

**ELAN MICROELECTRONICS CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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## **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, 2021 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 22, 2022



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## Independent Auditors' Report

To the Board of Directors of  
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 balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and 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 report of another auditor (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 of December 31, 2021 and 2020, 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”), Interpretations developed by International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation 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 report of another auditor, 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 in accounted for using the equity method of the Group. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts 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 1.99% and 2.15% of the consolidated total assets on December 31, 2021 and 2020, respectively, and the related share of profit of associates accounted for using the equity method constituted 0.51% and 0.80% of the consolidated total profit before tax for the years then ended, respectively.

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, 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. Inventory valuation**

Refer to Note 4(h) for accounting policy on inventory, Note 5 for accounting estimations and assumption uncertainty of inventory valuation, and Note 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**

Refer to Note 4(o) and 6(s) 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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect 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 and 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 remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 22, 2022

#### **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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:											
1100	Cash and cash equivalents (notes 6(a) and (v))	\$	4,254,507	25	2,030,341	14	2100	Short-term borrowings (notes 6(l), (v) and 9)	\$	30,000	-
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (v))		772,628	4	969,808	8	2170	Accounts payable (note 6(v))		1,706,452	10
1170	Notes and accounts receivable, net (notes 6(c) and (v))		1,794,193	11	2,162,216	15	2206	Employee bonus payable (note 6(u))		821,000	5
1200	Other receivables (notes 6(c) and (v))		1,176,985	7	1,474,775	10	2230	Current tax liabilities		1,020,464	6
1310	Inventories, net (note 6(d))		2,314,145	14	1,782,653	12	2280	Current lease liabilities (notes 6(m) and (v))		21,687	-
1410	Prepayments and other current assets		32,053	-	23,348	-	2300	Other current liabilities (note 6(v) and 9)		1,253,154	8
1476	Current financial assets at amortized cost (notes 6(a), (v) and 8)		1,725,450	10	2,735,650	19				4,852,757	29
			12,069,961	71	11,178,791	78				4,561,646	32
Non-current assets:											
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and (v))		1,577,319	9	1,023,849	8	2570	Deferred tax liabilities (note 6(o))		1,067	-
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(e) and (v))		491,824	3	304,352	2	2580	Non-current lease liabilities (notes 6(m) and (v))		671,682	4
1536	Non-current financial assets at amortized cost (notes 6(a), (v) and 8)		7,200	-	7,200	-	2640	Net defined benefit liability, non-current (note 6(n))		396,993	2
1551	Investments accounted for using equity method (note 6(f))		346,697	2	319,622	2	2645	Guarantee deposits received (note 6(v))		36,641	-
1600	Property, plant and equipment (note 6(i))		952,324	6	872,781	6				1,106,383	6
1755	Right-of-use assets (note 6(j))		838,550	5	205,921	1				5,959,140	35
1780	Intangible assets (note 6(k))		424,650	3	449,557	3				5,179,134	36
1840	Deferred tax assets (note 6(o))		39,994	-	33,221	-					
1900	Other non-current assets (note 6(v))		184,489	1	56,896	-					
			4,863,047	29	3,273,399	22					
Total assets											
		\$	16,933,008	100	14,452,190	100					
Current liabilities:											
2100	Short-term borrowings (notes 6(l), (v) and 9)	\$	30,000	-	40,000	-					
2170	Accounts payable (note 6(v))		1,706,452	10	1,826,667	13					
2206	Employee bonus payable (note 6(u))		821,000	5	527,000	4					
2230	Current tax liabilities		1,020,464	6	802,401	6					
2280	Current lease liabilities (notes 6(m) and (v))		21,687	-	21,858	-					
2300	Other current liabilities (note 6(v) and 9)		1,253,154	8	1,343,720	9					
			4,852,757	29	4,561,646	32					
Non-Current liabilities:											
2570	Deferred tax liabilities (note 6(o))		1,067	-	1,244	-					
2580	Non-current lease liabilities (notes 6(m) and (v))		671,682	4	187,361	1					
2640	Net defined benefit liability, non-current (note 6(n))		396,993	2	389,456	3					
2645	Guarantee deposits received (note 6(v))		36,641	-	39,427	-					
			1,106,383	6	617,488	4					
			5,959,140	35	5,179,134	36					
Total liabilities											
Equity attributable to owners of parent: (notes 6(f) and (q))											
3100	Capital stock		3,038,804	18	3,038,804	21					
3200	Capital surplus		631,181	4	519,638	4					
	Retained earnings:										
3310	Legal reserve		2,159,576	13	1,825,597	13					
3350	Undistributed earnings		5,824,804	34	3,692,218	25					
			7,984,380	47	5,517,815	38					
3400	Other equity		195,094	1	3,340	(1)					
3500	Treasury shares		(1,106,485)	(7)	(28,975)	-					
	Total equity attributable to owners of parent:		10,742,974	63	9,050,622	62					
36XX	Non-controlling interests		230,894	2	222,434	2					
	Total equity		10,973,868	65	9,273,056	64					
	Total liabilities and equity	\$	16,933,008	100	14,452,190	100					

See accompanying notes to financial statements.



(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, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	<b>Total operating revenue</b> (notes 6(s), 7 and 14)	\$ 18,327,973	100	15,099,690	100
5000	<b>Total operating costs</b> (notes 6(d) and (n))	<u>9,212,132</u>	<u>50</u>	<u>8,045,231</u>	<u>53</u>
5900	<b>Gross profit from operations</b>	9,115,841	50	7,054,459	47
5920	Add: Realized (unrealized) profit from sales	<u>559</u>	<u>-</u>	<u>(263)</u>	<u>-</u>
5950	<b>Gross profits</b>	<u>9,116,400</u>	<u>50</u>	<u>7,054,196</u>	<u>47</u>
6000	<b>Operating expenses:</b> (notes 6(c), (n) and 12)				
6100	Selling expenses	612,778	3	535,271	4
6200	Administrative expenses	529,698	3	436,498	3
6300	Research and development expenses	2,315,472	13	1,858,343	12
6450	Impairment gain and loss determined in accordance with IFRS 9	<u>(6,773)</u>	<u>-</u>	<u>6,885</u>	<u>-</u>
		<u>3,451,175</u>	<u>19</u>	<u>2,836,997</u>	<u>19</u>
6900	<b>Net Operating income</b>	<u>5,665,225</u>	<u>31</u>	<u>4,217,199</u>	<u>28</u>
7000	<b>Non-operating income and expenses:</b>				
7100	Interest income (note 6(t))	18,824	-	31,480	-
7010	Other income (note 6(t))	60,228	-	72,652	-
7020	Other gains and losses (notes 6(g), (h) and (t))	295,630	2	(445,033)	(3)
7050	Finance costs	<u>(9,845)</u>	<u>-</u>	<u>(5,712)</u>	<u>-</u>
7770	Shares of gain of associates accounted for using equity method (note 6(f))	<u>31,087</u>	<u>-</u>	<u>23,106</u>	<u>-</u>
		<u>395,924</u>	<u>2</u>	<u>(323,507)</u>	<u>(3)</u>
7900	<b>Profit before income tax</b>	6,061,149	33	3,893,692	25
8110	Less: Income tax expenses (note 6(o))	<u>1,033,611</u>	<u>6</u>	<u>700,654</u>	<u>5</u>
	<b>Net profit</b>	<u>5,027,538</u>	<u>27</u>	<u>3,193,038</u>	<u>20</u>
8300	<b>Other comprehensive income (loss):</b> (notes 6(f) and (q))				
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311	Losses on remeasurements of defined benefit plans	(27,149)	-	(17,150)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	318,216	2	(15,191)	-
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>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>291,067</u>	<u>2</u>	<u>(32,341)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign financial statements	(503)	-	(1,078)	-
8370	Shares of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(3)	-	18	-
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>(506)</u>	<u>-</u>	<u>(1,060)</u>	<u>-</u>
8300	<b>Other comprehensive income (loss), net</b>	<u>290,561</u>	<u>2</u>	<u>(33,401)</u>	<u>-</u>
8500	<b>Comprehensive income</b>	<u>\$ 5,318,099</u>	<u>29</u>	<u>3,159,637</u>	<u>20</u>
	<b>Net profit (loss) attributable to:</b>				
8610	Owners of parent	\$ 5,102,446	27	3,245,811	20
8620	Non-controlling interests	<u>(74,908)</u>	<u>-</u>	<u>(52,773)</u>	<u>-</u>
		<u>\$ 5,027,538</u>	<u>27</u>	<u>3,193,038</u>	<u>20</u>
	<b>Comprehensive income (loss) attributable to:</b>				
8710	Owners of the parent	\$ 5,393,243	29	3,213,221	20
8720	Non-controlling interests	<u>(75,144)</u>	<u>-</u>	<u>(53,584)</u>	<u>-</u>
		<u>\$ 5,318,099</u>	<u>29</u>	<u>3,159,637</u>	<u>20</u>
	<b>Earnings per share (expressed in dollars)</b> (note 6(r))				
9710	Basic earnings per share	<u>\$ 17.64</u>		<u>11.14</u>	
9850	Diluted earnings per share	<u>\$ 17.34</u>		<u>10.97</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, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Ordinary shares	Capital surplus	Retained earnings		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Unappropriated retained earnings						
<b>Balance at January 1, 2020</b>	\$ 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	-	-	249,674	(249,674)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(1,975,223)	-	-	-	(1,975,223)	-	(1,975,223)
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)	-	-	-	-
<b>Balance at December 31, 2020</b>	3,038,804	519,638	1,825,597	3,692,218	(6,597)	9,937	(28,975)	9,050,622	222,434	9,273,056
Net profit	-	-	-	5,102,446	-	-	-	5,102,446	(74,908)	5,027,538
Other comprehensive income	-	-	-	(27,093)	(326)	318,216	-	290,797	(236)	290,561
Total comprehensive income	-	-	-	5,075,353	(326)	318,216	-	5,393,243	(75,144)	5,318,099
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	333,979	(333,979)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(2,734,924)	-	-	-	(2,734,924)	-	(2,734,924)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	111,944	-	-	-	-	-	111,944	-	111,944
Purchase of treasury share	-	-	-	-	-	-	(1,077,510)	(1,077,510)	-	(1,077,510)
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	90,097	90,097
Changes in non-controlling interests	-	(401)	-	-	-	-	-	(401)	(6,493)	(6,894)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	126,136	-	(126,136)	-	-	-	-
<b>Balance at December 31, 2021</b>	\$ 3,038,804	631,181	2,159,576	5,824,804	(6,923)	202,017	(1,106,485)	10,742,974	230,894	10,973,868

