

ELAN MICROELECTRONICS CORP.

Annual Report 2021

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I. Letter to Shareholders

Dear Shareholders,

1. 2021 Operating Results

The global notebook computer market was affected in 2021 by the rise of remote work (work from home), distance learning, online learning and the stay-at-home economy. This led to growing demand for consumer notebooks, commercial notebooks and educational notebooks, which increased 13.5% for the year. The number of PC units shipped reached 235 million in 2021, a new record for our company. The operation of our company outperformed the growth of the industry, achieving an annual growth of 21.4% in revenue and 57.5% in profit after tax, marking our best performance to date in the company's 28-year history.

Currently, our touch panel modules, touch screen chips, and pointing devices are leading the global industry among notebook computer components, with these products reaching a main market share of more than 60%. Our next goal is to target fingerprint recognition products. It is expected that in the next two to three years, they too will be able to lead the industry and become the fourth of our notebook computer component products to become number one in the world. Last year, fingerprint recognition revenue was quite promising, showing an annual growth of more than 70%, which is the most outstanding growth among all product lines. Due to the relatively low penetration rate of fingerprint recognition in the laptop market, major laptop brands have significantly increased their willingness to adopt the technology based on information security considerations and the strong promotion of it by Windows 11. Therefore, it is estimated that its penetration rate will continue to increase in the next few years.

At present, competition within the global landscape is still very fierce. Our company still relies on its advantages in chip design technology and engineering to effectively reduce costs and optimize our product portfolio, such that our overall revenue for the year has increased by 21.4% compared with the previous year. In 2021 our revenue was 18.328 billion NTD, setting a new historical record for the company. Due to continuous product portfolio optimization and efforts to reduce costs, our gross profit margin is significantly better than last year, holding steady at a high 49.7%. Our operating net profit margin was 30.9%, and our pre-tax surplus was 6.06 billion NTD.

2. Outline of the Business Plan for 2022

According to the data gathered by manufacturers of the world's major notebook computer brands, the demand for notebook computers is predicted to decline slightly in 2022. In response to this market phenomenon, our company will focus on improving product functions and added value, driving the average unit price of products to rise, and moving forward in the general direction of continued growth. It is estimated that the strongest growth momentum will come from the adoption of fingerprint recognition technology in notebook computers. The fact that Windows 11 emphasizes that both consumer and commercial models should adopt MOC (Match-On-Chip) this year, in conjunction with the relatively low penetration rate of fingerprint recognition in laptops, translates into promising market prospects for the year.

The addition of the high-priced Haptics Pad to our capacitive touch panel product lineup this year and the advent of large-size touch panels with both be of benefit to our touch panels revenue figures.

Our touch screen chips, used in notebook computers, still enjoy a high market share globally. In 2022, thanks to the introduction of Window 11 into Android APP, we expect both an increase in the use of touch functions in notebook products and an increase in the penetration rate of the notebook market. The heavy promotion of in-cell touch integrated driver chip solutions that is currently underway will also contribute to an increase in touch screen chip revenue.

Meanwhile, as far as non-laptop products are concerned, foldable mobile phones employ a touch pen function solution and a local dimming control chip, which are also actively promoted and applied in consumer electronic products.

3. ESG Procedures and outcomes

While pursuing performance growth, Elan is also committed to corporate social responsibility. The company established a CSR (Corporate Social Responsibility Management) Committee in 2014, and has independently issued a CSR report every year since 2015. In order to comply with international ESG trends and the requirements of the Financial Regulatory Commission, the CSR Committee was renamed the ESG Committee (aka, the Sustainable Development Committee) in 2021 and is the highest-level sustainable development decision-making center within the company, chaired by independent directors. Risk management and information security management executive teams were also added, strengthening our commitment to the three key issues of corporate governance, environment and society. At the same time, the 2020 CSR Report was renamed the ESG Report, and content on climate change-related financial disclosures (TCFD) was added.

Specific ESG achievements include the following: In the corporate governance category, our company was ranked 18th among the top 50 companies in terms of operational performance in the 2021 Top 2,000 Enterprises Survey by CommonWealth Magazine, and was selected as one of "Taiwan's Top 100 High-Value Enterprises in 2020" by Digital Times Magazine, coming in at fourth place. We also won the 2021 Hsinchu Science Park R&D Achievement Award and the Excellent Manufacturer Innovative Product Award.

In the environmental section, Elan continues to implement energy conservation and carbon reduction, with the goal of reducing electricity consumption by 1%, and greenhouse gas emissions by 15 metric tons, every year, and has won the Hsinchu Science Park Green and Beautification Award for 16 years in a row. At the same time, our company promises to provide green design products that fully comply with international, industrial and customer specifications for the prohibition/restriction of hazardous substances, so as to achieve the win-win situation of reducing operating costs while protecting the environment. In the social category, we provide employees with a safe, comfortable and healthy working environment. In 2021, we were awarded the "i Sports Enterprise Certification" by the Sports Department of the Ministry of Education; we cooperated with the Taipei University of Technology to actively cultivate AI talents; we combined company resources to care for disadvantaged groups all year round; and we gradually promoted among our important suppliers the attitude that human rights, environmental protection, health and safety should be valued.

