/1~2039/1/31	National Chiao Tung University/ Tainan Campus: Joint-Appointment Turnkey Contract for The New Construction of Zhiyuan Building-Industry-School Space No. 6	N/A
Land Establishment Superficies Contract	Hsinchu County Government	2021/3~2041/3	Hsinchu County International AI Smart Park Industrial Zone (1)	N/A

## VI. Financial Information

### 1. Five-Year Financial Summary

#### (1) Condensed Balance Sheet and Income Statement

##### 1. Condensed Balance Sheet - Consolidated Financial Statements

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years					Financial information as of March 31, 2021 (Note 3)
		2016	2017	2018	2019	2020	
Current assets		7,015,408	7,953,564	7,447,785	8,006,975	11,185,991	12,252,297
Property, plants and equipment (Note 2)		581,444	580,010	767,874	760,537	872,781	864,707
Intangible assets		250,519	256,273	225,319	304,219	449,557	453,003
Other assets (Note 2)		47,075	54,739	55,439	271,869	296,038	325,569
Total assets		9,131,230	10,142,805	9,803,147	11,246,892	14,452,190	15,748,047
Current liabilities	Before distribution	1,789,056	2,410,414	2,828,645	3,057,941	4,561,646	4,736,121
	After distribution	2,470,616	3,530,430	4,348,047	5,033,164	Note 4	Note 4
Non-current liabilities		446,032	408,928	391,744	585,799	617,488	601,874
Total liabilities	Before distribution	2,235,088	2,819,342	3,220,389	3,643,740	5,179,134	5,337,995
	After distribution	2,916,648	3,939,358	4,739,791	5,618,963	Note 4	Note 4
Equity attributable to shareholders of the parent company		6,899,178	7,356,477	6,627,180	7,668,931	9,050,622	10,207,573
Capital stock		4,341,148	4,341,148	3,038,804	3,038,804	3,038,804	3,038,804
Capital surplus		735,781	536,328	444,033	375,945	519,638	519,638
Retained earnings	Before distribution	1,745,995	2,422,333	3,005,648	4,153,247	5,517,815	6,617,646
	After distribution	1,312,748	1,423,869	1,592,604	2,178,024	Note 4	Note 4
Other equity interest		177,522	147,779	172,023	129,910	3,340	60,460
Treasury stock		101,268	91,111	33,328	28,975	28,975	28,975
Non-controlling interest		(3,036)	(33,014)	(44,422)	(65,779)	222,434	202,479
Total equity	Before distribution	6,896,142	7,323,463	6,582,758	7,603,152	9,273,056	10,410,052
	After distribution	6,214,582	6,203,447	5,063,356	5,627,929	Note 4	Note 4

Note 1: Financial information of the above-listed years has been certified by the Accountant.

Note 2: If there is asset revaluation, the revaluation date and revaluation surplus shall be listed.

Note 3: Q1 / 2021 financial information certified by the Accountant.

Note 4: As of the reporting date, profit distribution has not yet been resolved by the 2020 shareholders' meeting.

Note 5: IFRS 9 and IFRS 15 was adopted on January 1, 2018 without retroactively restate consolidated balance sheets issued before the year of 2017. IFRS 16 was adopted on January 1, 2019 without retroactively restate consolidated balance sheets issued before the year of 2018.

## 2. Condensed Comprehensive Income Statement - Consolidated Financial Statements

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years					Financial information as of March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Operating revenue	6,558,933	7,503,267	8,651,332	9,487,977	15,099,690	4,155,821
Gross Profit	2,708,170	3,347,820	3,944,177	4,416,688	7,054,196	1,993,238
Operating Income (Loss)	752,415	1,349,782	1,730,288	2,081,426	4,217,199	1,191,470
Non-operating income and expenses	(27,525)	(87,521)	139,780	728,234	(323,507)	130,375
Net profit before tax	724,890	1,262,261	1,870,068	2,809,660	3,893,692	1,321,845
Income before tax from continuing operations	580,001	1,032,110	1,531,702	2,464,742	3,193,038	1,082,691
Income (Loss) on discontinued operations	0	0	0	0	0	0
Net Income (Loss)	580,001	1,032,110	1,531,702	2,464,742	3,193,038	1,082,691
Other comprehensive income (loss) (income after tax)	2,526	6,211	29,148	29,792	(33,401)	57,120
Total comprehensive income (loss)	582,527	1,038,321	1,560,850	2,494,534	3,159,637	1,139,811
Net income attributable to shareholders of the parent company	652,667	1,073,802	1,559,580	2,496,744	3,245,811	1,099,831
Net income attributable to non-controlling interest	(72,666)	(41,692)	(27,878)	(32,002)	(52,773)	(17,140)
Comprehensive income (loss) attributable to shareholders of the parent company	655,414	1,079,841	1,588,903	2,526,686	3,213,221	1,156,951
Comprehensive income (loss) attributable to non-controlling interest	(72,887)	(41,520)	(28,053)	(32,152)	(53,584)	(17,140)
Earnings per share	1.57	2.58	4.16	8.57	11.14	3.77

Note 1: Financial information of the above-listed years has been certified by the Accountant.

Note 2: Q1 / 2021 financial information certified by the Accountant.

Note 3: IFRS 9 and IFRS 15 was adopted on January 1, 2018 without retroactively restate consolidated balance sheets issued before the year of 2017. IFRS 16 was adopted on January 1, 2019 without retroactively restate consolidated balance sheets issued before the year of 2018.

### 3. Condensed Balance Sheet - Individual Financial Statements

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2016	2017	2018	2019	2020
Current assets		6,470,853	7,341,632	6,620,611	7,020,098	9,518,486
Property, plants and equipment (Note 2)		567,880	572,376	761,937	755,686	836,016
Intangible assets		217,847	230,104	202,743	223,170	310,651
Other assets (Note 2)		28,169	79,247	58,722	225,662	233,569
Total assets		8,916,171	9,886,202	9,517,947	10,903,241	13,928,586
Current liabilities	Before distribution	1,579,121	2,126,747	2,505,043	2,673,761	4,293,321
	After distribution	2,260,681	3,246,763	4,024,445	4,648,984	Note 3
Non-current liabilities		437,872	402,978	385,724	560,549	584,643
Total liabilities	Before distribution	2,016,993	2,529,725	2,890,767	3,234,310	4,877,964
	After distribution	2,698,553	3,649,741	4,410,169	5,209,533	Note 3
Equity attributable to shareholders of the parent company		6,899,178	7,356,477	6,627,180	7,668,931	9,050,622
Capital stock		4,341,148	4,341,148	3,038,804	3,038,804	3,038,804
Capital surplus		735,781	536,328	444,033	375,945	519,638
Retained earnings	Before distribution	1,745,995	2,422,333	3,005,648	4,153,247	5,517,815
	After distribution	1,312,748	1,423,869	1,592,604	2,178,024	Note 3
Other equity interest		177,522	147,779	172,023	129,910	3,340
Treasury stock		101,268	91,111	33,328	28,975	28,975
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	6,899,178	7,356,477	6,627,180	7,668,931	9,050,622
	After distribution	6,217,618	6,236,461	5,107,778	5,693,708	Note 3

Note 1: Financial information of the above-listed years has been certified by the Accountant.

Note 2: If there is asset revaluation, the revaluation date and revaluation surplus shall be listed.

Note 3: As of the reporting date, profit distribution has not yet been resolved by the 2020 shareholders' meeting.

Note 4: IFRS 9 and IFRS 15 was adopted on January 1, 2018 without retroactively restate consolidated balance sheets issued before the year of 2017. IFRS 16 was adopted on January 1, 2019 without retroactively restate consolidated balance sheets issued before the year of 2018.

#### 4. Condensed Comprehensive Income Statement - Individual Financial Statements

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2016	2017	2018	2019	2020
Operating revenue	6,428,211	7,341,164	8,432,996	9,309,465	14,678,422
Gross Profit	2,690,167	3,307,355	3,858,659	4,356,033	6,890,595
Operating Income (Loss)	1,001,819	1,463,417	1,769,576	2,137,455	4,128,151
Non-operating income and expenses	(209,533)	(167,090)	115,093	697,727	(220,672)
Net profit before tax	792,286	1,296,327	1,884,669	2,835,182	3,907,479
Income before tax from continuing operations	652,667	1,073,802	1,559,580	2,496,744	3,245,811
Income (Loss) on discontinued operations	0	0	0	0	0
Net Income (Loss)	652,667	1,073,802	1,559,580	2,496,744	3,245,811
Other comprehensive income (loss) (income after tax)	2,747	6,039	29,323	29,942	(32,590)
Total comprehensive income (loss)	655,414	1,079,841	1,588,903	2,526,686	3,213,221
Net income attributable to shareholders of the parent company	652,667	1,073,802	1,559,580	2,496,744	3,245,811
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income (loss) attributable to shareholders of the parent company	655,414	1,079,841	1,588,903	2,526,686	3,213,221
Comprehensive income (loss) attributable to non-controlling interest	-	-	-	-	-
Earnings per share	1.57	2.58	4.16	8.57	11.14

Note 1: Financial information of the above-listed years has been certified by the Accountant.

Note 2: Q1 / 2021 financial information certified by the Accountant.

Note 3: IFRS 9 and IFRS 15 was adopted on January 1, 2018 without retroactively restate consolidated balance sheets issued before the year of 2017. IFRS 16 was adopted on January 1, 2019 without retroactively restate consolidated balance sheets issued before the year of 2018.

**(2) Condensed Balance Sheet and Income Statement - Taiwan's Financial Accounting Standards**

1. Condensed Balance Sheet - Taiwan's Financial Accounting Standards: The Company has adopted International Financial Reporting Standards in preparing financial information for five years; therefore, the Company will not prepare separate financial information base on Taiwan's Financial Accounting Standards.
2. Condensed Income Statement - Taiwan's Financial Accounting Standards: The Company has adopted International Financial Reporting Standards in preparing financial information for five years; therefore, the Company will not prepare separate financial information base on Taiwan's Financial Accounting Standards.
3. Names and audit opinions of the Certified Public Accountants for the last five (5) years:

Year	Accounting Firm	CPA	Audit Opinion
2016	KPMG	CHOU, PAO-LIEN; GAU, WEI-CHUAN	Unqualified opinion
2017	KPMG	GAU, WEI-CHUAN; TSENG, MEI-YU	Unqualified opinion
2018	KPMG	TSENG, MEI-YU ; GAU, WEI-CHUAN,	Unqualified opinion
2019	KPMG	CHOU, PAO-LIEN;TSENG, MEI-YU	Unqualified opinion
2020	KPMG	CHOU, PAO-LIEN; TSENG, MEI-YU	Unqualified opinion

## 2. Five Year Financial Analysis

### (1) Consolidated Financial Analysis

Year (Note 1) Item (Note 3)		Financial Analysis for the Last Five Years					As of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt Ratio	24.48	27.80	32.85	32.40	35.84	33.90
	Ratio of long-term capital to property, plant and equipment	1,262.75	1,333.15	908.29	1,076.73	1,133.22	1,273.49
Solvency (%)	Current ratio	392.13	329.97	263.30	261.84	245.22	258.70
	Quick ratio	331.58	279.39	221.07	215.86	205.63	215.94
	Interest earned ratio (times)	339.58	300.61	403.08	297.78	682.67	1,071.32
Operating performance	Accounts receivable turnover (times)	5.87	6.99	8.09	8.00	8.83	7.67
	Average collection period	62	52	45	46	41	48
	Inventory turnover (times)	2.88	3.00	3.29	3.27	4.18	3.94
	Accounts payable turnover (times)	4.61	4.81	5.03	4.73	5.37	4.85
	Average days in sales	127	122	111	112	87	93
	Property, plant and equipment turnover (times)	10.99	12.92	12.84	12.42	18.49	19.13
	Total assets turnover (times)	0.71	0.78	0.87	0.90	1.18	1.10
Profitability	Return on total assets (%)	6.32	10.75	15.40	23.49	24.88	28.71
	Return on stockholders' equity (%)	8.29	14.52	22.03	34.75	37.84	44.00
	Pre-tax income to paid-in capital (%)	16.70	29.08	61.54	92.46	128.13	174.00
	Profit ratio (%)	8.84	13.76	17.70	25.98	21.15	26.05
	Earnings per share (NT\$)	1.57	2.58	4.16	8.57	11.14	3.77
Cash Flow	Cash flow ratio (%)	54.19	60.69	64.18	54.01	72.46	111.33
	Cash flow adequacy ratio (%)	87.57	99.04	102.01	99.93	120.26	140.17
	Cash reinvestment ratio (%)	1.45	9.09	9.07	2.35	12.62	42.83
Leverage	Operating leverage	8.09	4.85	4.30	3.87	2.96	2.86
	Financial leverage	1	1	1	1	1	1

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Solvency: Due to the increase in sales revenue in 2020 compared with that in 2019, the net profit before tax increase compared with that in 2019, and the interest protection multiple in 2020 increased compared with that in 2019.
2. Operating performance: Due to the increase in revenue in 2020 compared with that in 2019, the speed of inventory removal was accelerated, and the inventory turnover rate in 2020 was increased compared with that in 2019; due to the increase in revenue in 2020 compared with that in 2019, the real estate, plant and equipment in 2020 were increased. Turnover rate and total asset turnover rate are both increased compared with 2019 years.
3. Profitability: Due to the increase in sales revenue in 2020 compared with that in 2019, the increase in after-tax net profit made the ratio of net profit before tax to paid-in capital in 2020 and the earnings per share increased compared with that in 2019.
4. Cash flow: Because the cash inflow from operating activities in 2020 increased compared with that in 2019, the cash flow ratio in 2020 increased compared with that in 2019.
5. Leverage: Because the growth rate of operating profit in 2020 was higher than that of sales

revenue, the operating leverage in 2020 was lower than that in 2019.



## (2) Financial Analysis – Individual

Year (Note 1) Item (Note 3)		Financial Analysis for the Last Five Years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt Ratio	22.62	25.59	30.37	29.66	35.02
	Ratio of long-term capital to property, plant and equipment	1,292.01	1,355.66	920.40	1,089.01	1,152.52
Solvency (%)	Current ratio	409.78	345.20	264.29	262.56	221.70
	Quick ratio	346.97	294.82	221.26	212.73	182.40
	Interest earned ratio (times)	49,519	162,042	235,585	924.51	1,300.89
Operating performance	Accounts receivable turnover (times)	6.03	7.30	8.40	8.26	8.81
	Average collection period	61	50	43	44	41
	Inventory turnover (times)	3.04	3.16	3.46	3.42	4.36
	Accounts payable turnover (times)	4.55	4.72	4.94	4.66	5.23
	Average days in sales	120	116	105	107	84
	Property, plant and equipment turnover (times)	11.02	12.88	12.64	12.27	18.44
	Total assets turnover (times)	0.71	0.78	0.87	0.91	1.18
Profitability	Return on total assets (%)	7.26	11.42	16.07	24.48	26.16
	Return on stockholders' equity (%)	9.32	15.06	22.31	34.93	38.83
	Pre-tax income to paid-in capital (%) (Note 7)	18.25	29.86	62.02	93.30	128.59
	Profit ratio (%)	10.15	14.63	18.49	26.82	22.11
	Earnings per share (NT\$)	1.57	2.58	4.16	8.57	11.14
Cash Flow	Cash flow ratio (%)	81.22	76.70	69.31	59.87	73.48
	Cash flow adequacy ratio (%)	106.06	116.80	114.69	107.14	120.53
	Cash reinvestment ratio (%)	4.77	10.73	7.57	0.87	10.88
Leverage	Operating leverage	4.68	4.18	3.63	3.28	2.68
	Financial leverage	1	1	1	1	1

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Solvency: Due to the increase in sales revenue in 2020 compared with that in 2019, the net profit before tax increase compared with that in 2019, and the interest protection multiple in 2020 increased compared with that in 2019.
2. Operating performance: Due to the increase in revenue in 2020 compared with that in 2019, the speed of inventory removal was accelerated, and the inventory turnover rate in 2020 was increased compared with that in 2019; due to the increase in revenue in 2020 compared with that in 2019, the real estate, plant and equipment in 2020 were increased. Turnover rate and total asset turnover rate are both increased compared with that in 2019.
3. Profitability: Due to the increase in sales revenue in 2020 compared with that in 2019, the increase in after-tax net profit made the ratio of net profit before tax to paid-in capital in 2020 and the earnings per share increased compared with that in 2019.
4. Cash flow: As the cash inflow from operating activities increased in 2020 compared with that in 2019, the cash flow ratio and cash reinvestment ratio in 2020 were increased compared with that in 2019.

Note 1: Financial information of the above-listed years has been certified by the Accountant.

Note 2: Q1 / 2021 Financial information certified by the Accountant.

Note 3: Financial ratio formula:

1. **Financial structure**

- (1) Debt to assets ratio = total liabilities / total assets.
- (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plants and equipment.

2. **Solvency**

- (1) Current ratio = current assets / current liabilities.
- (2) Liquidity ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Interest protection multiples = earnings before interest and taxes / interest expenses of the period.

3. **Operating performance**

- (1) Receivables (including accounts receivable and note receivable from business operations) turnover ratio = net sales revenue / average receivables (including accounts receivable and note receivable from business operations) balance of each period.
- (2) Average collection period = 365 / receivables turnover ratio.
- (3) Inventory turnover ratio = cost of goods sold / average inventory.
- (4) Accounts payable (including accounts payable and note payable from business operations) turnover ratio = cost of goods sold / average accounts payable (including accounts payable and note payable from business operations) balance of each period.
- (5) Days sales of inventory = 365 / inventory turnover ratio.
- (6) Property, plants and equipment turnover ratio = net sales revenue / average net property, plants and equipment.
- (7) Total assets turnover ratio = net sales revenue / average total assets.

4. **Profitability**

- (1) Return on asset = [post-tax profit or loss + interest expenses × (1 - tax rate)] / average total assets.
- (2) Return on equity = post-tax profit or loss / average total equity.
- (3) Net profit margin = post-tax profit or loss / net sales revenue
- (4) Earnings per share = (profit or loss attributable to owner(s) of the parent company - preference share dividends) / weighted-average number of shares issued. (Note 4)

5. **Cash Flow**

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = net cash flow from operating activities in the last 5 years / (capital expenditures + increase in inventory + cash dividends) in the last 5 years.
- (3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividends) / (gross property, plants and equipment + long-term investment + other non-current

assets + working capital). (Note 5)

6. **Leverage**

(1) Operating leverage = (net operating income - changes in operating costs and expenses) / operating profit (Note 6).

(2) Financial leverage = operating profit / (operating profit - interest expenses).

Note 4: The calculation formula for the above-mentioned earnings per share shall be measured with the following precautions:

1. Shall be based on weighted-average number of common shares instead of number of shares issued as of the end of the year.
2. Where there is capital addition or treasury share transaction, weighted-average number of shares shall be calculated after considering the circulation period.
3. Where there is Retained Earnings Transferred to Capital or Capital Increase by Capital Surplus, when calculating the earnings per share for the previous year and mid-year, it shall be retrospectively adjusted according to the proportion of capital increase without considering the issuing period of the capital increase.
4. If the preference share is a non-convertible cumulative preference share, its dividends (paid or not) of the year shall be subtracted from net profit after tax or added to net loss after tax. If the preference share is non-cumulative, the preference dividends shall be deducted from net profit after tax if there is a net profit after tax; if it is a loss, there is no need for adjustment.

Note 5: The following precautions shall be paid when measuring cash flow analysis:

1. Net cash flow from operating activities referred to the net cash inflow from operating activities shown in the cash flow statement.
2. Capital expenditure referred to the annual cash outflows for capital investment.
3. The increase in inventory is only listed when the ending balance is greater than the beginning balance. If the inventory decreases at the end of the year, the increase in inventory will be regarded as zero.
4. Cash dividends include cash dividends of common shares and preference shares.
5. Gross property, plants and equipment referred to the total property, plant and equipment before accumulated depreciation.

Note 6: The issuer shall classify various operating costs and operating expenses into fixed and variable categories. If estimation or subjective judgment are involved, the issuer shall pay attention to its rationality and maintain consistency.

Note 7: If the Company's shares have no face value or if the face value of each share is not NT\$10, the aforementioned calculation of ratio involving paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owner(s) of the parent company.

- (3) **Financial analysis** - Taiwan's Financial Accounting Standards: The Company has adopted International Financial Reporting Standards in preparing financial information for five fiscal years; therefore, the Company will not prepare separate financial information base on Taiwan's Financial Accounting Standards.

### **3. Audit Committee's Review Report**

#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2020 financial statements and consolidated financial statements, which was audited by the Certified Public Accountants (CPA) CHOU, PAO-LIAN and TSENG, MEI-YU of Klynveld Peat Marwick Goerdeler (KPMG) who issued an audit report, together with business report and the profit distribution proposal for Audit Committee's review. The Audit Committee hereby confirmed that there are no discrepancies and reported as above pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and submitted for your kind approval.

ELAN Microelectronics Corporation

Convener of the Audit Committee:

Dated: February 17, 2021

### Independent Auditors' Report

To the Board of Directors  
ELAN MICROELECTRONICS CORPORATION:

#### Opinion

We have audited the financial statements of ELAN MICROELECTRONICS CORPORATION (“the Company”), which comprise the statement of financial position as of December 31, 2020 and 2019, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### Other Matter

We did not audit the financial statements of Top Taiwan X Venture Capital Co. Ltd which represented investment accounted for using the equity method of the Company. These statement was audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Top Taiwan X Venture Capital Co. Ltd, is based solely on the report of another auditor. The investment in Top Taiwan X Venture Capital Co. Ltd accounted for using the equity method constituted 2.23% and 2.57% of the total assets at December 31, 2020 and 2019, and the related share of profit of associates and joint ventures accounted for using the equity method constituted 0.79% and 1.77% of the total income before tax for the year ended December 31, 2020 and 2019, respectively.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 1. Valuation of inventories

Please refer to Note 4(g) for accounting policy on inventory, Notes 5 for accounting estimations and assumption uncertainty of inventory valuation, and Notes 6(d) for the write-down of inventories to net realizable value.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in the economy and the environment, and the production technology update, the cost of inventories is at the risk of exceeding its net realizable value.

How the matter was addressed in our audit:

For valuation of the inventories, we reviewed inventory aging reports, analyzed inventory turnovers and changes in its aging inventory for each period to assess the reasonableness of the Company's inventory provision rate, evaluated reasonableness the accounting policy, delved into the sales price adopted by management in valuation, and reviewed the sales and valuation which was based on the net realizable value used to assess the appropriateness of management's estimation of inventory provision.

### 2. Revenue recognition

Please refer to Note 4(o) and 6(o) for accounting policy of revenue recognition.

Description of key audit matter:

The major business activities of the Company are the manufacture and sale of integrated circuits. The Company also offers research and development services with respect to the products presented above. Test of revenue recognition is one of the key audit matters in our audit. Revenue is the key indicator to evaluate the performance by investors and management, and thus, needs significant attention in our audit.

How the matter was addressed in our audit:

Our audit procedures in this area included, among others: testing the effectiveness of related controls of revenue recognition, reviewed relevant sales documents to evaluate whether the revenue recognition was consistent with the accounting policy; performing trend analysis of the ten largest customers, so as to assess whether there was material abnormality, if any; testing the sales transactions before and after the end of the year and relevant documents to evaluate the accuracy of the amount and period of revenue recognition.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chou, Pao-Lian and Tseng, May-Yu.

KPMG

Taipei, Taiwan (Republic of China)  
February 17, 2021

#### **Notes to Readers**

The accompanying parent-company-only financial statements are intended only to present the 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 audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent-company-only 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' audit report and parent-company-only financial statements, the Chinese version shall prevail.



(English Translation of Financial Statements Originally Issued in Chinese)  
ELAN MICROELECTRONICS CORPORATION

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2020</u>		<u>December 31, 2019</u>				<u>December 31, 2020</u>		<u>December 31, 2019</u>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and Equity</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (notes 6(a) and (r))	\$ 1,056,566	8	1,020,679	9	2170	Accounts payable (notes 6(r) and 7)	1,811,241	13	1,167,628	11
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (r))	488,811	4	414,319	4	2206	Employee bonus payable (notes 6(q) and (r))	527,000	4	382,500	4
1172	Notes and accounts receivable, net (notes 6(c) and (r))	2,070,680	15	1,098,287	10	2230	Current tax liabilities	768,135	6	267,864	2
1181	Accounts receivable due from related parties (notes 6(c), (r) and 7)	55,199	-	45,575	-	2280	Current lease liabilities (notes 6(j) and (r))	8,335	-	8,667	-
1200	Other receivables (notes 6(c), (r) and 7)	1,456,679	10	829,461	8	2300	Other current liabilities (notes 6(r) and 7)	<u>1,178,610</u>	<u>8</u>	<u>847,102</u>	<u>8</u>
1310	Inventories, net (note 6(d))	1,679,128	12	1,318,609	12			<u>4,293,321</u>	<u>31</u>	<u>2,673,761</u>	<u>25</u>
1410	Prepayments and other current assets	8,173	-	13,518	-	<b>Non-Current liabilities:</b>					
1476	Financial assets at amortized cost (notes 6(a) and (r))	<u>2,703,250</u>	<u>20</u>	<u>2,279,650</u>	<u>21</u>	2570	Deferred tax liabilities (note 6(l))	1,244	-	2,097	-
		<u>9,518,486</u>	<u>69</u>	<u>7,020,098</u>	<u>64</u>	2580	Non-current lease liabilities (notes 6(j) and (r))	177,421	1	180,969	2
<b>Non-current assets:</b>						2640	Net defined benefit liability, non-current (note 6(k))	382,275	3	367,155	3
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	587,275	4	584,778	5	2645	Guarantee deposits received (note 6(r))	10,889	-	10,328	-
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(e) and (r))	256,562	2	85,469	1	2650	Credit balance of investments accounted for using equity method (note 6(f))	<u>12,814</u>	<u>-</u>	<u>-</u>	<u>-</u>
1551	Investments accounted for using equity method (note 6(f))	2,186,027	16	1,838,378	17			<u>584,643</u>	<u>4</u>	<u>560,549</u>	<u>5</u>
1600	Property, plant and equipment (notes 6(g))	836,016	6	755,686	7		<b>Total liabilities</b>	<u>4,877,964</u>	<u>35</u>	<u>3,234,310</u>	<u>30</u>
1755	Right-of-use assets (note 6(h))	183,096	1	188,500	2	<b>Equity attributable to owners of parent:</b> (notes 6(m) and (n))					
1780	Intangible assets (note 6(i))	310,651	2	223,170	2	3100	Capital stock	<u>3,038,804</u>	<u>22</u>	<u>3,038,804</u>	<u>28</u>
1840	Deferred tax assets (note 6(l))	33,221	-	31,862	-	3200	Capital surplus	<u>519,638</u>	<u>4</u>	<u>375,945</u>	<u>3</u>
1900	Other non-current assets (note 6(r))	17,252	-	5,300	-		Retained earnings:				
1960	Prepayments for investments (note 6(f))	-	-	170,000	2	3310	Legal reserve	1,825,597	13	1,575,923	14
		4,410,100	31	3,883,143	36	3350	Undistributed earnings	<u>3,692,218</u>	<u>26</u>	<u>2,577,324</u>	<u>24</u>
								<u>5,517,815</u>	<u>39</u>	<u>4,153,247</u>	<u>38</u>
						3400	Other equity	<u>3,340</u>	<u>-</u>	<u>129,910</u>	<u>1</u>
						3500	Treasury shares	<u>(28,975)</u>	<u>-</u>	<u>(28,975)</u>	<u>-</u>
							<b>Total equity</b>	<u>9,050,622</u>	<u>65</u>	<u>7,668,931</u>	<u>70</u>
<b>Total assets</b>		<u>\$ 13,928,586</u>	<u>100</u>	<u>10,903,241</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 13,928,586</u>	<u>100</u>	<u>10,903,241</u>	<u>100</u>

(English Translation of Financial Statements Originally Issued in Chinese)  
**ELAN MICROELECTRONICS CORPORATION**

**Statements of Comprehensive Income**

**For the years ended December 31, 2020 and 2019**

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

		<b>2020</b>		<b>2019</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue</b> (notes 6(o) and 7)	\$14,678,422	100	9,309,465	100
5000	<b>Operating costs</b> (notes 6(d) and 7)	<u>7,789,061</u>	<u>53</u>	<u>4,957,908</u>	<u>53</u>
5900	<b>Gross profit from operations</b>	6,889,361	47	4,351,557	47
5920	Add: Realized profit from sales	<u>1,234</u>	<u>-</u>	<u>4,476</u>	<u>-</u>
5950	<b>Gross profits</b>	<u>6,890,595</u>	<u>47</u>	<u>4,356,033</u>	<u>47</u>
6000	<b>Operating expenses:</b> (notes 6(c), 7, 9 and 12)				
6100	Selling expenses	831,305	6	566,053	6
6200	Administrative expenses	340,840	2	255,447	3
6300	Research and development expenses	1,582,695	11	1,407,080	15
6450	Impairment gain and loss determined in accordance with IFRS 9	<u>7,604</u>	<u>-</u>	<u>(10,002)</u>	<u>-</u>
		<u>2,762,444</u>	<u>19</u>	<u>2,218,578</u>	<u>24</u>
6900	<b>Operating income</b>	<u>4,128,151</u>	<u>28</u>	<u>2,137,455</u>	<u>23</u>
7000	<b>Non-operating income and expenses:</b>				
7100	Interest income (note 6(p))	26,198	-	40,583	-
7010	Other income (notes 6(p) and 7)	39,511	-	70,114	1
7020	Other gains and losses (note 6(p))	(96,707)	(1)	(12,311)	-
7050	Finance costs	(3,006)	-	(3,070)	-
7070	Share of gain of subsidiaries and associates accounted for using equity method (note 6(f))	<u>(186,668)</u>	<u>(1)</u>	<u>602,411</u>	<u>6</u>
		<u>(220,672)</u>	<u>(2)</u>	<u>697,727</u>	<u>7</u>
7900	<b>Profit before tax</b>	3,907,479	26	2,835,182	30
7950	Less: Income tax expenses (note 6(l))	<u>661,668</u>	<u>5</u>	<u>338,438</u>	<u>4</u>
	<b>Net profit</b>	<u>3,245,811</u>	<u>21</u>	<u>2,496,744</u>	<u>26</u>
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	(15,399)	-	5,431	-
8316	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	(21,116)	-	10,490	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	4,985	-	15,339	-
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>(31,530)</u>	<u>-</u>	<u>31,260</u>	<u>-</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	(1,078)	-	(1,281)	-
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	18	-	(37)	-
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>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(1,060)</u>	<u>-</u>	<u>(1,318)</u>	<u>-</u>
8300	<b>Other comprehensive income, net</b>	<u>(32,590)</u>	<u>-</u>	<u>29,942</u>	<u>-</u>
8500	<b>Comprehensive income</b>	<u>\$ 3,213,221</u>	<u>21</u>	<u>2,526,686</u>	<u>26</u>
	<b>Earnings per share (expressed in dollars) (note 6(n))</b>				
9710	Basic earnings per share	<u>\$ 11.14</u>		<u>8.57</u>	
9850	Diluted earnings per share	<u>\$ 10.97</u>		<u>8.44</u>	

See accompanying notes to financial statements.