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, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 6,061,149	3,893,692
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expense	128,163	98,775
Amortization expense	129,186	92,525
Expected credit loss (gain)	(6,773)	6,885
Net loss (profit) on financial assets at fair value through profit or loss	(345,647)	308,507
Interest expense	9,845	5,712
Interest income	(18,824)	(31,480)
Dividend income	(33,674)	(44,985)
Share-based payment transactions	1,057	-
Share of profit of associates accounted for using equity method	(31,087)	(23,106)
Loss on disposal of property, plant and equipment	346	3,030
Gain on disposal of investments	(6,254)	(13,754)
Gain on a bargain purchase	(1,201)	-
Impairment loss and disposal loss on inventory	121,362	83,388
Reversal of impairment loss	(3,930)	-
Gain on adjustments to lease	-	(590)
<b>Total adjustments to reconcile profit</b>	<b>(57,431)</b>	<b>484,907</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in notes and accounts receivable	363,617	(926,791)
Increase in inventories	(659,265)	(460,186)
Decrease (increase) in prepayments and other current assets	(9,164)	1,757
Decrease (increase) in other receivables	297,585	(646,574)
Increase (decrease) in notes and accounts payable	(117,843)	626,260
Increase in other current liabilities	216,936	486,872
Decrease in net defined benefit liability	(19,612)	(67)
Cash inflow generated from operations	6,075,972	3,459,870
Interest received	18,941	31,627
Interest paid	(9,845)	(5,934)
Income taxes paid	(822,498)	(179,339)
<b>Net cash flows from operating activities</b>	<b>5,262,570</b>	<b>3,306,224</b>
<b>Cash flows from (used in) investing activities:</b>		
Dividends received	37,682	46,657
Acquisition of non-current financial assets at fair value through other comprehensive income	-	(268,800)
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	130,744	140,691
Acquisition of current financial assets at fair value through profit or loss	(218,318)	(2,223,481)
Proceeds from disposal of current financial assets at fair value through profit or loss	432,035	2,048,471
Acquisition of non-current financial assets at fair value through profit or loss	(240,162)	(29,755)
Proceeds from disposal of non-current financial assets at fair value through profit or loss	-	4,002
Proceeds from capital reduction and liquidation of financial assets at fair value through profit or loss	15,803	44,456
Decrease (increase) in financial assets at amortized cost	1,010,200	(453,400)
Net cash flow from acquisition of subsidiaries	2,337	123,128
Proceeds from disposal of subsidiaries	19,637	-
Proceeds from capital reduction of investments accounted for using equity method	3,930	-
Acquisition of property, plant and equipment	(153,479)	(149,835)
Proceeds from disposal of property, plant and equipment	2	1,060
Acquisition of intangible assets	(105,775)	(234,722)
Increase in refundable deposits	(158,038)	(13,891)
Decrease (increase) in other non-current assets	2,175	(21,902)
<b>Net cash flows from (used in) investing activities</b>	<b>778,773</b>	<b>(987,321)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	10,000	98,000
Decrease in short-term borrowings	(20,000)	(299,000)
Increase (decrease) in guarantee deposits received	(2,778)	13,366
Payment of lease liabilities	(193,516)	(26,869)
Cash dividends paid	(2,622,980)	(1,894,375)
Payments to acquire treasury shares	(1,077,510)	-
Change in non-controlling interests	90,097	319,267
<b>Net cash flows used in financing activities</b>	<b>(3,816,687)</b>	<b>(1,789,611)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(490)</b>	<b>(1,072)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,224,166</b>	<b>528,220</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>2,030,341</b>	<b>1,502,121</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 4,254,507</b>	<b>2,030,341</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, 2021 and 2020**

(expressed in thousands of New Taiwan Dollar unless otherwise specified)

**(1) Company history**

Elan Microelectronics Corporation (hereinafter referred to as the “Company”) was incorporated on May 5, 1994, under the approval of Ministry of Economic Affairs, Republic of China (“R.O.C.”). The Company is located at the Hsinchu Science 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 (TWSE) 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 Company Act of the 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 related information of the Group entities’ main business activities.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on February 22, 2022.

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	Effective date to be determined by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> <li>• requiring companies to disclose their material accounting policies rather than their significant accounting policies;</li> <li>• clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and</li> <li>• clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.</li> </ul>	January 1, 2023

(Continued)

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 8 “Definition of Accounting Estimates”	<p>The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.</p> <p>The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.</p>	January 1, 2023

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

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

The significant accounting policies presented in the consolidated financial statements are summarized bellows. The following accounting policies were applied consistently throughout the periods presented 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..

**(b) Basis of preparation**

**(i) Basis of measurement**

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;

(Continued)

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

- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities are measured at 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 Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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

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

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

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2021	December 31, 2020	
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 %	51.57 %	-
The Company and Elan Investment Corp.	Avisonic Technology Corp. (Avisonic)	Research, design, develop, manufacture and sale on digital image-process chips	87.91 %	84.21 %	note 7
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 %	98.23 %	note 5
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	28.74 %	43.98 %	note 2
The Company	RisingStar Technology Company Limited (RisingStar)	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 4
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 technical support and information service	100.00 %	100.00 %	-
Power Asia	Elan Shenzhen	Provide technical support and information service	100.00 %	100.00 %	-
MetaCom	Metanoia EU	Provide technical support and information service	100.00 %	- %	note 6

Note 1: The Company obtained 3 out of 5 Board seats and gained control over JPUP.

(Continued)



## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Note 2: On February 19, 2020, the Company obtained 3 out of 5 Board seats and gained control over Eminent, thus, the investee has been included in the consolidated financial statements since then. In addition, Eminent issued shares resulting from the exercise of employee stock options on April 19, 2021, and increased capital on August 16, 2021. The Group's ownership decreased to 28.74%.

Note 3: On January 31, 2020, the Company acquired 86.96% equity of RisingStar. However, the Company disposed 86.96% of RisingStar's equity ownership and lost control on February 9, 2021. RisingStar was excluded from the consolidated financial statements thereafter.

Note 4: On May 31, 2020, the Company acquired additional 22.51% equity of Bruckewell and accordingly, the Company's ownership increased from 38.65% to 61.16%. Bruckewell has been included in the consolidated financial statements since then. However, the Company disposed 61.16% of Bruckewell's equity ownership and lost control on December 29, 2021. Bruckewell was excluded from the consolidated financial statements thereafter.

Note 5: On August, 2020, the Group's ownership increased to 98.23% after participating in the capital increase of PiXORD.

Note 6: On April 28, 2021, MetaCom acquired 100.00% equity of Metanoia EU, thus, the investee has been included in the consolidated financial statements since then.

Note 7: On August 30, 2021, the Group's ownership increased to 87.91% after participating in the capital increase of Avisonic.

#### (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 presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the 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 only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

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

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a 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 is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It 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.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(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 an 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 accounts 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 AND SUBSIDIARIES

### Notes to the Consolidated 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 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
- 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.

(Continued)

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

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.

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 receivables, 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 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.

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor 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.

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.

(Continued)

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

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.

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 obligations are 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.

(Continued)

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

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.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The costs of inventories is calculated using the weighted average method, and includes 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 statements 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. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

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.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment)

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(or retained earnings) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

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.

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.

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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) Machinery and equipment: 2~6 years
- 3) Office and transportation equipment: 1~10 years

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

**(k) Leases**

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.

**(i) 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.

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, including in-substance 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

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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- 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 an extension or termination option; or
- 5) there is any lease modification

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.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and office equipment 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, 2022; 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.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(ii) 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.

Other intangible assets, including patents, 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

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:

Technical know-how	1~5 years
Computer software	1~6 years

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-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 cash-generating units (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.

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.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(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.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(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.

(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 plans

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.

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## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 plans

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.

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 as the related service is 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.

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(r) Share-based payment

The grant-date fair value of share-based payment granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to payment. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service at the vesting date.

(s) 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 are 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.

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

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- 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.

(t) 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.

(u) 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 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 share bonus which have yet to be approved by the shareholders' meeting.

(v) 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). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

In preparing these consolidated financial statements, management has made 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 judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is 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 to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

Inventory valuation

As inventories are measured at the lower of cost and net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at each reporting date 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. Please refer to note 6(d).

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

**(a) Cash and cash equivalents**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Petty cash	\$ 755	737
Checking and demand deposits	2,477,962	1,739,104
Time deposits with maturities of three months or less	<u>1,775,790</u>	<u>290,500</u>
	<b><u>\$ 4,254,507</u></b>	<b><u>2,030,341</u></b>

- (i) As of December 31, 2021 and 2020, time deposits with maturities more than three months held by the Group amounted to \$1,732,650 thousand and \$2,742,850 thousand, respectively, and were recorded as current and non-current financial assets at amortized cost.
- (ii) The Group did not recognize impairment loss on current and non-current financial assets at amortized cost for the years ended December 31, 2021 and 2020. Please refer to note 6(v) for the information on credit risk of the Group.