Looking forward to the future, Elan Electronics will hold fast to its business strategy for sustainable, steady development and fulfill our corporate and social responsibilities with an understanding of sustainable management. We will consider our company's business value as well as its social value, so as to exert greater economic, environmental, and social influence, and in so doing, create greater value and well-being for our stakeholders.

Sincerely yours,

Yeh, I-Hau
Chairman

II. Company Profile

1. Date of Incorporation: May 5, 1994

2. Company History

Year	Organization /Events/Products	Corporate Governance Awards and Ratings
2021	Hsinchu Science Park	R&D Achievement Award
		Outstanding Manufacturer - Innovative Product Award
	Sports Administration (MOE)	iSports Enterprise Certification" Logo
	Business Next	2020 Top 10 Taiwan's High-Value Companies- 4 th place
	CommonWealth Magazine	World's Most Admired 2000 Companies Top 50 – 18 place
2020	Business Next Magazine	Top 100 High-Value Companies – 2 nd place
	Forbes	Best Companies Under a Billion in Asia
	Hsinchu Science Park.	Outstanding Prize in Greening and Beautification Contest
	CSR Committee	Renamed as "ESG Committee", it is the highest-level sustainable development decision-making center within the company, examining the company's core operating capabilities and formulating medium- and long-term sustainable development plans.
2019	ISO	Certification of ISO 45001: 2018 Occupational Health and Safety Management Systems.
	Taipei International Information Technology Show (the "COMPUTEX Taipei")	Best Choice Award for the "panoramic 360-degree fisheye AI smart traffic detection technology".
	Workforce Development Agency Ministry of Labor (MOL)	Silver medal the Talent Quality-management System (TTQS) Award
	SGS	SGS's 2019 "ISO Plus Award"
	Health Promotion Administration of the Ministry of Health and Welfare	Innovation Workplace Award and the Creative Healthy Workplace Award
	Hsinchu Science Park	Smart Science Park Innovation Application Award - "battery-free contactless biometric smart card solution"
2018	Taiwan Industrial Technology Association	Taiwan Golden Root Award - Industrial Technology Special Contribution Award
	Hsinchu Science Park	Distinguished Green Landscaping and Contribution Award
		2018 R & D Achievement Award
		2018 Innovative Product Award
	Health Promotion Administration of the Ministry of Health and Welfare	"Excellent Health workplace" prize and "Gender-Friendly Health Award"
2017	Hsinchu Science Park	Distinguished Green Landscaping and Contribution Award.
	Consumer Electronic Product Category of 2017 IT Month.	Top 100 Innovative Product Award-Biometric Smart Card
	Hsinchu Science Park	2017 Innovative Product Award -Pen-Emulated Finger-Pen- Concurrent Touch Screen Solution
2016	Hsinchu Science Park	Distinguished Green Landscaping Award
		2016 R & D Achievement Award
		2016 Innovative Product Award - Smart-ID Solution
2015	SGS	Obtained certification for the Corporate Social

		Responsibilities Report and passed international certifications of AA1000 AS Type 2 Moderate-Level Assurance and GRI G4
	Hsinchu Science Park	Distinguished Green Landscaping Award
		2015 R & D Achievement Award
		Innovative Product Awards - Chromebook Smart Touch pad and Touch Screen Solution
	Health Promotion Administration, Ministry of Health and Welfare.	Vitality Award” in the “Healthy Workplace Health Promotion
2014	Hsinchu Science Park	Distinguished Green Landscaping Award for the 10 th consecutive year
		R & D Achievement Award
	ESG	In accordance with the vision and mission of the company's ESG policy, the "CSR Committee" was established
2013	Ministry of Economic Affairs	Portable Product with 3D Depth Sensor for Hand Gesture Recognition- Leading Program
		Corporate Standardization Award” in the 14 th National Standardization Award
	Forbes	One of the "2013 Forbes Best Companies Under a Billion in Asia
	Windows	IT Month’s “Gold Award” and “Top 100 Innovative Product Award”-Windows 8 Single-Chip Smart Touch Screen Solution
	Hsinchu Science Park	2013 R & D Achievement Award
		2013 Innovative Product Awards - Windows 8 Single-Chip Smart Touch Screen Solutions
	Industrial Development Bureau, MOEA.	2nd Term Excellent Backbone Enterprises Award
2012	COMPUTEX Taipei.	Golden Award - Smart-Touchscreen™ IC; The Best Choice Award - Best Choice of the Year - IC & components product category
2011	Ministry of Economic Affairs	Awards - Capacitive Touch Screen with Force Sensing Program” from the “Leading Program”
	Hsinchu Science Park	2011 Innovative Product Award - Capacitive 10-Finger Touch Screen and Stylus
2010	USA’s 2010 Consumer Electronics Show.	Innovative Design and Engineering Award - Smart Remote Control
	Capacitive Multi-Finger Touch Screen and Stylus	13 th Outstanding Photonics Product Award
	Hsinchu Science Park	Awards for the “Optical System Integration Chip Plan with High Recognition Rate and Wide Dynamic Range” - Research on Policy of University-Industry Collaboration for Enhancing Sustainable Growth for NSC Science Park
		2010 R & D Achievement Award
		2010 Innovative Product Awards - Smart-3D Remote Control
2009	COMPUTEX Taipei	Best Choice Award
		Annual Award - Transparent Touch pad
		Excellence Award in the peripheral and accessories category -Transparent Touch pad
		Excellent Digital Entertainment Product Award- Smart Remote Control
	Ministry of Economic Affairs.	Awards for the “Portable Soft-Film Multi-Touch Surface