(English Translation of Parent-company-only Financial Statements Originally Issued in Chinese)

**ELAN MICROELECTRONICS CORPORATION****Statements of Changes in Equity****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	Ordinary shares	Capital surplus	Retained earnings		Total other equity interest		Treasury shares	Total equity
			Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
<b>Balance at January 1, 2019</b>	\$ 3,038,804	444,033	1,419,965	1,585,683	(4,219)	176,242	(33,328)	6,627,180
Net profit	-	-	-	2,496,744	-	-	-	2,496,744
Other comprehensive income	-	-	-	5,118	(1,318)	26,142	-	29,942
Total comprehensive income	-	-	-	2,501,862	(1,318)	26,142	-	2,526,686
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	155,958	(155,958)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,413,044)	-	-	-	(1,413,044)
Other changes in capital surplus:								
Cash dividends from capital surplus	-	(106,358)	-	-	-	-	-	(106,358)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	57,838	-	-	-	-	4,353	62,191
Changes in ownership interests in subsidiaries	-	(19,568)	-	(8,156)	-	-	-	(27,724)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	66,937	-	(66,937)	-	-
<b>Balance at December 31, 2019</b>	3,038,804	375,945	1,575,923	2,577,324	(5,537)	135,447	(28,975)	7,668,931
Net profit	-	-	-	3,245,811	-	-	-	3,245,811
Other comprehensive income	-	-	-	(16,339)	(1,060)	(15,191)	-	(32,590)
Total comprehensive income	-	-	-	3,229,472	(1,060)	(15,191)	-	3,213,221
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	249,674	(249,674)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,975,223)	-	-	-	(1,975,223)
Other changes in capital surplus:								
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	80,848	-	-	-	-	-	80,848
Changes in ownership interests in subsidiaries	-	62,845	-	-	-	-	-	62,845
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	58,245	-	(58,245)	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income by subsidiaries	-	-	-	52,074	-	(52,074)	-	-
<b>Balance at December 31, 2020</b>	<u>\$ 3,038,804</u>	<u>519,638</u>	<u>1,825,597</u>	<u>3,692,218</u>	<u>(6,597)</u>	<u>9,937</u>	<u>(28,975)</u>	<u>9,050,622</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

**ELAN MICROELECTRONICS CORPORATION****Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 3,907,479	2,835,182
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	67,178	59,847
Amortization expense	65,683	37,720
Expected credit loss (gain)	7,604	(10,002)
Net gain on financial assets at fair value through profit or loss	(16,838)	(20,142)
Interest expense	3,006	3,070
Interest income	(26,198)	(40,583)
Dividend income	(27,805)	(13,029)
Share of (profit) loss of subsidiaries and associates accounted for using equity method	186,668	(602,411)
Loss (gain) on disposal of property, plant and equipment	(13)	428
Gain on disposal of investment properties	(13,754)	-
Difference between net pension liability and actual appropriations	(278)	749
Impairment loss and disposal loss on inventory	93,969	110,809
Others	(1,233)	(4,489)
<b>Total adjustments to reconcile profit</b>	<u>337,989</u>	<u>(478,033)</u>
<b>Changes in operating assets and liabilities:</b>		
Increase in notes and accounts receivable	(989,621)	(89,030)
Increase in inventories	(454,488)	(355,521)
Increase in other receivables	(634,213)	(167,843)
Decrease (increase) in other current assets	5,345	(2,656)
Increase in notes and accounts payable	643,613	205,632
Increase (decrease) in other current liabilities	479,014	(54,856)
<b>Total adjustments</b>	<u>(612,361)</u>	<u>(942,307)</u>
Cash inflow generated from operations	3,295,118	1,892,875
Interest received	26,351	40,605
Interest paid	(3,006)	(3,070)
Income taxes paid	(163,610)	(329,687)
<b>Net cash flows from operating activities</b>	<u>3,154,853</u>	<u>1,600,723</u>
<b>Cash flows from (used in) investing activities:</b>		
Dividends received	54,077	14,421
Acquisition of financial assets at amortized cost	(423,600)	(554,800)
Acquisition of financial assets at fair value through profit or loss	(1,966,148)	(34,967)
Proceeds from disposal of current financial assets at fair value through profit or loss	1,898,138	14,511
Acquisition of financial assets at fair value through profit or loss — non-current	(29,755)	-
Proceeds from capital reduction of financial assets at fair value through profit or loss	44,456	51,338
Acquisition of financial assets at fair value through other comprehensive income — non-current	(268,800)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income — non-current	76,592	86,015
Acquisition of investments accounted for using equity method	(215,170)	(78,343)
Increase in prepayments for investments	-	(170,000)
Proceeds from disposal of subsidiaries	-	22,908
Acquisition of property, plant and equipment	(136,484)	(50,262)
Proceeds from disposal of property, plant and equipment	60	-
Acquisition of intangible assets	(153,164)	(58,147)
Decrease (increase) in refundable deposits	(11,952)	1,110
Decrease in other non-current assets	-	22,492
<b>Net cash flows used in investing activities</b>	<u>(1,131,750)</u>	<u>(733,724)</u>
<b>Cash flows used in financing activities:</b>		
Increase in guarantee deposits received	561	92
Payment of lease liabilities	(12,554)	(12,160)
Cash dividends paid	(1,975,223)	(1,519,402)
<b>Net cash flows used in financing activities</b>	<u>(1,987,216)</u>	<u>(1,531,470)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	35,887	(664,471)
<b>Cash and cash equivalents at the beginning of period</b>	<u>1,020,679</u>	<u>1,685,150</u>
<b>Cash and cash equivalents at the end of period</b>	<u><u>\$ 1,056,566</u></u>	<u><u>1,020,679</u></u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

**ELAN MICROELECTRONICS CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2020 and 2019**

**(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 (“ROC”). The Company is located at the Hsinchu Science-based Industrial Park. The major business activities of the Company 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 Company also offers research and development services with respect to the products presented above. The Company’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 Company acquired Elantech Devices Corp. (Elantech). The Company 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.

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

The financial statements were authorized for issue by the Board of Directors on February 17, 2021.

**(3) New standards, amendments and interpretations adopted:**

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

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**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized bellows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the presented periods in the consolidated financial statements.

- (a) Statement of Compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- (b) Basis of preparation

- (i) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities are recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

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**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's functional currency at average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

(e) Cash and cash equivalents

Cash comprise cash balances and call deposits. Cash equivalents are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

A time deposit is qualified as cash equivalent and must be held for the purpose of short-term cash commitments rather than for investment or other purposes.

(f) Financial instruments

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

(Continued)



**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

On initial recognition, a financial asset is classified as measured at amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company; therefore, those receivables are measured at FVOCI. However, they are included in the ‘accounts receivables’ line item.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 360 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise short-term loans and borrowings, accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized as finance cost under non-operating revenue and expenses. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The costs of inventories weighted-average principle include expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs incurred upon completion and selling expenses.

(h) Investments in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The consolidated financial reports include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from the transactions between the Company and an associate are recognized only to the extent of unrelated the Company's interests in the associate.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

When the Company's share of losses of an associate equals or exceeds its interest in an associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

In preparing the separate financial statement of the Company, investee companies controlled by the Company are accounted for using the equity method. Under the equity method, the Company's profit or loss and other comprehensive income are the same as the profit or loss and other comprehensive income attributable to the owners in the consolidated financial statements. The equity balance in the separate financial statements is the same as the equity balance in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 2~50 years
- 2) Machineries and equipment: 2~6 years;
- 3) Transportation and office equipment: 1~6 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(Continued)

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At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there are any lease modifications

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When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery office and transportation that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

The depreciable amount is the cost of an asset, less its residual value.

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Patents	1~3 years
Computer software cost	1~3 years

Amortization method, amortization period, and residual value for an intangible asset are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment – non derivative financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company outsources its manufacturing process and subsequently sells its Integrated Circuits to customers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company recognizes accounts receivables upon the delivery of products, because the Company has unconditional rights to recovery of the consideration at that point in time.

(ii) Services

The Company provides product design and development services to its customers, and recognizes revenue during the reporting period when services are rendered. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is based on the percentage of actual cost incurred over the total costs.

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(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Government grants

The Company recognizes an unconditional government grant as other income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(q) Employee benefits

(i) Defined contribution plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

The Company that belongs to domestic firms should comply with the Labor Pension Act (hereinafter as “the Act”), which took effect on July 1, 2005. In accordance with the Act, the pension benefits of employees who elect to follow the Act and employees who are retired after the effective date of the Act adopt a defined contribution scheme, whereby the Company makes monthly contributions to the employees’ individual pension accounts of no less than 6% of the employees’ monthly wages. The amounts contributed are recognized as expense in the current period.

(ii) Defined benefit plan

The Company’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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**ELAN MICROELECTRONICS CORPORATION**  
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When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related services are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

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**Notes to the Financial Statements**

(ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- 1) the same taxable entity; or
- 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Business acquisition

For those acquisitions occurring after 1 January 2013 (inclusive), goodwill is measured using ROC GAAP.

The Company measured the acquisition cost of acquiring Elantech in accordance with the Statement of Financial Accounting Standards No. 25 “Business Combinations” and the Accounting Research and Development Foundation Interpretations 97 (075) and 91 (187). The stock issued by the Company is traded in an active market; therefore, the fair value of the stock issued by the Company should be used to determine the fair value of the net assets of the acquired corporation. The acquisition cost was measured in two ways. For stock acquired from non-affiliated companies, accounting was determined by using the purchase method; for stock acquired from affiliated companies, the purchase price was determined by the book value of the affiliated companies’ investment in Elantech. The Company recognized the difference between the acquisition cost and the fair value of tangible assets and identifiable intangible assets, less, the liabilities, and recorded it as goodwill.

(t) Earnings per share

The Company discloses the Company’s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock options and convertible bonds settled using shares that have yet to be approved by the shareholders’ meeting.

(u) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statement. Hence no segmental information was disclosed in the separate financial statements.

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

The preparation of the financial statements in conformity with the IFRSs 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

**Valuation of inventories**

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the sales price. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

**(6) Explanation of significant accounts:**

**(a) Cash and cash equivalents**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Petty cash	\$ 74	74
Checking and demand deposits	765,992	630,645
Time deposits with maturities of three months or less	<u>290,500</u>	<u>389,960</u>
	<b><u>\$ 1,056,566</u></b>	<b><u>1,020,679</u></b>

Please refer to Note 6(r) for the interest rate risk and fair value sensitivity analysis of the financial assets and liabilities of the Company.

As of December 31, 2020 and 2019, time deposits with maturities of more than three months held by the Company amounted to \$2,703,250 thousand and \$2,279,650 thousand, respectively, and were recorded as financial assets measured at amortized cost. The Company did not recognize impairment loss on financial assets measured at amortized cost for the years ended December 31, 2020 and 2019. Other information relating to credit risk is provided in Note 6(r).

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**Notes to the Financial Statements**

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Mandatorily measured at fair value through profit or loss:		
Current:		
Listed stocks	\$ 4,310	6,680
Open-end certificates of beneficial interest	424,047	253,557
Short-term commercial papers	<u>60,454</u>	<u>154,082</u>
Subtotal	<u>488,811</u>	<u>414,319</u>
Non-current:		
Listed stocks	528,108	554,626
Unlisted funds	<u>59,167</u>	<u>30,152</u>
Subtotal	<u>587,275</u>	<u>584,778</u>
Total	<b><u>\$ 1,076,086</u></b>	<b><u>999,097</u></b>

(c) Notes and accounts receivable

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable	\$ -	403
Accounts receivable - fair value through other comprehensive income	759,277	489,034
Accounts receivable - measured at amortized cost	1,401,406	681,625
Less: Loss allowance	<u>(34,804)</u>	<u>(27,200)</u>
	<b><u>\$ 2,125,879</u></b>	<b><u>1,143,862</u></b>

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

The Company 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 were determined as follows:

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	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Expected credit loss</b>
Current	\$ 2,033,264	0.46%	9,355
1 to 30 days past due	90,162	1.85%	1,668
31 to 60 days past due	8,840	10.34%	914
61 to 90 days past due	7,491	28.54%	2,138
More than 90 days past due	20,926	50%~100%	20,729
	<b>\$ 2,160,683</b>		<b>34,804</b>

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Expected credit loss</b>
Current	\$ 1,102,117	0.44%	5,872
1 to 30 days past due	44,123	2.31%	-
31 to 60 days past due	4,015	12.98%	521
More than 90 days past due	20,807	50%~100%	20,807
	<b>\$ 1,171,062</b>		<b>27,200</b>

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

	<b>2020</b>	<b>2019</b>
Balance at January 1, 2020 and 2019	\$ 27,200	37,202
Impairment loss recognized (reversed)	7,604	(10,002)
Balance at December 31, 2020 and 2019	<b>\$ 34,804</b>	<b>27,200</b>

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

<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>\$ 1,376,747</u>	<u>2,823,800</u>	<u>-</u>	<u>1,376,747</u>	<u>0.05%~0.10%</u>	None

(Continued)

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**December 31, 2019**

<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>\$ 777,245</u>	<u>2,801,600</u>	<u>-</u>	<u>777,245</u>	<u>0.05%~0.10%</u>	None

The Company has deducted the advanced amount from the accounts receivable in accordance with the condition of derecognition as of December 31, 2020 and 2019. The remaining amount has been reclassified into other receivables. The Company did not recognize impairment loss on other receivables for the years ended December 31, 2020 and 2019, and other information on credit risk is disclosed in Note 6(r).

(d) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Raw materials	\$ 648,872	372,923
Work in progress	808,884	694,738
Finished goods	<u>221,372</u>	<u>250,948</u>
	<u><b>\$ 1,679,128</b></u>	<u><b>1,318,609</b></u>

The details of the cost of sales are as follows:

	<b>2020</b>	<b>2019</b>
Inventory that has been sold	\$ 7,695,349	4,847,138
Write-down of inventories	93,969	110,809
Others	<u>(257)</u>	<u>(39)</u>
	<u><b>\$ 7,789,061</b></u>	<u><b>4,957,908</b></u>

As of December 31, 2020 and 2019, the Company had not provided any inventories as collateral for its loans.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Equity investments at fair value through other comprehensive income:		
Quoted shares	\$ -	73,545
Over-the-counter stocks	242,830	-
Emerging stocks	<u>13,732</u>	<u>11,924</u>
	<u><b>\$ 256,562</b></u>	<u><b>85,469</b></u>

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- (i) The Company 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) In 2020 and 2019, the Company has sold parts of the acquired shares at the amount of \$76,592 and \$86,015 thousand, resulting in the Company to realize a gain of \$58,245 and \$66,937 thousand, which was recognized as other comprehensive income, then reclassified to retained earnings.
  - (iii) For market risk, please refer to note 6(r).
  - (iv) As of December 31, 2020 and 2019, the Company had not provided any financial assets as collateral for its loans.
- (f) Investments accounted for using equity method

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiaries	\$ 1,866,405	1,524,803
Associates	319,622	313,575
Investments accounted for using equity method	<b>\$ 2,186,027</b>	<b>1,838,378</b>
Credit balance of investments accounted for using equity method	<b>\$ 12,814</b>	-

- (i) Subsidiaries

A summary of the Company's financial information for equity-accounted investees at the reporting date is as follows:

	<b>2020</b>	<b>2019</b>
The Company's share of gain of subsidiaries accounted for using equity method	<b>\$ (211,977)</b>	<b>556,865</b>

Please refer to the consolidated financial statements for the year ended December 31, 2020 for further details.

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(ii) Associates

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

			December 31, 2020		December 31, 2019	
			Principal country	Share-holding (%)	Amount	Share-holding (%)
	Nature of the relationship					
Tong Fu Investment Corporation	Investment holding	R.O.C.	\$ 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
Eminent Electronic Technology Corp. Ltd. (Note)	Manufactures and sells electronic devices, computer and its related products, and manufactures optical instruments	R.O.C.	-	-	52,100	28.94
Top Taiwan X Venture Capital Co. Ltd	Venture capital	R.O.C.	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
Finger Pro. Incorporation	Manufactures and sells electronic devices	R.O.C.	6,000	23.08	6,000	23.08
			<u>\$ 337,712</u>		<u>389,812</u>	

Note: The Company obtained 3 out of 5 Board seats on February 19, 2020 and gained control over the investee, thus, the investee has become one of the Company's subsidiaries since then. The Company recognized its profit based on the fair value remeasurement amounting to \$15,000 thousand; please refer to note 6(p).

A summary of the Company's financial information on investment accounted for using equity method at the reporting date is as follows:

	2020	2019
The Company's share of gain (loss) of associates accounted for using equity method	<u>\$ 25,309</u>	<u>45,546</u>

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

	2020	2019
Attributable to the Company:		
Gain from continuing operations	\$ 25,309	45,546
Other comprehensive income (loss)	18	(37)
Comprehensive income (loss)	<u>\$ 25,327</u>	<u>45,509</u>

The Company recognized \$150,000 thousand and \$20,000 thousand for prepayments for investments in Meanoia Communications Inc. and Rising Star Technology Company Limited as of December 31, 2019, respectively. The Company obtained equity in Meanoia Communications Inc. and Rising Star Technology Company Limited on February 13 and January 31, 2020, respectively.

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The Company acquired 38.65% and 22.51% equity in Bruckewell Technology Co., Ltd (Bruckewell) on February 24 and May 31, 2020, respectively. The Company's ownership interest in Bruckewell increased from 38.65% to 61.16%. The Company remeasured the fair value of its existing equity before the business combination, resulting in a loss of \$1,246 thousand; please refer to note 6(p).

(iii) Pledges

As of December 31, 2020 and 2019, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

(g) 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</u>	<u>Total</u>
Cost:						
Balance as of January 1, 2020	\$ 230,790	1,089,827	479,649	112,518	8,567	1,921,351
Additions	-	68,184	33,853	8,067	26,380	136,484
Derecognized	-	-	(11,312)	(1,363)	-	(12,675)
Reclassification	-	4,374	1,033	-	(5,407)	-
Balance as of December 31, 2020	<u>\$ 230,790</u>	<u>1,162,385</u>	<u>503,223</u>	<u>119,222</u>	<u>29,540</u>	<u>2,045,160</u>
Balance as of January 1, 2019	\$ 230,790	1,084,414	433,532	103,019	33,067	1,884,822
Additions	-	5,308	24,991	11,308	8,655	50,262
Derecognized	-	-	(5,061)	(1,809)	-	(6,870)
Reclassification	-	105	26,187	-	(33,155)	(6,863)
Balance as of December 31, 2019	<u>\$ 230,790</u>	<u>1,089,827</u>	<u>479,649</u>	<u>112,518</u>	<u>8,567</u>	<u>1,921,351</u>
Accumulated depreciation:						
Balance as of January 1, 2020	\$ -	677,667	390,794	97,204	-	1,165,665
Depreciation	-	16,818	32,552	6,737	-	56,107
	-	-	(11,312)	(1,316)	-	(12,628)
Balance as of December 31, 2020	<u>\$ -</u>	<u>694,485</u>	<u>412,034</u>	<u>102,625</u>	<u>-</u>	<u>1,209,144</u>
Balance as of January 1, 2019	\$ -	660,712	368,272	93,901	-	1,122,885
Depreciation	-	16,955	27,568	5,087	-	49,610
Derecognized	-	-	(5,046)	(1,784)	-	(6,830)
Balance as of December 31, 2019	<u>\$ -</u>	<u>677,667</u>	<u>390,794</u>	<u>97,204</u>	<u>-</u>	<u>1,165,665</u>
Carrying value:						
Balance as of December 31, 2020	<u>\$ 230,790</u>	<u>467,900</u>	<u>91,189</u>	<u>16,597</u>	<u>29,540</u>	<u>836,016</u>
Balance as of December 31, 2019	<u>\$ 230,790</u>	<u>412,160</u>	<u>88,855</u>	<u>15,314</u>	<u>8,567</u>	<u>755,686</u>

As of December 31, 2020 and 2019, the Company had not provided any property, plant and equipment as collateral for its loans.

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(h) Right-of-use assets

The Company leases many assets including land, buildings, machinery and equipment. Information about leases for which the Company 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 as of January 1, 2020	\$ 186,140	4,271	375	7,002	197,788
Purchases	742	-	948	3,977	5,667
Derecognized	-	(4,271)	(375)	(645)	(5,291)
Balance as of December 31, 2020	<u>\$ 186,882</u>	<u>-</u>	<u>948</u>	<u>10,334</u>	<u>198,164</u>
Balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	186,140	8,445	-	-	194,585
Balance at January 1, 2019 after adjustment	186,140	8,445	-	-	194,585
Purchases	-	-	375	7,002	7,377
Derecognized	-	(4,174)	-	-	(4,174)
Balance as of December 31, 2019	<u>\$ 186,140</u>	<u>4,271</u>	<u>375</u>	<u>7,002</u>	<u>197,788</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2020	\$ 5,570	2,329	237	1,152	9,288
Depreciation for the year	5,594	1,942	270	3,265	11,071
Derecognized	-	(4,271)	(375)	(645)	(5,291)
Balance as of December 31, 2020	<u>\$ 11,164</u>	<u>-</u>	<u>132</u>	<u>3,772</u>	<u>15,068</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	-	-	-	-	-
Balance at January 1, 2019	-	-	-	-	-
Depreciation for the year	5,570	3,278	237	1,152	10,237
Derecognized	-	(949)	-	-	(949)
Balance as of December 31, 2019	<u>\$ 5,570</u>	<u>2,329</u>	<u>237</u>	<u>1,152</u>	<u>9,288</u>
Book value:					
Balance as of December 31, 2020	<u>\$ 175,718</u>	<u>-</u>	<u>816</u>	<u>6,562</u>	<u>183,096</u>
Balance as of December 31, 2019	<u>\$ 180,570</u>	<u>1,942</u>	<u>138</u>	<u>5,850</u>	<u>188,500</u>

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**ELAN MICROELECTRONICS CORPORATION**  
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(i) 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 as of January 1, 2020	\$ 160,600	89,997	142,883	393,480
Additions	-	5,099	148,065	153,164
Derecognized	-	(3,167)	(76,065)	(79,232)
Balance as of December 31, 2020	<u>\$ 160,600</u>	<u>91,929</u>	<u>214,883</u>	<u>467,412</u>
Balance as of January 1, 2019	\$ 160,600	89,841	123,329	373,770
Additions	-	34,767	23,380	58,147
Derecognized	-	(34,611)	(3,826)	(38,437)
Balance as of December 31, 2019	<u>\$ 160,600</u>	<u>89,997</u>	<u>142,883</u>	<u>393,480</u>
Accumulated amortization:				
Balance as of January 1, 2020	\$ -	54,411	115,899	170,310
Additions	-	15,836	49,847	65,683
Derecognized	-	(3,167)	(76,065)	(79,232)
Balance as of December 31, 2020	<u>\$ -</u>	<u>67,080</u>	<u>89,681</u>	<u>156,761</u>
Balance as of January 1, 2019	\$ -	81,196	89,831	171,027
Additions	-	7,826	29,894	37,720
Derecognized	-	(34,611)	(3,826)	(38,437)
Balance as of December 31, 2019	<u>\$ -</u>	<u>54,411</u>	<u>115,899</u>	<u>170,310</u>
Book value:				
Balance as of December 31, 2020	<u>\$ 160,600</u>	<u>24,849</u>	<u>125,202</u>	<u>310,651</u>
Balance as of December 31, 2019	<u>\$ 160,600</u>	<u>35,586</u>	<u>26,984</u>	<u>223,170</u>

(i) The amortization expenses of intangible assets recognized under operation costs and operating expenses for the years ended 2020 and 2019 were \$65,683 thousand and \$37,720 thousand, respectively.

(ii) Impairment testing for goodwill

- 1) For the Company's impairment testing purposes, goodwill has been allocated to the operating units testing purpose. The units are the minimum level for the Company's goodwill, which should not be higher than the Company's operating divisions.

The carrying amounts of goodwill were as follow:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Laptop input device business cash-generating units	<u>\$ 160,600</u>	<u>160,600</u>

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**ELAN MICROELECTRONICS CORPORATION**  
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- 2) The recoverable amounts of laptop input device business and network communication business cash-generating unit (CGU) were based on their value-in-use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The key assumptions used in the estimation of the value-in-use were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Revenue growth rate	4.4 %	5.0 %
After-tax discount rate	9.30 %	9.88 %

The key assumptions represents the management's evaluation of the future industry trends, wherein the external, internal and also historical information, were considered. There were no impairment losses incurred as of December 31, 2020 and 2019.

(j) Lease liabilities

The lease liabilities were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current	<b>\$ 8,335</b>	<b>8,667</b>
Non-current	<b>\$ 177,421</b>	<b>180,969</b>

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

The amounts recognized in profit or loss was as follows:

	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	<b>\$ 3,006</b>	<b>3,070</b>
Expenses relating to short-term leases	<b>\$ 7,485</b>	<b>3,242</b>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<b>\$ 1,270</b>	<b>34</b>

The amounts recognized in the statement of cash flows for the Company was as follows:

	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	<b>\$ 24,315</b>	<b>18,506</b>

(i) Real estate leases

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

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(ii) Other leases

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

(k) Employee benefits

(i) Defined benefit plans

Reconciliations of defined benefit obligation at present value and plan assets at fair value were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligation	\$ 468,361	444,492
Fair value of plan assets	<u>(86,086)</u>	<u>(77,337)</u>
Net defined benefit liabilities	<b><u>\$ 382,275</u></b>	<b><u>367,155</u></b>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$86,086 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company were as follows:

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	<u>2020</u>	<u>2019</u>
Defined benefit obligations at January 1	\$ 444,492	447,890
Current service cost and interest cost	6,228	7,528
Net remeasurements of defined benefit liability (asset)		
— Actuarial gains and losses arising from financial assumptions	21,491	14,628
— Actuarial gains and losses arising from experience adjustments	(3,850)	(17,410)
Benefits paid	-	(8,144)
Defined benefit obligations at December 31	<u><u>\$ 468,361</u></u>	<u><u>444,492</u></u>

3) Movements of plan assets

The movements in the fair value of plan assets of the Company were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets, January 1	\$ 77,337	74,650
Interests revenue	878	1,040
Net remeasurements of defined benefit liability (asset)		
— Return on plan assets (interest income for the year not included)	2,242	2,649
Contributions	5,629	5,739
Benefits paid	-	(6,741)
Fair value of plan assets at December 31	<u><u>\$ 86,086</u></u>	<u><u>77,337</u></u>

4) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 1,252	1,395
Curtailment or settlement gains	4,099	5,093
	<u><u>\$ 5,351</u></u>	<u><u>6,488</u></u>

	<u>2020</u>	<u>2019</u>
Operating cost	\$ 456	570
Selling expenses	374	447
Administration expenses	444	572
Research and development expenses	4,077	4,899
	<u><u>\$ 5,351</u></u>	<u><u>6,488</u></u>

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**ELAN MICROELECTRONICS CORPORATION**  
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- 5) Remeasurement values of net defined benefit liabilities (assets) recognized in other comprehensive income

The Company's remeasurement values of net defined benefit liabilities (assets) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Accumulated amount at January 1	\$ (8,541)	(3,110)
Recognized during the period	<u>15,399</u>	<u>(5,431)</u>
Accumulated amount at December 31	<u><u>\$ 6,858</u></u>	<u><u>(8,541)</u></u>

- 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.750%	1.125%
Future salary increase rate	5.000%	5.000%

The expected allocation payment to be made by the Company to the defined benefit plans for one-year period after the reporting date was \$5,595 thousand.

As of December 31, 2020 and 2019, the weighted-average lifetime of the defined benefits plans were 15.55 and 16.39 years.

- 7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Defined benefit obligation</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2020		
Discount rate	\$ (14,483)	15,091
Future salary increasing rate	14,143	(13,671)
December 31, 2019		
Discount rate	(14,628)	15,249
Future salary increasing rate	14,367	(13,855)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

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(ii) Defined contribution plans

The Company's expenses under the pension plan cost to the Bureau of Labor Insurance for the and years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Operating cost	\$ 7,698	6,839
Selling expenses	4,509	4,261
Administration expenses	4,285	4,059
Research and development expenses	37,570	35,986
	<u><u>\$ 54,062</u></u>	<u><u>51,145</u></u>

(l) Income taxes

- (i) The Company is able to avail itself of tax exemptions from its committed capital for expansion in the following years through the proceeds from common stock issuance that conform to the prescribed criteria under the "Statute for Upgrading Industries" as follows:

<u>Year</u>	<u>Tax exemption products</u>	<u>Tax exemption period</u>
2009	to produce and sell high-level integrated circuits	The Company was granted approval from the Industrial Development Bureau, MOEA, on December 16, 2009. The Company had obtained the certification of completion of the expansion project. The tax exemption period is from January 1, 2016, to December 31, 2020.