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Mandatorily measured at fair value through profit or loss:		
Current:		
Listed stocks	\$ 6,691	4,310
Certificates of beneficial interest	706,368	905,044
Short-term commercial papers	<u>59,569</u>	<u>60,454</u>
Subtotal	<u>772,628</u>	<u>969,808</u>
Non-current:		
Listed stocks	523,342	393,842
Non-publicly traded stocks	876,923	570,840
Unlisted funds	<u>177,054</u>	<u>59,167</u>
Subtotal	<u>1,577,319</u>	<u>1,023,849</u>
Total	<b><u>\$ 2,349,947</u></b>	<b><u>1,993,657</u></b>

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(c) Notes and accounts receivable

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes receivable	\$ 5,550	5,343
Accounts receivable - fair value through other comprehensive income	1,125,227	772,934
Accounts receivable - measured at amortized cost	691,897	1,419,193
Less: Loss allowance	<u>(28,481)</u>	<u>(35,254)</u>
	<b><u>\$ 1,794,193</u></b>	<b><u>2,162,216</u></b>

The Group has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such accounts receivable was 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 receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The loss allowance provisions were determined as follows:

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Expected credit loss</b>
Current	\$ 1,674,675	0.20%	3,377
1 to 30 days past due	98,805	1.78%	1,756
31 to 60 days past due	27,414	11.21%	3,072
61 to 90 days past due	3,385	55.56%	1,881
More than 90 days past due	<u>18,395</u>	50%~100%	<u>18,395</u>
	<b><u>\$ 1,822,674</u></b>		<b><u>28,481</u></b>

  

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

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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The movement in the allowance for notes and accounts receivable was as follows:

	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 35,254	28,369
Impairment loss recognized (reversed)	<u>(6,773)</u>	<u>6,885</u>
Balance at December 31	<u><b>\$ 28,481</b></u>	<u><b>35,254</b></u>

The Group entered into non-recourse factoring agreements with different financial institutions to sell its accounts receivable. Under the agreements, the Group does not have the responsibility to assume the default risk of the transferred accounts receivable. The Group derecognized the above accounts receivable 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 receivable. As of December 31, 2021 and 2020, the Group sold its accounts receivable without recourse as follows:

<b>December 31, 2021</b>						
<b>Purchaser</b>	<b>Accounts derecognized</b>	<b>Factoring Line</b>	<b>Advanced Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest Rate</b>	<b>Collateral</b>
Financial Institution	<u>\$ 1,060,125</u>	<u>2,862,560</u>	<u>-</u>	<u>1,060,125</u>	<u>0.05%~0.10%</u>	None

  

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

The Group has deducted the advanced amount from the accounts receivable in accordance with the condition of derecognition as of December 31, 2021 and 2020. 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, 2021 and 2020. Please refer to note 6(v) for the information on credit risk of the Group.

(d) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 750,079	657,429
Work in progress	1,260,834	851,032
Finished goods	<u>303,232</u>	<u>274,192</u>
	<u><b>\$ 2,314,145</b></u>	<u><b>1,782,653</b></u>

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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The details of the cost of sales were as follows:

	<b>2021</b>	<b>2020</b>
Inventory that has been sold	\$ 9,091,598	7,962,184
Write-down of inventories	121,362	83,388
Others	<u>(828)</u>	<u>(341)</u>
	<b><u>\$ 9,212,132</u></b>	<b><u>8,045,231</u></b>

As of December 31, 2021 and 2020, the Group did not provide any inventories as collateral for its loans.

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Equity investments at fair value through other comprehensive income:		
Emerging stocks	\$ 20,969	13,732
Listed stocks	<u>470,855</u>	<u>290,620</u>
	<b><u>\$ 491,824</u></b>	<b><u>304,352</u></b>

(i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

(ii) The Group sold its shares for the years ended December 31, 2021 and 2020. The shares sold had a fair value of \$130,744 thousand and \$140,691 thousand, wherein the Group realized a gain of \$126,136 thousand and \$110,319 thousand, respectively, which was reclassified from other comprehensive income to retained earnings.

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

(iv) As of December 31, 2021 and 2020, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral for its loans.

(f) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date was as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Associates	<b><u>\$ 346,697</u></b>	<b><u>319,622</u></b>

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

		Main operating location / Registered Country of the Company	December 31, 2021		December 31, 2020	
	Nature of the relationship with the Group		Amount	Share- holding (%)	Amount	Share- holding (%)
Tong Fu Investment Corporation	Investment holding	R.O.C.	\$ 26,070	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
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, computers and its related products, manufactures optical instruments	R.O.C.	77,706	38.46	77,706	38.46
			<u>\$ 411,488</u>		<u>415,418</u>	

(i) Associates

A summary of the Group's shares of gain of associates accounted for using equity method for the years ended December 31, 2021 and 2020 was as follows:

	2021	2020
Shares of gain of associates accounted for using equity method	<u>\$ 31,087</u>	<u>23,106</u>

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

	2021	2020
Attributable to the Group:		
Profit from continuing operations	\$ 31,087	23,106
Other comprehensive (loss) income	(3)	18
Comprehensive income	<u>\$ 31,084</u>	<u>23,124</u>

(ii) Pledges

As of December 31, 2021 and 2020, the Group had not provided any investments accounted for using the equity method as collateral for its loans.

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(g) Business combinations

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

	<b>February 19, 2020</b>
Fair value of pre-existing interest in Eminent	\$ 54,466
Non-controlling interest in the acquisition	<u>69,376</u>
	<b><u>\$ 123,842</u></b>
Current assets	
Cash and cash equivalents	\$ 105,009
Accounts receivables	70,642
Inventories	17,064
Prepayments	2,538
Non-current assets	
Property, plant and equipment (note 6(i))	29,697
Intangible assets (note 6(k))	247
Other non-current assets	36
Guarantee deposits	5
Current liabilities	
Accounts payables	(27,695)
Other payables	(719)
Other current liabilities	(30,631)
Guarantee deposits received	<u>(42,351)</u>
Total identifiable net assets acquired	<b><u>\$ 123,842</u></b>

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

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

	<b>January 31, 2020</b>
Consideration paid by cash	<b>\$ 20,000</b>
Current assets	
Cash and cash equivalents	\$ 18,119
Prepayments	169
Non-current assets	
Property, plant and equipment (note 6(i))	280
Intangible assets (note 6(k))	2,857
Guarantee deposits	78
Current liabilities	
Other current liabilities	(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 obtained control over the investee.
- 2) The following table summarizes the acquisition-date fair value of major class of consideration transferred.

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

Current assets	
Cash and cash equivalents	\$ 11,542
Accounts receivables	3,428
Inventories	2,589
Other current assets	2,158
Non-current assets	
Property, plant and equipment (note 6(i))	10,008
Intangible assets (note 6(k))	37
Guarantee deposits	5

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Current liabilities

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

- 4) The Group re-measured the fair value of its existing equity interest in Bruckewell 38.65% before the business combination, and recognized loss of \$1,246 thousand, please refer to note 6(t).
- (iv) 1) To expand European operations and provide technical support and services, the Group acquired 100.00% shares of Metanoia Communication Europe (Metanoia EU) at an investment cost of \$34 thousand (EUR\$1 thousand) and obtained control over it on April 28, 2021.
- 2) The following table summarizes the acquisition-date fair value of major class of consideration transferred.

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

- 3) The Group recognized gain on a bargain purchase of \$1,201 thousand due to the acquisition of Metanoia EU, please refer to note 6(t).
- (h) Loss control of subsidiaries
- (i) The Group had sold 86.96% of its shares in RisingStar, wherein the proceeds of \$20,111 thousand on February 9, 2021, resulted in the loss of control over RisingStar. Therefore, the \$1,343 thousand gain on disposal of a subsidiary had been recognized as other gains and losses under other comprehensive income.
- 1) The carrying amounts of assets and liabilities of RisingStar on the date of disposal were as follows:
- |   |           |
|---|-----------|
| Cash and cash equivalents                 | \$ 10,945 |
| Accounts receivables                      | 8,431     |
| Prepayments                               | 186       |
| Property, plant and equipment (note 6(i)) | 245       |

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Intangible assets (note 6(k))	1,860
Guarantee deposits	93
Other payables	<u>(177)</u>
Carrying amount of net assets	<u><b>\$ 21,583</b></u>
2) Gain on disposal of a subsidiary	
Cash received	\$ 20,111
Carrying amount of net assets	(21,583)
Carrying amount of non-controlling interests	<u>2,815</u>
Gain on disposal	<u><b>\$ 1,343</b></u>
3) Net cash flows from disposal of a subsidiary	
Cash received	\$ 20,111
Less: Carrying amount of cash and cash equivalents	<u>(10,945)</u>
	<u><b>\$ 9,166</b></u>
(ii) The Group had sold 61.16% of its shares in Bruckewell on December 29, 2021, wherein the proceeds of \$13,000 thousand, resulting in the loss of control over Bruckewell. Therefore, the \$4,911 thousand gain on disposal of a subsidiary had been recognized as other gains and losses under other comprehensive income.	
1) The carrying amounts of assets and liabilities of Bruckewell on the date of disposal were as follows:	
Cash and cash equivalents	\$ 2,529
Accounts receivable	2,748
Other receivables	138
Inventories	6,411
Prepayments	299
Property, plant and equipment (note 6(i))	7,910
Intangible assets (note 6(k))	511
Guarantee deposits	798
Accounts payable	(2,372)
Other current liabilities	<u>(5,748)</u>
Carrying amount of net assets	<u><b>\$ 13,224</b></u>
2) Gain on disposal of a subsidiary	
Cash received	\$ 13,000
Carrying amount of net assets	(13,224)
Carrying amount of non-controlling interests	<u>5,135</u>
Gain on disposal	<u><b>\$ 4,911</b></u>

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3) Net cash flows from disposal of a subsidiary

Cash received	\$ 13,000
Less: Carrying amount of cash and cash equivalents	<u>(2,529)</u>
	<b><u>\$ 10,471</u></b>