		Capacitive Module Program” from the “Industrial Technology Development Program”
		Outstanding Innovation Award in the 17 th “Industrial Science and Technology Development Award
	2009 IT Month	2009 IT Month’s Outstanding Information Application and Products Award- Smart Remote Control
	Ministry of Economic Affairs	the 10 th “Industrial Excellence Award
	Hsinchu Science Park	2009 Innovative Product Awards -Smart Remote Control
		2009 R & D Achievement Award
		2009 Promotion of International Exchange and Cooperation Award for Excellence
		Outstanding Award -2009 Environmental Protection Competition
2008	Hsinchu Science Park	2008 Innovative Product Award
	ELAN Microelectronics	Officially merged with Elantech Devices in 2008.
2007	Hsinchu Science Park	Distinguished Green Landscaping Award for the 7th consecutive year.
	Ministry of Economic Affairs.	Contribution Award in the “2007 National Invention and Creation Award”
2006	Hsinchu Science Park	Distinguished Green Landscaping Award for the 6th consecutive year.
	Industrial Development Bureau, MOEA	Received a subsidy from the consultation program for the development of leading new products (“Leading Product”)
	Hsinchu Science Park	2006 Innovative Product Award
2005	Hsinchu Science Park	Distinguished Green Landscaping Award” for the 5th consecutive year
		Third Term “R & D Achievement Award
2004	Hsinchu Science Park	Distinguished Green Landscaping Award” for the 4th consecutive year
		Innovative Technology R & D Program Awards- TFT LCD single-chip controller
		Innovative Technology R & D Program Awards- 2.45GHz RF Transceiver IC for Cordless Phones
	Department of Industrial Technology, MOEA	Outstanding Award in the 12 th “MOEA Industrial Science and Technology Development Award”
	Forbes	Recognized by Forbes as one of the “100 Best Small Asia-Pacific Companies" in 2003
	Hsinchu Science Park	R & D Achievement Award - 2 nd place
2003	Entered into the European market	Established ELAN’s European branch office in Switzerland.
	Hsinchu Science Park	Distinguished Green Landscaping Award” for the 3rd consecutive year
	Entered southern China market	Established Elan Shenzhen Co., Ltd.
	Hsinchu Science Park	Distinguished Green Landscaping Award” for the 2nd consecutive year
	Forbes	Recognized by as one of the “200 Top Best Small Companies”
	Entered the eastern China market	Established Elan Shanghai, Ltd.
2001	Elan Microelectronics	The construction of the ELAN Technology Building located on No. 12, Chuangxin 1st Road has been completed and the Company Elan Microelectronics was officially moved into this building.
	Hsinchu Science Park	Distinguished Green Landscaping Award

	Securities and Futures Commission, Ministry of Finance	Approved to be listed and to trade its stocks in the exchange market (stock code: 2458).
	National Invention Competition	Gold medal Award in the 10 th National Invention Competition
	ISO	Passed ISO9001 quality certification
	Hsinchu Science Park	2001 Innovative Product Award
	Forbes	Recognized by Forbes as one of the “200 Top Best Small Companies”
	Entered the eastern China market	Established Elan Shanghai, Ltd.
2000	Securities and Futures Commission, Ministry of Finance	Approved to be listed and to traded its stocks over the counter (stock code: 5433)
1999	Hsinchu Science Park	1999 Research and Development Investment Award
1998	Industrial Development Bureau, MOEA.	1998 Excellent Intellectual Property Management System Award
1997	National Invention Competition	Corporate Silver Medal in the 6 th National Invention Prize
	To expand markets and marketing bases in Hong Kong and mainland China.	Established ELAN Microelectronics Hong Kong branch office to expand markets and marketing bases in Hong Kong and mainland China.
1996	Hsinchu Science Park	Innovation, Technology, Research and Development Plan Awards- The high-speed computer screen controller
		Innovation, Technology, Research and Development Plan Awards- The MPEG-2 video decoder
		Innovation, Technology, Research and Development Plan Awards- The MPEG-2 audio decoder
		1996 Research and Development Investment Award
		Key Components and Products R & D Plan Awards- The neural network IC series and development system
1994	Establishment of Elan Microelectronics Corporation	Nominal and paid-up capital amounting to NT\$1 billion
	Hsinchu Science Park	Issued the Business Registration Certificate and the Company officially commence its operations