- (ii) The Company's income tax expenses were as follow:

	<u>2020</u>	<u>2019</u>
Current income tax expense	\$ 663,880	340,630
Deferred income tax expense	(2,212)	(2,192)
Income tax expense	<u><u>\$ 661,668</u></u>	<u><u>338,438</u></u>

The reconciliation of the differences between the income tax computed at the statutory income tax rate and the income tax expense for the years ended December 31, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Income before income tax	<u><u>\$ 3,907,479</u></u>	<u><u>2,835,182</u></u>
Income tax computed at statutory tax rate	\$ 781,496	567,036
Tax-exempt income	(77,792)	-
Suspension of tax-exempt gain on disposal of domestic securities	481	(1,875)
Prior year's income tax adjustment	8,843	5,015
Investment tax credit	(34,149)	(47,597)
Change in unrecognized temporary differences	(82,000)	(79,600)
Investment income from domestic securities	61,377	(97,307)
Tax on undistributed profit	13,609	-
Others	(10,197)	(7,234)
Total	<u><u>\$ 661,668</u></u>	<u><u>338,438</u></u>

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(iii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

The Company's unrecognized deferred income tax assets were composed of the following items:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Realized valuation losses on long-term investment	\$ 228,400	312,300
Tax-deductible loss	94,600	96,500
Provision for decline in value of inventories	31,100	26,700
Others	3,000	3,600
	<b><u>\$ 357,100</u></b>	<b><u>439,100</u></b>

Regarding the deductible temporary differences from investment tax credit, the deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable gain on disposal of securities will be available against which the Company can utilize the benefits therefrom.

2) Recognized deferred income tax assets and liabilities

Movements of recognized deferred income tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

Deferred Tax Liabilities:

	<b>Fair Value Gains</b>
Balance at January 1, 2020	\$ (2,097)
Recognized in profit or loss	853
Balance at December 31, 2020	<b><u>\$ (1,244)</u></b>
Balance at January 1, 2019	\$ (2,248)
Recognized in profit or loss	151
Balance at December 31, 2019	<b><u>\$ (2,097)</u></b>

Deferred Tax Assets:

	<b>Decline in Value of Inventories</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2020	\$ 26,705	5,157	31,862
Recognized in profit or loss	4,338	(2,979)	1,359
Balance at December 31, 2020	<b><u>\$ 31,043</u></b>	<b><u>2,178</u></b>	<b><u>33,221</u></b>
Balance at January 1, 2019	\$ 24,113	5,708	29,821
Recognized in profit or loss	2,592	(551)	2,041
Balance at December 31, 2019	<b><u>\$ 26,705</u></b>	<b><u>5,157</u></b>	<b><u>31,862</u></b>

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

(m) Capital and other equity

As of December 31, 2020 and 2019, the authorized capital of the Company amounted to \$4,800,000 thousand divided into \$303,880 thousand ordinary shares, with a par value of \$10 per share. The issued shares was composed of common stocks only and have been fully paid up.

(i) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Additional paid-in capital	\$ 231,051	231,051
Treasury share transactions	225,742	144,894
Difference arising from subsidiary's share price and its carrying value	62,845	-
	<b><u>\$ 519,638</u></b>	<b><u>375,945</u></b>

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

In pursuant to the resolution of annual shareholders meeting held on June 10, 2019, the Company declared a cash dividend of 0.35 per share, amounting to \$106,358 thousand from capital surplus, distributed via \$106,358 thousand from additional paid-in capital.

(ii) Retained earnings

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

1) Legal reserve

In accordance with the Companies Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve, either by new shares or by cash of up to 25 percent of the actual capital.

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2) Special reserve

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

3) Earnings distribution

On May 27, 2020 and June 10, 2019, the shareholder's meetings resolved to distribute the 2019 and 2018 earnings via cash dividend. The Company declared a cash dividend of \$6.50 and \$4.65 per share, amounting to \$1,975,223 thousand and \$1,413,044 thousand, respectively, for the year 2019 and 2018.

There was no difference between the actual distribution and the estimation in the financial statements of 2019 and 2018.

(iii) Treasury stock

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Shares (in thousands)</u>	<u>Amounts</u>	<u>Shares (in thousands)</u>	<u>Amounts</u>
The Company's shares held by subsidiaries	<u>12,438</u>	<u>\$ 28,975</u>	<u>12,438</u>	<u>28,975</u>

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 years ended December 31, 2020 and 2019, the information on the Company's stock held by Elan Investment Corp. was as follows:

	<u>For the years ended December 31</u>					
	<u>2020</u>			<u>2019</u>		
	<u>Shares (in thousands)</u>	<u>Acquisition cost</u>	<u>Total market value</u>	<u>Shares (in thousands)</u>	<u>Acquisition cost</u>	<u>Total market value</u>
Opening balance	12,438	\$ 28,975	1,134,364	12,438	33,328	935,353
Effects of valuation change	-	-	526,136	-	-	199,011
Cash dividend from capital surplus	-	-	-	-	(4,353)	-
Ending balance	<u>12,438</u>	<u>\$ 28,975</u>	<u>1,660,500</u>	<u>12,438</u>	<u>28,975</u>	<u>1,134,364</u>

The Company transferred cash dividend revenue received by Elan Investment Corp. amounting to \$80,848 thousand and \$57,838 thousand to capital surplus-treasury stock in 2020 and 2019, respectively.

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(iv) Other equity

The movements of other equity were as follows:

	For the years ended December 31, 2020		
	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1	\$ (5,537)	135,447	129,910
Foreign exchange differences:			
The Company	(1,144)	-	(1,144)
Subsidiaries	66	-	66
Associates	18	-	18
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Company	-	(21,116)	(21,116)
The Company-disposal	-	(58,245)	(58,245)
Subsidiaries	-	5,925	5,925
Subsidiaries-disposal	-	(52,074)	(52,074)
Balance as of December 31	<u>\$ (6,597)</u>	<u>9,937</u>	<u>3,340</u>

	For the years ended December 31, 2019		
	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1	\$ (4,219)	176,242	172,023
Foreign exchange differences:			
The Company	(362)	-	(362)
Subsidiaries	(919)	-	(919)
Associates	(37)	-	(37)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Company	-	10,490	10,490
The Company-disposal	-	(66,937)	(66,937)
Subsidiaries	-	15,652	15,652
Balance as of December 31	<u>\$ (5,537)</u>	<u>135,447</u>	<u>129,910</u>

(n) Earnings per share

Basic and diluted earnings per share for the years ended December 31, 2020 and 2019 were calculated as follows:

(Continued)



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(i) Basic earnings per share:

	<b>2020</b>	<b>2019</b>
Net income	<u>\$ 3,245,811</u>	<u>2,496,744</u>
Weighted-average number of shares outstanding (thousands)	<u>291,442</u>	<u>291,442</u>
Earnings per share	<u>\$ 11.14</u>	<u>8.57</u>

(ii) Diluted earnings per share:

	<b>2020</b>	<b>2019</b>
Net income (used to calculate diluted earnings per share)	<u>\$ 3,245,811</u>	<u>2,496,744</u>
Weighted-average number of shares outstanding (thousands)	291,442	291,442
Effect of dilutive potential common stock (thousands)		
— employee emoluments	4,478	4,366
Weighted-average number of shares outstanding (thousands) used to calculate diluted earnings per share	<u>295,920</u>	<u>295,808</u>
Diluted earnings per share	<u>\$ 10.97</u>	<u>8.44</u>

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>2020</b>	<b>2019</b>
Taiwan	\$ 864,416	849,106
Mainland China	2,275,945	1,818,440
Hong Kong	11,326,654	6,603,789
America	9,599	6,478
Europe	4,586	2,874
Other	197,222	28,778
	<u>\$ 14,678,422</u>	<u>9,309,465</u>
Main products:		
Consumer Touch Control Integrated Circuit	\$ 5,083,611	3,055,192
Laptop Input Device	9,553,272	6,224,411
Development and other income	41,539	29,862
	<u>\$ 14,678,422</u>	<u>9,309,465</u>

(ii) Contract balances

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

(Continued)

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(p) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>2020</b>	<b>2019</b>
Interest income from bank deposits	<b>\$ 26,198</b>	<b>40,583</b>

(ii) Other income

	<b>2020</b>	<b>2019</b>
Rental income	\$ 8,413	8,458
Dividend income	27,805	13,029
Government grant	-	29,400
Others	3,293	19,227
Total	<b>\$ 39,511</b>	<b>70,114</b>

(iii) Other gains and losses

	<b>2020</b>	<b>2019</b>
Foreign exchange losses	\$ (122,803)	(28,952)
Gains on financial asset at fair value through profit or loss	16,838	20,141
Gains (loss) on disposal of property, plant and equipment	13	(428)
Gains on disposal of investment	13,754	-
Miscellaneous disbursement	(4,509)	(3,083)
Others	-	11
Total	<b>\$ (96,707)</b>	<b>(12,311)</b>

(q) Compensation to employees, directors and supervisors

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

For the years ended December 31, 2020 and 2019, the amounts of employees' bonuses were estimated at \$467,000 thousand and \$339,000 thousand, respectively. The amounts compensation to directors and supervisors were estimated at \$60,000 thousand and \$43,500 thousand, respectively. The estimation basis shall be calculated as the amounts of net income before tax deducted by the bonuses of employees, directors and supervisors, multiplied by the distribution percentage of employee bonuses, compensation to directors and supervisors based on the Corporation's Articles of Incorporation. These bonuses and compensation were expensed under operating costs or expenses

(Continued)

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for 2020 and 2019. However, there were no differences between the distribution amounts of bonuses and remuneration decided by the Board mentioned above and the estimated amounts of the Company's Notes to the Financial Statements for 2020 and 2019.

(r) Financial instruments

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

As of December 31, 2020 and 2019, 89% and 78%, respectively, of accounts receivable were due from the ten largest customers. Thus, credit risk was significantly concentrated.

3) Receivables and debt securities

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

Other financial assets at amortized cost, including time deposits with maturities of more than three months and other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f). There was no loss allowance provision for the years ended December 31, 2020 and 2019, respectively.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Con- tractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Notes and accounts payable	\$ 1,811,241	1,811,241	1,811,241	-	-	-	-
Other payable	818,504	818,504	818,504	-	-	-	-
Lease liabilities	<u>185,756</u>	<u>236,269</u>	<u>5,621</u>	<u>5,625</u>	<u>9,880</u>	<u>22,645</u>	<u>192,498</u>
	<u><b>\$ 2,815,501</b></u>	<u><b>2,866,014</b></u>	<u><b>2,635,366</b></u>	<u><b>5,625</b></u>	<u><b>9,880</b></u>	<u><b>22,645</b></u>	<u><b>192,498</b></u>

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	<u>Carrying amount</u>	<u>Con- tractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2019</b>							
Non-derivative financial liabilities							
Notes and accounts payable	\$ 1,167,628	1,167,628	1,167,628	-	-	-	-
Other payables	507,138	507,138	507,138	-	-	-	-
Lease liabilities	<u>189,636</u>	<u>241,118</u>	<u>6,120</u>	<u>5,514</u>	<u>9,367</u>	<u>22,852</u>	<u>197,265</u>
	<u><b>\$ 1,864,402</b></u>	<u><b>1,915,884</b></u>	<u><b>1,680,886</b></u>	<u><b>5,514</b></u>	<u><b>9,367</b></u>	<u><b>22,852</b></u>	<u><b>197,265</b></u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets:</u>						
<u>Monetary item</u>						
US dollar	\$ 142,663	28.10	4,008,830	77,679	30.04	2,333,477
<u>Financial liabilities:</u>						
<u>Monetary item</u>						
US dollar	78,097	28.10	2,194,526	45,721	30.04	1,373,459

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the retranslation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of the TWD against the USD as of December 31, 2020 and 2019 would have increased (decreased) the equity by \$70,445 thousand and \$38,401 thousand, respectively, for the years ended December 31, 2020 and 2019, assuming all other factors remained constant. The analysis is performed on the same basis in 2020 and 2019.

The foreign exchange gains or losses were disclosed on an aggregate basis as there were various types of functional currencies in the Company. The foreign exchange losses (including realized and unrealized) amounted to \$122,803 thousand and \$28,952 thousand for the years ended December 31, 2020 and 2019, respectively.

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(iv) Interest rate analysis

The Company's exposure to interest rate risk of financial assets and liabilities was disclosed in the "Liquidity Risk" section of the note.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on reporting date. For variable rates on assets and liabilities, the sensitivity analysis assumes the variable rates on assets and liabilities are outstanding for the whole year on the reporting date. The Company's internal department reported the increases/decreases in the interest rates and the exposure to changes in interest rates on 0.5% on behalf of the Company's key management so as to allow the key management to assess the reasonableness of the changes in the interest rates.

If the interest rate increases/decreases by 0.5%, the Company's net income will increase/decrease by \$78 thousand and \$1,600 thousand for the years ended December 31, 2020 and 2019, respectively, with all other variable factors remaining unchanged. This was mainly due to the Company's time deposits and borrowings at variable rates.

(v) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses of the changes in the securities price at the reporting date were performed on the same basis for the profit and loss as illustrated below:

	2020		2019	
	Other comprehensive income after tax		Other comprehensive income after tax	
Prices of securities at the reporting date		Net income		Net income
Increase 5%	\$ 10,262	21,297	3,419	22,452
Decrease 5%	\$ (10,262)	(21,297)	(3,419)	(22,452)

(vi) 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 Company'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 lease liabilities, disclosure of fair value information is not required:

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<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 fair value through profit or loss (current and non-current)	\$ 1,076,086	410,665	78,146	587,275	1,076,086
Financial assets measured at fair value through other comprehensive income					
Stocks	256,562	-	242,830	13,732	256,562
Accounts receivable	759,277	-	-	-	-
Subtotal	1,015,839	-	242,830	13,732	256,562
Financial assets measured at amortized cost					
Cash and cash equivalents	1,056,566	-	-	-	-
Notes and accounts receivables	1,401,406	-	-	-	-
Other receivables	1,456,679	-	-	-	-
Financial assets at amortized cost	2,703,250	-	-	-	-
Guarantee deposits	17,252	-	-	-	-
Subtotal	6,635,153	-	-	-	-
Total	<u>\$ 8,727,078</u>	<u>410,665</u>	<u>320,976</u>	<u>601,007</u>	<u>1,332,648</u>
Financial liabilities measured at amortized cost					
Notes and accounts payables	\$ 1,811,241	-	-	-	-
Other payables	803,959	-	-	-	-
Lease liabilities (current and non-current)	185,756	-	-	-	-
Guarantee deposits	10,889	-	-	-	-
Total	<u>\$ 2,811,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>December 31, 2019</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 fair value through profit or loss (current and non-current)	\$ 999,097	249,325	164,994	584,778	999,097
Financial assets measured at fair value through other comprehensive income					
Stocks	85,469	73,545	-	11,924	85,469
Accounts receivable	489,034	-	-	-	-
Subtotal	574,503	73,545	-	11,924	85,469
Financial assets measured at amortized cost					
Cash and cash equivalents	1,020,679	-	-	-	-
Notes and accounts receivables	682,028	-	-	-	-
Other receivables	829,461	-	-	-	-
Financial assets at amortized cost	2,279,650	-	-	-	-
Guarantee deposits	5,300	-	-	-	-
Subtotal	4,817,118	-	-	-	-
Total	<u>\$ 6,390,718</u>	<u>322,870</u>	<u>164,994</u>	<u>596,702</u>	<u>1,084,566</u>

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	December 31, 2019				
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Notes and accounts payables	\$ 1,167,628	-	-	-	-
Other payables	507,138	-	-	-	-
Lease liabilities (current and non-current)	189,636	-	-	-	-
Guarantee deposits	10,328	-	-	-	-
Total	<u>\$ 1,874,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

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

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

If the Company'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 of financial instruments made between any levels for the years ended December 31, 2020 and 2019.

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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, 2020	\$ 584,778	11,924	596,702
Total gains and losses recognized:			
In profit or loss	17,198	-	17,198
In other comprehensive income	-	2,263	2,263
Purchased	29,755	-	29,755
Disposal	-	(455)	(455)
Capital reduction for redistribution to shareholders	(44,456)	-	(44,456)
Ending Balance, December 31, 2020	<u>\$ 587,275</u>	<u>13,732</u>	<u>601,007</u>
Opening balance, January 1, 2019	\$ 583,592	11,033	594,625
Total gains and losses recognized:			
In profit or loss	17,557	-	17,557
In other comprehensive income	-	891	891
Purchased	34,967	-	34,967
Capital reduction for redistribution to shareholders	(51,338)	-	(51,338)
Ending Balance, December 31, 2019	<u>\$ 584,778</u>	<u>11,924</u>	<u>596,702</u>

For the years ended December 31, 2020 and 2019, total gains and losses that were included in “other gains and losses” from financial assets at fair value through other comprehensive income” were as follows:

	<b>2020</b>	<b>2019</b>
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	\$ 17,198	17,557
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	2,263	891

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

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

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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 other comprehensive income - equity investments without an active market	Market Comparison Method	<ul style="list-style-type: none"> <li>Price to book ratio (December 31, 2020 and December 31, 2019: 1.37% to 1.91% and 1.22% to 2.35%)</li> <li>Non-liquid discount (December 31, 2020 and December 31, 2019: 10% and 7% to 10%)</li> <li>Price to earnings ratio (December 31, 2020 and December 31, 2019: 0.64% to 2.52% and 1.01% to 2.63%)</li> <li>Price to book assets ratio (December 31, 2020 and December 31, 2019: 0.66% to 1.28% and 0.53% to 1.32%)</li> </ul>	<ul style="list-style-type: none"> <li>The estimated fair value would increase (decrease) if:</li> <li>the price to book ratio were higher (lower);</li> <li>the non-liquid discount were lower (higher).</li> </ul>
Financial assets at fair value through profit or loss - equity investments without an active market	Net Asset Value Method	Net Asset Value	Not applicable

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>Input</u>		<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2020</b>				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	10%	798	(798)
	Non-liquid discount	10%	101	(101)
<b>December 31, 2019</b>				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	10%	7,951	(7,951)
	Non-liquid discount	10%	3,473	(3,473)

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(s) Financial risk management

(i) Overview

The Company has exposure to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to respective notes in the report.

(ii) Risk Management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Company's finance department provides business services to meet other departments' requests and negotiate all necessary transactions on financial markets. In addition, all significant financial activities have to be examined and approved by the Board of Directors. The Company's financial activities must be in accordance with the overall financial risk management, segregation of duties, and other related policies of the Company. The Company's audit committee continues to review the amount of the risk exposure in accordance with the Company's policy and the risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the finance department. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Trade and other receivables mainly relate to a wide range of customers from different industries and geographic regions. To minimize the credit risk, the Company continues to assess the financial condition and credit risk of its customers. Allowance for doubtful accounts is recognized if necessary.

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The account of allowance for doubtful receivables was created by the Company in order to reflect the estimate of the losses had been incurred on accounts receivable and other receivables. The abovementioned account mainly consists of specific losses, relating to significant risk, which were measured individually and other unidentified losses which were measured by grouping similar assets together. The measurement of losses by grouping similar assets together was based on the statistical data of payment history of similar financial assets.

#### 2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with the banks and other external parties with good credit standing financial institutions, the management believes that the Company do not have any compliance issues, and therefore, there is no significant credit risk.

#### (iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

#### (v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### 1) Currency risk

The Company is exposed to currency risk on sales and purchase that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily US Dollars (USD). Natural hedge was adopted to minimize the Company's currency risk. The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

##### 2) Interest rate risk

Interest risk is the risk that changes in market interest rates will affect the fair value of the Company's financial instruments. For detailed information of interest rate risk exposure, please refer to the liquidity risk management of the note.

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3) Other market price risk

The Company is exposed to other market price risk due to investments of stocks from listed entities. These investments are classified as long-term strategic investment other than held-for-trading investments. The Company was not actively involved in trading these investments.

(t) Capital management

The Company meets its objectives to manage its capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders and interest of other related parties and to maintain an optimal capital structure to reduce the cost of capital.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

After being approved by the Board of Directors, the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under the Company's share option program. Buy-and-sell decisions are made on a specific transaction basis by the Board of Directors; the Company does not have a defined share buy-back plan.

The Company's debt to equity ratios at the end of the reporting period as at December 31, 2020 and 2019 were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 4,877,964	3,234,310
Less: cash and cash equivalents	<u>(1,056,566)</u>	<u>(1,020,679)</u>
Net debt	<b><u>\$ 3,821,398</u></b>	<b><u>2,213,631</u></b>
Total equity	<b><u>\$ 9,050,622</u></b>	<b><u>7,668,931</u></b>
Debt-to-equity ratio	<b><u>42.22 %</u></b>	<b><u>28.86 %</u></b>

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

	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>December 31, 2020</b>
			<b>Foreign exchange movement</b>	<b>Fair value changes</b>	<b>Others</b>	
Lease liabilities	\$ 189,636	(12,554)	-	-	8,674	185,756
Total liabilities from financial activities	<b><u>\$ 189,636</u></b>	<b><u>(12,554)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>8,674</u></b>	<b><u>185,756</u></b>

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	<b>January 1, 2018</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>December 31, 2020</b>
			<b>Foreign exchange movement</b>	<b>Fair value changes</b>	<b>Others</b>	
Lease liabilities	\$ 194,585	(12,160)	-	-	7,211	189,636
Total liabilities from financial activities	<u>\$ 194,585</u>	<u>(12,160)</u>	<u>-</u>	<u>-</u>	<u>7,211</u>	<u>189,636</u>

**(7) Related-party transactions:**

(a) Names and relationship with related parties

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

<b>Name of related party</b>	<b>Relationship with the Company</b>
Elan H.K. Microelectronics Corporation	A subsidiary
Elan Investment Corp.	A subsidiary
Metanoia Communications Inc.	A subsidiary
Avisonic Technology Corp.	A subsidiary
Eminent Electronic Technology Corp. Ltd	Eminent was originally an associate of the Company. However, the Company gained control over Eminent on February 19, 2020; hence, it became one of the Company's subsidiaries.
PiXORD Corporation	A subsidiary
JPUP Electron Co., Ltd.	A subsidiary
Bruckewell Technology Co., Ltd.	A subsidiary

(b) Significant transactions with related parties

(i) Sale of goods to related parties

The amounts of significant sales by the Company to related parties were as follows:

	<b>2020</b>	<b>2019</b>
Subsidiaries-Elan H.K.	<u>\$ 523,296</u>	<u>561,936</u>

The prices for sales to related parties were similar to those for general customers. The terms of collection were approximately 30-60 days.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(ii) Raw materials purchasing services and other operating income

	<b>2020</b>	<b>2019</b>
Subsidiaries-Metanoia	\$ 335	798
Subsidiaries-Avisoic	153	311
Subsidiaries-Eminent	9,004	10,381
Subsidiaries-Bruckewell	153	-
	<b><u>\$ 9,645</u></b>	<b><u>11,490</u></b>

(iii) Rental income

	<b>2020</b>	<b>2019</b>
Subsidiaries-PiXORD	\$ 1,629	1,629
Subsidiaries-Avisoic	1,363	1,363
Subsidiaries-Metanoia	3,515	3,515
Subsidiaries-Eminent	1,906	1,906
	<b><u>\$ 8,413</u></b>	<b><u>8,413</u></b>

(iv) Purchase and Research expenses

The amounts of purchases by the Company from related parties and development expense paid by related parties on behalf of the Company were as follows:

	<b>2020</b>	<b>2019</b>
Subsidiaries-JPUP	\$ 5,760	5,028
Subsidiaries	78	1,625
	<b><u>\$ 5,838</u></b>	<b><u>6,653</u></b>

The price of purchases from the related parties mentioned above are not significantly different than the purchase terms with other third-party suppliers. The payment terms are approximately 15~45 days, and this is not significantly different than the payment terms with other third-party suppliers, either.

(v) Commission expenses

The Company's related parties provide overseas marketing and aftersales services to their customers, and thus the Company makes commission payments based on the amount of sales made. The amounts of commission expenses recognized in the line item of operating expenses (marketing expenses) during 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Subsidiaries-H.K.	<b><u>\$ 391,056</u></b>	<b><u>240,494</u></b>

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(vi) Receivable from related parties

The receivables from related parties are as follows:

<b>Accounts</b>	<b>Types of related parties</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Accounts receivable	Subsidiaries-Elan H.K.	\$ 53,824	44,949
Accounts receivable	Subsidiaries-Eminent	1,375	626
Other receivables	Subsidiaries-Metanoia	1,620	2,468
Other receivables	Subsidiaries-Avisonic	3,127	3,432
Other receivables	Subsidiaries-PiXORD	413	424
Other receivables	Subsidiaries-Eminent	<u>27,837</u>	<u>12,812</u>
		<b><u>\$ 88,196</u></b>	<b><u>64,711</u></b>

(vii) Payables to related parties

The payables to related parties were as follows:

<b>Accounts</b>	<b>Types of related parties</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Accounts payable	Subsidiaries JPUP	\$ 1,217	1,066
Accounts payable	Subsidiaries Elan H.K.	41,796	18,695
Other payable	Subsidiaries	<u>161</u>	<u>217</u>
		<b><u>\$ 43,174</u></b>	<b><u>19,978</u></b>

(viii) Property transaction

In January 2015, the Company sold its fixed assets to the associate-Eminent, with the selling price and the fixed asset cost amounting to \$4,856 thousand and \$9,154 thousand, respectively. The loss on disposal amounting to \$4,298 thousand, including the unrealized loss of \$1,942 thousand, is to be recognized over its benefit years of 5 years. All the unrealized loss had been realized in 2019.

(c) Key management personnel compensation

	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 103,664	79,073
Post-employment benefits	<u>491</u>	<u>572</u>
	<b><u>\$ 104,155</u></b>	<b><u>79,645</u></b>

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

**(8) Pledged assets: None.**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets at amortized cost (Certificate Deposit)	Guarantee of the creditors of the purchase transactions	\$ 2,400	-
Financial assets at amortized cost (Certificate Deposit)	Use land guarantee for Hsinchu Science Park Bureau	7,200	7,200
		<u>\$ 9,600</u>	<u>7,200</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 December 31, 2020 and 2019, the financial institutions had issued performance guarantees amounting to \$3,000 thousand and \$4,000 thousand, respectively.
- (b) As of December 31, 2020 and 2019, the refundable notes payable for short-term loans amounted to \$210,000 thousand and \$330,000 thousand, respectively.
- (c) As of December 31, 2020 and 2019, the refundable notes payable for lease amounted to \$600 thousand and \$0 thousand, respectively.
- (d) The Company entered into non-infringement guarantee agreements with some customers (guarantees) to provide a guarantee regarding the selling of touchpad module products.
- (e) Government grant

To develop "Battery-less And Contactless Fingerprint Smart Card Solution", the Company has signed a technology program contract with the Institute for Information Industry in order to receive a grant amounting to \$42,000 thousand. The period of this research plan is from January 1, 2017 to December 31, 2018. The Company is the exclusive owner of all of the know-how, technical skills and intellectual property derived from this development project. Nevertheless, the Company cannot use the intellectual property to manufacture products in a foreign country without a written consent from the Ministry of Economic Affairs within the two-year period starting from the date that this development project is finished. The Company recognizes income based on the progress made on the planned research and development projects. The development plan was completed on December 31, 2019. For the year ended December 31, 2019, the Company recognized income from government grant amounting to \$0 thousand within other gains and losses income.

To implement the project "Elan Electronic Smart Supply Chain AI Application" under the guidance from the Ministry of Economics Affairs, the Company signed 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 projects. On December 31, 2020 the subsidy received but not recognized, amounting to \$4,000 thousand

(Continued)



**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

was classified as other current liabilities. As of 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.

(f) Royalty fee

The Company signed a software authorization contract with a software company. The contract can be terminated at 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

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 CNY25 million. Since the Company is the plaintiff in this case, no significant influence on the Company is expected.

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 #I556033. The Company appealed to the court to prohibit the defendant from using, manufacturing and selling the product. Since the Company is the plaintiff in this case, no significant influence on the Company is expected.

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

**(11) Subsequent events:**

- (a) On February 9, 2021, the Group sold 86.96% equity in Rising Star for \$20,147 thousand.
- (b) In order to improve the efficiency of the Company's Research and Design and operation, the Board of Directors approved the "Hsinchu County International AI Smart Park Industrial Zone" bid for the superficies rights thereof on November 12, 2020. The Company's investment plan, "Hsinchu County International AI Smart Park Industrial Zone (1)-3", was approved by the Vendor Selection Committee of Hsinchu County Government on December 24, 2020, subsequent to which the superficies were set up based on the Handbook for Establishing Rights of Superficies for the Hsinchu County International AI Smart Park Industrial Zone (1), with a duration of 20 years and royalties totaling \$316,000 thousand. If there is no major breach of contract at the end of the contract term, the contract can be renewed for another 20 years, and the leased land will be calculated and adjusted based on the announced land price during the contract period.
- (c) The appropriation of earnings for 2020 was approved at the Board meeting on February 17, 2021. The cash dividend of \$9.00 per share, totaling \$2,734,924 thousand, will be submitted to the shareholders' meeting to be held in June 2021 for approval.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

**(12) Others:**

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

	For the years ended December 31					
	2020			2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee expenses						
Salaries and wages	\$ 309,556	1,476,381	1,785,937	255,907	1,310,847	1,566,754
Labor and health insurance	26,417	80,765	107,182	21,026	75,567	96,593
Pension expenses	8,154	51,259	59,413	7,409	50,224	57,633
Remuneration of directors	-	62,580	62,580	-	45,050	45,050
Others	22,329	38,649	60,978	16,361	34,014	50,375
Depreciation expenses	26,506	40,672	67,178	24,261	35,586	59,847
Amortization expenses	1,279	64,404	65,683	173	37,547	37,720

For the years ended December 31, 2020 and 2019, the total numbers of employees and employee benefits were as follows:

	2020	2019
Number of employees	<u>1,005</u>	<u>947</u>
Number of directors who were not employees	<u>5</u>	<u>5</u>
The average employee benefit	<u>\$ 2,014</u>	<u>1,880</u>
The average salaries and wages	<u>\$ 1,786</u>	<u>1,663</u>
The adjustment rate of average employee salaries	<u>7.40 %</u>	<u>6.95 %</u>
Supervisors' remuneration	<u>\$ -</u>	<u>-</u>

The Company's compensation policy for directors, supervisors, executive officers, and employees, is as follows:

- (a) Directors and managers: Compensation to directors and executives, pursuant to the Company's Articles of Incorporation, shall be determined with reference to industry peers, individual performance, accomplishment, and contribution. The payment shall be reviewed by the Compensation Committee and approved by the Board of Directors.
- (b) Employee Salary: The salary and wage of employees, pursuant to the Company's Articles of Incorporation, shall be determined with reference to the Company's overall operating performance, seniority, capability, and performance.
- (c) Performance and holiday bonuses of employees: Employee bonuses shall be determined based on individual performance and the Company's overall operating performance.
- (d) Annual employee salary adjustment: Annual adjustment to employee salary shall be determined with reference to the Company's overall operating performance, domestic economic growth rate, price index, the annual salary adjustment standards, and individual performance.