(i) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office and transportation equipment</u>	<u>Equipment awaiting examination and prepayments on construction</u>	<u>Total</u>
Cost:						
Balance at January 1, 2021	\$ 230,790	1,162,385	575,934	160,230	30,451	2,159,790
Acquisitions	-	-	250	-	-	250
Additions	-	10,464	102,689	16,611	23,715	153,479
Effect of disposal of subsidiaries	-	-	(6,884)	(4,901)	-	(11,785)
Derecognized	-	-	(41,538)	(7,767)	-	(49,305)
Reclassification	-	5,333	41,119	214	(20,187)	26,479
Effect of movements in exchange rates	-	-	8	26	-	34
Balance at December 31, 2021	<b><u>\$ 230,790</u></b>	<b><u>1,178,182</u></b>	<b><u>671,578</u></b>	<b><u>164,413</u></b>	<b><u>33,979</u></b>	<b><u>2,278,942</u></b>
Balance at January 1, 2020	\$ 230,790	1,089,827	518,632	151,594	8,567	1,999,410
Acquisitions	-	-	32,960	4,345	2,680	39,985
Additions	-	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 movements in exchange rates	-	-	16	20	-	36
Balance at December 31, 2020	<b><u>\$ 230,790</u></b>	<b><u>1,162,385</u></b>	<b><u>575,934</u></b>	<b><u>160,230</u></b>	<b><u>30,451</u></b>	<b><u>2,159,790</u></b>
Depreciation:						
Balance at January 1, 2021	\$ -	694,485	456,020	136,504	-	1,287,009
Depreciation	-	20,294	61,917	9,933	-	92,144
Effect of disposal of subsidiaries	-	-	(1,733)	(1,897)	-	(3,630)
Derecognized	-	-	(41,269)	(7,688)	-	(48,957)
Reclassification	-	-	(172)	172	-	-
Effect of movements in exchange rates	-	-	23	29	-	52
Balance at December 31, 2021	<b><u>\$ -</u></b>	<b><u>714,779</u></b>	<b><u>474,786</u></b>	<b><u>137,053</u></b>	<b><u>-</u></b>	<b><u>1,326,618</u></b>
Balance at 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 movements in exchange rates	-	-	15	16	-	31
Balance at December 31, 2020	<b><u>\$ -</u></b>	<b><u>694,485</u></b>	<b><u>456,020</u></b>	<b><u>136,504</u></b>	<b><u>-</u></b>	<b><u>1,287,009</u></b>
Carrying amount:						
Balance at December 31, 2021	<b><u>\$ 230,790</u></b>	<b><u>463,403</u></b>	<b><u>196,792</u></b>	<b><u>27,360</u></b>	<b><u>33,979</u></b>	<b><u>952,324</u></b>
Balance at December 31, 2020	<b><u>\$ 230,790</u></b>	<b><u>467,900</u></b>	<b><u>119,914</u></b>	<b><u>23,726</u></b>	<b><u>30,451</u></b>	<b><u>872,781</u></b>

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

(j) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2021	\$ 186,883	36,203	948	12,179	236,213
Additions	655,854	6,347	-	7,000	669,201
Derecognized	-	(612)	-	-	(612)
Effect of movements in exchange rates	-	132	-	-	132
Balance at December 31, 2021	<u>\$ 842,737</u>	<u>42,070</u>	<u>948</u>	<u>19,179</u>	<u>904,934</u>
Balance at January 1, 2020	\$ 186,140	40,667	375	8,847	236,029
Additions	743	4,892	948	3,977	10,560
Derecognized	-	(9,574)	(375)	(645)	(10,594)
Effect of movements in exchange rates	-	218	-	-	218
Balance at December 31, 2020	<u>\$ 186,883</u>	<u>36,203</u>	<u>948</u>	<u>12,179</u>	<u>236,213</u>
Accumulated depreciation:					
Balance at January 1, 2021	\$ 11,165	14,045	132	4,950	30,292
Depreciation	16,541	13,328	316	5,834	36,019
Effect of movements in exchange rates	-	73	-	-	73
Balance at December 31, 2021	<u>\$ 27,706</u>	<u>27,446</u>	<u>448</u>	<u>10,784</u>	<u>66,384</u>
Balance at January 1, 2020	\$ 5,570	8,024	237	1,715	15,546
Depreciation	5,595	15,461	270	3,880	25,206
Derecognized	-	(9,574)	(375)	(645)	(10,594)
Effect of movements in exchange rates	-	134	-	-	134
Balance at December 31, 2020	<u>\$ 11,165</u>	<u>14,045</u>	<u>132</u>	<u>4,950</u>	<u>30,292</u>
Carrying amount:					
Balance at December 31, 2021	<u>\$ 815,031</u>	<u>14,624</u>	<u>500</u>	<u>8,395</u>	<u>838,550</u>
Balance at December 31, 2020	<u>\$ 175,718</u>	<u>22,158</u>	<u>816</u>	<u>7,229</u>	<u>205,921</u>

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

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(k) Intangible assets

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

	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 176,838	230,769	233,204	640,811
Additions	-	57,438	48,337	105,775
Effect of disposal of subsidiaries	-	-	(3,684)	(3,684)
Reclassifications	-	(25)	900	875
Derecognized	-	(7,124)	(13,602)	(20,726)
Balance at December 31, 2021	<u>\$ 176,838</u>	<u>281,058</u>	<u>265,155</u>	<u>723,051</u>
Balance at 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 at December 31, 2020	<u>\$ 176,838</u>	<u>230,769</u>	<u>233,204</u>	<u>640,811</u>
Accumulated amortization:				
Balance at January 1, 2021	\$ -	92,014	99,240	191,254
Additions	-	49,530	79,656	129,186
Effect of disposal of subsidiaries	-	-	(1,313)	(1,313)
Derecognized	-	(7,124)	(13,602)	(20,726)
Balance at December 31, 2021	<u>\$ -</u>	<u>134,420</u>	<u>163,981</u>	<u>298,401</u>
Balance at January 1, 2020	\$ -	58,927	128,893	187,820
Additions	-	36,349	56,176	92,525
Derecognized	-	(3,167)	(85,894)	(89,061)
Reclassifications	-	(95)	65	(30)
Balance at December 31, 2020	<u>\$ -</u>	<u>92,014</u>	<u>99,240</u>	<u>191,254</u>
Carrying amount:				
Balance at December 31, 2021	<u>\$ 176,838</u>	<u>146,638</u>	<u>101,174</u>	<u>424,650</u>
Balance at December 31, 2020	<u>\$ 176,838</u>	<u>138,755</u>	<u>133,964</u>	<u>449,557</u>

- (i) For the years ended December 31, 2021 and 2020, the Group did not recognize any impairment loss. The amortization of intangible assets was included in the statement of comprehensive income:

	<u>2021</u>	<u>2020</u>
Operating costs	<u>\$ 4,499</u>	<u>4,061</u>
Operating expenses	<u>\$ 124,687</u>	<u>88,464</u>

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(ii) Impairment testing for goodwill

- 1) For the Group'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, 2021</b>	<b>December 31, 2020</b>
Laptop input device business cash-generating unit	\$ 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 units (CGUs) were based on their value-in-use, determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The key assumptions used in the estimation of the value-in-use were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Average revenue growth rate	4.1 %	4.4 %
Discount rate	7.88 %	9.30 %

The key assumptions represent the management's evaluation of the future industry trends, wherein the external, internal and also historical information, were considered. There was no impairment loss incurred as of December 31, 2021 and 2020.

(i) Short-term borrowings

The short-term borrowings were summarized as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unsecured bank loans	<b><u>\$ 30,000</u></b>	<b><u>40,000</u></b>
Range of interest rate	<b><u>1.78%~ 1.80%</u></b>	<b><u>1.80%~ 1.99%</u></b>
Unused short-term credit lines	<b><u>\$ 2,750,000</u></b>	<b><u>345,000</u></b>

Refer to note 6(v) for the interest rate risk and fair value sensitivity analysis of the financial liabilities of the Group.

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(m) Lease liabilities

The lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	<u>\$ 21,687</u>	<u>21,858</u>
Non-current	<u>\$ 671,682</u>	<u>187,361</u>

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

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	<u>\$ 9,014</u>	<u>4,199</u>
Expenses relating to short-term leases	<u>\$ 17,425</u>	<u>13,653</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 1,073</u>	<u>1,367</u>
Covid-19-related rent concessions	<u>\$ -</u>	<u>(590)</u>

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

	2021	2020
Total cash outflow for leases	<u>\$ 221,028</u>	<u>45,498</u>

(i) Real estate leases

The Group leases land and buildings for its office space. The leases of land typically run for a period of 20 to 40 years, and of buildings for 2 to 3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. Some leases provide for additional rent payments that are based on changes in local price indices.

(ii) Other leases

The Group leases machinery and equipment, with lease terms of 1 to 3 years. These leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. The Group leases its office equipment, with lease terms of 1 to 3 years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term. These leases are short-term or leases of low-value items which the Group has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(Continued)



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

(n) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of defined benefit obligations	\$ 490,572	479,934
Fair value of plan assets	(93,579)	(90,478)
Net defined benefit liabilities	<u><u>\$ 396,993</u></u>	<u><u>389,456</u></u>

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 retirement benefits based on years of service and average monthly 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 Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable 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 \$93,579 thousand as of December 31, 2021. 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 Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	<b>2021</b>	<b>2020</b>
Defined benefit obligations at January 1	\$ 479,934	453,762
Current service cost and interest cost	4,564	6,653
Remeasurements of net defined benefit liabilities (assets)		
— Actuarial loss arising from demographic assumptions	12,969	-
— Actuarial loss arising from financial assumptions	7,139	22,224
— Actuarial loss (gain) arising from experience adjustments	7,946	(2,705)
Curtailment gain	(4,938)	-
Benefits paid	(17,042)	-
Defined benefit obligations at December 31	<u><u>\$ 490,572</u></u>	<u><u>479,934</u></u>

(Continued)

**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 for the Group were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 90,478	81,389
Interest income	683	920
Remeasurements of net defined benefit liabilities (assets)		
— Return on plan assets excluding interest income	905	2,369
Contributions paid by the employer	15,784	5,800
Benefits paid	(14,271)	-
Fair value of plan assets at December 31	<u>\$ 93,579</u>	<u>90,478</u>

4) Expenses recognized in profit or loss

The Group's expenses recognized in profit or loss for the years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Current service costs	\$ 1,082	1,584
Net interest of net liabilities for defined benefit obligations	2,799	4,149
	<u>\$ 3,881</u>	<u>5,733</u>
	<u>2021</u>	<u>2020</u>
Operating cost	\$ 333	456
Selling expenses	260	517
Administration expenses	333	481
Research and development expenses	2,955	4,279
	<u>\$ 3,881</u>	<u>5,733</u>

5) Remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income

The Group's remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income for the years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 8,365	(8,785)
Recognized	27,149	17,150
Balance at December 31	<u>\$ 35,514</u>	<u>8,365</u>

(Continued)

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

6) Actuarial assumptions

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Discount rate	0.625%	0.625%~ 0.750%
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 \$5,871 thousand.