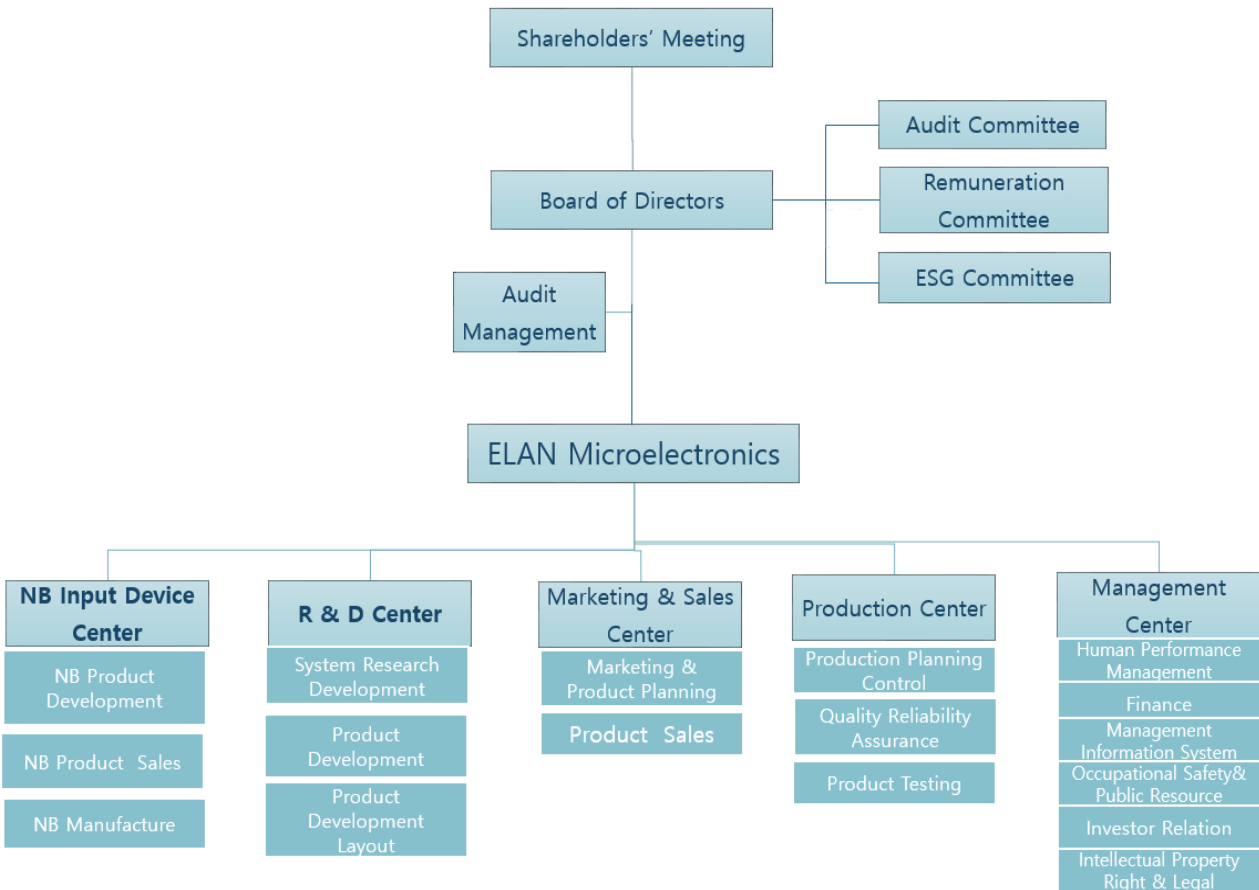
III. Corporate Governance Report

1. Organization

(1) Organizational Structure

Organizational Chart of Elan Microelectronics Corporation

Effective date: February 7, 2020



(2) Major Corporate Functions

Departments	Functions
Audit Office	Investigate and evaluate the soundness, rationality and effectiveness of the internal control system and various management systems of the Company.
Human Performance Management	Human Resource Recruitment, Organization, Performance Evaluation and Payroll Management
Finance Department	Comprehensive management of financial resources, and the establishment and maintenance of financial accounting, management accounting and tax filing.
Information Management Division	Responsible for MIS system's software assessment, system planning, program writing and maintenance.
Safety & Health Office	Managing labor safety, fire-fighting and health related operations.
Industrial Safety Office and Public Resources	Labor safety and fire sanitation-related businesses manage the labor safety room and the public resources department for plant maintenance.
Investor Relation Division	Responsible for the Company's news release and the establishment of relationship with domestic and foreign corporate bodies, media and investors.
Intellectual Property Rights & Legal Department	Responsible for patent applications, contract formulation and review and processing of legal proceedings related matters.
Production Planning Control Division	Responsible for the management of raw materials, the planning and management of production schedules, procurement, import and export, customs bonds, etc.
Product Marketing & Planning Department	Responsible for developing and expanding new markets, global business promotion for major branding customers, and strategic cooperation with branding customers
Quality Assurance Department	Quality inspection on incoming / outgoing goods, analyze and process customer complaints, product reliability analysis.
Product Testing Department	Responsible for coordinating new product development, and the development of product property analysis and testing program.
market planning Department	New market development, global business promotion for major brand customers, strategic cooperation with brand customers
Product sales	Domestic and foreign market development, research and development of marketing plans, product sales, customer service, agent management and other services.