(Continued)

## ELAN MICROELECTRONICS CORPORATION

### Notes to Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the nine months ended December 31, 2020:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	Harvatek Corporation	-	Current financial assets at fair value through profit or loss	244	4,310	-	4,310	
Elan Microelectronics Corporation	Fubon China Money Market Fund-TWD	-	Current financial assets at fair value through profit or loss	1,867	20,113	-	20,113	
Elan Microelectronics Corporation	Fubon Chi-Hsiang Money Market Fund	-	Current financial assets at fair value through profit or loss	2,540	40,141	-	40,141	
Elan Microelectronics Corporation	Pine Bridge Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,209	30,403	-	30,403	
Elan Microelectronics Corporation	Cathay Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	7,224	90,542	-	90,542	
Elan Microelectronics Corporation	Nomura Global Short Duration Bond Fund-TWD	-	Current financial assets at fair value through profit or loss	3,282	35,091	-	35,091	
Elan Microelectronics Corporation	Nomura Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	1,887	31,031	-	31,031	
Elan Microelectronics Corporation	KGI Victory Money Market Fund	-	Current financial assets at fair value through profit or loss	6,855	80,008	-	80,008	
Elan Microelectronics Corporation	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	2,900	39,573	-	39,573	
Elan Microelectronics Corporation	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	2,400	39,453	-	39,453	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	190	17,692	-	17,692	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	71	19,951	-	19,951	
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	12,403	-	12,403	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (USD)(SERIES II)	-	Current financial assets at fair value through profit or loss	100	28,100	-	28,100	
Elan Microelectronics Corporation	Through Tek Co., Ltd.	-	Current financial assets at fair value through profit or loss	1,077	13,732	4.14%	13,732	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Current financial assets at fair value through profit or loss	3,500	242,830	7.87%	242,830	
Elan Microelectronics Corporation	Chino-Excel Technology Corporation	-	Non-current financial assets at fair value through other comprehensive income	823	-	1.48%	-	
Elan Microelectronics Corporation	Panther technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	340	4,832	0.94%	4,832	

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to Consolidated Financial Statements**

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	XINCE Co., Ltd	-	Non-current financial assets at fair value through other comprehensive income	2,866	-	9.24%	-	
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO.,LTD.	-	Non-current financial assets at fair value through profit or loss	1,391	1,867	17.39%	1,867	
Elan Microelectronics Corporation	TOP TAIWAN IV VENTURE CAPITAL CO.,LTD.	-	Non-current financial assets at fair value through profit or loss	490	2,002	7.00%	2,002	
Elan Microelectronics Corporation	TOP TAIWAN V VENTURE CAPITAL CO.,LTD.	-	Non-current financial assets at fair value through profit or loss	1,138	1,554	8.13%	1,554	
Elan Microelectronics Corporation	TOP TAIWAN VI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	552	5,732	2.17%	5,732	
Elan Microelectronics Corporation	TOP TAIWAN VII VENTURE CAPITAL CO.,LTD.	-	Non-current financial assets at fair value through profit or loss	2,265	27,582	6.12%	27,582	
Elan Microelectronics Corporation	TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	2,708	24,501	4.17%	24,501	
Elan Microelectronics Corporation	Midatouch Research Corporation	-	Non-current financial assets at fair value through profit or loss	2,500	7,625	9.43%	7,625	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO.,LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	72,829	6.25%	72,829	
Elan Microelectronics Corporation	Inno Bridge Venture Capital	-	Non-current financial assets at fair value through profit or loss	800	3,227	11.35%	3,227	
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	41,823	10.00%	41,823	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO.,LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	48,137	6.25%	48,137	
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	279,834	18.52%	279,834	
Elan Microelectronics Corporation	Chimei Motor Electronics Co.,Ltd.	-	Non-current financial assets at fair value through profit or loss	950	5,139	4.13%	5,139	
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through profit or loss	200	1,424	1.63%	1,424	
Elan Microelectronics Corporation	Vertex Growth(SG) LP	-	Non-current financial assets at fair value through profit or loss	-	59,167	-	59,167	
Elan Investment Corp.	FSITC Money Market Fund	-	Non-current financial assets at fair value through profit or loss	131	23,479	-	23,479	

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to Consolidated Financial Statements**

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Investment Corp.	FSITC US Top 100 Bond Fund Acc TWD	-	Non-current financial assets at fair value through profit or loss	1,500	15,327	-	15,327	
Elan Investment Corp.	FSITC Global Wealthy Nations Bond Fund Acc TWD	-	Non-current financial assets at fair value through profit or loss	2,629	26,785	-	26,785	
Elan Investment Corp.	FSITC Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,271	35,043	-	35,043	
Elan Investment Corp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	5,320	-	5,320	
Elan Investment Corp.	FSITC Global Health & Weight Loss Fund	-	Current financial assets at fair value through profit or loss	500	5,360	-	5,360	
Elan Investment Corp.	Nomura Global Financial Bond Fund-N Accumulate TWD	-	Current financial assets at fair value through profit or loss	4,783	51,140	-	51,140	
Elan Investment Corp.	Nomura Global Financial Bond Fund	-	Current financial assets at fair value through profit or loss	3,589	40,055	-	40,055	
Elan Investment Corp.	Taishin Global Multi-asset Fund of Funds-TWD-A	-	Current financial assets at fair value through profit or loss	1,000	11,610	-	11,610	
Elan Investment Corp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	23,310	-	23,310	
Elan Investment Corp.	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	5,556	75,821	-	75,821	
Elan Investment Corp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	44,818	-	44,818	
Elan Investment Corp.	Taishin Ta-Chong Money Market Fund	-	Current financial assets at fair value through profit or loss	2,097	30,032	-	30,032	
Elan Investment Corp.	Taishin Short Duration Emerging High Yield Bond Fund	-	Current financial assets at fair value through profit or loss	4,200	43,253	-	43,253	
Elan Investment Corp.	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	534	49,644	-	49,644	
Elan Investment Corp.	Elan Microelectronics Corporation	Sbusidiary	Current financial assets at fair value through profit or loss	12,438	1,660,500	4.09%	1,660,500	
Elan Investment Corp.	Rafael Microelectronics, Inc.	-	Current financial assets at fair value through profit or loss	354	47,790	1.38%	47,790	
Elan Investment Corp.	Panther Technology Co., Ltd.	-	Current financial assets at fair value through profit or loss	1,396	19,827	3.88%	19,827	
Elan Investment Corp.	RISE Technology Com	-	Non-current financial assets at fair value through other comprehensive income	769	-	3.23%	-	
Elan Investment Corp.	Finemat Applied Materials Co., Ltd	-	Non-current financial assets at fair value through other comprehensive income	8,900	393,842	13.41%	393,842	
Elan Investment Corp.	Linkinwave-Preferred shares	-	Non-current financial assets at fair value through other comprehensive income	-	-	-	-	
Elan Investment Corp.	Pica 8-Preferred shares	-	Non-current financial assets at fair value through other comprehensive income	342	-	2.25%	-	
Elan Investment Corp.	Arplanet Digital Technology Co., Ltd	-	Non-current financial assets at fair value through profit or loss	75	1,155	2.57%	1,155	

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## ELAN MICROELECTRONICS CORPORATION

### Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Investment Corp.	INNOJOY TECHNOLOGY INC.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	143	-	7.62%	-	
Elan Investment Corp.	ZQAM Communications Corporation-Preferred shares	-	Non-current financial assets at fair value through profit or loss	250	2,672	1.44%	2,672	
Elan Investment Corp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	11,687	3.03%	11,687	
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	5,384	1.13%	5,384	
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	2,007	14.29%	2,007	
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	523,296	3.57 %	Open Account 45 Days	-		53,824	2.49%	

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
- (b) Information on investees:

The followings are the information on investees for the years ended December 31, 2020 (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 December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
Elan Microelectronics Corporation	Elan H.K. Microelectronics Corp. Ltd.	Hong Kong, China	Sale and after-sales service	123,272	123,272	29,328	100.00 %	494,563	201,463	201,463	Note
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	1,087,994	(306,883)	(306,883)	Note
Elan Microelectronics Corporation	Elan Information Technology Group	California, USA	Sale, after-sales service and provide new informational skills	22,822	22,822	65	100.00 %	17,275	2,217	2,217	Note
Elan Microelectronics Corporation	SHENZHEN JPUP 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 %	223	(2,180)	(1,068)	Note

(Continued)

## ELAN MICROELECTRONICS CORPORATION

### Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
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	184,939	32,695	50.29 %	138,756	(99,113)	(49,372)	Note
Elan Microelectronics Corporation	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	134,523	134,523	12,542	80.08 %	(12,814)	(28,117)	(22,917)	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	376,024	15,427	97.95 %	63,846	(30,283)	(29,432)	Note
Elan Microelectronics Corporation	EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	52,100	52,100	4,113	28.94 %	33,091	2,783	806	Note
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	240,000	240,000	24,000	30.00 %	310,435	103,450	31,035	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	5,000	24.69 %	9,187	(18,056)	(4,459)	
Elan Microelectronics Corporation	Finger Pro. Incorporation	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	6,000	6,000	600	23.08 %	-	(2,039)	(1,267)	
Elan Microelectronics Corporation	Rising Star Technology Company Limited	Taipei, Taiwan	Software information and supply of electronic services	20,000	-	2,000	86.96 %	18,089	(881)	(605)	Note
Elan Microelectronics Corporation	Bruckewell Technology Co., Ltd	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	20,000	-	2,000	61.16 %	12,568	(12,070)	(6,186)	Note
Elan Investment Corp.	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	6,463	6,463	646	4.13 %	(649)	(28,117)	(1,181)	Note
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	2,659	43	0.28 %	180	(30,283)	(127)	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	8,068	831	1.28 %	19,797	(99,113)	(1,314)	Note
Elan Investment Corp.	EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	38,481	38,481	2,138	15.04 %	17,681	2,783	419	Note
Elan H.K.	Power Asia Investment Corporation	Republic of Mauritius	Investment business	89,572	89,572	2,861	100.00 %	25,698	617	617	Note

Note: Investments in subsidiaries the Company has control over have been eliminated at the Company 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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) recognized	Carrying value as of December 31, 2020	Accumulated inward remittance of earnings as of December 31, 2020
					Outflow	Inflow						
Elan Shanghai	Provide system design, information on applications expansion	52,095	( 2 )	52,095	-	-	52,095	1,126	100.00%	1,126	16,887	-
Elan Shenzhen	Provide system design, information on applications expansion	34,670	( 2 )	34,670	-	-	34,670	(479)	100.00%	(479)	8,370	-

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to Consolidated Financial Statements**

- (ii) Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
86,765	98,333	5,430,373

Note: The investment limit was calculated on the official document 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.

**(14) Segment information:**

Please refer to the consolidated financial report of 2020.



**Representation Letter**

The entities that are required to be included in the combined financial statements of ELAN MICROELECTRONICS CORPORATION as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ELAN MICROELECTRONICS CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: ELAN MICROELECTRONICS CORPORATION

Chairman: Yeh, I-Hau

Date: February 17, 2021

## **Independent Auditors' Report**

To the Board of Directors  
ELAN MICROELECTRONICS CORPORATION:

### **Opinion**

We have audited the consolidated financial statements of ELAN MICROELECTRONICS CORPORATION (“the Company”), and its subsidiaries (together referred to as “the Group”), which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation developed by International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“ISIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Other Matter**

We did not audit the financial statements of Top Taiwan X Venture Capital Co. Ltd which represented investment accounted for using the equity method of the Group. These statement was audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Top Taiwan X Venture Capital Co. Ltd, is based solely on the report of another auditor. The investment in Top Taiwan X Venture Capital Co. Ltd accounted for using the equity method constituted 2.15% and 2.50% of the consolidated total assets at December 31, 2020 and 2019, respectively, and the related share of profit of associates and joint ventures accounted for using the equity method constituted 0.80% and 1.79% of the consolidated total income before tax for the year ended December 31, 2020 and 2019, respectively.

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion with other matter paragraph.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **1. Valuation of inventories**

Please refer to Note 4(h) for accounting policy on inventory, Note 5 for accounting estimations and assumption uncertainty of inventory valuation, and Notes 6(d) for the write-down of inventories to net realizable value.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in the economy and the environment, and the production technology update, the cost of inventories is at the risk of exceeding its net realizable value.

How the matter was addressed in our audit:

For valuation of the inventories, we reviewed inventory aging reports, analyzed inventory turnovers and changes in its aging inventory for each period to assess the reasonableness of the Group's inventory provision rate, evaluated the reasonableness of accounting policy, delved into the sales price adopted by management in valuation, and reviewed the sales and valuation which was based on the net realizable value used to assess the appropriateness of management's estimation of inventory provision.

### **2. Revenue recognition**

Please refer to Note 4(n) and 6(p) for accounting policy of revenue recognition.

Description of key audit matter:

The major business activities of the Group are the manufacture and sale of integrated circuits. The Group also offers research and development services with respect to the products presented above. Test of revenue recognition is one of the key audit matters in our audit. Revenue is the key indicator to evaluate the performance by investors and management, and thus, needs significant attention in our audit.

How the matter was addressed in our audit:

Our audit procedures in this area included, among others: testing the effectiveness of related controls of revenue recognition and, reviewing relevant sales documents to evaluate whether the revenue recognition was consistent with the accounting policy; performing trend analysis of the ten largest customers, so as to assess whether there was material abnormality, if any; testing the sales transactions before and after the end of the year and relevant documents to evaluate the accuracy of the amount and period of revenue recognition.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chou, Pao-Lian and Tseng, May-Yu.

KPMG

Taipei, Taiwan (Republic of China)  
February 17, 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2020 and 2019**

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

		<b>December 31, 2020</b>		<b>December 31, 2019</b>				<b>December 31, 2020</b>		<b>December 31, 2019</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (notes 6(a) and (t))	\$ 2,030,341	14	1,502,121	13	2100	Short-term borrowings (notes 6(k) and (t))	\$ 40,000	-	241,000	2
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (t))	969,808	8	778,442	7	2170	Accounts payable (notes 6(t))	1,826,667	13	1,169,761	10
1170	Notes and accounts receivable, net (notes 6(c), (t) and 7)	2,162,216	15	1,195,296	11	2206	Employee bonus payable (notes 6(s) and (t))	527,000	4	382,500	3
1200	Other receivables (notes 6(c), (t))	1,474,775	10	835,141	7	2230	Current tax liabilities	802,401	6	278,873	2
1310	Inventories, net (note 6(d))	1,782,653	12	1,386,202	12	2280	Current lease liabilities (notes 6(l) and (t))	21,858	-	21,279	-
1410	Prepayments and other current assets	23,348	-	20,323	-	2300	Other current liabilities (note 6(t))	1,343,720	9	964,528	10
1476	Financial assets at amortized cost (notes 6(a) and (t))	2,742,850	19	2,289,450	21			4,561,646	32	3,057,941	27
		11,185,991	78	8,006,975	71	<b>Non-Current liabilities:</b>					
<b>Non-current assets:</b>						2570	Deferred tax liabilities (note 6(n))	1,244	-	2,097	-
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and (t))	1,023,849	8	1,360,622	12	2580	Non-current lease liabilities (notes 6(l) and (t))	187,361	1	200,563	2
1517	Non-current financial assets at fair value through other comprehensive income (note 6(e) and (t))	304,352	2	191,833	2	2640	Net defined benefit liability, non-current (note 6(m))	389,456	3	372,373	3
1551	Investments accounted for using equity method (note 6(f))	319,622	2	330,837	3	2645	Guarantee deposits received (note 6(t))	39,427	-	10,766	-
1600	Property, plant and equipment (notes 6(h) and 7)	872,781	6	760,537	7			617,488	4	585,799	5
1755	Right-of-use assets (note 6(i))	205,921	1	220,483	2	<b>Total liabilities</b>		5,179,134	36	3,643,740	32
1780	Intangible assets (note 6(j))	449,557	3	304,219	3	<b>Equity attributable to owners of parent:</b> (notes 6(o) and (p))					
1840	Deferred tax assets (note 6(n))	33,221	-	31,862	-	3100	Capital stock	3,038,804	20	3,038,804	27
1900	Other non-current assets (note 6(t))	56,896	-	19,524	-	3200	Capital surplus	519,638	4	375,945	3
1960	Prepayments for investments	-	-	20,000	-		Retained earnings:				
		3,266,199	22	3,239,917	29	3310	Legal reserve	1,825,597	13	1,575,923	14
						3350	Undistributed earnings	3,692,218	25	2,577,324	24
								5,517,815	38	4,153,247	38
						3400	Other equity	3,340	-	129,910	1
						3500	Treasury shares	(28,975)	-	(28,975)	-
						<b>Total equity attributable to owners of parent:</b>		9,050,622	62	7,668,931	69
						36XX	Non-controlling interests	222,434	2	(65,779)	(1)
						<b>Total equity</b>		9,273,056	64	7,603,152	68
<b>Total assets</b>		<b>\$ 14,452,190</b>	<b>100</b>	<b>11,246,892</b>	<b>100</b>	<b>Total liabilities and equity</b>		<b>\$ 14,452,190</b>	<b>100</b>	<b>11,246,892</b>	<b>100</b>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

**Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	<b>Operating revenue</b> (notes 6(q), 7 and 14)	\$ 15,099,690	100	9,487,977	100
5000	<b>Operating costs</b> (notes 6(d), (m) and 7)	<u>8,045,231</u>	<u>53</u>	<u>5,074,045</u>	<u>53</u>
5900	<b>Gross profit from operations</b>	7,054,459	47	4,413,932	47
5920	Add: Realized profit (loss) from sales	<u>(263)</u>	<u>-</u>	<u>2,756</u>	<u>-</u>
5950	<b>Gross profits</b>	<u>7,054,196</u>	<u>47</u>	<u>4,416,688</u>	<u>47</u>
6000	<b>Operating expenses:</b> (notes 6(c), (m) and 12)				
6100	Selling expenses	535,271	4	399,234	4
6200	Administrative expenses	436,498	3	347,521	4
6300	Research and development expenses	1,858,343	12	1,596,392	17
6450	Impairment gain and loss determined in accordance with IFRS 9	<u>6,885</u>	<u>-</u>	<u>(7,885)</u>	<u>-</u>
		<u>2,836,997</u>	<u>19</u>	<u>2,335,262</u>	<u>25</u>
6900	<b>Operating income</b>	<u>4,217,199</u>	<u>28</u>	<u>2,081,426</u>	<u>22</u>
7000	<b>Non-operating income and expenses:</b>				
7100	Interest income (note 6(r))	31,480	-	41,410	-
7010	Other income (note 6(r))	72,652	-	79,944	1
7020	Other gains and losses (notes 6(r) and 7)	(445,033)	(3)	570,665	6
7050	Finance costs	(5,712)	-	(9,467)	-
7770	Share of gain of associates accounted for using equity method (note 6(f))	<u>23,106</u>	<u>-</u>	<u>45,682</u>	<u>1</u>
		<u>(323,507)</u>	<u>(3)</u>	<u>728,234</u>	<u>8</u>
7900	<b>Profit before tax</b>	3,893,692	25	2,809,660	30
8110	Less: Income tax expenses (note 6(n))	<u>700,654</u>	<u>5</u>	<u>344,918</u>	<u>4</u>
	<b>Net profit</b>	<u>3,193,038</u>	<u>20</u>	<u>2,464,742</u>	<u>26</u>
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311	Gains on remeasurements of defined benefit plans	(17,150)	-	4,968	-
8316	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	(15,191)	-	26,142	-
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>(32,341)</u>	<u>-</u>	<u>31,110</u>	<u>-</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	(1,078)	-	(1,281)	-
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	18	-	(37)	-
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>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(1,060)</u>	<u>-</u>	<u>(1,318)</u>	<u>-</u>
8300	<b>Other comprehensive income (loss), net</b>	<u>(33,401)</u>	<u>-</u>	<u>29,792</u>	<u>-</u>
8500	<b>Comprehensive income</b>	<u>\$ 3,159,637</u>	<u>20</u>	<u>2,494,534</u>	<u>26</u>
	<b>Net profit attributable to:</b>				
8610	Owners of parent	\$ 3,245,811	20	2,496,744	26
8620	Non-controlling interests	<u>(52,773)</u>	<u>-</u>	<u>(32,002)</u>	<u>-</u>
		<u>\$ 3,193,038</u>	<u>20</u>	<u>2,464,742</u>	<u>26</u>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of the parent	\$ 3,213,221	20	2,526,686	26
8720	Non-controlling interests	<u>(53,584)</u>	<u>-</u>	<u>(32,152)</u>	<u>-</u>
		<u>\$ 3,159,637</u>	<u>20</u>	<u>2,494,534</u>	<u>26</u>
	<b>Earnings per share (expressed in dollars) (note 6(p))</b>				
9710	Basic earnings per share	<u>\$ 11.14</u>		<u>8.57</u>	
9850	Diluted earnings per share	<u>\$ 10.97</u>		<u>8.44</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
			Retained earnings		Total other equity interest			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares			
Balance at January 1, 2019	\$ 3,038,804	444,033	1,419,965	1,585,683	(4,219)	176,242	(33,328)	6,627,180	(44,422)	6,582,758
Net profit	-	-	-	2,496,744	-	-	-	2,496,744	(32,002)	2,464,742
Other comprehensive income	-	-	-	5,118	(1,318)	26,142	-	29,942	(150)	29,792
Total comprehensive income	-	-	-	2,501,862	(1,318)	26,142	-	2,526,686	(32,152)	2,494,534
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	155,958	(155,958)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,413,044)	-	-	-	(1,413,044)	-	(1,413,044)
Other changes in capital surplus:										
Cash dividends from capital surplus	-	(106,358)	-	-	-	-	-	(106,358)	-	(106,358)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	57,838	-	-	-	-	4,353	62,191	-	62,191
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	5,377	5,377
Changes in non-controlling interests	-	(19,568)	-	(8,156)	-	-	-	(27,724)	5,418	(22,306)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	66,937	-	(66,937)	-	-	-	-
Balance at December 31, 2019	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	-	-	-	3,245,811	-	-	-	3,245,811	(52,773)	3,193,038
Other comprehensive income	-	-	-	(16,339)	(1,060)	(15,191)	-	(32,590)	(811)	(33,401)
Total comprehensive income	-	-	-	3,229,472	(1,060)	(15,191)	-	3,213,221	(53,584)	3,159,637
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)
Other changes in capital surplus:										
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	80,848	-	-	-	-	-	80,848	-	80,848
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	319,267	319,267
Changes in non-controlling interests	-	62,845	-	-	-	-	-	62,845	22,530	85,375
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	110,319	-	(110,319)	-	-	-	-
Balance at December 31, 2020	\$ 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

See accompanying notes to financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2020	2019
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 3,893,692	2,809,660
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	98,775	76,557
Amortization expense	92,525	47,023
Expected credit loss (gain)	6,885	(7,885)
Net loss (gain) on financial assets at fair value through profit or loss	308,507	(601,235)
Interest expense	5,712	9,467
Interest income	(31,480)	(41,410)
Dividend income	(44,985)	(25,688)
Share of gains of associates accounted for using equity method	(23,106)	(45,682)
Loss on disposal of property, plant and equipment	3,030	678
Gain on disposal of investment properties	(13,754)	-
Difference between net pension liability and actual appropriations	(67)	(1,478)
Impairment loss and disposal loss on inventory	83,388	123,050
Others	(1,662)	(2,115)
<b>Total adjustments to reconcile profit</b>	<b>483,768</b>	<b>(468,718)</b>
<b>Changes in operating assets and liabilities:</b>		
Increase in notes and accounts receivable	(926,791)	(82,676)
Increase in inventories	(460,186)	(352,999)
Decrease in prepayments and other current assets	1,757	24,810
Increase in other receivables	(646,574)	(177,086)
Increase in notes and accounts payable	626,260	194,183
Increase in other current liabilities	486,872	10,662
Cash inflow generated from operations	3,458,798	1,957,836
Interest received	31,627	41,440
Interest paid	(5,934)	(9,403)
Income taxes paid	(179,339)	(338,220)
<b>Net cash flows from operating activities</b>	<b>3,305,152</b>	<b>1,651,653</b>
<b>Cash flows used in investing activities:</b>		
Dividends received	46,657	27,473
Increase in financial assets at amortized cost	(453,400)	(529,970)
Acquisition of investment accounted for using equity method	-	(62,201)
Acquisition of financial assets at fair value through profit or loss	(2,253,236)	(363,062)
Proceeds from disposal of current financial assets at fair value through profit or loss	2,052,473	237,201
Proceeds from capital reduction of financial assets at fair value through profit or loss	44,456	51,338
Acquisition of financial assets at fair value through other comprehensive income	(268,800)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	140,691	86,015
Increase in prepayments for investments	-	(20,000)
Net cash inflows from business combination	123,128	-
Acquisition of property, plant and equipment	(149,835)	(50,908)
Proceeds from disposal of property, plant and equipment	1,060	-
Acquisition of intangible assets	(234,722)	(125,924)
Decrease (increase) in refundable deposits	-	461
Decrease (increase) in other non-current assets	(35,793)	5,633
<b>Net cash flows used in investing activities</b>	<b>(987,321)</b>	<b>(743,944)</b>
<b>Cash flows used in financing activities:</b>		
Increase in short-term loans	98,000	616,000
Decrease in short-term loans	(299,000)	(618,000)
Increase in guarantee deposits received	13,366	89
Payment of lease liabilities	(26,869)	(27,616)
Cash dividends paid	(1,894,375)	(1,457,211)
Change in non-controlling interests	319,267	5,377
<b>Net cash flows used in financing activities</b>	<b>(1,789,611)</b>	<b>(1,481,361)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>528,220</b>	<b>(573,652)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>1,502,121</b>	<b>2,075,773</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 2,030,341</b>	<b>1,502,121</b>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2020 and 2019**

**(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 (“ROC”). 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, 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(c) 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 years ended December 31, 2020 and 2019 were authorized for issuance by the Board of Directors on February 17, 2021.

**(3) New standards, amendments and interpretations adopted:**

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

The details of impact on the Group’s adoption of the new amendments beginning January 1, 2020 are as follows:

- (i) Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(k).

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$590 thousand.

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

(ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

(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, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the presented periods in the consolidated financial statements.

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(Continued)

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

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities are recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. 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. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements.

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.

List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2020	December 31, 2019	
The Company	Elan Investment Corp.	Investment holding	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 %	67.86 %	note 4

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2020	December 31, 2019	
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 %	
The Company	JPUP Electron Co., Ltd. (JPUP)	Wholesale and installation of electronic devices, data storage and equipment process	49.00 %	49.00 %	note 1
The Company and Elan Investment Corp.	Pixord Corporation (Pixord)	Research, design, develop, manufacture and sale on Webcam and server	98.23 %	97.27 %	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	43.98 %	- %	note 2
The Company	Rising Star Technology Company Limited (Rising Star)	Software information and supply of electronic services	86.96 %	- %	note 3
The Company	Bruckewell Technology Co., Ltd. (Bruckewell)	Manufactures and sells electronics devices	61.16 %	- %	note 5
The Company	Elan H.K.	Sale and after-sales service	100.00 %	100.00 %	-
The Company	Elan Information	After-sales service and provide new informational skills	100.00 %	100.00 %	-
Elan H.K.	Power Asia	Investment holding	100.00 %	100.00 %	-
Power Asia	Elan Shanghai	Provide system design, information on applications expansion	100.00 %	100.00 %	-
Power Asia	Elan Shenzhen	Provide system design, information on applications expansion	100.00 %	100.00 %	-

Note 1: The Company obtained 3 out of 5 seats in the board, and gained control interest over JPUP.

Note 2: The Company obtained 3 out of 5 seats in the board on February 19, 2020 and gained control interest over Eminent, thus, the investee was included in the consolidated financial statements.

Note 3: On January 31, 2020, the Company acquired 86.96% equity of Rising Star, thus, it was included in the consolidated financial statements thereafter.

Note 4: In February and March, 2020, the Company's ownership decreased to 51.57% after participating in the capital increase of Metanoia.

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 was included in the consolidated financial statements thereafter.

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

(Continued)

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

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Group's functional currency at average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(Continued)

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

An entity shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

(f) Cash and cash equivalents

Cash comprise cash balances and call deposits. Cash equivalents are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

A time deposit is qualified as cash equivalent and must be held for the purpose of short-term cash commitments rather than for investment or other purposes.

(g) Financial instruments

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)

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

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group; therefore, those receivables are measured at FVOCI. However, they are included in the 'accounts receivables' line item.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)



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

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 360 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### 5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(Continued)

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise short-term loans and borrowings, accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized as finance cost under non-operating revenue and expenses. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The costs of inventories weighted-average principle include expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs incurred upon completion and selling expenses.