As of December 31, 2021 and 2020, the weighted-average lifetime of the defined benefits plans were 14.89 years and 15.55 years.

7) Sensitivity analysis

Calculations of the present value of the defined benefit obligations 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 change in the actuarial assumptions would affect the defined benefit obligations 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>Impact on the defined benefit obligations</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31, 2021		
Discount rate	\$ (14,392)	14,960
Future salary increasing rate	14,002	(13,560)
December 31, 2020		
Discount rate	\$ (14,917)	15,544
Future salary increasing rate	14,572	(14,085)

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 2021 and 2020.

(Continued)

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

(ii) Defined contribution plans

The Group's expenses incurred from the contributions to the Bureau of Labor Insurance for the and years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Operating cost	\$ 8,482	8,557
Selling expenses	6,049	5,821
Administration expenses	9,416	5,505
Research and development expenses	<u>49,611</u>	<u>43,411</u>
	<u><u>\$ 73,558</u></u>	<u><u>63,294</u></u>

(o) Income taxes

- (i) The Group is subject to Taiwan income tax at rates of 20% for 2021 and 2020, 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 (H.K.) 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. Metanoia EU is registered in France and the corporate income tax rate is 33.33%.

The components of income tax were as follow:

	<u>2021</u>	<u>2020</u>
Current tax expense	\$ 1,040,561	702,866
Deferred tax expense	<u>(6,950)</u>	<u>(2,212)</u>
Income tax expense	<u><u>\$ 1,033,611</u></u>	<u><u>700,654</u></u>

Reconciliation of income tax and profit before tax for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Income before income tax	<u><u>\$ 6,061,149</u></u>	<u><u>3,893,692</u></u>
Income tax using the Company's domestic tax rate	\$ 1,212,230	778,738
Effect of tax rates in foreign jurisdiction	(9,586)	(9,755)
Investment tax credit	(39,587)	(34,149)
Tax-exempt income	-	(77,792)
Investment income from domestic securities	(29,633)	61,377
Suspension of tax-exempt gain on disposal of domestic securities	(23,882)	(9,443)
Effect of tax-exempt gain on investment deducted from loss carry-forward	1,990	11,790

(Continued)

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

	<u>2021</u>	<u>2020</u>
Tax-exempt gain on dividend revenue of domestic securities	(5,733)	(8,997)
Change in unrecognized temporary differences	(128,543)	(75,804)
Prior year's income tax adjustment	3,701	3,950
Income basic tax	7,357	-
The amount of expired loss carry-forward	28,554	26,246
Additional tax on undistributed earnings	28,396	13,683
Others	<u>(11,653)</u>	<u>20,810</u>
Total	<u><u>\$ 1,033,611</u></u>	<u><u>700,654</u></u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Realized valuation losses on long-term investment	\$ 196,254	384,184
Tax-deductible loss carry-forward	457,379	408,638
Unfunded pension expense	92,136	94,646
Provision for decline in value of inventories	49,714	34,915
Others	<u>4,205</u>	<u>5,848</u>
	<u><u>\$ 799,688</u></u>	<u><u>928,231</u></u>

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 R.O.C. 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, 2021, the net losses that have not been recognized as deferred tax assets and the expiration years were as follows:

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

a) Domestic consolidated entities

<u>Year of loss</u>	<u>Expiry date</u>	<u>Unused tax loss</u>
2012	2022	\$ 219,494
2013	2023	264,926
2014	2024	280,179
2015	2025	255,813
2016	2026	255,080
2017	2027	273,381
2018	2028	188,002
2019	2029	133,735
2020	2030	182,132
2021	2031	218,804
		<u><u>\$ 2,271,546</u></u>

b) Foreign consolidated entities

	<u>Applicable years</u>	<u>Unused amount</u>
Elan Information	2020-2031	<u><u>\$ 8,069</u></u>

2) Recognized deferred tax assets and liabilities

Movements of recognized deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

Deferred Tax Liabilities:

	<u>Fair Value Gains</u>
Balance at January 1, 2021	\$ (1,244)
Recognized in profit or loss	177
Balance at December 31, 2021	<u><u>\$ (1,067)</u></u>
Balance at January 1, 2020	\$ (2,097)
Recognized in profit or loss	853
Balance at December 31, 2020	<u><u>\$ (1,244)</u></u>

Deferred Tax Assets:

	<u>Decline in Value of Inventories</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2021	\$ 31,043	2,178	33,221
Recognized in profit or loss	3,942	2,831	6,773
Balance at December 31, 2021	<u><u>\$ 34,985</u></u>	<u><u>5,009</u></u>	<u><u>39,994</u></u>

(Continued)

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

	<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	<u>\$ 31,043</u>	<u>2,178</u>	<u>33,221</u>

(iii) The Company's tax returns for the year through 2018 were assessed by the tax authorities.

(p) Share-based payment

On April 19, 2021, Eminent issued 340 units of employee stock options (hereinafter referred to as employee stock options) to those full-time employees who meet the specific requirements. The exercised price was \$10 per share. Eminent adopted the Black-Scholes model to measure the fair value of the stock options at the grant date. The Group recognized share-based payments amounting to \$1,057 thousand under operating expenses in 2021.

Details of the employee stock options were as follows:

	<b>2021</b>
<b>Employee stock options</b>	<b>Number of options</b>
Outstanding at January 1	-
Granted during the year	340,000
Forfeited during the year	-
Exercised during the year	(340,000)
Outstanding at December 31	<u>-</u>
Exercisable at December 31	<u>-</u>

Eminent adopted the Black-Scholes model to measure the fair value of employee stock options granted in 2021. Since the shares of Eminent were not listed on an exchange, Eminent used price-to-book ratios of listed companies in similar industries as a multiplier and took liquidity discounts into account to evaluate share price at grant date.

(q) Capital and other equity

(i) Ordinary share

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

(Continued)



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

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Additional paid-in capital	\$ 231,051	231,051
Treasury share transactions	337,686	225,742
Difference arising from subsidiary's share price and its carrying value	<u>62,444</u>	<u>62,845</u>
	<b><u>\$ 631,181</u></b>	<b><u>519,638</u></b>

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

(iii) Retained earnings

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

1) Legal reserve

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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

3) Earnings distribution

The appropriations of earnings for 2020 and 2019 had been approved in the shareholders' meeting held on July 2, 2021 and May 27, 2020, respectively. The Company declared cash dividends of \$9.00 and \$6.50 per share, amounting to \$2,734,924 thousand and \$1,975,223 thousand, respectively, for the year 2020 and 2019.

There was no difference between the actual amount of distribution and recognized amount in the financial statements of 2020 and 2019.

The appropriation of earnings for 2021 had been approved at the Board meeting on February 22, 2022. The cash dividend of \$13.50 per share, amounting to \$4,102,385 thousand, will be submitted to the shareholders' meeting held in June 2022 for approval.

(iv) Treasury shares

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Shares (in thousands)</u>	<u>Amounts</u>	<u>Shares (in thousands)</u>	<u>Amounts</u>
Shares transferred to employees	6,857	\$ 1,077,510	-	-
Shares held by subsidiaries	12,438	28,975	12,438	28,975
	<u>19,295</u>	<u>\$ 1,106,485</u>	<u>12,438</u>	<u>28,975</u>

- 1) The Company purchased shares as treasury stock for the purpose of transferring to employees in accordance with the requirements under section 28(2) of the Securities and Exchange Act. The movements of treasury stock were as follow:

	<u>For the years ended December 31</u>		<u>For the years ended December 31</u>	
	<u>2021</u>		<u>2020</u>	
	<u>Shares (in thousands)</u>	<u>Amounts</u>	<u>Shares (in thousands)</u>	<u>Amounts</u>
Beginning balance	-	\$ -	-	-
Increase	6,857	1,077,510	-	-
Ending balance	<u>6,857</u>	<u>\$ 1,077,510</u>	<u>-</u>	<u>-</u>

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and should not hold any shareholder rights before their transfer.

- 2) 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, 2021 and 2020, the information on the Company's stock held by Elan Investment Corp. was as follows:

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

	For the years ended December 31					
	2021			2020		
	Shares (in thousands)	Acquisition cost	Total market value	Shares (in thousands)	Acquisition cost	Total market value
Opening balance	12,438	\$ 28,975	1,660,500	12,438	28,975	1,134,364
Effect of valuation changes	-	-	453,994	-	-	526,136
Ending balance	<u>12,438</u>	<u>\$ 28,975</u>	<u>2,114,494</u>	<u>12,438</u>	<u>28,975</u>	<u>1,660,500</u>

The Company transferred cash dividend revenue received by Elan Investment Corp. amounting to \$111,944 thousand and \$80,848 thousand to capital surplus-treasury stock in 2021 and 2020, respectively.

(v) Other equity

The movements of other equity were as follows:

	For the year ended December 31, 2021			
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	
Balance at January 1	\$ (6,597)	9,937	3,340	
Exchange differences on foreign operations:				
The Group	(323)	-	(323)	
Associates	(3)	-	(3)	
Unrealized losses from financial assets measured at fair value through other comprehensive income:				
The Group	-	318,216	318,216	
The Group — disposal	-	(126,136)	(126,136)	
Balance at December 31	<u>\$ (6,923)</u>	<u>202,017</u>	<u>195,094</u>	

  

	For the year ended December 31, 2020			
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	
Balance at January 1	\$ (5,537)	135,447	129,910	
Exchange differences on foreign operations:				
The Group	(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 at December 31	<u>\$ (6,597)</u>	<u>9,937</u>	<u>3,340</u>	

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

(r) Earnings per share

The Group's earnings per share for the years ended December 31, 2021 and 2020 were calculated as follows:

(i) Basic earnings per share:

	<u>2021</u>	<u>2020</u>
Net profit attributable to ordinary shareholders of the Company	<u>5,102,446</u>	<u>3,245,811</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>289,323</u>	<u>291,442</u>
Earnings per share	<u>17.64</u>	<u>11.14</u>

(ii) Diluted earnings per share:

	<u>2021</u>	<u>2020</u>
Net profit attributable to ordinary shareholders of the Company (diluted)	<u>5,102,446</u>	<u>3,245,811</u>
Weighted-average number of ordinary shares outstanding (in thousands)	289,323	291,442
Effect of dilutive potential ordinary shares (in thousands)		
— employee share bonus	<u>5,005</u>	<u>4,478</u>
Weighted-average number of ordinary shares outstanding (diluted)(in thousands)	<u>294,328</u>	<u>295,920</u>
Diluted earnings per share	<u>17.34</u>	<u>10.97</u>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
Taiwan	\$ 1,598,129	973,713
Mainland China	2,580,977	2,512,482
Hong Kong	13,878,610	11,380,557
America	25,362	23,337
Europe	18,112	5,414
Others	<u>226,783</u>	<u>204,187</u>
	<u>\$ 18,327,973</u>	<u>15,099,690</u>

For details on revenue, please refer to note 14.