System R& D	System specification formulation, verification and solution development and design of fingerprint recognition, optical mouse, smoke detector, microcontroller, touch panel and pointing input device products
Product Development	Development and design, integration verification and platform development of digital circuits and sensing technologies
Product Development Layout	Responsible for product development layout design
NB Product Development	Driver development and customer service for pointing input elements and touchpad modules for notebook computers
NB Product Sales	Business promotion of pointing input and touch panel products for notebook computers
NB Product Production	Production and manufacture of pointing input components and touch panel modules for notebook computers, touch screen modules, fingerprint recognition modules

2. Directors, Supervisors and Management Team

(1)Board Members

1.1. Information Regarding Board Members

Title	Nationality or Place of Registration	Name	Sex/ Age	Date Elected	Term (Years)	Date First Elected	Shares Held when Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholder by Nominee Arrangement		Selected Education and Professional Qualification Past Positions Current Positions at Non-profit Organizations (Note 2)	Selected Current Positions at EMC and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	YEH, I- Hao	M 66	2021.7.2	3	1994.5.5	5,224,895	1.72%	6,000,895	1.97%	None	None	None	None	Institute of Electronics / National Chiao Tung University Engineer, ITRI ; Manager/Hua Chang Semi-Conductor Co., Ltd.; Department Head/Hualon Microelectronics Co., Ltd.	<u>Corporate Representatives of the following venture capital companies:</u> TOP TAIWAN VII; ; TOP TAIWAN VI; ; TOP TAIWAN IX ; TOP TAIWAN X ; TOP TAIWAN XI ; ELAN(HK); POWER ASIA; NORTH STAR VENTURE CAPITAL; <u>Corporate Representatives & Chairman of the following companies:</u> AVISONIC TECHNOLOGY CORP., METANOIA COMMUNICATION, INC.; & PIXORD CORP. Chimei Motor Electronics; <u>Director of Huaju Foundation</u>	Direct or	YEH, Tung-Ying	Father-Son	(Note 1)
Director	R.O.C.	Yulong Investment Co Ltd	N/A	2021.7.2	3	2002.6.26	7,083,059	2.23%	7,083,059	2.33	None	None	None	None	None	None	None	None	None	
	R.O.C.	YEH, Tung-Ying	M 34	2021.7.2	3	2021.7.2.	None	None	None	None	None	None	None	None	Department of Electrical Engineering and Department of Economics, University of California, San Diego	<u>Corporate Representative:</u> MACROBLOCK	None	YEH, I-Hau	Father-Son	