(i) Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The consolidated financial reports include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from the transactions between the Group and an associate are recognized only to the extent of unrelated the Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interest in an associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 2~50 years
- 2) Machineries and equipment: 2~6 years
- 3) Transportation and office equipment: 1~10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)

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

(k) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery office and transportation that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- 4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

The depreciable amount is the cost of an asset, less its residual value.

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Patents	1~10 years
Computer software cost	1~6 years

Amortization method, amortization period, and residual value for an intangible asset are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment – non derivative financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group outsources its manufacturing process and subsequently sells its Integrated Circuits to customers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group recognizes accounts receivables upon the delivery of products, because the Group has unconditional rights to recovery of the consideration at that point in time.

(ii) Services

The Group provides product design and development services to its customers, and recognizes revenue during the reporting period when services are rendered. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is based on the percentage of actual cost incurred over the total costs.

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

(iii) Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(p) Government grants

The Group recognizes an unconditional government grant as other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(q) Employee benefits

(i) Defined contribution plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

The Group that belongs to domestic firms should comply with the Labor Pension Act (hereinafter as “the Act”), which took effect on July 1, 2005. In accordance with the Act, the pension benefits of employees who elect to follow the Act and employees who are retired after the effective date of the Act adopt a defined contribution scheme, whereby the Group makes monthly contributions to the employees’ individual pension accounts of no less than 6% of the employees’ monthly wages. The amounts contributed are recognized as expense in the current period.

The Group that belongs to overseas firms (excluding Elan Information and Power Asia, which adopts the defined contribution pension plan) should contribute pension fund based on the local pension regulations and recognized the pension contributed as expense for that period. Subsidiaries in China should comply with the regulations of the Government in the People’s Republic of China. The corporate contributes retirement annuity funds based on the statutory rate on authorized employees payroll and the pension expenses are recognized in profit or loss for the year.

(ii) Defined benefit plan

The Group’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related services are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) **Business acquisition**

For those acquisitions occurring after 1 January 2013 (inclusive), goodwill is measured using ROC GAAP.

The Group measured the acquisition cost of acquiring Elantech in accordance with the Statement of Financial Accounting Standards No. 25 "Business Combinations" and the Accounting Research and Development Foundation Interpretations 97 (075) and 91 (187). The stock issued by the Group is traded in an active market; therefore, the fair value of the stock issued by the Group should be used to determine the fair value of the net assets of the acquired corporation. The acquisition cost was measured in two ways. For stock acquired from non-affiliated companies, accounting was determined by using the purchase method; for stock acquired from affiliated companies, the purchase price was determined by the book value of the affiliated companies' investment in Elantech. The Group recognized the difference between the acquisition cost and the fair value of tangible assets and identifiable intangible assets, less, the liabilities, and recorded it as goodwill.

(t) **Earnings per share**

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock options and convertible bonds settled using shares that have yet to be approved by the shareholders' meeting.

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

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). The operating results of all operating segments are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment has its financial information.

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

The preparation of the consolidated financial statements in conformity with the IFRSs 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The accounting policies involved significant judgments and the information that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

Judgment of whether the Group has substantive control over its investees

The Group holds 24.69% of the outstanding voting shares of Uniband Electronic Corp. and is the single largest shareholder of the investee. Although the remaining 75.31% of Uniband Electronic Corp.'s shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of Uniband Electronic Corp.'s directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence on Uniband Electronic Corp..

The Group holds 23.08% of the outstanding voting shares of Finger Pro. Incorporation and is the single largest shareholder of the investee. Although the remaining 76.92% of Finger Pro. Incorporation's shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of Finger Pro. Incorporation's directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence on Finger Pro. Incorporation.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the sales price. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

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

**(6) Explanation of significant accounts:**

**(a) Cash and cash equivalents**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Petty cash	\$ 737	353
Checking and demand deposits	1,739,104	1,101,958
Time deposits with maturities of three months or less	<u>290,500</u>	<u>399,810</u>
	<b><u>\$ 2,030,341</u></b>	<b><u>1,502,121</u></b>

- (i) As of December 31, 2020 and 2019, time deposits with maturities of more than three months held by the Group amounted to \$2,742,850 thousand and \$2,289,450 thousand, respectively, and were recorded as financial assets measured at fair value.
- (ii) The Group did not recognize impairment loss on financial assets measured at fair value for the years ended December 31, 2020 and 2019. Other information relating to credit risk is provided in Note 6(t).
- (iii) Please refer to Note 6(t) for the interest rate risk and fair value sensitivity analysis of the financial assets and liabilities of the Group.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Mandatorily measured at fair value through profit or loss:		
Current:		
Listed stocks	\$ 4,310	6,680
Open-end certificates of beneficial interest	905,044	617,680
Short-term commercial papers	<u>60,454</u>	<u>154,082</u>
Subtotal	<u>969,808</u>	<u>778,442</u>
Non-current:		
Non-publicly traded stocks	964,682	1,330,470
Unlisted funds	<u>59,167</u>	<u>30,152</u>
Subtotal	<u>1,023,849</u>	<u>1,360,622</u>
Total	<b><u>\$ 1,993,657</u></b>	<b><u>2,139,064</u></b>

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

(c) Notes and accounts receivable

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable	\$ 5,343	167,777
Accounts receivable - fair value through other comprehensive income	772,934	489,034
Accounts receivable - measured at amortized cost	1,419,193	566,854
Less: Loss allowance	<u>(35,254)</u>	<u>(28,369)</u>
	<b><u>\$ 2,162,216</u></b>	<b><u>1,195,296</u></b>

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

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

<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	<u>21,235</u>	50%~100%	<u>21,038</u>
	<b><u>\$ 2,197,470</u></b>		<b><u>35,254</u></b>

<b>December 31, 2019</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Expected credit loss</b>
Current	\$ 1,135,366	0.14%	1,590
1 to 30 days past due	56,883	2.31%	1,314
31 to 60 days past due	6,830	12.98%	887
More than 90 days past due	<u>24,586</u>	50%~100%	<u>24,578</u>
	<b><u>\$ 1,223,665</u></b>		<b><u>28,369</u></b>

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**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>2020</b>	<b>2019</b>
Balance at January 1, 2020 and 2019	\$ 28,369	43,208
Impairment loss recognized (reversed)	6,885	(7,885)
Amounts written off	-	(6,954)
Balance at December 31, 2020 and 2019	<u><u>\$ 35,254</u></u>	<u><u>28,369</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 of 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>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>December 31, 2019</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>\$ 777,245</u>	<u>2,801,600</u>	<u>-</u>	<u>777,245</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 December 31, 2020 and 2019. The remaining amount has been reclassified into other receivables. The Group did not recognize impairment loss on other receivables for the years ended December 31, 2020 and 2019, and other information on credit risk is disclosed in Note 6(t).

(d) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Raw materials	\$ 657,429	384,562
Work in progress	851,032	717,574
Finished goods	<u>274,192</u>	<u>284,066</u>
	<u><u>\$ 1,782,653</u></u>	<u><u>1,386,202</u></u>

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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The details of the cost of sales are as follows:

	<u>2020</u>	<u>2019</u>
Inventory that has been sold	\$ 7,962,184	4,951,119
Write-down of inventories	83,388	123,050
Others	<u>(341)</u>	<u>(124)</u>
	<u><b>\$ 8,045,231</b></u>	<u><b>5,074,045</b></u>

As of December 31, 2020 and 2019, the Group had not provided any inventories as collateral for its loans.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Equity investments at fair value through other comprehensive income:		
Emerging stocks	\$ 13,732	11,924
Quoted shares	<u>290,620</u>	<u>179,909</u>
	<u><b>\$ 304,352</b></u>	<u><b>191,833</b></u>

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

(ii) In 2020 and 2019, the shares sold had a fair value of \$140,691 thousand and \$86,015 thousand and the Group realized a gain of \$110,319 thousand and \$66,937 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

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

(iv) As of December 31, 2020 and 2019, the Group had not provided any financial assets as collateral for its loans.

(f) Investments accounted for using equity method

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associates	<u><b>\$ 319,622</b></u>	<u><b>330,837</b></u>

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

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

			December 31, 2020		December 31, 2019	
			Principal country	Shareholding (%)	Amount	Shareholding (%)
	Nature of the relationship					
Tong Fu Investment Corporation	Investment holding	R.O.C.	\$ 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
Eminent Electronic Technology Corp. Ltd. (note 1)	Manufactures and sells electronic devices, computer and its related products, and manufactures optical instruments	R.O.C.	-	-	90,582	43.98
Top Taiwan X Venture Capital Co. Ltd	Venture capital	R.O.C.	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
Finger Pro. Incorporation	Manufactures and sells electronic devices	R.O.C.	6,000	23.08	6,000	23.08
RONG CHENG Technology	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	R.O.C.	77,706	38.46	77,706	38.46
			<u>\$ 415,418</u>		<u>506,000</u>	

Note 1: On February 19, 2020, the Company obtained 3 out of 5 Board seats, and gained control over the investee, thus, the investee was included in its consolidated financial statements.

(i) Associates

A summary of the Group's financial information on investment accounted for using equity method at the reporting date is as follows:

	2020	2019
The Group's share of gain (loss) of associates accounted for using equity method	<u>\$ 23,106</u>	<u>45,682</u>

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

	2020	2019
Attributable to the Group:		
Gain (loss) from continuing operations	\$ 23,106	45,682
Other comprehensive income (loss)	18	(37)
Comprehensive income (loss)	<u>\$ 23,124</u>	<u>45,645</u>

The Group recognized \$20,000 thousand for prepayments for investments in Rising Star Technology Company Limited as of December 31, 2019, and obtained the equity on January 31, 2020.

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

(ii) Pledges

Investments were accounted for by 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 gained control over Eminent. The Group's equity interest in Eminent is 43.98%. The main business activities of Eminent are the manufacturing and sales of optical instruments, electronic devices, computer and related products.
- 2) The following table summarized the consideration paid for Eminent and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<b>109.2.19</b>
Fair value of pre-existing interest in Eminent	\$ 54,466
Non-controlling interest in the acquire, if any	69,376
	<b>\$ 123,842</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(h))	29,697
Intangible assets (note 6(j))	247
Other non-current assets	36
Guarantee deposits	5
Current liabilities	
Accounts payables	(27,695)
Other payables	(719)
Other current liabilities	(30,631)
Guarantee deposits	(42,351)
Total identifiable net assets acquired	<b>\$ 123,842</b>

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

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

- (ii) 1) The Group expects to enhance its AI's business development and operational efficiency, therefore, on January 31, 2020, the Group participated in Rising Star's capital increased by cash contribution. The Group acquired 86.96% shares of Rising Star at an investment cost of \$20,000 thousands and gained control over it.
- 2) The following table summarized the consideration paid for Rising Star and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<b>109,219</b>
Consideration paid by cash	<b>\$ 20,000</b>
Current assets	
Cash and cash equivalents	\$ 18,119
Prepayments	169
Non-current assets	
Property, plant and equipment (note 6(h))	280
Intangible assets (note 6(j))	2,857
Guarantee deposits	78
Current liabilities	
Other current liabilities	(1,503)
Total identifiable net assets acquired	<b>\$ 20,000</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 had 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, if any	8,735
	<b>\$ 24,782</b>

- 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:

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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(h))	10,008
Intangible assets (note 6(j))	37
Guarantee deposits	5

Current liabilities

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

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

(h) 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 as of 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	-	68,184	44,155	10,205	27,291	149,835
Derecognized	-	-	(23,542)	(6,012)	-	(29,554)
Reclassification	-	4,374	3,713	78	(8,087)	78
Effect of exchange rate changes	-	-	16	20	-	36
Balance as of December 31, 2020	<u><u>\$ 230,790</u></u>	<u><u>1,162,385</u></u>	<u><u>575,934</u></u>	<u><u>160,230</u></u>	<u><u>30,451</u></u>	<u><u>2,159,790</u></u>
Balance as of January 1, 2019	\$ 230,790	1,084,414	473,062	145,534	33,067	1,966,867
Additions	-	5,308	25,115	11,830	8,655	50,908
Derecognized	-	-	(5,460)	(5,420)	-	(10,880)
Reclassification	-	105	26,187	(61)	(33,155)	(6,924)
Effect of exchange rate changes	-	-	(272)	(289)	-	(561)
Balance as of December 31, 2019	<u><u>\$ 230,790</u></u>	<u><u>1,089,827</u></u>	<u><u>518,632</u></u>	<u><u>151,594</u></u>	<u><u>8,567</u></u>	<u><u>1,999,410</u></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>
Accumulated depreciation:						
Balance as of January 1, 2020	\$ -	677,667	427,276	133,930	-	1,238,873
Depreciation	-	16,818	48,300	8,451	-	73,569
Derecognized	-	-	(19,571)	(5,893)	-	(25,464)
Effect of exchange rate changes	-	-	15	16	-	31
Balance as of December 31, 2020	<u>\$ -</u>	<u>694,485</u>	<u>456,020</u>	<u>136,504</u>	<u>-</u>	<u>1,287,009</u>
Balance as of January 1, 2019	\$ -	660,712	405,140	133,141	-	1,198,993
Depreciation	-	16,955	27,783	6,236	-	50,974
Derecognized	-	-	(5,404)	(5,200)	-	(10,604)
Effect of exchange rate changes	-	-	(243)	(247)	-	(490)
Balance as of December 31, 2019	<u>\$ -</u>	<u>677,667</u>	<u>427,276</u>	<u>133,930</u>	<u>-</u>	<u>1,238,873</u>
Carrying value:						
Balance as of December 31, 2020	<u>\$ 230,790</u>	<u>467,900</u>	<u>119,914</u>	<u>23,726</u>	<u>30,451</u>	<u>872,781</u>
Balance as of December 31, 2019	<u>\$ 230,790</u>	<u>412,160</u>	<u>91,356</u>	<u>17,664</u>	<u>8,567</u>	<u>760,537</u>

As of December 31, 2020 and 2019, the Group had not provided any property, plant and equipment as collateral for its loans.

(i) 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 as of January 1, 2020	\$ 186,140	40,667	375	8,847	236,029
Purchases		743	4,892	3,977	10,560
Derecognized	-	(9,574)	(375)	(645)	(10,594)
Effect of changes in foreign exchange rates	-	218	-	-	218
Balance as of December 31, 2020	<u>\$ 186,883</u>	<u>36,203</u>	<u>948</u>	<u>12,179</u>	<u>236,213</u>

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	<u>186,140</u>	<u>22,186</u>	<u>-</u>	<u>-</u>	<u>208,326</u>
Balance at January 1, 2019 after adjustment	186,140	22,186	-	-	208,326
Purchases	-	31,755	375	8,847	40,977
Derecognized	-	(13,113)	-	-	(13,113)
Effect of changes in foreign exchange rates	<u>-</u>	<u>(161)</u>	<u>-</u>	<u>-</u>	<u>(161)</u>
Balance as of December 31, 2019	<u><u>\$ 186,140</u></u>	<u><u>40,667</u></u>	<u><u>375</u></u>	<u><u>8,847</u></u>	<u><u>236,029</u></u>
Accumulated depreciation:					
Balance at January 1, 2020	\$ 5,570	8,024	237	1,715	15,546
Depreciation for the year	5,595	15,461	270	3,880	25,206
Derecognized	-	(9,574)	(375)	(645)	(10,594)
Effect of changes in foreign exchange rates	<u>-</u>	<u>134</u>	<u>-</u>	<u>-</u>	<u>134</u>
Balance as of December 31, 2020	<u><u>\$ 11,165</u></u>	<u><u>14,045</u></u>	<u><u>132</u></u>	<u><u>4,950</u></u>	<u><u>30,292</u></u>
Balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2019 after adjustment	-	-	-	-	-
Depreciation for the year	5,570	18,061	237	1,715	25,583
Derecognized	-	(9,887)	-	-	(9,887)
Effect of changes in foreign exchange rates	<u>-</u>	<u>(150)</u>	<u>-</u>	<u>-</u>	<u>(150)</u>
Balance as of December 31, 2019	<u><u>\$ 5,570</u></u>	<u><u>8,024</u></u>	<u><u>237</u></u>	<u><u>1,715</u></u>	<u><u>15,546</u></u>
Book value:					
Balance as of December 31, 2020	<u><u>\$ 175,718</u></u>	<u><u>22,158</u></u>	<u><u>816</u></u>	<u><u>7,229</u></u>	<u><u>205,921</u></u>
Balance as of December 31, 2019	<u><u>\$ 180,570</u></u>	<u><u>32,643</u></u>	<u><u>138</u></u>	<u><u>7,132</u></u>	<u><u>220,483</u></u>

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(j) 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 as of January 1, 2020	\$ 176,838	153,837	161,364	492,039
Additions	-	80,099	154,623	234,722
Acquisitions	-	-	3,141	3,141
Derecognized	-	(3,167)	(85,894)	(89,061)
Reclassifications	-	-	(30)	(30)
Balance as of December 31, 2020	<u>\$ 176,838</u>	<u>230,769</u>	<u>233,204</u>	<u>640,811</u>
Balance as of January 1, 2019	\$ 176,838	91,504	146,195	414,537
Additions	-	98,607	27,317	125,924
Derecognized	-	(36,274)	(12,115)	(48,389)
Effects of exchange rate changes	-	-	(33)	(33)
Balance as of December 31, 2019	<u>\$ 176,838</u>	<u>153,837</u>	<u>161,364</u>	<u>492,039</u>
Accumulated amortization:				
Balance as of January 1, 2020	\$ -	58,927	128,893	187,820
Additions	-	36,349	56,176	92,525
Reclassifications	-	(3,167)	(85,894)	(89,061)
Derecognized	-	(95)	65	(30)
Balance as of December 31, 2020	<u>\$ -</u>	<u>92,014</u>	<u>99,240</u>	<u>191,254</u>
Balance as of January 1, 2019	\$ -	82,862	106,356	189,218
Additions	-	12,339	34,684	47,023
Derecognized	-	(36,274)	(12,115)	(48,389)
Effects of exchange rate changes	-	-	(32)	(32)
Balance as of December 31, 2019	<u>\$ -</u>	<u>58,927</u>	<u>128,893</u>	<u>187,820</u>
Book value:				
Balance as of December 31, 2020	<u>\$ 176,838</u>	<u>138,755</u>	<u>133,964</u>	<u>449,557</u>
Balance as of December 31, 2019	<u>\$ 176,838</u>	<u>94,910</u>	<u>32,471</u>	<u>304,219</u>

(i) For the years ended December 31, 2020 and 2019, the Group did not recognized any impairment loss. Amortization expenses were recorded as follows:

	<u>2020</u>	<u>2019</u>
Operating cost	<u>\$ 4,061</u>	<u>4,079</u>
Operating expense	<u>\$ 88,464</u>	<u>42,944</u>

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(ii) Impairment testing for goodwill

- 1) For the Company's impairment testing purposes, goodwill has been allocated to the operating units testing purpose. The units are the minimum level for the Group's goodwill, which should not be higher than the Group's operating divisions.

The carrying amounts of goodwill were as follow:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Laptop input device business cash-generating units	\$ 160,600	160,600
Network communication business cash-generating units	16,238	16,238
	<b><u>\$ 176,838</u></b>	<b><u>176,838</u></b>

- 2) The recoverable amounts of laptop input device business and network communication business cash-generating unit(CGU) were based on their value-in-use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The key assumptions used in the estimation of the value-in-use were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Revenue growth rate	4.4 %	5.0 %
After-tax discount rate	9.30 %	9.88 %

The key assumptions represents the management's evaluation of the future industry trends, wherein the external, internal and also historical information, were considered. There were no impairment losses incurred as of December 31, 2020 and 2019.

(k) Short-term borrowings

The short-term borrowings were summarized as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unsecured bank loans	<b><u>\$ 40,000</u></b>	<b><u>241,000</u></b>
Range of interest rate	<b><u>1.80%~1.990%</u></b>	<b><u>1.69%~2.60%</u></b>
Unused short-term credit lines	<b><u>\$ 345,000</u></b>	<b><u>497,000</u></b>

Refer to note 6(s) for the interest rate risk and fair value sensitivity analysis of the financial assets and liabilities of the Group.

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(l) Lease liabilities

The lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	\$ <u>21,858</u>	<u>21,279</u>
Non-current	\$ <u>187,361</u>	<u>200,563</u>

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	\$ <u>4,199</u>	<u>3,782</u>
Expenses relating to short-term leases	\$ <u>13,653</u>	<u>3,242</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>1,367</u>	<u>34</u>
Covid-19-related rent concessions	\$ <u>(590)</u>	<u>-</u>

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

	2020	2019
Total cash outflow for leases	\$ <u>45,498</u>	<u>34,674</u>

(i) Real estate leases

As of December 31, 2020 and 2019, the Group leases land and buildings for its office space. The lease of land typically run for a period of 20 years, and of buildings for 2-3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. Some leases provide for additional rent payments that are based on changes in local price indices.

(ii) Other leases

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

(m) Employee benefits

(i) Defined benefit plans

Reconciliations of defined benefit obligation and plan assets at fair value were as follows:

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	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligation	\$ 479,934	453,762
Fair value of plan assets	(90,478)	(81,389)
Net defined benefit liabilities	<b>\$ 389,456</b>	<b>372,373</b>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$90,478 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group were as follows:

	<b>2020</b>	<b>2019</b>
Defined benefit obligations at January 1	\$ 453,762	457,216
Current service cost and interest cost	6,653	7,953
Net remeasurements of defined benefit liability (asset)		
— Actuarial gains and losses arising from financial assumptions	22,224	15,123
— Actuarial gains and losses arising from experience adjustments	(2,705)	(17,294)
Past service credit	-	(1,092)
Benefits paid	-	(8,144)
Defined benefit obligations at December 31	<b>\$ 479,934</b>	<b>453,762</b>

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

3) Movements of plan assets

The movements in the fair value of plan assets of the Group were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets, January 1	\$ 81,389	78,397
Interests revenue	920	1,093
Net remeasurements of defined benefit liability (asset)		
— Return on plan assets (interest income for the year not included)	2,369	2,797
Contributions	5,800	5,843
Benefits paid	-	(6,741)
Fair value of plan assets at December 31	<u>\$ 90,478</u>	<u>81,389</u>

4) Expenses recognized in profit or loss

The Group's expenses recognized in profit or loss for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 1,584	1,693
Net interest of net liabilities for defined benefit obligations	4,149	5,167
Curtailment or settlement gains	-	(1,092)
	<u>\$ 5,733</u>	<u>5,768</u>

	<u>2020</u>	<u>2019</u>
Operating cost	\$ 456	570
Selling expenses	517	358
Administration expenses	481	146
Research and development expenses	4,279	4,694
	<u>\$ 5,733</u>	<u>5,768</u>

5) Remeasurement values of net defined benefit liabilities (assets) recognized in other comprehensive income

The Group's remeasurement values of net defined benefit liabilities (assets) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Accumulated amount at January 1	\$ (8,785)	(3,817)
Recognized during the period	17,150	(4,968)
Accumulated amount at December 31	<u>\$ 8,365</u>	<u>(8,785)</u>

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6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Discount rate	0.625%~0.750%	1.000%~ 1.125%
Future salary increase rate	1.00%~ 5.00%	1.00%~ 5.00%

The expected allocation payment to be made by the Group to the defined benefit plans for one-year period after the reporting date was \$5,677 thousand.

As of December 31, 2020 and 2019, the weighted-average lifetime of the defined benefits plans were 15.55 years and 16.39 years.

7) Sensitivity analysis

Calculations of the present value of the defined benefit obligation were based on the judgements and estimates made on the actuarial assumptions as of the balance sheet date, including discount rate, employee turnover rate and future salary changes. Any possible changes in the actuarial assumptions would affect the defined benefit obligation at the reporting date.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<b>Defined benefit obligation</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31, 2020		
Discount rate	\$ (14,917)	15,544
Future salary increasing rate	14,572	(14,085)
December 31, 2019		
Discount rate	(14,977)	15,616
Future salary increasing rate	14,714	(14,188)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the and years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Operating cost	\$ 8,557	7,389
Selling expenses	5,821	8,263
Administration expenses	5,505	5,053
Research and development expenses	43,411	44,202
	<u>\$ 63,294</u>	<u>64,907</u>

(n) Income taxes

- (i) The Group is able to avail itself of tax exemptions from its committed capital for expansion in the following years through the proceeds from common stock issuance that conforms to the prescribed criteria under the "Statute for Upgrading Industries" as follows:

<u>Group</u>	<u>Year</u>	<u>Tax exemption products</u>	<u>Tax exemption period</u>
Parent Group-the Company	2009	to produce and sell high-level integrated circuits	The Company was granted approval from the Industrial Development Bureau, MOEA, on December 16, 2009. The Company had obtained the certification of completion of the expansion project. The tax exemption period is from January 1, 2016, to December 31, 2020.
Subsidiary-MetaCom	2009	to produce and sell high-level integrated circuits	MetaCom was granted approval from the Industrial Development Bureau, MOEA, on October 5, 2009. MetaCom had obtained the certification of completion of the expansion project. The tax exemption period is from January 1, 2016, to December 31, 2020.
Subsidiary-Avisonic	2009	to produce and sell high-level integrated circuits	Avisonic was granted approval from the Industrial Development Bureau, MOEA, on December 17, 2009. Avisonic had obtained the certification of completion of the expansion project. The tax exemption period is from January 1, 2016, to December 31, 2020.

- (ii) The Group is subject to Taiwan income tax at rates of 20% for 2019 and 2018, and also adopted the "Income Basic Tax Act" to calculate the tax. Elan Information is registered in California, United States of America, and it is subject to a Federal corporate income tax rate of 34%. The taxable income of Elan Hong Kong amounting to HKD\$2,000 thousand is subject to a 2nd tier income tax at rates of 8.25%, and others at the rate of 16.5%. The income tax rate of Elan Shanghai and Elan Shenzhen is 25%. Power Asia is registered in Mauritius where international group entities, under local provisions, are exempted from corporate income tax.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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The Group's income tax expenses were as follow:

	<u>2020</u>	<u>2019</u>
Current income tax expense	\$ 702,866	347,110
Deferred income tax expense	<u>(2,212)</u>	<u>(2,192)</u>
Income tax expense	<u><u>\$ 700,654</u></u>	<u><u>344,918</u></u>

The reconciliation of the differences between the income tax computed at the statutory income tax rate and the income tax expense for the years ended December 31, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Income before income tax	<u><u>\$ 3,893,692</u></u>	<u><u>2,809,660</u></u>
Income tax computed at statutory tax rate	\$ 778,738	561,932
Effect of tax rates in foreign jurisdiction	(9,755)	(3,702)
Investment tax credit	(34,149)	(47,597)
Tax-exempt income	(77,792)	-
Investment income from domestic securities	61,377	(97,307)
Suspension of tax-exempt gain on disposal of domestic securities	(9,443)	(729)
Effect of tax-exempt gain on investment deducted from loss carry forward	11,790	8,150
Tax-exempt gain on dividend revenue of domestic securities	(8,997)	(5,337)
Change in unrecognized temporary differences	(75,804)	(89,345)
Prior year's income tax adjustment	3,950	(3,367)
The amount of expired loss carry forward	26,246	31,610
Surtax on undistributed profit	13,683	-
Others	<u>20,810</u>	<u>(9,390)</u>
Total	<u><u>\$ 700,654</u></u>	<u><u>344,918</u></u>

(iii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

The Group's unrecognized deferred income tax assets were composed of the following items:

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Realized valuation losses on long-term investment	\$ 384,184	469,576
Tax-deductible loss	408,638	401,176
Unfunded pension expense	94,646	96,485
Provision for decline in value of inventories	34,915	32,009
Others	5,848	4,789
	<b><u>\$ 928,231</u></b>	<b><u>1,004,035</u></b>

Regarding the deductible temporary differences from investment tax credit, the deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable gain on disposal of securities will be available against which the Group can utilize the benefits therefrom. The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets were not recognized, as management determined that it is not probable that there will be sufficient taxable gains in the future.

As of December 31, 2020 the net losses that have not been recognized as deferred tax assets and the expiration years were as follows:

a) Domestic consolidated entities

<b>Year of loss</b>	<b>Year of expiry</b>	<b>Unused amount</b>
2011	2021	\$ 143,053
2012	2022	219,494
2013	2023	264,926
2014	2024	280,179
2015	2025	255,813
2016	2026	272,429
2017	2027	273,381
2018	2028	188,002
2019	2029	135,247
2020	2030	186,623
		<b><u>\$ 2,219,147</u></b>

b) Foreign consolidated entities

	<b>Applicable years</b>	<b>Unused amount</b>
Elan Information	2020-2031	<b><u>\$ 11,800</u></b>

2) Recognized deferred income tax assets and liabilities

Movements of recognized deferred income tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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Deferred Tax Liabilities:

	<b>Fair Value Gains</b>
Balance at January 1, 2020	\$ (2,097)
Recognized in profit or loss	<u>853</u>
Balance at December 31, 2020	<u><b>\$ (1,244)</b></u>
Balance at January 1, 2019	\$ (2,248)
Recognized in profit or loss	<u>151</u>
Balance at December 31, 2019	<u><b>\$ (2,097)</b></u>

Deferred Tax Assets:

	<b>Decline in Value of Inventories</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2020	\$ 26,705	5,157	31,862
Recognized in profit or loss	<u>4,338</u>	<u>(2,979)</u>	<u>1,359</u>
Balance at December 31, 2020	<u><b>\$ 31,043</b></u>	<u><b>2,178</b></u>	<u><b>33,221</b></u>
Balance at January 1, 2019	\$ 24,113	5,708	29,821
Recognized in profit or loss	<u>2,592</u>	<u>(551)</u>	<u>2,041</u>
Balance at December 31, 2019	<u><b>\$ 26,705</b></u>	<u><b>5,157</b></u>	<u><b>31,862</b></u>

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

(o) Capital and other equity

(i) Ordinary share

As of December 31, 2020 and 2019, the authorized capital of the Company amounted to \$4,800,000 thousand, divided into 303,880 thousand ordinary shares, with a par value of \$10 per share. The issued shares was composed of common stocks only and have been fully paid up.