(ii) Contract balances

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

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

(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>2021</b>	<b>2020</b>
Interest income from bank deposits	<b>\$ 18,824</b>	<b>31,480</b>

(ii) Other income

	<b>2021</b>	<b>2020</b>
Rent income	\$ -	262
Dividend income	33,674	44,985
Government grants	5,518	14,284
Gain on a bargain purchase	1,201	-
Others	19,835	13,121
Total	<b>\$ 60,228</b>	<b>72,652</b>

(iii) Other gains and losses

	<b>2021</b>	<b>2020</b>
Foreign exchange losses	\$ (55,142)	(134,164)
Gains (losses) on financial asset at fair value through profit or loss	345,648	(308,507)
Losses on disposals of property, plant and equipment	(346)	(3,030)
Gains on disposals of investment property	6,254	13,754
Reversal of impairment loss	3,930	-
Miscellaneous disbursements	(4,714)	(13,086)
Total	<b>\$ 295,630</b>	<b>(445,033)</b>

(u) Employee compensation and directors' and supervisors' remuneration

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

For the years ended December 31, 2021 and 2020, the amounts of employees' bonuses were estimated at \$728,000 thousand and \$467,000 thousand, respectively. The amounts of compensation to directors and supervisors were estimated at \$93,000 thousand and \$60,000 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These bonuses and compensation were expensed under operating costs or operating expenses during 2021 and 2020. Related information would be available at the Market Observation Post System website. 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 2021 and 2020.

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

(v) 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 Group 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, 2021 and 2020, 84% and 90%, respectively, of accounts receivables 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 more than three months and other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g). There was no loss allowance provision for the years ended December 31, 2021 and 2020, respectively.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 months	2-5 years	Over 5 years
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 30,000	30,216	30,216	-	-	-	-
Notes and accounts payable	1,706,452	1,706,452	1,706,452	-	-	-	-
Other payables	565,857	565,857	565,857	-	-	-	-
Lease liabilities	693,368	916,411	13,833	14,923	16,891	40,933	829,831
	<u>\$ 2,995,677</u>	<u>3,218,936</u>	<u>2,316,358</u>	<u>14,923</u>	<u>16,891</u>	<u>40,933</u>	<u>829,831</u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 months</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Short-term loans	\$ 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	<u>209,219</u>	<u>260,614</u>	<u>12,690</u>	<u>12,800</u>	<u>19,981</u>	<u>22,645</u>	<u>192,498</u>
	<u><b>\$ 2,954,648</b></u>	<u><b>3,006,334</b></u>	<u><b>2,758,410</b></u>	<u><b>12,800</b></u>	<u><b>19,981</b></u>	<u><b>22,645</b></u>	<u><b>192,498</b></u>

The Group does not expect 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:

	December 31, 2021			December 31, 2020			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Financial assets:							
Monetary item							
USD	\$	167,292	27.68	4,630,629	165,617	28.10	4,653,824
Financial liabilities:							
Monetary item							
USD		67,676	27.68	1,873,275	82,036	28.10	2,305,212

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the retranslation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD as of December 31, 2021 and 2020 would have increased (decreased) the net profit after tax by \$110,294 thousand and \$93,944 thousand for the years ended December 31, 2021 and 2020, respectively, with all other variables remaining constant. The analysis is performed on the same basis in 2021 and 2020.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. The foreign exchange loss (including realized and unrealized portions) amounted to \$55,142 thousand and \$134,164 thousand for the years ended December 31, 2021 and 2020, respectively.

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(iv) Interest rate analysis

The Group'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 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 \$335 thousand and \$77 thousand for the years ended December 31, 2021 and 2020, 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 risk

For the years ended December 31, 2021 and 2020, the sensitivity analysis of the changes in the securities prices at the reporting date were performed on the same basis for profit or loss as illustrated below:

	<u>For the years ended December 31</u>		<u>For the years ended December 31</u>	
	<u>2021</u>		<u>2020</u>	
	<b>Other comprehensive income</b>		<b>Other comprehensive income</b>	
<b>Prices of securities at the reporting date</b>	<b>after tax</b>	<b>Net income</b>	<b>after tax</b>	<b>Net income</b>
<b>Increase 5%</b>	<u>\$ 19,673</u>	<u>56,278</u>	<u>12,174</u>	<u>38,760</u>
<b>Decrease 5%</b>	<u>\$ (19,673)</u>	<u>(56,278)</u>	<u>(12,174)</u>	<u>(38,760)</u>

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

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<b>December 31, 2021</b>					
	<b>Book value</b>	<b>Fair Value</b>			<b>total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss (current and non-current)	\$ 2,349,947	1,166,190	129,780	1,053,977	2,349,947
Financial assets at fair value through other comprehensive income					
Stocks	491,824	-	470,855	20,969	491,824
Accounts receivable	1,125,227	-	-	-	-
Subtotal	1,617,051	-	470,855	20,969	491,824
Financial assets measured at amortized cost					
Cash and cash equivalents	4,254,507	-	-	-	-
Notes and accounts receivable	697,447	-	-	-	-
Other receivables	1,176,985	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	1,732,650	-	-	-	-
Guarantee deposits	182,698	-	-	-	-
Subtotal	8,044,287	-	-	-	-
Total	<u>\$ 12,011,285</u>	<u>1,166,190</u>	<u>600,635</u>	<u>1,074,946</u>	<u>2,841,771</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 30,000	-	-	-	-
Notes and accounts payable	1,706,452	-	-	-	-
Other payables	565,857	-	-	-	-
Lease liabilities (current and non-current)	693,368	-	-	-	-
Guarantee deposits received	36,641	-	-	-	-
Total	<u>\$ 3,032,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<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 at fair value through profit or loss (current and non-current)	\$ 1,993,657	1,235,860	127,790	630,007	1,993,657
Financial assets at fair value through other comprehensive income					
Stocks	304,352	47,790	242,830	13,732	304,352
Accounts receivable	772,934	-	-	-	-
Subtotal	1,077,286	47,790	242,830	13,732	304,352
Financial assets measured at amortized cost					
Cash and cash equivalents	2,030,341	-	-	-	-
Notes and accounts receivable	1,424,536	-	-	-	-
Other receivables	1,474,775	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	2,742,850	-	-	-	-
Guarantee deposits	24,661	-	-	-	-
Subtotal	7,697,163	-	-	-	-
Total	<u>\$ 10,768,106</u>	<u>1,283,650</u>	<u>370,620</u>	<u>643,739</u>	<u>2,298,009</u>

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	December 31, 2020				
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank loans	40,000	-	-	-	-
Notes and accounts payable	1,826,667	-	-	-	-
Other payables	878,762	-	-	-	-
Lease liabilities (current and non-current)	209,219	-	-	-	-
Guarantee deposits received	39,427	-	-	-	-
Total	<u>\$ 2,994,075</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.

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

3) Transfers between Level 1 and Level 2

There were no transfers of financial instruments made between any level for the years ended December 31, 2021 and 2020.

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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, 2021	\$ 630,007	13,732	643,739
Total gains and losses recognized:			
In profit or loss	199,611	-	199,611
In other comprehensive income	-	7,237	7,237
Purchased	240,162	-	240,162
Capital reduction and liquidation for redistribution to shareholders	(15,803)	-	(15,803)
Ending Balance, December 31, 2021	<u>\$ 1,053,977</u>	<u>20,969</u>	<u>1,074,946</u>
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
Disposal	(4,002)	(455)	(4,457)
Capital reduction for redistribution to shareholders	(44,456)	-	(44,456)
Ending Balance, December 31, 2020	<u>\$ 630,007</u>	<u>13,732</u>	<u>643,739</u>

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

	<b>2021</b>	<b>2020</b>
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	199,553	6,633
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	7,237	2,263

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

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

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Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss - equity investments without an active market	Market Comparison Method	<ul style="list-style-type: none"> <li>Price-to-book ratio (December 31, 2021 and December 31, 2020: 1.28 to 1.47 and 1.37 to 2.79)</li> <li>Liquidity discount (December 31, 2021 and December 31, 2020: 30% and 0% to 10%)</li> <li>Price-to-earnings ratio (December 31, 2021 and December 31, 2020: 2.46 and 0.64 to 2.52)</li> <li>Price-to-book assets ratio (December 31, 2020: 0.66 to 1.28)</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 liquidity discount were lower (higher);</li> <li>the price-to-earnings ratio were higher (lower); or</li> <li>the price to book assets ratio were higher (lower).</li> </ul>
Financial assets at fair value through profit or loss - equity investments without an active market	Net Asset Value Method	Net Asset Value	The estimated fair value would increase (decrease) if net asset value were higher (lower).

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

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

		Increase or decrease	Profit or loss	
	Inputs		Favorable	Unfavorable
December 31, 2021				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	1,293	(1,293)
	Liquidity discount	10%	554	(554)
December 31, 2020				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	2,731	(2,731)
	Liquidity discount	10%	230	(230)

(w) 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

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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.

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.

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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 optimizing 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.

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.