Director	R.O.C	YEN, Kuo- Lung	M 63	2021.7.2	3	1997.6.14	2,002,555	0.66%	2,002,555	0.66%	None	None	None	None	Institute of Electronics / National Chiao Tung University Engineer, ITRI Manager/Hualon Microelectronics Co., Ltd.	<u>Corporate Representatives & Chairman of the following companies:</u> EMINENT ELECTRONIC TECHNOLOGY CO LTD; AVISONIC TECHNOLOGY CORP., UNIBAND ELECTRONICS CORP. Etc.,	EMI	None	None	
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Director	R.O.C	CHIU, Te-Chen	M 56	2021.7.2	3	2000.3.30	None	None	None	None	25,000	0.008%	None	None	Institute of Business Management /National Chengchi University	<p><u>Chairman & President of the following venture capital companies:</u> TOP TAIWAN XI L; TOP TAIWAN IX ; TOP TAIWAN III; TOP TAIWAN X; TOP TAIWAN XI ; TOP TAIWAN XII; TOP TAIWAN;</p> <p><u>President & Director of the following companies:</u> TOP TAIWAN XI VENTURE CAPITAL; TOP TAIWAN XII VENTURE CAPITAL; TOP TAIWAN XIII VENTURE CAPITAL;</p> <p><u>Independent Director of the following companies:</u> SILITECH TECHNOLOGY CORP ; Chicony Power Technology Co., Ltd. ;</p> <p><u>Corporate Representatives of the following companies:</u> Debao Industrial, Shenghong Pharmaceutical, Shengke Electronics, Ruixin Aerospace, Shin Kong Financial Holdings (stock) company legal person director representative ; Director of SINBON Electronics, Taikang Precision and Siwei Innovative Materials Co., Ltd. ; Vice Chairman of Shin Kong Life Insurance Co., Ltd</p>	None	None	None	
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Director	R.O.C	Tsung Lung Investm ent Co., Ltd.		2021.7.2	3	2002.6.26	3,078,903	1.01%	3,078,903	1.01%	None	None	None	None	None	None	None	None	None		
	R.O.C	WEI, Chi-Lin	M 74	2021.7.2	3	2006.6.12	None	None	None	None	None	None	None	None	None	Doctor of Philosophy, Université de Paris ; Master of Business, Administration, Imperial College London ; Chairman, Land Bank of Taiwan Secretary-General, Executive Yuan Director, Institute of International Business/National Taiwan University	Professor of the Institute of Business Studies of National Taiwan University; Director of Kangshu Technology; Chairman of Qiding and Yuanding Venture Capital; Independent Director of SINBON, Formosa Plastics and Inventec	None	None	None	
Independent Director	R.O.C	LIN, Hsien-Ming	M 69	2021.7.2	3	2015.6.2	None	None	None	None	None	None	None	None	None	Dept. of Electronics Engineering / National Chiao Tung University ; General Manager of Acer Computer Co., Ltd.	Chairman & Chief Strategy Officer, Wistron Corp. Director of Gamania Digital, Independent Director of Taiwan Model Semiconductor, Chairman of Wisdom Technology Services, Chairman of Wistron Digital Technology Investment Holdings, Independent Director of Powerchip Semiconductor	None	None	None	
Independent Director	R.O.C	SHAW, Ming-Fu	M 63	2021.7.2	3	2021.7.2	None	None	None	None	None	None	None	None	None	Ph.D., Department of Economics, National Chengchi University, Associate Professor, Department of Economics, National Chengchi University	None	None	None	None	
Independent Director	R.O.C	TANG, Chuan-Yi	M 63	2021.7.2	3	2021.7.2	None	None	None	None	8,000	0.003%	None	None	None	Ph.D., Institute of Computer Engineering, Chiao Tung University Professor and President of Providence University	None	None	None	None	

Title	Nationality or Place of Registration	Name	Sex/ Age	Date Elected	Term (Years)	Date First Elected	Shares Held when Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholder by Nominee Arrangement		Selected Education and Professional Qualification Past Positions Current Positions at Non-profit Organizations (Note 2)	Selected Current Positions at EMC and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C	LU, Fang-Cheng	M 51	2021.7.2	3	2021.7.2	None	None	None	None	4,000	0.001%	None	None	Ph.D.,in Information Engineering, Tsinghua University; Broadweb/. Overseas Business Associate	Chairman of the following companies: HUACIGUAN, WANGCI, RONGCHENG INVESTMENT, ZUOCHENG INVESTMENT, ZHENCHENG INVESTMENT	None	None	None	

Note 1: The same person as the President in order to promote the Company's operating efficiency and reduce the management level. Responding measure: More than half of the directors on the Board of Directors are not concurrently serving as employees or managers and one seat of independent director is increased during the re-election of directors on July 2, 2021..

1.2. Main Shareholders of Corporate Shareholders

April 17, 2022

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

1.3. Directors' and Supervisors' Professional Qualification and Independent Director's' Independence Status

April 17, 2022

Criteria Name	Professional Qualification and Experiences (Note 1)	Independence Status (Note 2)	Number of Other Public Companies Concurrently Serving as an Independent Director
YEH, I-Hao	M.Sc. in Electronics Engineering, Ciao Tung University, has served as the chairman and president of Elan Microelectronics Corp. for more than 20 years, and is good at leadership, making operational decisions, and management and is currently not in or under any circumstances stated in Article 30 of the Company Law	Not Applicable	0
YEN, Kuo-Lung	M.Sc. in Electrical Engineering, National Taiwan University, deputy general manager of EMC for more than 20 years and has rich experience in the IC industry and is currently not in or under any circumstances stated in Article 30 of the Company Law	Not Applicable	0
CHIU, Te-Chen	MBA in Business Administration, National Chengchi University, chairman of venture capital companies and has rich industry experience and is currently not in or under any circumstances stated in Article 30 of the Company Law	Not Applicable	1
Zonglong Investment Representative WEI, Chi-Lin	Government officials and university professors, chairman of Bills Finance Companies, with rich experience in industry, government and academia and is currently not in or under any circumstances stated in Article 30 of the Company Law	Not Applicable	2