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Additional paid-in capital	\$ 231,051	231,051
Treasury share transactions	225,742	144,894
Difference arising from subsidiary's share price and its carrying value	<u>62,845</u>	<u>-</u>
	<u><b>\$ 519,638</b></u>	<u><b>375,945</b></u>

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

In pursuant to the resolution of annual shareholders meeting held on June 10, 2019, the Company declared a cash dividend of \$0.35 per share, amounting to \$106,358 thousand from capital surplus, distributed via \$106,358 thousand from additional paid-in capital.

(iii) Retained earnings

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

On May 27, 2020 and June 10, 2019, the shareholder's meetings resolved to distribute the 2019 and 2018 earnings via cash dividend. The Company declared a cash dividend of \$6.50 and \$4.65 per share, amounting to \$1,975,223 thousand and \$1,413,044 thousand, respectively, for the year 2019 and 2018.

There was no difference between the actual distribution and estimation in the financial statements of 2019 and 2018.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(iv) Treasury stock

	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
	<b>Shares (in thousands)</b>	<b>Amounts</b>	<b>Shares (in thousands)</b>	<b>Amounts</b>
The Company's shares held by subsidiaries	<b>12,438</b>	<b>\$ 28,975</b>	<b>12,438</b>	<b>28,975</b>

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 years ended December 31, 2020 and 2019, the information on the Company's stock held by Elan Investment Corp. was as follows:

	<b>For the years ended December 31</b>					
	<b>2020</b>			<b>2019</b>		
	<b>Shares (in thousands)</b>	<b>Acquisition cost</b>	<b>Total market value</b>	<b>Shares (in thousands)</b>	<b>Acquisition cost</b>	<b>Total market value</b>
Opening balance	12,438	\$ 28,975	1,134,364	12,438	33,328	935,353
Effects of valuation change	-	-	526,136	-	-	199,011
Cash dividend from capital surplus	-	-	-	-	(4,353)	-
Ending balance	<b>12,438</b>	<b>\$ 28,975</b>	<b>1,660,500</b>	<b>12,438</b>	<b>28,975</b>	<b>1,134,364</b>

The Company transferred cash dividend revenue received by Elan Investment Corp. amounting to \$80,848 thousand and \$57,838 thousand to capital surplus-treasury stock in 2020 and 2019, respectively.

(v) Other equity

The movements of other equity were as follows:

	<b>For the year ended December 31, 2020</b>		
	<b>Foreign exchange differences arising from foreign operation</b>	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>	<b>Total</b>
Balance as of January 1	\$ (5,537)	135,447	129,910
Foreign exchange differences:			
The Group	(1,078)	-	(1,078)
Associates	18	-	18
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Group	-	(15,191)	(15,191)
The Group—disposal	-	(110,319)	(110,319)
Balance as of December 31	<b>\$ (6,597)</b>	<b>9,937</b>	<b>3,340</b>

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	For the year ended December 31, 2019		
	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1	\$ (4,219)	176,242	172,023
Foreign exchange differences:			
The Group	(1,281)	-	(1,281)
Associates	(37)	-	(37)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Group	-	26,142	26,142
The Group — disposal	-	(66,937)	(66,937)
Balance as of December 31	<u>\$ (5,537)</u>	<u>135,447</u>	<u>129,910</u>

(p) Earnings per share

Basic and diluted earnings per share for the and years ended December 31, 2020 and 2019 were calculated as follows:

(i) Basic earnings per share:

	2020	2019
Net income	<u>\$ 3,245,811</u>	<u>2,496,744</u>
Weighted-average number of shares outstanding (thousands)	<u>291,442</u>	<u>291,442</u>
Earnings per share	<u>\$ 11.14</u>	<u>8.57</u>

(ii) Diluted earnings per share:

	2020	2019
Net income (used to calculate diluted earnings per share)	<u>\$ 3,245,811</u>	<u>2,496,744</u>
Weighted-average number of shares outstanding (thousands)	291,442	291,442
Effect of dilutive potential common stock (thousands)		
— employee emoluments	<u>4,478</u>	<u>4,366</u>
Weighted-average number of shares outstanding (thousands) used to calculate diluted earnings per share	<u>295,920</u>	<u>295,808</u>
Diluted earnings per share	<u>\$ 10.97</u>	<u>8.44</u>

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(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>2020</b>	<b>2019</b>
Taiwan	\$ 973,713	987,990
Mainland China	2,512,482	2,020,647
Hong Kong	11,380,557	6,424,206
America	23,337	16,222
Europe	5,414	6,173
Other	204,187	32,739
	<b><u>\$ 15,099,690</u></b>	<b><u>9,487,977</u></b>

For details on revenue for the year ended December 31, 2020 and 2019, please refer to note 14.

(ii) Contract balances

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

(r) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>2020</b>	<b>2019</b>
Interest income from bank deposits	<b><u>\$ 31,480</u></b>	<b><u>41,410</u></b>

(ii) Other income

	<b>2020</b>	<b>2019</b>
Rental income	\$ 262	1,951
Dividend income	44,985	25,295
Government grant	14,284	29,400
Others	13,121	23,298
Total	<b><u>\$ 72,652</u></b>	<b><u>79,944</u></b>

(iii) Other gains and losses

	<b>2020</b>	<b>2019</b>
Foreign exchange losses	\$ (134,164)	(26,734)
Gains (losses) on financial asset at fair value through profit or loss	(308,507)	601,235
Loss on disposal of property, plant and equipment	(3,030)	(678)
Gains on disposal of investment	13,754	-
Miscellaneous disbursements	(13,086)	(3,169)
Others	-	11
Total	<b><u>\$ (445,033)</u></b>	<b><u>570,665</u></b>

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(s) Compensation to employees, directors and supervisors

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

For the years ended December 31, 2020 and 2019, the amounts of employees' bonuses were estimated at \$467,000 thousand and \$339,000 thousand, respectively. The amounts of compensation to directors and supervisors were estimated at \$60,000 thousand and \$43,500 thousand, respectively. The estimation basis shall be calculated as the amounts of net income before tax deducted by the bonuses of employees, directors and supervisors, multiplied by the distribution percentage of employees bonuses, compensation to directors and supervisors based on the Corporation's Articles of Incorporation. These bonuses and compensation were expensed under operating costs or expenses for 2020 and 2019. However, there were no differences between the distribution amounts of bonuses and compensation decided by the Board mentioned above and the estimated amounts of the Company's Consolidated Financial Statements for 2020 and 2019.

(t) Financial instruments

(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 Consolidated Company monitors and reviews the recoverable amount of the accounts receivables to ensure the uncollectible amount is recognized appropriately as impairment loss.

As of December 31, 2020 and 2019, 90% and 74%, respectively, of accounts receivable were due from the ten largest customers. Thus, credit risk was significantly concentrated.

3) Receivables and debt securities

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

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Other financial assets at amortized cost, including time deposits with maturities of more than three months and other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2019. There was no loss allowance provision for the years ended December 31, 2020 and 2019, respectively.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Con- tractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 months</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 40,000	40,291	40,291	-	-	-	-
Notes and accounts payable	1,826,667	1,826,667	1,826,667	-	-	-	-
Other payables	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>December 31, 2019</b>							
Non-derivative financial liabilities							
Short-term loans	\$ 241,000	243,878	106,924	136,954	-	-	-
Notes and accounts payable	1,169,761	1,169,761	1,169,761	-	-	-	-
Other payables	537,940	537,940	537,940	-	-	-	-
Lease liabilities	221,842	275,195	13,649	11,707	20,956	31,618	197,265
	<u>\$ 2,170,543</u>	<u>2,226,774</u>	<u>1,828,274</u>	<u>148,661</u>	<u>20,956</u>	<u>31,618</u>	<u>197,265</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets:</u>						
<u>Monetary item</u>						
US dollar	\$ 165,617	28.10	4,653,824	89,403	30.04	2,685,660
<u>Financial liabilities:</u>						
<u>Monetary item</u>						
US dollar	82,036	28.10	2,305,212	48,543	30.04	1,458,234

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2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the retranslation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of the TWD against the USD as of December 31, 2020 and 2019 would have increased (decreased) the equity by \$93,944 thousand and \$49,097 thousand, respectively, for the years ended December 31, 2020 and 2019, assuming all other factors remained constant. The analysis is performed on the same basis in 2020 and 2019.

The foreign exchange gains or losses were disclosed on an aggregate basis as there were various types of functional currencies in the Group. The foreign exchange gains and losses (including realized and unrealized) amounted to \$134,164 thousand and \$26,734 thousand for the years ended December 31, 2020 and 2019, respectively.

(iv) Interest rate analysis

The Group's exposure to interest rate risk of financial assets and liabilities was disclosed under in the "Liquidity Risk" section of the note.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on reporting date. For variable rates on assets and liabilities, the sensitivity analysis assumes the variable rates on assets and liabilities are outstanding for the whole year on the reporting date. The Group's internal department reported the increases/decreases in the interest rates and the exposure to changes in interest rates on 0.5% on behalf of the Group's key management so as to allow the key management to assess the reasonableness of the changes in the interest rates.

If the interest rate increases/decreases by 0.5%, the Group's net income will increase/decrease by \$77 thousand and \$1,646 thousand for the years ended December 31, 2020 and 2019, respectively, with all other variable factors remaining unchanged. This was mainly due to the Group's time deposits and borrowings at variable rates.

(v) Other market price riskn

For the years ended December 31, 2020 and 2019, the sensitivity analysis of the changes in the securities price at the reporting date were performed on the same basis for the profit and loss as illustrated below:

	2020		2019	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
<b>Prices of securities at the reporting date</b>				
<b>Increase 5%</b>	<u>\$ 12,174</u>	<u>38,760</u>	<u>7,673</u>	<u>53,486</u>
<b>Decrease 5%</b>	<u>\$ (12,174)</u>	<u>(38,760)</u>	<u>(7,673)</u>	<u>(53,486)</u>

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

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

	<b>December 31, 2020</b>				
	<b>Fair Value</b>				<b>total</b>
	<b>Book value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets measured 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 measured 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
Financial assets measured at amortized cost					
Cash and cash equivalents	2,030,341	-	-	-	-
Notes and accounts receivables	1,424,536	-	-	-	-
Other receivables	1,474,775	-	-	-	-
Financial assets measured at amortized cost	2,742,850	-	-	-	-
Guarantee deposits	24,661	-	-	-	-
Subtotal	7,697,163	-	-	-	-
Total	<u>\$ 10,768,106</u>	<u>1,283,650</u>	<u>370,620</u>	<u>643,739</u>	<u>2,298,009</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 40,000	-	-	-	-
Notes and accounts payables	1,826,667	-	-	-	-
Other payables	878,762	-	-	-	-
Lease liabilities (current and non-current)	209,219	-	-	-	-
Guarantee deposits	39,427	-	-	-	-
Total	<u>\$ 2,994,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	December 31, 2019				
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL (current and non-current)	\$ 2,139,064	1,284,969	214,669	639,426	2,139,064
Financial assets at FVOCI					
Stocks	191,833	179,909	-	11,924	191,833
Accounts receivable	489,034	-	-	-	-
Subtotal	680,867	179,909	-	11,924	191,833
Financial assets measured at amortized cost					
Cash and cash equivalents	1,502,121	-	-	-	-
Notes and trade receivables	734,631	-	-	-	-
Other receivables	835,141	-	-	-	-
Financial assets measured at amortized cost	2,289,450	-	-	-	-
Guarantee deposits	10,770	-	-	-	-
Subtotal	5,372,113	-	-	-	-
Total	<u>\$ 8,192,044</u>	<u>1,464,878</u>	<u>214,669</u>	<u>651,350</u>	<u>2,330,897</u>
Financial assets measured at amortized cost					
Bank loans	241,000	-	-	-	-
Note and trade payable	1,169,761	-	-	-	-
Other payables	1,347,028	-	-	-	-
Lease liabilities (current and non-current)	221,842	-	-	-	-
Guarantee deposits	10,766	-	-	-	-
Total	<u>\$ 2,990,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

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

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

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

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

3) Transfers between Level 1 and Level 2

There were no transfers of financial instruments made between any levels for the years ended December 31, 2020 and 2019.

4) Reconciliation of Level 3 fair values

	Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)	Financial assets at fair value through other comprehensive income	Total
Opening balance, January 1, 2020	\$ 639,426	11,924	651,350
Total gains and losses recognized:			
In profit or loss	9,284	-	9,284
In other comprehensive income	-	2,263	2,263
Purchased	29,755	-	29,755
Issued	(4,002)	(455)	(4,457)
Capital reduction for redistribution to share-holders	(44,456)	-	(44,456)
Ending Balance, December 31, 2020	<u>\$ 630,007</u>	<u>13,732</u>	<u>643,739</u>
Opening balance, January 1, 2019	\$ 808,068	11,033	819,101
Total gains and losses recognized:			
In profit or loss	572,005	-	572,005
In other comprehensive income	-	891	891
Purchased	31,887	-	31,887
Transfers out of Level 3	(721,196)	-	(721,196)
Capital reduction for redistribution to share-holders	(51,338)	-	(51,338)
Ending Balance, December 31, 2019	<u>\$ 639,426</u>	<u>11,924</u>	<u>651,350</u>

For the years ended December 31, 2020 and 2019, total gains and losses that were included in “other gains and losses” from financial assets at fair value through other comprehensive income” were as follows:

	<u>2020</u>	<u>2019</u>
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses “unrealized gains and losses from financial assets at fair value through other comprehensive income”	\$ 9,284	572,005
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	2,263	891

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

- 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 – debt investments".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income - equity investments without an active market	Market Comparison Method	<ul style="list-style-type: none"> <li>Price to book ratio (December 31, 2020 and December 31, 2019: 1.37% to 2.79% and 1.22% to 2.35%)</li> <li>Non-liquid discount (December 31, 2020: 0%~10%, and December 31, 2019: 7% to 10%)</li> <li>Price to earnings ratio (December 31, 2020 and December 31, 2019: 0.64% to 2.52% and 0.75% to 2.63%)</li> <li>Price to book assets ratio (December 31, 2020 and December 31, 2019: 0.66% to 1.28% and 0.53% to 1.32%)</li> </ul>	<ul style="list-style-type: none"> <li>The estimated fair value would increase (decrease) if:</li> <li>the price to book ratio were higher (lower);</li> <li>the non-liquid discount were lower (higher).</li> <li>liquidity discount for weighted market were lower (higher)</li> <li>the long-term revenue growth rate and long-term pre-tax operating 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	Not applicable

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

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

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

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

December 31, 2019	Input	Increase or decrease	Profit or loss	
			Favorable	Unfavorable
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	10%	9,280	(9,280)
	Non-liquid discount	10%	3,336	(3,336)

(u) Financial risk management

(i) Overview

The Group has exposure to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to respective notes in the report.

(ii) Risk Management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Group's finance department provides business services to meet other departments' requests and negotiate all necessary transactions on financial markets. In addition, all significant financial activities have to be examined and approved by the Board of Directors. The Group's financial activities must be in accordance with the overall financial risk management, segregation of duties, and other related policies of the Group. The Group's audit committee continues to review the amount of the risk exposure in accordance with the Group's policy and the risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the finance department. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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Trade and other receivables mainly relate to a wide range of customers from different industries and geographic regions. To minimize the credit risk, the Group continues to assess the financial condition and credit risk of its customers. Allowance for doubtful accounts is recognized if necessary.

The account of allowance for doubtful receivables was created by the Group in order to reflect the estimate of the losses had been incurred on accounts receivable and other receivables. The abovementioned account mainly consists of specific losses, relating to significant risk, which were measured individually and other unidentified losses which were measured by grouping similar assets together. The measurement of losses by grouping similar assets together was based on the statistical data of payment history of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with the banks and other external parties with good credit standing financial institutions, the management believes that the Group do not have any compliance issues, and therefore, there is no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

1) Currency risk

The Group is exposed to currency risk on sales and purchase that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily US Dollars (USD). Natural hedge was adopted to minimize the Group's currency risk. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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

2) Interest rate risk

Interest risk is the risk that changes in market interest rates will affect the fair value of the Group's financial instruments. For detailed information of interest rate risk exposure, please refer to the liquidity risk management of the note.

3) Other market price risk

The Group is exposed to other market price risk due to investments of stocks from listed entities. These investments are classified as long-term strategic investment other than held-for-trading investments. The Group was not actively involved in trading these investments.

(v) Capital management

The Group meets its objectives to manage its capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders and interest of other related parties and to maintain an optimal capital structure to reduce the cost of capital.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, and retained earnings of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

After being approved by the Board of Directors, the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under the Group's share option program. Buy-and-sell decisions are made on a specific transaction basis by the Board of Directors; the Group does not have a defined share buy-back plan.

The Group's debt to equity ratios at the end of the reporting period as at December 31, 2020 and 2019 were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 5,179,134	3,643,740
Less: cash and cash equivalents	<u>(2,030,341)</u>	<u>(1,502,121)</u>
Net debt	<b><u>\$ 3,148,793</u></b>	<b><u>2,141,619</u></b>
Total equity	<b><u>\$ 9,050,622</u></b>	<b><u>7,668,931</u></b>
Debt-to-equity ratio	<b><u>34.79 %</u></b>	<b><u>27.93 %</u></b>

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

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

	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>December 31, 2020</b>
			<b>Foreign exchange movement</b>	<b>Fair value changes</b>	<b>Others</b>	
Short-term borrowings	\$ 241,000	(201,000)	-	-	-	40,000
Lease liabilities	221,842	(26,869)	(91)	-	14,337	209,219
Total liabilities from financial activities	<u>\$ 462,842</u>	<u>(227,869)</u>	<u>(91)</u>	<u>-</u>	<u>14,337</u>	<u>249,219</u>

	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>December 31, 2019</b>
			<b>Capital reduction</b>	<b>Foreign exchange movement</b>	<b>Fair value changes</b>	
Short-term borrowings	\$ 243,000	(2,000)	-	-	-	241,000
Lease liabilities	208,326	(27,616)	-	(389)	-	221,842
Total liabilities from financial activities	<u>\$ 451,326</u>	<u>(29,616)</u>	<u>-</u>	<u>(389)</u>	<u>-</u>	<u>462,842</u>

**(7) Related-party transactions:**

(a) Names and relationship with related parties

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

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

(b) Significant transactions with related parties

(i) Raw materials purchasing services and other operating income

	<b>2020</b>	<b>2019</b>
Associates-Eminent	<u>\$ 1,821</u>	<u>10,381</u>

(ii) Rental income

	<b>2020</b>	<b>2019</b>
Associates-Eminent	<u>\$ 262</u>	<u>1,906</u>

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

(iii) Purchase

The amounts of purchase by the Group from related parties were as follows:

	<u>2020</u>	<u>2019</u>
Associates-Eminent	\$ -	<u>26</u>

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment term was days by monthly closed, which were no different from the payment terms given by other vendors.

(iv) Receivable from related parties

The receivables from related parties were as follows:

<u>Accounts</u>	<u>Types of related parties</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivables	Associates-Eminent	\$ -	626
Other receivables	Associates-Eminent	-	12,812
		<u>\$ -</u>	<u>13,438</u>

(v) Property transaction

In January 2015, the Company sold its fixed assets to the associate-Eminent, with the selling price and the fixed asset cost amounting to \$4,856 thousand and \$9,154 thousand, respectively. The loss on disposal amounting to \$4,298 thousand, including the unrealized loss of \$1,942 thousand, is to be recognized over its benefit years of 5 years. All the unrealized loss had been realized in 2019.

(c) Key management personnel compensation

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 111,022	85,896
Post-employment benefits	576	683
	<u>\$ 111,598</u>	<u>86,579</u>

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

(8) Pledged assets: None.

<u>Asset name</u>	<u>Pledge asset</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets at amortized cost (Certificate Deposit)	Guarantee of the creditors of the purchase transactions	\$ 2,400	-
Financial assets at amortized cost (Certificate Deposit)	Use land guarantee for Hsinchu Science Park Bureau	7,200	7,200
		<u>\$ 9,600</u>	<u>7,200</u>

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

**(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 December 31, 2020 and 2019, the financial institutions had issued performance guarantees amounting to \$3,000 thousand and \$4,000 thousand, respectively.
- (b) As of December 31, 2020 and 2019, the refundable notes payable for short-term loans amounted to \$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 December 31, 2020 and 2019, the refundable notes payable for lease amounted to \$600 thousand and 0 thousand, respectively.
- (e) Government grant

To develop "Battery-less And Contactless Fingerprint Smart Card Solution", the Company has signed a technology program contract with the Institute for Information Industry in order to receive a grant amounting to \$42,000 thousand. The period of this research plan is from January 1, 2017 to December 31, 2018. The Company is the exclusive owner of all of the know-how, technical skills and intellectual property derived from this development project. Nevertheless, the Company cannot use the intellectual property to manufacture products in a foreign country without a written consent from the Ministry of Economic Affairs within the two-year period starting from the date that this development project is finished. The Company recognizes income based on the progress made on the planned research and development projects. The development plan was completed on December 31, 2019. For the year ended December 31, 2019, the Company recognized income from government grant amounting to \$29,400 thousand within other gains and losses income.

To implement the project "Elan Electronic Smart Supply Chain AI Application" under the guidance from the Ministry of Economics 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 projects. On December 31, 2020 the subsidy received but not recognized amounting to \$4,000 thousand, was classified as other current liabilities. As of 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 \$4,000 thousand.

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

(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 December 31, 2020, the pending litigation of the Group was as follows:

- (i) On September 8, 2020, Bruckewell Technology Co., Ltd. received Taiwan HsinChu District Court's issuance of the payment order applied by Sooner Power Semiconductor Co., Ltd.. Sooner Power Semiconductor Co., Ltd. requested Bruckewell Technology Co., Ltd. to return the payment and claimed compensation amounting to \$32,687 thousand. The lawsuits was settled on December 9, 2020, and Semiconductor Co., Ltd. agreed to drop the lawsuits.
- (ii) 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 # ZL03158451.9 The Company appealed to the court to prohibit the defendant from using, manufacturing and selling the product, and requested for damages compensation amounting to CNY 25 million. Since the Company is the plaintiff in this case, no significant influence on the Company is expected.

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 #I556033. The Company appealed to the court to prohibit the defendant from using, manufacturing and selling the product. Since the Company is the plaintiff in this case, no significant influence on the Company is expected.

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

**(11) Subsequent events:**

- (a) On February 9, 2021, the Group sold 86.96% equity in Rising Star, for \$20,147 thousand.
- (b) In order to improve the efficiency of the Company's R&D and operation, the Board of Directors approved the "Hsinchu County International AI Smart Park Industrial Zone" bid for the superficies rights thereof on November 12, 2020. The Company's investment plan "Hsinchu County International AI Smart Park Industrial Zone (1)-3" was approved by the Vendor Selection Committee of Hsinchu County Government on December 24, 2020, subsequent to which the superficies were set up based on the Handbook for Establishing Rights of Superficies for Hsinchu County International AI Smart Park Industrial Zone (1), duration of 20 years and royalties totaling \$316,000 thousand. If there is no major breach of contract at the end of the contract term, the contract can be renewed for another 20 years, and the leased will be calculated and adjusted based on the announced land price during the contract period.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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- (c) The appropriation of earnings for 2020 was approved at the Board meeting on February 17, 2021. The cash dividend of \$9 per share, totaling \$2,734,924 thousand will be submitted to the shareholders' meeting to be held in June 2021 for approval.

**(12) Others:**

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

	For the years ended December 31					
	2020			2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee expenses						
Salaries and wages	\$ 329,490	1,771,474	2,100,964	266,549	1,510,018	1,776,567
Labor and health insurance	27,952	95,963	123,915	21,886	88,710	110,596
Pension expenses	9,013	60,014	69,027	7,959	62,716	70,675
Remuneration of directors	-	62,580	62,580	-	45,050	45,050
Others	23,251	47,996	71,247	16,966	42,038	59,004
Depreciation expenses	33,497	65,278	98,775	24,550	52,007	76,557
Amortization expenses	4,061	88,464	92,525	4,079	42,944	47,023

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2020:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2020 (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				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Elan Microelectronics Corporation	Harvatek Corporation	-	Current financial assets at fair value through profit or loss	244	4,310	-%	4,310	- %	
Elan Microelectronics Corporation	Fubon China Money Market Fund-TWD	-	Current financial assets at fair value through profit or loss	1,867	20,113	-%	20,113	- %	
Elan Microelectronics Corporation	Fubon Chi-Hsiang Money Market Fund	-	Current financial assets at fair value through profit or loss	2,540	40,141	-%	40,141	- %	
Elan Microelectronics Corporation	PineBridge Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,209	30,403	-%	30,403	- %	
Elan Microelectronics Corporation	Cathay Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	7,224	90,542	-%	90,542	- %	
Elan Microelectronics Corporation	Nomura Global Short Duration Bond Fund-TWD	-	Current financial assets at fair value through profit or loss	3,282	35,091	-%	35,091	- %	
Elan Microelectronics Corporation	Nomura Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	1,887	31,031	-%	31,031	- %	
Elan Microelectronics Corporation	KGI Victory Money Market Fund	-	Current financial assets at fair value through profit or loss	6,855	80,008	-%	80,008	- %	
Elan Microelectronics Corporation	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	2,900	39,573	-%	39,573	- %	
Elan Microelectronics Corporation	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	2,400	39,453	-%	39,453	- %	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	190	17,692	-%	17,692	- %	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	71	19,951	-%	19,951	- %	
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	12,403	-%	12,403	- %	

(Continued)

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (USD)(SERIES II)	-	Current financial assets at fair value through profit or loss	100	28,100	-%	28,100	- %	
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,077	13,732	4.14%	13,732	4.23 %	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,500	242,830	7.87%	242,830	7.87 %	
Elan Microelectronics Corporation	Chino-Excel Technology Corporation	-	Non-current financial assets at fair value through profit or loss	823	-	1.48%	-	1.48 %	
Elan Microelectronics Corporation	Panther technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	340	4,832	0.94%	4,832	0.94 %	
Elan Microelectronics Corporation	XINCE Co., Ltd	-	Non-current financial assets at fair value through profit or loss	2,866	-	9.24%	-	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	17.39 %	
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	7.00 %	
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	8.13 %	
Elan Microelectronics Corporation	TOP TAIWAN VI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	552	5,732	2.17%	5,732	2.17 %	
Elan Microelectronics Corporation	TOP TAIWAN VII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	2,265	27,582	6.12%	27,582	6.12 %	
Elan Microelectronics Corporation	TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	2,708	24,501	4.17%	24,501	4.17 %	
Elan Microelectronics Corporation	Midatouch Research Corporation	-	Non-current financial assets at fair value through profit or loss	2,500	7,625	9.43%	7,625	10.24 %	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	72,829	6.25%	72,829	6.25 %	
Elan Microelectronics Corporation	InnoBridge Venture Capital	-	Non-current financial assets at fair value through profit or loss	800	3,227	11.35%	3,227	11.35 %	
Elan Microelectronics Corporation	Startek Engineering Inc.	-	Non-current financial assets at fair value through profit or loss	189	-	0.53%	-	0.53 %	

(Continued)

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Elan Microelectronics Corporation	North Star Venture Capital	-	Non-current financial assets at fair value through profit or loss	3,000	41,823	10.00%	41,823	10.00 %	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO.,LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	48,137	6.25%	48,137	6.25 %	
Elan Microelectronics Corporation	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	495	-	6.56%	-	6.56 %	
Elan Microelectronics Corporation	Lyra Semiconductor Incorporated	-	Non-current financial assets at fair value through profit or loss	1,440	-	5.87%	-	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	279,834	18.52%	279,834	18.52 %	
Elan Microelectronics Corporation	Chimei Motor Electronics Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	950	5,139	4.13%	5,139	5.00 %	
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through profit or loss	200	1,424	1.63%	1,424	3.41 %	
Elan Microelectronics Corporation	Vertex Growth (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	59,167	-%	59,167	- %	
Elan Investment Corp.	FSITC Money Market Fund	-	Current financial assets at fair value through profit or loss	131	23,479	-%	23,479	- %	
Elan Investment Corp.	FSITC US Top 100 Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	1,500	15,327	-%	15,327	- %	
Elan Investment Corp.	FSITC Global Wealthy Nations Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	2,629	26,785	-%	26,785	- %	
Elan Investment Corp.	FSITC Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,271	35,043	-%	35,043	- %	
Elan Investment Corp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	5,320	-%	5,320	- %	
Elan Investment Corp.	FSITC Global Health & Weight Loss Fund	-	Current financial assets at fair value through profit or loss	500	5,360	-%	5,360	- %	
Elan Investment Corp.	Nomura Global Financial Bond Fund-N Accumulate TWD	-	Current financial assets at fair value through profit or loss	4,783	51,140	-%	51,140	- %	
Elan Investment Corp.	Nomura Global Financial Bond Fund	-	Current financial assets at fair value through profit or loss	3,589	40,055	-%	40,055	- %	
Elan Investment Corp.	Taishin Global Multi-asset Fund of Funds-TWD-A	-	Current financial assets at fair value through profit or loss	1,000	11,610	-%	11,610	- %	

(Continued)