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(x) Capital management

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

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 all equity (i.e. ordinary shares, capital surplus, retained earnings, and other equity) and net liabilities 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's debt-to-equity ratios at the end of the reporting period as of December 31, 2021 and 2020 were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 5,959,140	5,179,134
Less: cash and cash equivalents	<u>(4,254,507)</u>	<u>(2,030,341)</u>
Net debt	<b><u>\$ 1,704,633</u></b>	<b><u>3,148,793</u></b>
Total equity	<b><u>\$ 10,742,974</u></b>	<b><u>9,050,622</u></b>
Debt-to-equity ratio	<b><u>15.87 %</u></b>	<b><u>34.79 %</u></b>

(y) Investing and financing activities not affecting the current cash flow

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

- (i) For right-of-use assets under leases, please refer to note 6(j).

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(ii) Reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>December 31, 2021</b>
			<b>Foreign exchange movement</b>	<b>Interest expense</b>	<b>Others</b>	
Short-term borrowings	\$ 40,000	(10,000)	-	-	-	30,000
Lease liabilities	209,219	(193,516)	63	9,014	668,589	693,369
Guarantee deposits received	39,427	(2,778)	(8)	-	-	36,641
Total liabilities from financing activities	<u>\$ 288,646</u>	<u>(206,294)</u>	<u>55</u>	<u>9,014</u>	<u>668,589</u>	<u>760,010</u>

  

	<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>Interest expense</b>	<b>Others</b>	
Short-term borrowings	\$ 241,000	(201,000)	-	-	-	40,000
Lease liabilities	221,842	(26,869)	77	4,199	9,970	209,219
Guarantee deposits received	10,766	55,717	-	-	(27,056)	39,427
Total liabilities from financing activities	<u>\$ 473,608</u>	<u>(172,152)</u>	<u>77</u>	<u>4,199</u>	<u>(17,086)</u>	<u>288,646</u>

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

(a) Names and relationships with related parties

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

<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 obtained control over Eminent on February 19, 2020; hence it became one of the Company's subsidiaries; thus, it had been included in the Company's consolidated financial statements since then.

All directors, supervisors, president and vice president of the Group's key management personnel

(b) Significant transactions with related parties

(i) Raw materials purchasing services and other operating income

	<b>2021</b>	<b>2020</b>
Associates-Eminent	<u>\$ -</u>	<u>1,821</u>

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(ii) Rent income

	<u>2021</u>	<u>2020</u>
Associates-Eminent	\$ <u>-</u>	<u>262</u>

(c) Key management personnel compensation

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 161,629	111,022
Post-employment benefits	<u>1,462</u>	<u>576</u>
	<u>\$ 163,091</u>	<u>111,598</u>

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

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

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

**(9) Commitments and contingencies:**

- (a) The Company entered into performance guarantee agreements with financial institutions for the Company's obligation to pay for the goods purchased and the tax payable on bonded raw materials, commodities, fuel, and semi-finished products shipped outside the bond areas for domestic sales, demonstration, repair or testing. As of December 31, 2021 and 2020, the financial institutions had issued performance guarantees amounting to \$6,000 thousand and \$3,000 thousand, respectively.
- (b) As of December 31, 2021 and 2020, the refundable notes payable for short-term borrowings amounted to \$2,780,000 thousand and \$385,000 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, 2021 and 2020, the refundable notes payable for lease amounted to \$600 thousand.

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(e) Government grant

To implement the project “Elan Electronic Smart Supply Chain AI Application” under the guidance from the Ministry of Economic Affairs, the Company entered into a program contract with the Taiwan Small and Medium Enterprise Counseling Foundation in order to receive a grant amounting to \$9,000 thousand. The project runs between April 1, 2020 and March 31, 2022. The Company recognizes income based on the progress of the project. On June 17, 2021, the Company submitted the phase 1 summary report and recognized other income amounting to \$3,993 thousand. On December 31, 2021 the subsidy received but not recognized, amounting to \$4,000 thousand, which was classified as other current liabilities. As of December 31, 2021 and 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 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, 2021, the pending litigation of the Group was as follows:

- (i) On December 2, 2020, the Company filed an appeal with the Beijing Intellectual Property Court against Shenzhen Goodix Technology Co., Ltd. (hereinafter referred to as Goodix) and Beijing Xingyitongda Technology Co., Ltd. for an infringement of the Company’s PRC Patent No. ZL03158451.9. The Company appealed to the Court to prohibit the defendant from using, manufacturing and selling the product, and requested for damage compensation amounting to CNY\$25 million. Since the Company is the plaintiff in this case, no significant influence on the Company is expected.
- (ii) On December 23, 2020, the Company filed an appeal with Taiwan Intellectual Property Court against Goodix and Shouhon Technology Co., Ltd. for an infringement of the Company’s ROC Patent No. I556033. The Company appealed to the Court to prohibit the defendant from using, manufacturing and selling the product. Since the Company is the plaintiff in this case, no significant influence on the Company is expected.
- (iii) On May 11 and 13, 2021, the Company and its subsidiary Elan Microelectronics (Shenzhen) Co., Ltd. (hereinafter referred to as Elan Shenzhen) received litigation documents which indicated Goodix filed an appeal with Inner Mongolia Hohhot Intermediate People's Court against the Company and Elan Shenzhen for patent infringement. The Company had appointed a lawyer to make an objection against jurisdiction to the Court within the defense period, but the Court dismissed the action on July 22, 2021. The Company and Elan Shenzhen had appealed to the Supreme People's Court within the defense period. On December 21, 2021, the Company received the notice of acceptance and the notice of response from the Supreme People's Court, which indicated the Court accepted the appeal. Since the case is on trial, no significant influence over the Company is expected.

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

- (h) As of December 31, 2021, the total amount of building contract signed by the Company was \$43,000 thousand and the payable amount in the following years was \$39,316 thousand.

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

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

**(12) Others:**

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

	For the years ended December 31					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	\$ 346,953	2,181,336	2,528,289	329,490	1,771,474	2,100,964
Labor and health insurance	29,735	114,214	143,949	27,952	95,963	123,915
Pension	8,815	68,624	77,439	9,013	60,014	69,027
Remuneration of directors	-	96,740	96,740	-	62,580	62,580
Others	26,857	50,810	77,667	23,251	47,996	71,247
Depreciation	41,311	86,852	128,163	33,497	65,278	98,775
Amortization	4,499	124,687	129,186	4,061	88,464	92,525

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (13) Other disclosures:

(a) Information on significant transactions:

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2021:

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

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	6,691	0.12%	6,691	0.12 %	
Elan Microelectronics Corporation	Fubon China Money Market Fund-TWD	-	Current financial assets at fair value through profit or loss	1,867	20,388	-	20,388	- %	
Elan Microelectronics Corporation	PineBridge Quantitative Diversified Income Fund-A	-	Current financial assets at fair value through profit or loss	2,001	19,951	-	19,951	- %	
Elan Microelectronics Corporation	Nomura Global Short Duration Bond Fund-TWD	-	Current financial assets at fair value through profit or loss	3,282	34,937	-	34,937	- %	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	190	18,492	-	18,492	- %	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	71	19,653	-	19,653	- %	
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	12,236	-	12,236	- %	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (SERIES II)	-	Current financial assets at fair value through profit or loss	100	27,680	-	27,680	- %	
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,077	20,969	4.14%	20,969	4.14 %	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,500	470,855	7.87%	470,855	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	6,330	0.94%	6,330	0.94 %	

(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	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 VI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	335	3,336	2.17%	3,336	2.17 %	
Elan Microelectronics Corporation	TOP TAIWAN VII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,776	27,831	6.12%	27,831	6.12 %	
Elan Microelectronics Corporation	TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	2,383	52,302	4.17%	52,302	4.17 %	
Elan Microelectronics Corporation	Midastouch Research Corporation	-	Non-current financial assets at fair value through profit or loss	2,500	3,875	8.16%	3,875	9.43 %	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	126,041	6.25%	126,041	6.25 %	
Elan Microelectronics Corporation	InnoBridge Venture Capital	-	Non-current financial assets at fair value through profit or loss	800	2,415	11.35%	2,415	11.35 %	
Elan Microelectronics Corporation	Startek Engineering Inc.	-	Non-current financial assets at fair value through profit or loss	189	-	0.53%	-	0.53 %	
Elan Microelectronics Corporation	North Star Venture Capital	-	Non-current financial assets at fair value through profit or loss	3,000	42,071	10.00%	42,071	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	64,060	6.25%	64,060	6.25 %	
Elan Microelectronics Corporation	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	495	-	1.83%	-	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	351,343	18.52%	351,343	18.52 %	
Elan Microelectronics Corporation	Chimei Motor Electronics Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	950	4,010	5.00%	4,010	5.00 %	
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through profit or loss	20	-	0.24%	-	1.63 %	
Elan Microelectronics Corporation	Vertex Growth (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	152,819	-	152,819	- %	
Elan Microelectronics Corporation	Taiwania Capital Buffalo Fund V, LP.	-	Non-current financial assets at fair value through profit or loss	-	24,235	3.19%	24,235	3.19 %	

(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	TOP TAIWAN XIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	10,000	148,851	18.52%	148,851	18.52 %	
Elan Microelectronics Corporation	WELTRONICS CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,300	-	12.12%	-	12.12 %	
Elan Investment Corp.	FSITC Money Market Fund	-	Current financial assets at fair value through profit or loss	131	23,527	-	23,527	- %	
Elan Investment Corp.	FSITC US Top 100 Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	1,500	14,500	-	14,500	- %	
Elan Investment Corp.	FSITC Global Wealthy Nations Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	2,629	26,092	-	26,092	- %	
Elan Investment Corp.	FSITC Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,271	35,129	-	35,129	- %	
Elan Investment Corp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	5,835	-	5,835	- %	
Elan Investment Corp.	FSITC Global Health & Weight Loss Fund	-	Current financial assets at fair value through profit or loss	500	5,495	-	5,495	- %	
Elan Investment Corp.	Nomura Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	4,134	68,118	-	68,118	- %	
Elan Investment Corp.	Nomura Global Short Duration Bond Fund TWD	-	Current financial assets at fair value through profit or loss	9,484	100,964	-	100,964	- %	
Elan Investment Corp.	Nomura Global Financial Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	3,589	39,129	-	39,129	- %	
Elan Investment Corp.	Taishin Global Multi-asset Fund of Funds A TWD	-	Current financial assets at fair value through profit or loss	1,000	12,000	-	12,000	- %	
Elan Investment Corp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	23,670	-	23,670	- %	
Elan Investment Corp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	60,651	-	60,651	- %	
Elan Investment Corp.	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	5,556	76,003	-	76,003	- %	
Elan Investment Corp.	Taishin ESG Emerging Markets Bond Fund A TWD	-	Current financial assets at fair value through profit or loss	3,003	27,551	-	27,551	- %	
Elan Investment Corp.	Taishin Short Duration Emerging High Yield Bond Fund A-TWD	-	Current financial assets at fair value through profit or loss	4,200	42,217	-	42,217	- %	