Yulong Investment Representative YEH, Tsung-Ying	M.Sc. and MBA in Electronic Engineering and Business Administration from the University of California, San Diego, company's career development manager. He has been in contact with foreign electronics manufacturers all year round and has foreign business experience.	Not Applicable	0
LIN, Hsien-Ming	Chairman of Wistron Corporation, a well-known electronics manufacturer in Taiwan, with rich industrial and commercial experience and is currently not in or under any circumstances stated in Article 30 of The Company Law	According to the requirements of the competent authority, when the company elects independent directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the company.	2
SHAW, Ming-Fu	Associate professor at the Department of Economics of the National Chengchi University, with a financial-related academic major and is currently not in or under any circumstances stated in Article 30 of the Company Law	According to the requirements of the competent authority, when the company elects independent directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the company.	0
TANG, Chuan-YI	Ph.D., Institute of Computer Engineering, Chiao Tung University; Professor and President of Providence University, has rich academic and management experiences and is currently not in or under any circumstances stated in Article 30 of the Company Law	According to the requirements of the competent authority, when the company elects independent directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the company.	0
LU, Fang-Cheng	Ph.D., in Information Engineering, Tsinghua University; Chairman of Win Star Investments Limited and is currently not in or under any circumstances stated in Article 30 of the Company Law	According to the requirements of the competent authority, when the company elects independent directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the company.	0

1.4 Board Diversity and Independence:

- (1) Board Diversity: On November 08, 2018, the third meeting of the ninth session of the board of directors of the company passed the "Corporate Governance Code", and in Chapter 3 "Strengthening the Functions of the Board of Directors", it stipulates the diversity policy and regulates that directors should generally have the necessary skills to perform their duties. knowledge, skills and literacy. The nomination and selection of members of the board of directors of the company follows the provisions of the company's articles of association and adopts the nomination system for candidates, and follows the "Director Election Procedures" and "Corporate Governance Guidelines" to ensure the diversity and independence of directors. On July 2, 2021, when the members of board of directors are re-elected to the, it increases one director and one independent director to achieve the goal of board diversity.
- (2) Board Diversity and Independence: After the company was re-elected (July 2, 2021), there are 4 independent directors, accounting for 44% of the 9 directors, 33% of the directors with employee status, YEH, I-Hau (chairman) and YEH, Tsung-Ying (director) are second-degree relatives

(2) Information Regarding Management Team

April 17, 2022

Title	Nationality	Name	Sex	Date Elected	Shares Held when Elected		Shares Currently Held by Spouse & Minors		Shareholder by Nominee Arrangement		Selected Education and Professional Qualification Past Positions Current Positions at Non-profit Organizations (Note 2)	Selected Current Positions at EMC and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman and President	R.O.C	YEH, I- Hao	M	1994.09.01	6,000,895	1.97%	None	None	None	None	Institute of Electronics / National Chiao Tung University Engineer, ITRI ; Manager/Hua Chang Semi-Conductor Co., Ltd.; Department Head/Hualon Microelectronics Co., Ltd.	<u>Corporate Representatives of the following venture capital companies:</u> TOP TAIWAN VII ; TOP TAIWAN VI ; TOP TAIWAN IX ; TOP TAIWAN X ; TOP TAIWAN XI ; ELAN(HK); POWER ASIA; NORTH STAR BENTURE CAPITAL; <u>Corporate Representatives & Chairman of the following companies:</u> AVISONIC TECHNOLOGY CORP., METANOIA COMMUNICATION, INC.; & PIXORD CORP. Chimei Motor Electronics; <u>Director of Huaju Foundation</u>	None	None	None	(Note 3)
Vice President	ROC	YEN, KUO-LUNG	M	2000.11.10	2,002,555	0.66%	None	None	None	None	Institute of Electricity Engineering / National Taiwan University; Engineer, ITRI Manager/Hualon Microelectronics Co., Ltd.	<u>Corporate Representatives & Chairman of the following companies:</u> EMINENT ELECTRONIC TECHNOLOGY CO LTD; AVISONIC TECHNOLOGY CORP., UNIBAND ELECTRONICS CORP. Etc.,	None	None	None	
Accounting Chief Officer	ROC	CHEN, YI-LIN	M	2013.06.28	0	0	None	None	None	None	Institute of Accounting/National Chung Cheng University Department of Public Finance, National Chengchi University Assistand Manager of KPMG Manager of Elantech Co., Ltd. Senior Manager of Elan Electronics Co., Ltd.	None	None	None	None	

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

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

Note 3: The same person as the Chairman in order to promote the Company's operating efficiency and reduce the management level. Responding measure: More than half of the directors on the Board of Directors are not concurrently serving as employees or managers and one seat of independent director is additionally increased during the re-election of directors on July 2, 2021.