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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Elan Investment Corp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	23,310	-%	23,310	- %	
Elan Investment Corp.	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	5,556	75,821	-%	75,821	- %	
Elan Investment Corp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	44,818	-%	44,818	- %	
Elan Investment Corp.	Taishin Ta-Chong Money Market Fund	-	Current financial assets at fair value through profit or loss	2,097	30,032	-%	30,032	- %	
Elan Investment Corp.	Taishin Short Duration Emerging High Yield Bond Fund	-	Current financial assets at fair value through profit or loss	4,200	43,253	-%	43,253	- %	
Elan Investment Corp.	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	534	49,644	-%	49,644	- %	
Elan Investment Corp.	Elan Microelectronics Corporation	Sbusidiary	Non-current financial assets at fair value through other comprehensive income	12,438	1,660,500	4.09%	1,660,500	4.09 %	
Elan Investment Corp.	Rafael Microelectronics, Inc.	-	Non-current financial assets at fair value through other comprehensive income	354	47,790	1.38%	47,790	1.59 %	
Elan Investment Corp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	19,827	3.88%	19,827	3.88 %	
Elan Investment Corp.	RISE Technology Com	-	Non-current financial assets at fair value through profit or loss	769	-	3.23%	-	3.23 %	
Elan Investment Corp.	Finemat Applied Materials Co., Ltd	-	Non-current financial assets at fair value through profit or loss	8,900	393,842	13.41%	393,842	13.41 %	
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%	-	2.25 %	
Elan Investment Corp.	Arplanet Digital Technology Co., Ltd	-	Non-current financial assets at fair value through profit or loss	75	1,155	2.57%	1,155	3.08 %	
Elan Investment Corp.	INNOJOY TECHNOLOGY INC.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	143	-	7.62%	-	10.00 %	
Elan Investment Corp.	ZQAM Communications Corporation-Preferred shares	-	Non-current financial assets at fair value through profit or loss	250	2,672	1.44%	2,672	4.63 %	

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Elan Investment Corp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	11,687	3.03%	11,687	3.03 %	
Elan Investment Corp.	ALGOLREALITY CO., LTD.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	100	-	13.04%	-	13.04 %	
Elan Investment Corp.	Vita Genomics, Inc.	-	Non-current financial assets at fair value through profit or loss	677	5,384	1.13%	5,384	1.13 %	
Elan Investment Corp.	Cognito Health International Inc.	-	Non-current financial assets at fair value through profit or loss	1,010	-	1.13%	-	1.47 %	
Elan Investment Corp.	Taiwan Intelligent Connect Co., Ltd.-Preferred shares	-	Non-current financial assets at fair value through profit or loss	10,000	2,007	14.29%	2,007	14.29 %	
Elan Investment Corp.	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	370	-	4.91%	-	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	523,296	3.47 %	Open Account 45 Days	-		53,824	2.45%	

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

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

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## 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	523,296	Open Account 45 Days	3.47%
0	Elan Microelectronics Corporation	Elan H.K.	1	Accounts receivables	53,824	Open Account 45 Days	0.37%
1	Elan H.K.	Elan Microelectronics Corporation	2	Commission revenue	391,056	Monthly settlement	2.59%

(b) Information on investees:

The followings are the information on investees for the years ended December 31, 2020 (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 December 31, 2020			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value				
Elan Microelectronics Corporation	Elan H.K. Microelectronics Corp. Ltd.	Hong Kong, China	Sale and after-sales service	123,272	123,272	29,328	100.00 %	494,563	100.00 %	201,463	201,463	Note
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	1,087,994	100.00 %	(306,883)	(306,883)	Note
Elan Microelectronics Corporation	Elan Information Technology Group	California, USA	Sale, after-sales service and provide new informational skills	22,822	22,822	65	100.00 %	17,275	100.00 %	2,217	2,217	Note
Elan Microelectronics Corporation	SHENZHEN JPUP 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 %	223	49.00 %	(2,180)	(1,068)	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	184,939	32,695	50.29 %	138,756	63.60 %	(99,113)	(49,372)	Note
Elan Microelectronics Corporation	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	134,523	134,523	12,542	80.08 %	(12,814)	80.08 %	(28,117)	(22,917)	Note
Elan Microelectronics Corporation	Tong fu Investment Corp.	Hsin-Chu, Taiwan	Investment holding	30,000	30,000	3,000	46.73 %	-	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 %	-	45.07 %	-	-	
Elan Microelectronics Corporation	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	163,599	376,024	15,427	97.95 %	63,846	97.95 %	(30,283)	(29,432)	Note
Elan Microelectronics Corporation	EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	52,100	52,100	4,113	28.94 %	33,091	28.94 %	2,783	806	Note
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	240,000	240,000	24,000	30.00 %	310,435	30.00 %	103,450	31,035	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	5,000	24.69 %	9,187	24.69 %	(18,056)	(4,459)	
Elan Microelectronics Corporation	Finger Pro. Incorporation	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	6,000	6,000	600	23.08 %	-	23.08 %	(2,039)	(1,267)	
Elan Microelectronics Corporation	Rising Star Technology Company Limited	Taipei, Taiwan	Software information and supply of electronic services	20,000	-	2,000	86.96 %	18,089	86.96 %	(881)	(605)	Note
Elan Microelectronics Corporation	Bruckewell Technology Co., Ltd	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	20,000	-	2,000	61.16 %	12,568	61.16 %	(12,070)	(6,186)	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 December 31, 2020			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value				
Elan Investment Corp.	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	6,463	6,463	646	4.13 %	(649)	4.13 %	(28,117)	(1,181)	Note
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 %	-	38.46 %	-	-	
Elan Investment Corp.	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	665	2,659	43	0.28 %	180	0.50 %	(30,283)	(127)	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	8,068	831	1.28 %	19,797	4.26 %	(99,113)	(1,314)	Note
Elan Investment Corp.	EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	38,481	38,481	2,138	15.04 %	17,681	15.04 %	2,783	419	Note
Elan (H.K.)	Power Asia Investment Corporation	Republic of Mauritius	Investment business	89,572	89,572	2,861	100.00 %	25,698	100.00 %	617	617	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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses) recognized	Carrying value as of December 31, 2020	Accumulated inward remittance of earnings as of December 31, 2020
					Outflow	Inflow							
Elan Shanghai	Provide system design, information on applications expansion	52,095	( 2 )	52,095	-	-	52,095	1,126	100.00%	100 %	1,126	16,887	-
Elan Shenzhen	Provide system design, information on applications expansion	34,670	( 2 )	34,670	-	-	34,670	(479)	100.00%	100 %	(479)	8,370	-

Note 1: Method of investment:

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

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

(ii) Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
86,765	98,333	5,430,373

Note: The investment limit was calculated on the official document 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:**

(a) General information

The Group has six reportable segments: Consumer Touch Control Business Unit, Laptop Input Device Business Unit, Network Communication Business Unit, Product Safety Surveillance Business Unit, Investment Business Unit, Sales Department and other departments. The main operations of Consumer Touch Control Business Unit are microprocessor, digital signal processor, application on specific integrated circuit and model. The Group also provides research and development service on the related products. Laptop Input Device Business Unit engages in research, sales, produce and manufacture of laptop input devices. The main operations of Network Communication Business Unit include research, develop and design network communication chips. Investment Business Unit engages in the management of investee. Sales Department provides sales product services. Other departments engage in design and manufacture of electronic devices.

The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains employed by the Group.

(b) Reportable information of segments profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations:

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses, because the taxation, extraordinary activity and foreign exchange gain or losses are managed on a group basis, and hence, they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that of the report used by the chief operating decision maker. The operating segment accounting policies are similar to the ones described in note (4) "Significant accounting policies".

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

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

For the year then ended December 31, 2020								
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communi- cation Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliat- ion and elimination	Total
Revenue								
Revenue from external customers	\$ 4,591,463	9,555,839	71,286	-	530,218	350,884	-	15,099,690
Intersegment revenues	531,120	-	-	-	391,056	28,182	(950,358)	-
Interest revenue	24,980	1,218	134	4,707	164	277	-	31,480
Total revenue	<u>\$ 5,147,563</u>	<u>9,557,057</u>	<u>71,420</u>	<u>4,707</u>	<u>921,438</u>	<u>379,343</u>	<u>(950,358)</u>	<u>15,131,170</u>
Interest expenses	\$ 3,000	7	673	16	1,176	840	-	5,712
Depreciation and amortization	103,270	29,591	20,179	615	13,695	23,950	-	191,300
Share of profit of equity-accounted investees (associates, and jointly controlled entities)	(186,668)	-	-	(2,203)	-	-	211,977	23,106
Other material non-cash items								
Reportable segment profit or loss	<u>\$ 1,225,836</u>	<u>3,275,700</u>	<u>(102,984)</u>	<u>(1,122)</u>	<u>241,648</u>	<u>(58,386)</u>	<u>(363,493)</u>	<u>4,217,199</u>
Equity-accounted investees	\$ 2,173,213	-	-	37,009	-	-	(1,890,600)	319,622
Non-current assets capital expenditure	255,167	40,149	75,319	-	5,156	19,404	-	395,195
Reportable segment assets	<u>\$ 10,082,034</u>	<u>3,846,552</u>	<u>406,364</u>	<u>2,749,372</u>	<u>650,028</u>	<u>403,433</u>	<u>(3,685,593)</u>	<u>14,452,190</u>
For the year then ended December 31, 2019								
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communi- cation Business Unit	Investme- nt Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliat- ion and elimination	Total
Revenue								
Revenue from external customers	\$ 2,517,659	6,227,996	88,084	-	563,892	89,581	765	9,487,977
Intersegment revenues	562,860	-	1,156	-	240,494	28,314	(832,824)	-
Interest revenue	36,558	4,026	56	151	453	166	-	41,410
Total revenue	<u>\$ 3,117,077</u>	<u>6,232,022</u>	<u>89,296</u>	<u>151</u>	<u>804,839</u>	<u>118,061</u>	<u>(832,059)</u>	<u>9,529,387</u>
Interest expenses	\$ 3,041	30	4,194	23	689	1,490	-	9,467
Depreciation and amortization	70,784	26,784	4,371	563	14,977	6,101	-	123,580
Share of profit of equity-accounted investees (associates, and jointly controlled entities)	(602,411)	-	-	(2,881)	-	-	650,974	45,682
Reportable segment profit or loss	<u>\$ 2,137,454</u>	<u>2,121,165</u>	<u>(58,320)</u>	<u>(920)</u>	<u>73,221</u>	<u>(77,058)</u>	<u>(2,114,116)</u>	<u>2,081,426</u>
Equity-accounted investees	\$ 1,838,379	-	-	24,889	-	-	(1,532,431)	330,837
Non-current assets capital expenditure	87,356	30,549	62,808	1,844	147	5,467	-	188,171
Reportable segment assets	<u>\$ 7,963,576</u>	<u>2,939,665</u>	<u>204,987</u>	<u>2,456,653</u>	<u>418,058</u>	<u>141,017</u>	<u>(2,877,064)</u>	<u>11,246,892</u>

(Continued)

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

(i) Information about products and services

Revenue from the external customers of the Group was as follows:

<b>Products and services</b>	<b>2020</b>	<b>2019</b>
Consumer Touch Control Integrated Circuit	\$ 5,121,681	3,082,316
Laptop Input Device	9,555,839	6,227,996
Network Communication Integrated Circuit	71,286	88,084
Other	350,884	89,581
Total	<u><u>\$ 15,099,690</u></u>	<u><u>9,487,977</u></u>

(ii) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<b>Geographical information</b>	<b>2020</b>	<b>2019</b>
Revenue from external customers:		
Taiwan	\$ 973,713	987,990
China	2,512,482	2,020,647
Hong Kong	11,380,557	6,424,206
Other countries (less than 5%)	232,938	55,134
	<u><u>\$ 15,099,690</u></u>	<u><u>9,487,977</u></u>

<b>Geographical information</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Non-current assets:		
Taiwan	\$ 1,536,311	1,260,596
China	20,596	26,903
Hong Kong	3,587	6,279
	<u><u>\$ 1,560,494</u></u>	<u><u>1,293,778</u></u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, not including financial instruments, deferred tax assets, assets of post-employment benefits and rights arising from an insurance contract (non-current).

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

(iii) Information about major customers

	<u><b>2020</b></u>	<u><b>2019</b></u>
Customer A (Laptop Input Device Model)	\$ 4,846,685	2,831,807
Customer A (Consumer Touch Control Integrated Circuit Model)	2,548,865	764,376
Customer B (Laptop Input Device Model)	2,531,298	1,713,092
Customer B (Consumer Touch Control Integrated Circuit Model)	<u>151,091</u>	<u>347,609</u>
	<u><u><b>\$ 10,077,939</b></u></u>	<u><u><b>5,656,884</b></u></u>

**6. Financial Difficulties of the Company and its Affiliates During the Last Fiscal Year and Until the Publishing date of the Annual Report : N/A**



## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 1. Analysis of Financial Status

#### Comparative Statement of Financial Status

Unit: NT\$ thousands

Item \ Year	2020	2019	Difference	
			Amount	%
Current Assets	11,185,991	8,006,975	3,179,016	39.70
Property, Plants and Equipment	872,781	760,537	112,244	14.76
Intangible Assets	449,557	304,219	145,338	47.77
Other Assets	296,038	271,869	24,169	8.89
<b>Total Assets</b>	<b>14,452,190</b>	<b>11,246,892</b>	<b>3,205,298</b>	<b>28.50</b>
Current Liabilities	4,561,646	3,057,941	1,503,705	49.17
Non-Current Liabilities	617,488	585,799	31,689	5.41
<b>Total Liabilities</b>	<b>5,179,134</b>	<b>3,643,740</b>	<b>1,535,394</b>	<b>42.14</b>
Equity Attributable to Shareholders of The Parent Company	9,050,622	7,668,931	1,381,691	18.02
Capital Stock	3,038,804	3,038,804	-	-
Capital Surplus	519,638	375,945	143,693	38.22
Retained Earnings	5,517,815	4,153,247	1,364,568	32.86
Other Equity	3,340	129,910	(126,570)	(97.43)
Treasury Shares	28,975	28,975	-	-
Non-Controlling Interest	222,434	(65,779)	288,213	(438.15)
<b>Total Stockholders' Equity</b>	<b>9,273,056</b>	<b>7,603,152</b>	<b>1,669,904</b>	<b>21.96</b>

Explanation:

- (1) Where the percentage of changes in the Company's consolidated assets, liabilities, and shareholders' equity in the past two years was more than 20% and the amount of changes reached NT\$10 million, the impact and future response actions:
  1. Current assets: The increase in the current period compared with last year was mainly due to the increase in sales revenue compared with that in 2019, which caused the increase in related accounts receivable, other receivables and inventories.
  2. Intangible assets: The increase in this period compared with last year was mainly due to the increase in the amount of patent rights and software obtained in response to research and development needs.
  3. Current liabilities: The increase in the current period compared with last year was mainly due to the increase in sales revenue compared with that in 2019, which increased the accounts payable and payable expenses arising from the purchase; coupled with the increase in profit, the income tax liability was also higher than 2019 due to an increase in the year.
  4. Capital Surplus: The increase in the current period compared with last year was mainly due to the increase in the capital reserve generated by the change in the equity of the recognized subsidiary during the year and the recognition factor the company's capital reserve recognized by the dividend adjustment of the parent company.
  5. Retained Earnings: The increase in the current period compared with last year was mainly due to the increase in profit for the current period and the disposal of equity instruments measured at fair value through other comprehensive gains and losses, and the unrealized gains and losses of financial assets were transferred to retained surplus.
  6. Other equity: The decrease in the current period compared with last year was mainly due to the disposal of equity instruments measured at fair value through other comprehensive gains and losses, and the transfer of unrealized gains and losses of financial assets to retained earnings.
  7. Non-controlling interests: The increase in the current period was mainly due to the

decrease in the shareholding ratio of the consolidated subsidiary and the new consolidated entity.

- (2) Future response actions: Not applicable

## 2. Analysis of Financial Performance

### (1) Analysis of Operation Results

Unit: NT\$ thousands

Items \ Year	2020	2019	Increase (Decrease) Amount	Difference (%)
Operating revenue	15,099,690	9,487,977	5,611,713	59.15
Gross Profit	7,054,196	4,416,688	2,637,508	59.72
Operating Income (Loss)	4,217,199	2,081,426	2,135,773	102.61
Non-operating income and expenses	(323,507)	728,234	(1,051,741)	(144.42)
Net profit before tax	3,893,692	2,809,660	1,084,032	38.58
Income before tax from continuing operations	3,193,038	2,464,742	728,296	29.55
Net Income (Loss)	3,193,038	2,464,742	728,296	29.55
Other comprehensive income (loss) (income after tax)	(33,401)	29,792	(63,193)	(212.11)
Total comprehensive income (loss)	3,159,637	2,494,534	665,103	26.66
Net income attributable to shareholders of the parent company	3,245,811	2,496,744	749,067	30.00
Net income attributable to non-controlling interest	(52,773)	(32,002)	(20,771)	64.91
Comprehensive income (loss) attributable to shareholders of the parent company	3,213,221	2,526,686	686,535	27.17
Comprehensive income (loss) attributable to non-controlling interest	(53,584)	(32,152)	(21,432)	66.66

- (2) Major reasons for material changes in consolidated operating income, net operating income, and net profit before tax in the past two years; the possible impact on the Company's future finance and business from the expected sales volume (include its basis) and the countermeasures therefor: (please provide analysis and explanation when the percentage of change is more than 20%, and the amount is more than 10 million)

1. Increase in operating income:

Mainly due to the increase in demand for home office notebooks driven by the new COVID-19 epidemic in this period, the revenue of this period has increased compared with the previous period.

1. Increase in operating net profit:

Mainly because of the increase in revenue during the current period, the net operating profit increased compared with the previous period.

2. Decrease in non-operating income and expenses:

Mainly due to the higher evaluation losses of financial assets in this period than in the previous period.

3. Increase in net profit before tax for the current period:

Mainly due to the revenue growth and gross profit margin maintained at the same level as the previous period, the net operating profit increased compared with the previous period, resulting in the increase of the net profit before tax in the current period compared with the previous period.

- (3) The possible impact on the Company's future finance and business from the expected sales volume (include its basis) and the countermeasures therefor:

Although global smartphone shipments have grown and remained flat in the past few years, total shipments have declined in 2020; Trendforce estimates that shipments will be 1.25 billion, an annual decrease of more than 10%. Looking to the future, 5G mobile phones are expected to become a product with significant growth in 2021, so the annual shipments are expected to reach 1.36 billion. As for the notebook computer shipment report, 2020 will be affected by the new COVID-19 epidemic, which will drive home office, remote teaching, and the home economy. The demand for notebook computers is very strong, with an annual increase of 28%, reaching 207 million units, the best performance of the year. According to current observations, the overall demand is still strong. According to the forecast of notebook brands, notebook computer shipments will be 253 million units in 2021, which is still a double-digit annual increase, and demand continues to be optimistic. According to the latest Canalsys report, tablet shipments will reach 156 million units in 2020; 155 million units will be shipped in 2021.

Shipment of notebooks is expected to reach 161,000,000 units in 2020, which is a slight decrease from that of last year. During the entire year of 2019, a total of 144,100,000 tablets were sold worldwide (an annual decrease of 1.5%), of which, Apple iPad is still the biggest winner with a total shipment of 49,900,000 units (an annual increase of 15.2%) and a market share of 34.6%; Samsung, Huawei, and Lenovo are in second, third and fifth places respectively, with shipments decreased by 7.2%, 3.5% and 4.2% respectively; Amazon ranks fourth, with shipments increased by 9.9%.

Personal privacy and online information security are also an important development trend. Mobile payment has becoming a major usage habit allowing users to complete transactions easily through mobile devices, such as smart phones, notebooks, tablets, smart cards, PC peripherals, etc. However, the actual penetration rate of mobile payment usage is still low. The security and reliability in making payment and reasonable fee of using mobile payment, etc., are still the most concerned issues of the consumers. Although biometric IC are now used as a key component for smart phones, the real use of smart phones in the payment is still limited to specific markets and not fully popularized.

Although biometric identification ICs have shifted from capacitive to optical or ultrasonic waves capable, the new ICs are adapting changes in materials such as changing from TFT LCD to OLED panel, etc., and all the required characteristics are different, but after various APPs are provided on each platform, the means to protect the privacy of consumers and the security in Internet usage to avoid hacking is very important for consumers; therefore, encrypted ICs are thus born. This product facilitates the provision of differenced competing energy and improvement in operations.

In the meanwhile, smart card products with biometric identification function (including credit card, ATM card, Easy Card, ID card, NHI card, etc.) are the application products with the most long-term potential. Many cards are not limited to one personal use; therefore, the market opportunity is optimistic. Other the other hand, smart cards adopting device with biometric function can effectively prevent the spread of fake cards and reduce credit cards incidents and disputes between banks and users arising from lost of credit cards and unauthorized use of credit cards; which, in addition to ensuring the security of the personal property, it also maintains goodwill of the vendors. The biggest difference is that the consumers have long been issued with the cards free of cost without purchasing. The means to reduce the cost of the smart card product with biometric function is also a key task. At present, biometric vendors are actively striving for market opportunities in this field. Once it reaches the sweet spot for pricing that end customers are willing to accept, it means that credit card products with fingerprint identification functions will officially take off.

In addition, the Company has long been engaged in the development and application of touch technology, and has patents in the United States, Japan, China and Taiwan. In general, the application of the successfully mass-produced touch control ICs that the Company researched and developed covers touch pad of various large, medium and small sizes, and coupled with complete terminal pre-sales and after-sales services for smart phones, tablets and stylus notebooks. The Company will continue to provide customers with a total solution that is more competitive in the international market.

The means to unleash the competitive advantage of the Company is a top priority. The Company works closely with the world-renowned Pen Protocol specification makers to provide terminal customers with the specification makers' latest and best solutions for smart phones, notebooks, tablets and other products. Due to the increasing size of smart phone screens and the availability of flexible and foldable phones, the potential for future development of pen-based touch control IC is anticipated.

While facing the global competition from peers of the touch control IC industry, the Company is still maintaining its leading position; of which the touch screen notebook ICs account for more than 60% of the world market share, while the touch pad modules also account for more than 50% of the world market share. At present, the competitors include many domestic and foreign IC design companies, such as American manufacturers Synaptics, Wacom and Microchip, Japanese manufacturer Alps and China manufacturer Goodix etc. On the other hand, due to the increasingly fierce competition, IC prices also dropped; therefore, effectively improving the performance of ICs, reducing IC production costs, establishing differentiated product characteristics, competitive technology thresholds and sales channels are the goals of the Company's continued efforts in 2021

The most important applications in the touch control industry are smart phones, notebooks and tablets. As competitors have accelerated their investment in recent years, the number of manufacturers has increased and their production capacities have expanded. As a result, competition among the entire supply chain has intensified, and manufacturers that cannot maintain strong competitiveness cannot profit or are forced to withdraw from the competition.

The Company is a professional IC design company with a full range of integrated solutions. It has a strong R & D team and invests more than 12% in R & D each year. It is an IC design company that focuses on research and development of new products. The quality of products developed by the Company is recognized by the customers; the proportion of revenue from global Tier 1 manufacturer customers accounted for more than half of the total revenue. The touch control notebook ICs accounted for nearly half of the world's market share. At present, the Company has three products that ranks first in the world, namely stylus notebook screen IC, touch pad module and point stick.

## 2. Analysis of Cash Flow

### (1) Cash Flow Analysis for the last fiscal year (2020)

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,502,121	3,305,152	(2,776,932)	2,030,341	—	—
<p>1. Analysis of change in consolidated cash flow in the current year:</p> <p>(1) Operating activities: The net cash inflow from operating activities increased by NT\$ 1,653,499,000 compared with the previous year, which was mainly due to the increase in net profit before tax for the year and the higher evaluation loss of financial assets that did not affect cash inflow.</p> <p>(2) Investment activities: The net cash outflow from investment activities increased by NT\$ 243,377,000 compared with the previous year, mainly due to the acquisition of financial assets measured at fair value through other comprehensive gains and losses this year.</p> <p>(3) Financing activities: The net cash outflow from financing activities increased by NT\$ 308,250,000 compared with the previous year, mainly due to the increase in the amount of cash dividends issued this year, the decrease in the consolidated short-term loans of the company, and the consolidated capital increase of non-controlling interests in subsidiaries.</p> <p>2. Expected remedy for cash deficit and liquidity analysis: N/A.</p>					

### (2) Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Estimated Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
2,030,341	4,189,404	(3,701,891)	2,517,854	—	—
<p>2. Analysis of change in cash flow in the current year:</p> <p>(1) Operating activities: In addition to the continued growth of the company's operating income due to the global economic recovery, the provision of high value-added fingerprint identification products in laptops is also the main driver of revenue growth. Operating activities are expected to be net cash inflows.</p> <p>(2) Investment activities: Mainly for investment in Zhubei AI Smart Park, purchase of fixed assets and software, etc., and expected reduction of inflows such as fixed deposits for more than three months. Investment activities are expected to be net cash outflows.</p> <p>(3) Financing activities: mainly due to the expected distribution of cash dividends to shareholders, and the expected financing activities are cash outflows.</p> <p>2. Expected remedy for cash deficit and liquidity analysis: N/A.</p>					

## 4. Major Capital Expenditure Items on the Financial Operations during the Last Fiscal Year:

### (1) Major Capital Expenditure Items and Source of Capital

The Company has no capital expenditure in recent years that has major impact on its finance.

### (2) Expected benefits: N/A.

**5. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:**

Item Affiliates	Policies	Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the coming year
Elan H.K Micro Electronics Corp	Sell the company's products, provide after-sales service, and establish a sales base	201,463	In the current period, due to the growth of the parent company's revenue, and the increase of commission income from product logistics management and after-sales service	—	—
Elan Investment Corporation	General Investment Business	(306,883)	Mainly due to the loss of financial asset evaluation during the current period.	—	—
Metanoia Communications Co., Ltd.	Manufacture cable and wireless communication machinery and equipment, electronic components, wholesale and retail telecommunication Equipment	(49,372)	Due to the continuous investment in the development of new telecommunication products and the delay in the progress of the telecommunication certification of customer premises equipment affected by the foreign COVID-19 epidemic affected the sales of the products, resulting in losses in 2020 years.	The new Netcom products are favored by foreign telecommunication companies such as Swisscom, British Telecom and other major manufacturers to carry out related certification and system development; it is expected to launch 5G product solutions and continue to develop the common market with NXP, thus it can be contributable to the operating income in 2021.	—
Avisonic Technology Corporation	Research, design, manufacture and sale of multimedia video compression and impact processing ICs	(22,917)	Due to the influence caused by the COVID-19 epidemic, customers have adjusted their mass production schedule, the overall sales turnover was declined slightly.	The overall automotive electronics market demand is heating up, customer demand kinetic energy has increased significantly, and a	—

			Because of the optimistic about the growth of the intelligent image recognition application market and the automotive image market, the continuous investment in the software and hardware technology development of image-related products has caused losses occurred in 2020, but the losses for the whole year was decreased compared with that in 2019.	variety of new models have entered the mass production stage. It is expected that product revenue kinetic energy will increase in 2021.	
PiXORD Corporation	Export and manufacture of the data storage and processing equipment, wireless communication machinery and equipment manufacturing	(29,432)	Due to the change in bidding strategy, the operating income in 2020 was reduced compared with that in 2019. However, continuous investment in research and development and promotion of tenders caused continuous losses in 2020.	Development of the 360-degree AI fisheye image detectors and AI gun camera image detectors etc. which can respectively detect vehicle information such as turning and stopping of traffic, and actively strive for domestic traffic technology bids to increase turnover.	—
Top Taiwan X Venture Capital Co., Ltd.	Venture Capital investment	31,035	Mainly due to the increase of the financial asset evaluation benefit of the current period	-	-

Note: Analysis on investment income and loss of more than NT\$10 million only.

## 6. Analysis of Risk Management and Assessment

### (1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

Unit: NT\$ thousands

Item	Year	2020
Net operating income		15,099,690
Net profit before tax		3,893,692
Net exchange (loss) profit		(134,164)
Net exchange (loss) profit to net income ratio		-0.89%
Net exchange (loss) profit to net profit before tax ratio		-3.45%
Interest revenues		31,480
Interest revenues accounted for net income ratio		0.21%
Interest revenues accounted for net profit before tax ratio		0.81%
Interest expenses		5,712
Interest expenses accounted for net income ratio		0.04%
Interest expenses accounted for net profit before tax ratio		0.15%

#### 1. Interest Rates:

The net interest income (expenses) accounted for 0.17% of net income in 2020. The Company has sufficient funds and does not have any financial borrowing; and given the economic recovery is still over-shadowed, safety is a major consideration in the use of funds. Therefore, the funds were allocated to the stable targets in order to obtain steady amount of interest income.

#### 2. Foreign Exchange Rates:

In order to avoid exchange rate fluctuations, the Company offsets regular sales amount with purchase amount to achieve the natural hedge effect on exchange rate changes. In 2020, the overall exchange loss was NT\$134,164,000. The Company's financial personnel pay close attention and duly response to exchange rate fluctuations at all time to reduce the impact of exchange rate changes on the Company's profit and loss.

#### 3. Inflation:

The Company has long-term cooperation with raw materials suppliers, so the source and price of the raw materials are quite stable; therefore, inflation has no significant impact on the Company's profit and loss. The Company will pay close attention to the changes in the relevant economic environment and the market to avoid adverse effect on the Company caused by inflation.

### (2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending" and "Procedures for Endorsement Guarantee". Furthermore, derivative transactions follow the "Procedures for Acquisition and Disposal of Assets".



### **(3) Future Research & Development Projects and Corresponding Budget**

#### **1. Future Research & Development Plans**

The Company works closely with the world-renowned Pen Protocol specification makers to provide terminal customers with the specification makers' latest and best solutions for smart phones, notebooks, tablets and other products. Due to the increasing size of smart phone screens and the availability of foldable phones, the potential for future development of pen-based touch control IC chips is anticipated.

While facing the global competition from peers of the touch control IC industry, the Company is still maintaining its leading position; of which the touch screen notebook ICs account for more than 60% of the world market share, while the touch pad modules also account for more than 60% of the world market share. At present, the competitors include many domestic and foreign IC design companies, such as American manufacturers Synaptics, Wacom and Microchip, Japanese manufacturer Alps and China Manufacturer Goodix. On the other hand, due to the increasingly fierce competition, IC prices also dropped; therefore, effectively improving the performance of ICs, reducing IC production costs, establishing differentiated product characteristics, competitive technology thresholds and sales channels are the goals of the Company's continued efforts in 2021.

The most important applications in the touch control industry are smart phones, notebooks and tablets. As competitors have accelerated their investment in recent years, the number of manufacturers has increased and their production capacities have expanded. As a result, competition among the entire supply chain has intensified, and manufacturers that cannot maintain strong competitiveness cannot profit or are forced to withdraw from the competition.