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**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.	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	532	51,719	-	51,719	- %	
Elan Investment Corp.	Elan Microelectronics Corporation	Subsidiary	Non-current financial assets at fair value through other comprehensive income	12,438	2,114,494	4.09%	2,114,494	4.09 %	
Elan Investment Corp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	25,974	3.88%	25,974	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	523,342	13.41%	523,342	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	128	1,538	2.91%	1,538	2.91 %	
Elan Investment Corp.	ZQAM Communications Corporation - Preferred shares	-	Non-current financial assets at fair value through profit or loss	250	800	1.07%	800	1.44 %	
Elan Investment Corp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	8,261	2.53%	8,261	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	5,770	1.13%	5,770	1.13 %	
Elan Investment Corp.	Cognito Health International Inc.	-	Non-current financial assets at fair value through profit or loss	1,010	-	1.13%	-	1.13 %	
Elan Investment Corp.	Taiwan Intelligent Connect Co., Ltd. - Preferred shares	-	Non-current financial assets at fair value through profit or loss	10,000	2,115	14.29%	2,115	14.29 %	
Elan Investment Corp.	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	370	-	1.37%	-	4.91 %	

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## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning		Purchases		Sales			Ending		
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
Elan Microelectronics Corporation	Elan Microelectronics Corporation	Treasury shares	Centralized securities exchange market	Parent company	-	-	6,857	1,077,510	-	-	-	-	6,857	1,077,510

- (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:

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	560,243	3.06 %	Open Account 45 Days	-		41,504	2.28%	

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.
- (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:

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	560,243	Open Account 45 Days	3.06%
0	Elan Microelectronics Corporation	Elan (H.K.)	1	Accounts receivable	41,504	Open Account 45 Days	0.25%
1	Elan (H.K.)	Elan Microelectronics Corporation	2	Commission revenue	390,658	Monthly settlement	2.13%

- (b) Information on investees:

The followings are the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value				
Elan Microelectronics Corporation	Elan (H.K.) Microelectronics Corp. Limited	Hong Kong, China	Sale and after-sales service	123,272	123,272	29,328	100.00 %	694,321	100.00 %	203,827	203,827	Note
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	1,284,114	100.00 %	135,186	135,186	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 %	15,558	100.00 %	(1,470)	(1,470)	Note
Elan Microelectronics Corporation	SHENZHEN JUPUP Electron Co., Ltd.	New Taipei City, Taiwan	Wholesale and installation of electronic devices, data storage and equipment process	7,840	7,840	784	49.00 %	(1,171)	49.00 %	(2,845)	(1,394)	Note

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	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	460,516	32,695	50.29 %	61,130	50.29 %	(154,549)	(77,710)	Note
Elan Microelectronics Corporation	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	194,226	134,523	17,517	84.78 %	19,608	84.78 %	(21,199)	(17,010)	Note
Elan Microelectronics Corporation	Tong fu Investment Corp.	Hsin-Chu, Taiwan	Investment holding	26,070	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	163,599	15,427	97.95 %	29,486	97.95 %	(35,079)	(34,360)	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	18.91 %	41,345	28.94 %	11,355	2,357	Note
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	240,000	240,000	24,000	30.00 %	337,493	30.00 %	103,553	31,066	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	5,000	24.69 %	9,205	24.69 %	84	21	
Elan Microelectronics Corporation	Finger Pro. Incorporation	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	6,000	6,000	600	23.08 %	-	23.08 %	-	-	
Elan Microelectronics Corporation	RisingStar Technology Company Limited	Taipei, Taiwan	Software information and supply of electronic services	-	20,000	-	- %	-	86.96 %	781	679	Note
Elan Microelectronics Corporation	Bruckewell Technology Co., Ltd.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	-	20,000	-	- %	-	61.16 %	(7,325)	(4,480)	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	3.13 %	738	4.13 %	(21,199)	(764)	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	665	43	0.28 %	83	0.28 %	(35,079)	(97)	Note
Elan Investment Corp.	Metanoia Communications Inc.	Hsin-Chu, Taiwan	Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network	10,211	10,211	831	1.28 %	17,815	1.28 %	(154,549)	(1,976)	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	9.83 %	21,497	15.04 %	11,355	1,225	Note
Elan (H.K.)	Power Asia Investment Corporation	Republic of Mauritius	Investment holding	89,572	89,572	2,861	100.00 %	24,835	100.00 %	(979)	(979)	Note
Metanoia Communications Inc.	Metanoia Communication Europe	France	Provide technical support and information service	9,908	-	301	100.00 %	5,561	100.00 %	(5,175)	(5,175)	Note

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

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## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses) recognized	Carrying value as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow							
Elan Micro-electronics (Shanghai) Co., Ltd.	Provide technical support and information service	52,095	( 2 )	52,095	-	-	52,095	1,439	100.00%	100.00 %	1,439	18,408	-
Elan Micro-electronics (Shenzhen) Co., Ltd.	Provide technical support and information service	34,670	( 2 )	34,670	-	-	34,670	(2,411)	100.00%	100.00 %	(2,411)	5,991	-

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 gains (losses) from Elan Shanghai and Elan Shenzhen are calculated on the reviewed financial statements in the same period.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
86,765 (USD2,855,500)	98,333 (USD3,000,000)	6,445,784

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

(iii) Significant transactions:

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

(d) Major shareholders:

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

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

**(14) Segment information:**

**(a) General information**

The Group has six reportable segments: Consumer Touch Control Business Unit, Laptop Input Device Business Unit, Network Communication Business Unit, Investment Business Unit, Sales and Retailing Business Unit and Other Business Unit. 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 in network communication chips. Investment Business Unit engages in the management of investee. Sales and Retailing Business Unit provides sales product services. Other Business Unit engages 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) Information about reportable segments 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 in the report used by the chief operating decision maker. The operating segment accounting policies are similar to those described in note 4 "Significant accounting policies".

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

For the year then ended December 31, 2021								
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue								
Revenue from external customers	\$ 5,645,294	11,532,113	93,087	-	554,143	503,336	-	18,327,973
Intersegment revenues	564,670	-	-	-	390,658	24,098	(979,426)	-
Interest income	22,951	103	96	(4,672)	117	229	-	18,824
Total revenue	<u>\$ 6,232,915</u>	<u>11,532,216</u>	<u>93,183</u>	<u>(4,672)</u>	<u>944,918</u>	<u>527,663</u>	<u>(979,426)</u>	<u>18,346,797</u>
Interest expenses	\$ 8,283	11	-	6	714	831	-	9,845
Depreciation and amortization	147,325	33,040	36,170	615	13,117	27,082	-	257,349
Shares of gain of associates accounted for using equity method	236,712	-	-	(1,611)	-	-	(204,014)	31,087
Reportable segment profit or loss	<u>\$ 1,645,334</u>	<u>4,446,020</u>	<u>(158,925)</u>	<u>143,323</u>	<u>238,825</u>	<u>(55,768)</u>	<u>(197,660)</u>	<u>6,061,149</u>
Assets								
Investments accounted for using equity method	\$ 2,492,260	-	-	40,134	-	-	(2,185,697)	346,697
Capital expenditure	783,890	40,142	85,232	-	521	18,670	-	928,455
Reportable segment assets	<u>\$ 12,834,226</u>	<u>3,398,977</u>	<u>556,297</u>	<u>3,406,217</u>	<u>830,085</u>	<u>465,234</u>	<u>(4,558,028)</u>	<u>16,933,008</u>

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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For the year then ended December 31, 2020								
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue								
Revenue from external customers	\$ 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 income	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
Shares of gain of associates accounted for using equity method	(186,668)	-	-	(2,203)	-	-	211,977	23,106
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>
Assets								
Investments accounted for using equity method	\$ 2,173,213	-	-	37,009	-	-	(1,890,600)	319,622
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>

(i) Product and service information

Revenue from the external customers of the Group was as follows:

<u>Product and services</u>	<u>2021</u>	<u>2020</u>
Consumer Touch Control Integrated Circuit	\$ 6,199,437	5,121,681
Laptop Input Device	11,532,113	9,555,839
Network Communication Integrated Circuit	93,087	71,286
Others	503,336	350,884
Total	<u>\$ 18,327,973</u>	<u>15,099,690</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.

<u>Geographical information</u>	<u>2021</u>	<u>2020</u>
Revenue from external customers:		
Taiwan	\$ 1,598,129	973,713
Mainland China	2,580,977	2,512,482
Hong Kong	13,878,610	11,380,557
Others (less than 5%)	270,257	232,938
	<u>\$ 18,327,973</u>	<u>15,099,690</u>

(Continued)

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<u>Geographical information</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current assets:		
Taiwan	\$ 2,206,296	1,536,311
Mainland China	9,791	20,596
Hong Kong	954	3,587
United States	<u>274</u>	<u>-</u>
	<b><u>\$ 2,217,315</u></b>	<b><u>1,560,494</u></b>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(iii) Major customers

	<u>2021</u>	<u>2020</u>
Customer A (Laptop Input Device Model)	\$ 6,002,116	4,846,685
Customer A (Consumer Touch Control Integrated Circuit Model)	2,181,004	2,548,865
Customer B (Laptop Input Device Model)	3,258,051	2,531,298
Customer B (Consumer Touch Control Integrated Circuit Model)	<u>451,707</u>	<u>151,091</u>
	<b><u>\$ 11,892,878</u></b>	<b><u>10,077,939</u></b>