As for the point stick products for notebooks, the Company currently ranks first in the world in terms of market share. The Company mainly supplies to the world's largest notebook manufacturers. The Company has successfully developed high anti-noise and anti-RFI interference point stick sensor ICs, gained a US customer, and continue expanding market share.

As for the MCU products, the Company will continue to develop lower power consumption IC platforms to provide customers with the best solutions, while strengthening the collaboration with solution companies in mainland China and providing the best cost-effective control ICs.

2. The research and development expenses are expected to be approximately NT\$1.9 billion.

#### **(4) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The Company has a legal department responsible for the research and collection of information related to intellectual property, laws, and important policies at home and abroad to truly understand the impact of this on the Company's finance and business and provide timely countermeasures therefor.

Recent changes in major policies and laws at home and abroad have no material adverse impact on the company's finance and business.

**(5) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

The Company's diversified product lines can meet the needs of customers. The diversified product lines make the Company less subjective to technological changes than single product line or minority players. In recent years, the Company has actively sought multiple sources of production and has effectively controlled costs.

In addition, in terms of financial operations, the Company actively strengthened the management of cash flows and maintained a good financial structure to maintain the stable operation of the Company and diversify the operating risks. Therefore, technological changes have no significant impact on the finance and business of the Company.

**(6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures: N/A.**

**(7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: N/A.**

**(8) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: N/A.**

**(9) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:**

The company has concluded a non-recourse agreement for the sale of accounts receivable with financial institutions for the accounts receivable of major sales customers. According to the contract, the company does not have to bear the risk that the accounts receivable cannot be recovered in order to reduce the moderate risk of sales. The Company has consistently focused on identifying alternative sources for purchasing, and has worked to diversify its customer base in order to reduce the concentration of sales.

**(10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% :**

The shareholdings of the Company's directors or shareholders with over 10% shareholdings have been stable during the last few years, and there have been no major transfers or swaps of shares.

**(11) Effects of, Risks Relating to and Response to the Changes in Management Rights:**

The Company has no significant changes in the Board of Directors in 2020, therefore, we believe that the risk of changing in management rights that would cause damage to the Company is mitigated.

**(12) Litigation or non-litigation Matters:**

As of May 24, 2021

Major lawsuits	Explanation	Results
The Bruckewell Technology Co., Ltd. received a payment order issued by the Hsinchu District Court on September 8, 2019 because of the Plaintiff Sooner Power Semiconductor Co., Ltd. has filed a lawsuit requesting the Bruckewell Technology Co., Ltd. to return the engineering cost and expenses paid by the Sooner Power Semiconductor Co., Ltd. and claim for compensation.	The Bruckewell Technology Co., Ltd. received a payment order issued by the Hsinchu District Court on September 8, 2019 because of the Plaintiff Sooner Power Semiconductor Co., Ltd. has filed a lawsuit requesting the Bruckewell Technology Co., Ltd. to return the engineering cost and expenses paid by the Sooner Power Semiconductor Co., Ltd. and claim for compensation for a total amount of NT\$32,687,000. The case was settled on December 9, 2019 and the lawsuit was withdrawn by Sooner Power.	The two parties reached a settlement and the lawsuit has been withdrawn by the Sooner Power Semiconductor Co., Ltd.
Elan Microelectronics filed a patent infringement lawsuit at the Beijing Intellectual Property Court on December 2, 2019 against the Shenzhen Goodix Technology Co., Ltd. and Beijing Xinyitong Technology Co., Ltd.	Elan Microelectronics filed a patent infringement lawsuit at the Beijing Intellectual Property Court on December 2, 2019 against the Shenzhen Goodix Technology Co., Ltd. and Beijing Xinyitong Technology Co., Ltd., claiming that the capacitive touch chip used in the Touch Pad manufactured and sold by Goodix has infringed the China Mainland Invention Patent (No. ZL03158451.9) rights owned by the Elan Microelectronics. Therefore, Elan Microelectronics petitioned the court to prohibit the aforementioned defendants from using, manufacturing and selling the products involved in the case, and requested to pay a total of RMB 25 million for damages.	Because Elan Microelectronics is the plaintiff, after assessment it should have no material adverse effects on the company's finances and business.
Elan Microelectronics filed a patent infringement lawsuit at the Taiwan Intellectual Property Court on December 23, 2020 against the Goodix Technology Co., Ltd. and Shenzhen Goodix Technology Co., Ltd.	Elan Microelectronics filed a patent infringement lawsuit at the Taiwan Intellectual Property Court on December 23, 2020 against the Goodix Technology Co., Ltd. and Shenzhen Goodix Technology Co., Ltd. claiming that the touch controller used in the Touch Pad manufactured and sold by Goodix has infringed the China Mainland Invention Patent (No. I556033) rights owned by the Elan Microelectronics. Therefore, Elan Microelectronics petitioned to the court to prohibit the aforementioned defendant from using, manufacturing and selling the products involved in the case, and requesting compensation for damages.	Because Elan Microelectronics is the plaintiff, after assessment it should have no material adverse effects on the company's finances and business.
Elan Microelectronics (Shenzhen) CO., Ltd. has received on May 11, 2021 a patent infringement lawsuit filed by Goodix to Hohhot Intermediate People's Court	Elan Microelectronics (Shenzhen) CO., Ltd. has received on May 11, 2021 a patent infringement lawsuit filed by Goodix to Hohhot Intermediate People's Court against Elan Microelectronics, Elan Microelectronics (Shenzhen) and Xincheng Yunzhou Electronic Product Distribution Department.	A patent attorney has been appointed, after assessment it should have no material adverse effects on the company's finances and business.

### (13) Other Major Risk and Countermeasures:

#### Information Security

After taken the relevance of domestic and international information security management trends and biz-core business into consideration, ELAN Microelectronics continues to strengthen and refine the information security management system to ensure the safety of company data, systems, equipment and networks against accidental or malicious damages and inappropriate use, so that the information security system can operate continuously and steadily.

#### Information Security Risk Management Framework

In order for the information security management to operate effectively and sustainably, ELAN Microelectronics established the Information Security Management Committee, which is mainly responsible for reviewing the formulation of relevant policies, policies, systems and promotion of the organization of information security management, and regularly report the information security governance status to the Board of Directors. The President serves as the chairman, the Executive VP serves as the deputy chairman, and the head of the Information Management Department serves as the management representative. The Information Security Management Committee established functional teams based on professional division of labor to execute information security operations and to promote and implement information security policy. The information security risk management policy was reported at the board meeting on December 28, 2020, and the said information security risk is also listed for risk management.

The Company regularly evaluates information risk identification and related risk reduction measures every year, as follows:

Name of the work/process	Identified risk and consequences	Risk reduction measures adopted
Software and hardware maintenance / data storage / information system operation	The tapes were not properly stored, causing tape damages and untraceable loss of the company's important information.	Purchase moisture-proof box to place the tapes and perform random inspection on tapes of less than 1-year old; the tapes shall be divided into groups for off-site storage.
Software and hardware maintenance / data storage / information system operation	Computer viruses, hacking, and malicious programs (trojans, viruses) causing system errors that affect company operations.	Perform anti-virus scans on a regular basis every week. Set and update firewall server information from time to time. Update anti-virus and download system repair from time to time.
Software and hardware maintenance / data storage / information system operation	Transmit copied files out of the company, causing leakage of confidential information.	Regularly check file copy log every month; control and register internally shared USB flash drives; check email related records regularly.
Information Management System / Electronic Documentation System / Internal and External Websites	System programs and data were executed, queried and/or modified without approval.	1. Users shall fill out the MIS request form and send it to the Management Information System Division for processing after obtaining sign and approval from the authorized supervisor. 2. For the authority to add, modify, query, print, etc., users shall fill out the MIS request form to apply and send it to the Management Information System Division for processing after obtaining sign and approval from the authorized supervisor.

### 7. Other Important Matters: N/A.

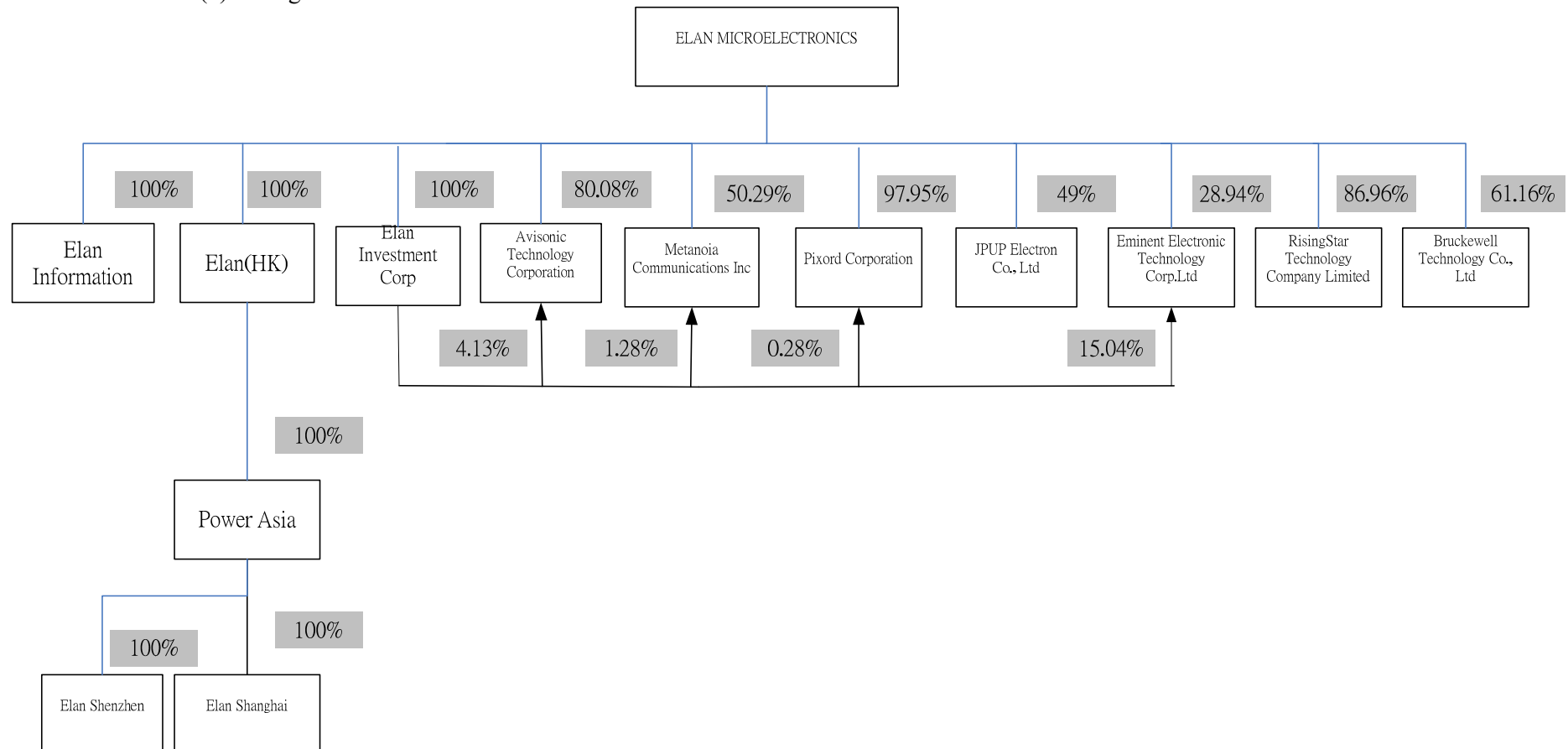
## VIII. Special Disclosure

### 1. Summary of Affiliated Companies

#### (1) Consolidated business report of the affiliates

##### 1. Overview of the affiliates

##### (1) Organizational chart of the affiliates:



Note: Eminent Electronic Technology Co., Ltd. was incorporated into the Elan Group on Feb. 19, 2020. Rising Star Technology Co., Ltd. was incorporated into the Elan Group on Jan. 31, 2020. Bruckewell Technology Co., Ltd. was incorporated into the Elan Group on May 31, 2020.

(2) Basic information of each affiliate:

Company name	Date of incorporation	Address	Paid-up capital	Main business or production items
Elan H.K Micro electronics Corp.	May 15, 1997	Flat A, 19/F., World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong	HKD 29,328,003	Sales the Company's products, provide after-sales services, establish sales outlets
Elan Investment Corporation	May 31, 2000	Room#1, 5/F, No. 306, Section 1, Dunhua South Road, Taipei City	NTD 500,000,000	General investment business
Elan Information	Jan. 11, 2002	10268 Bandley Drive Suite 101, Cupertino, CA 95014, USA	USD 650,000	Provide after-sales services, obtain product information and technologies
Power Asia Investment Corp.	Jun. 6, 2002	2nd Floor, Felix House, 24 Dr. Joseph Riviere Street, Port Louis, Republic of Mauritius.	USD 2,861,000	General investment business
Elan Shanghai Co., Ltd.	Aug. 6, 2002	Room 703, No. 3, Lane 88, Shengrong Road, Pudong New Area, Shanghai	USD 1,500,000	Information supply services
Elan Shenzhen Co., Ltd.	Jun. 6, 2003	8A Floor, Microprofit Building, Gaoxin South Road 6, Shenzhen Hi-Tech Industrial Park, South Area, Shenzhen	USD 1,000,000	Information supply services
Metanoia Communications Inc.	Dec. 1, 2003	3/F, No. 12, Chuangxin 1st Road, Hsinchu Science Park	NTD 650,150,000	Manufacture cable and wireless communication machinery and equipment, electronic components, wholesale and retail telecommunication equipment
Avisonic Technology Corporation	Dec. 22, 2003	7/F, No.12, Innovation 1st Rd., Hsinchu Science Park	NTD 156,626,000	Research, design, manufacture and sale of multimedia video compression and impact processing ICs
JPUP Electron Co., Ltd.	Dec. 26, 2002	Room#13, 21/F, No. 1, Section 1, Zhongshan Road, Banqiao District, New Taipei City	NTD 16,000,000	Manufacture data storage and processing equipment, manufacture and wholesale of electronic components
PiXORD Corporation	Aug. 10, 2000	5/F, No. 12, Chuangxin 1st Road, Hsinchu Science Park	NTD 157,500,000	Export manufacturing, data storage and processing equipment, wireless communication machinery and equipment manufacturing
Eminent Electronic Technology	Sep. 2, 2010	6/F, No. 12, Chuangxin 1st Road, Hsinchu Science Park	NTD 142,117,710	Electronic component manufacturing, computer and peripheral equipment manufacturing, optical instrument manufacturing
Rising Star Technology	Jun. 27, 2019	5th Floor, No. 6, Lane 107, Section 3, Minsheng East Road, Songshan District, Taipei City	NTD 23,000,000	Data software and processing services, electronic information supply services
Bruckewell Technology Co., Ltd.	Dec.16, 2009	Room 1, 6F., No. 65, Gaotie 7th Rd., Zhubei City, Hsinchu County	NTD 32,700,000	Electronic component manufacturing, electronic material wholesale and retail

- (3) Information on party presumed to be related to be controlling and subsidiary company:  
N/A.
- (4) If the industries covered by the affiliates are related to each other in terms of business operations, the division of work shall be explained:

Name of Subsidiary	Main business or production items	Division of work
Elan H.K Micro electronics Corp.	Sales the Company's products, provide after-sales services, establish sales outlets	The Company's Asia-Pacific sales outlet
Elan Investment Corporation	General investment business	Not applicable
Elan Information Technology Group	Provide after-sales services, obtain product information and technologies	The Company's customer services outlet in North America
Power Asia Investment Corp.	General investment business	Not applicable
Elan Shanghai Co., Ltd.	Information supply services	The Company's development and customer service outlet in Eastern China market
Elan Shenzhen Co., Ltd.	Information supply services	The Company's development and customer services outlet in Southern China market
Metanoia Communications Inc.	Manufacture cable and wireless communication machinery and equipment, electronic components, wholesale and retail telecommunication equipment	Not applicable
Avisonic Technology Corporation	Research, design, manufacture and sale of multimedia video compression and impact processing ICs	Not applicable
JPUP Electron Co., Ltd.	Manufacture data storage and processing equipment, manufacture and wholesale of electronic components	The Company's foundry
PiXORD Corporation	Export manufacturing, data storage and processing equipment, wireless communication machinery and equipment manufacturing	Not applicable
Eminent Electronic Technology	Electronic component manufacturing, computer and peripheral equipment manufacturing, optical instrument manufacturing	Not applicable
Rising Star Technology	Data software and processing services, electronic information supply services	Not applicable
Bruckewell Technology Co., Ltd.	Electronic component manufacturing, electronic material wholesale and retail	Not applicable

(5) Name of the Directors, Supervisors and President of each affiliate and their shareholding status:

Company Name	Title	Name or Representative	Shares held	
			Number of shares	Shareholding %
Elan H.K Microelectronics Corp.	Director	ELAN Microelectronics Corporation Representative: YEH, I-HAU	29,328,000	100%
		ELAN Microelectronics Corporation Representative: YEH, I-MING	29,328,000	100%
	Director	ELAN Microelectronics Corporation Representative: TSENG, WEN-YA	29,328,000	100%
		ELAN Microelectronics Corporation Representative: YEH, I-MING	50,000,000	100%
	Chairman	ELAN Microelectronics Corporation Representative: YEH, I-MING	65,000	100%
		ELAN Microelectronics Corporation Representative: JOE T. YEH		
Elan Investment Corporation	Chairman	ELAN Microelectronics Corporation Representative: YEH, I-MING	50,000,000	100%
Elan Information Technology Group	Director and President	ELAN Microelectronics Corporation Representative: JOE T. YEH	65,000	100%
Power Asia Investment Corp.	Director	Elan H.K Microelectronics Corp. Representative: YEH, I-HAU	2,861,000	100%
Elan Shanghai Co., Ltd.	Chairman	Power Asia Investment Corp. Representative: LI, I-CHING	-	100%
		Power Asia Investment Corp. Representative: WENG, CHING-HSIUNG	-	100%
	Director	Power Asia Investment Corp. representative: YEH, I-MING	-	100%
		Power Asia Investment Corp. Representative: YEH, I-MING	-	100%
	Chairman	Power Asia Investment Corp. Representative: LI, I-CHING	-	100%
		Power Asia Investment Corp. Representative: WENG, CHING-HSIUNG	-	100%
Elan Shenzhen Co., Ltd.	Director	Power Asia Investment Corp. Representative: WENG, CHING-HSIUNG	-	100%
		Power Asia Investment Corp. Representative: YEH, I-MING	-	100%
	Chairman	Power Asia Investment Corp. Representative: LI, I-CHING	-	100%
		Power Asia Investment Corp. Representative: WENG, CHING-HSIUNG	-	100%
	Director	Power Asia Investment Corp. Representative: YEH, I-MING	-	100%
		Power Asia Investment Corp. Representative: YEH, I-MING	-	100%
Metanoia Communications Inc.	Chairman	ELAN Microelectronics Corporation Representative: YEH, I-HAU	32,695,022	50.29%
		ELAN Microelectronics Corporation Representative: WU, Chien-Te	32,695,022	50.29%
	Director	ELAN Microelectronics Corporation Representative: Didier M.H. Boivin	32,695,022	50.29%
		ELAN Microelectronics Corporation Representative: DIDIER M.H. BOIVIN	32,695,022	50.29%
	Supervisor	Elan Investment Corporation Representative: YEN, KUO-LUNG	831,199	1.28%
		Elan Investment Corporation Representative: YEN, KUO-LUNG	831,199	1.28%
Avisonic Technology Corporation	Chairman	ELAN Microelectronics Corporation Representative: YEH, I-HAU	12,541,909	80.08%
		ELAN Microelectronics Corporation Representative: YEH, I-HAU	12,541,909	80.08%
	Director	ELAN Microelectronics Corporation Representative: LIU, TAI-MING	12,541,909	80.08%
		ELAN Microelectronics Corporation Representative: YEN, KUO-LUNG	12,541,909	80.08%
	Director	ELAN Microelectronics Corporation Representative: TAO, I-HSIN	12,541,909	80.08%
		ELAN Microelectronics Corporation Representative: LIN, MENG-CHUN	12,541,909	80.08%
	Supervisor	Elan Investment Co., Ltd. Representative: LIN, YUNG-JEN	646,296	4.13%
		Elan Investment Co., Ltd. Representative: LIN, YUNG-JEN	646,296	4.13%
	Supervisor	Elan Investment Co., Ltd. Representative: TSENG, WEN-YA	646,296	4.13%
		Elan Investment Co., Ltd. Representative: TSENG, WEN-YA	646,296	4.13%
JPUP Electron Co., Ltd.	Director	ELAN Microelectronics Corporation Representative: WU, TSUNG-HSIAO	784,000	49.00%
		ELAN Microelectronics Corporation Representative: TSAI, WEN-CHENG	784,000	49.00%
	Director	ELAN Microelectronics Corporation Representative: HSIEH, WEN-YU	784,000	49.00%
		ELAN Microelectronics Corporation Representative: HSIEH, WEN-YU	784,000	49.00%
	Director	ELAN Microelectronics Corporation Representative: HSIEH, WEN-YU	784,000	49.00%
		ELAN Microelectronics Corporation Representative: HSIEH, WEN-YU	784,000	49.00%



Company Name	Title	Name or Representative	Shares held	
			Number of shares	Shareholding %
	Director	ELAN Microelectronics Corporation	784,000	49.00%
		Representative: TSAI, CHIEN-WEN		
PiXORD Corporation	Chairman	ELAN Microelectronics Corporation	15,427,195	97.95%
		Representative: YEH, I-HAU		
	Director	ELAN Microelectronics Corporation	15,427,195	97.95%
		Representative: LIN, MENG-CHUN		
	Director	ELAN Microelectronics Corporation	15,427,195	97.95%
		Representative: LI, MING-HSIA		
	Director	ELAN Microelectronics Corporation	15,427,195	97.95%
		Representative: YANG, CHONG-LIANG		
Eminent Electronic Technology	Director	ELAN Microelectronics Corporation	15,427,195	97.95%
		Representative: HU, CHONG-PING		
	Supervisor	Elan Investment Co., Ltd.	43,458	0.28%
		Representative: LIN, YUNG-JEN		
	Supervisor	Elan Investment Co., Ltd.	43,458	0.28%
		Representative: TSENG, WEN-YA		
	Chairman	ELAN Microelectronics Corporation	4,113,444	28.94%
		Representative: YEH, I-HAU		
Rising Star Technology	Director	ELAN Microelectronics Corporation	4,113,444	28.94%
		Representative : YEN, KUO-LUNG		
	Director	ELAN Microelectronics Corporation	4,113,444	28.94%
		Representative : WU, Kao-Bing		
Bruckewell Technology Co., Ltd.	Supervisor	Elan Investment Co., Ltd.	2,137,861	15.04%
		Representative : LIN, Jung-Ren		
	Director	ELAN Microelectronics Corporation	2,000,000	86.96%
		Representative : CHUO, Hsiun-Rong		
	Director	ELAN Microelectronics Corporation	2,000,000	86.96%
		Representative : HU, Chung-Ping		
	Supervisor	ELAN Microelectronics Corporation	2,000,000	61.16%
		Representative : LIN, Jung-Ren		

## 2. Operating Highlights:

### Operating Highlights of Each Affiliates

Unit: NT\$ thousands

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating Profit	Profit or Loss of the period (after-tax)	EPS (after-tax)
Elan H.K	123,272	614,265	117,866	496,399	921,275	240,382	201,463	6.87
Elan Investment	500,000	2,749,372	878	2,748,494	0	(1,122)	(306,883)	(6.14)
Elan Information	22,822	17,335	60	17,275	20,577	2,222	2,217	34.11
Metanoia Communications	650,150	406,364	127,947	278,417	71,286	(102,984)	(99,113)	(1.66)
Avisonic Technology	156,626	38,197	53,425	(15,228)	36,048	(31,245)	(28,117)	(1.80)
JPUP Electron	16,000	3,150	2,695	455	5,760	(2,180)	(2,180)	(1.36)
PiXORD Corporation	157,500	75,744	10,562	65,182	8,867	(33,242)	(30,283)	(1.15)
Eminent Electronic (Note 1)	142,118	220,221	90,610	129,611	276,552	12,849	2,783	0.20
Rising Star Technology (Note 2)	23,000	21,851	1,049	20,802	8,269	(702)	(881)	(0.38)
Bruckewell Technology (Note 3)	32,700	26,934	6,384	20,550	22,992	(6,088)	(12,070)	(3.69)
Power Asia	98,368	25,698	0	25,698	0	(2)	617	0.22
Elan Shanghai	52,095	25,854	8,967	16,887	38,112	1,202	1,126	-
Elan Shenzhen	34,670	35,166	26,796	8,370	63,051	66	(479)	-

Note 1 : Eminent Electronic Technology Co., Ltd. was incorporated into the Elan Group on Feb. 19, 2020.

Note 2 : Rising Star Technology Co., Ltd. was incorporated into the Elan Group on Jan. 31, 2020.

Note 3 : Bruckewell Technology Co., Ltd. was incorporated into the Elan Group on May 31, 2020.

Note 4 : The Assets and Liabilities accounts are based on the foreign currency exchange rates as of December 31, 2020: US\$1 to NT\$28.10, HKD 1 to NT\$3.62, RMB1 to NT\$4.32

The profit and loss accounts are based on the average exchange rate in 2020: US\$1 to NT\$29.396, HKD 1 to NT\$3.79, and RMB1 to NT\$4.266.

## **(2) Consolidated financial statements of the affiliates**

### **Statement of the Consolidated Financial Statements of the Affiliates**

The companies that the Company shall include in the 2020 (from January 1, 2010 to December 31, 2020) consolidated financial statements of the affiliates pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as the companies that shall be included in parent-subsidary consolidated financial statements pursuant to IFRS 10 adopted by Financial Supervisory Commission, and the relevant information that shall be disclosed in the consolidated financial statements of the affiliates has been disclosed in the parent-subsidary consolidated financial statements; therefore, the Company hereby declare that a separate consolidated financial statements of the affiliates will not be prepared.

Company Name: ELAN Microelectronics Corporation

Responsible person: YEH, I-HAU

Date: February 17, 2021

**2. Private Placement Securities During the Last Fiscal Year and Until the Publishing date of the Annual Report: N/A.**

**3. Shares in the Company Held or Disposed by Subsidiaries During the Last Fiscal Year and Until the Publishing date of the Annual Report:**

Unit: NT\$ thousands; Shares; %

Name of Subsidiary	Stock Capital Collected	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed of	Investment Gain (Loss)	Shareholdings and Amount in Most Recent Year	Mortgage	Endorsement Amount Made for the Subsidiary	Amount Loaned to the Subsidiary
ELAN Investment	500,000	Self-funding	100%	Oct. 1, 2008	17,573,679 shares; NT\$154,477,318	0	0	0	0	0	0
				As of the publishing date of the annual reports	12,438,199 shares; NT\$28,975,663	0	0	0	0 (Note 4)	0	0

Note 1: Please list the subsidiaries by type.

Note 2: "Amount" referred to actual acquisition or disposal amount.

Note 3: List the status of possession and disposal separately.

Note 4: Explains its impact on the Company's operation results and Analysis of Financial Status: no impact.

**4. Other Necessary Supplementary Explanations: N/A.**

**IX. Any matter that has material effect on the shareholders' equity or the price of securities as set out in Article 36, Paragraph 3, Item 2 of the Company Act during the last fiscal year and until the publishing date of the annual report: N/A.**

**Public Company's Statement on Internal Control**  
**Represents the effectiveness of both the design and execution**  
(This statement is applicable when all laws and ordinances are compiled herewith)

**ELAN Microelectronics Corporation**  
**Statement on Internal Control**

Date: December 31, 2020

The Company hereby undertakes the 2020 internal control system based on the results of the self-assessment as follows:

1. The Company acknowledges that establishing, implementing and maintaining the internal control system is the responsibility of the Board of Directors and managers of the company, and the Company has established such system. Its purpose is to reasonably assure the effectiveness and efficiency of operations (including profitability, performance, and protection of asset safety, etc.), reporting reliability, timeliness, transparency and compliance with relevant laws and regulations.
2. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the above three goals. Moreover, due to changes in the environment and conditions, the effectiveness of the internal control system may change. However, the Company's internal control system has a self-monitoring mechanism. Once the deficiency is identified, the Company will take immediate corrective action.
3. The Company determines the effectiveness of the design and implementation of the internal control system based on the internal control system identifiers set out in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The internal control system identifiers adopted in the "Regulations" divided the internal control system into five items based on management control processes: (1) Control environment; (2) Risk assessment; (3) Control operations; (4) Information and communicate; and (5) Supervision. Each component includes several sub-items. Please refer to the provisions of the "Regulations" for details of the aforementioned items.
4. The Company has adopted the above-mentioned internal control system identifiers to assess the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the foregoing evaluation, the Company believes that the Company's design and implementation of the internal control system (including the supervision and management of its subsidiaries) as of December 31, 2020 (Note2), includes understanding the effectiveness of the operation, degree of achieving the goals, reliable reports, timeliness, transparency and compliance with relevant laws and regulations, are effective, and the abovementioned goals can be reasonably assured of achievement.
6. This statement will become a major part of the Company's annual report and public statement, and will be disclosed to the public. If any of the above disclosed content is false or hidden, it will be subject to legal obligations under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement was adopted by the Board of Directors of the Company on March 23, 2021 of the 7 attending Directors, 0 opposed, and all of them agree with the contents of this statement.

ELAN Microelectronics Corporation  
Chairman: YEH, I-HAU (Signed & Sealed)  
PRESIDENT: YEH, I-HAU (Signed & Sealed)

Note 1: If there are major deficiencies found in the design and implementation of the public company's internal control system during the year, the company shall add list and explanation for the major deficiencies found via self-assessment, and the Company's improvement actions taken before the balance sheet date and improvement status following the fourth item in the Statement on Internal Control.

Note 2: Date of the statement is "the end of the fiscal year".