(3) Remuneration Paid to Directors, Supervisors, President and Vice President during the last fiscal year

3.1 Remuneration of Directors

December 31, 2021

Unit: NT\$ thousand / Thousand shares

Title	Name	Remuneration								(A+B+C+D) as a % of Net Income (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								(A+B+C+D) as a % of Net Income (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay (B) 【Note 1】		Renumeration of Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F) (Note 1)		Renumeration of Employees (G) (Note 6)						
		From EMC	From All Consolidate d Entities (Note 7)	From EMC	From All Consolidate d Entities (Note 7)	From EMC	From All Consolidate d Entities (Note 7)	From EMC	From All Consolidate d Entities (Note 7)	From EMC	From All Consolidate d Entities (Note 7)	From EMC	From All Consolidated Entities (Note 7)	From EMC	From All Consolidate d Entities (Note 7)	From EMC		From All Consolidated Entities (Note 7)	From EMC	From All Consolidated Entities (Note 8)		
																Cash	Shares				Cash	
Chairman	YEH, I-Hau	0	0	0	0	93,000	93,000	360	360	93,360 1.83%	93,360 1.83%	21,316	26,175	310	310	28,968	0	28,968	0	143,954 2.82%	148,813 2.92%	905
Director	Yulong Investment																					
	YEH, Tsung-Ying																					
Director	YEN, Kuo-Lung																					
	Zonglong Investment																					
	WEI, Chi-Lin																					
Director	CHIU, Te-Chen																					
Independent Director	LIN, Hsien-Ming	7,700	0	0	0	0	0	680	680	3,380 0.07%	3,380 0.07%	0	0	0	0	0	0	0	0	3,380 0.07%	3,380 0.07%	0
Independent Director	SHAW, Ming-Fu																					
Independent Director	TANG, Chuan-Yi																					
Independent Director	LU, Fang-Cheng																					
Independent Director	CHEN, Hou-Ming 【Note 3】																					
Independent Director	CHUNG, Rong-Da 【Note 3】																					

1. Please state the policy, system, standards and structure for the payment of independent director's remuneration, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: According to the Company's "Directors' Remuneration Management Procedures", the monthly remuneration of an independent director of the Company is set as NT\$50,000, which shall be paid regardless of the Company's profit or loss, provided that the independent director does not take part in the directors' remuneration from annual profit distribution. Any director who leaves the Company due to re-election or resignation during the term of office shall be paid thereof according to the proportion of their actual term to the entire year.

2. The remuneration received by the Company's Directors for services rendered (such as serving as non-employee consultants of the parent company/all consolidated entities/all re-invested entities) to From All Consolidated Entities other than disclosed in the schedule above: N/A

【Note 1】 : Pension refers to the pension amount contributed in 2021

【Note 2】 : YEH, I-Hau acting as the Chairman under position of representative of Yulong Investment Co., Ltd. before 7.2.2021, and acting as the Chairman under personal position approved by BOD on 7.2.2021

【Note 3】 : Term expired after re-election at the BOD meeting dated 7.2.2021

Schedule of Remuneration

Remuneration range paid to each Director of the Company	Name of Directors			
	Total remuneration amount (A+B+C+D)		Total remuneration amount (A+B+C+D+E+F+G)	
	The Company (Note 8)	From All Consolidated Entities (Note 9)	The Company (Note 8)	From Parent company and all reinvested companies (Note 9)
Less than NT\$1,000,000	CHUNG, Rong-Da; CHEN, Hou-Ming; SHAW, Ming-Fu; LU, Fang-Cheng; TANG, Chuan-Yi	CHUNG, Rong-Da; CHEN, Hou-Ming; SHAW, Ming-Fu; LU, Fang-Cheng; TANG, Chuan-Yi	CHUNG, Rong-Da; CHEN, Hou-Ming; SHAW, Ming-Fu; LU, Fang-Cheng; TANG, Chuan-Yi	CHUNG, Rong-Da; CHEN, Hou-Ming; SHAW, Ming-Fu; LU, Fang-Cheng; TANG, Chuan-Yi
NT\$1,000,000 (including) ~ NT\$2,000,000(excluding)	LIN, Hsien-Ming	LIN, Hsien-Ming	LIN, Hsien-Ming	LIN, Hsien-Ming
NT\$2,000,000 (including) ~ NT\$3,500,000(excluding)				
NT\$3,500,000 (including) ~ NT\$5,000,000(excluding)				
NT\$5,000,000 (including) ~ NT\$10,000,000(excluding)	YEH, I-Hau	YEH, I-Hau		
NT\$10,000,000 (including) ~ NT\$15,000,000(excluding)				
NT\$15,000,000 (including) ~ NT\$30,000,000(excluding)	WEI, Chi-Lin; CHIU, Te-Chen; YEN, Kuo-Lung; Yulong Investment; Zonglong Investment;	WEI, Chi-Lin; CHIU, Te-Chen; YEN, Kuo-Lung; Yulong Investment; Zonglong Investment;	WEI, Chi-Lin; CHIU, Te-Chen; YEH, I-Hau; Yulong Investment; Zonglong Investment;	WEI, Chi-Lin; CHIU, Te-Chen; YEN, Kuo-Lung; Yulong Investment; Zonglong Investment;
NT\$30,000,000 (including) ~ NT\$50,000,000(excluding)			YEH, I-Hau; YEH, I-Hau	YEH, I-Hau; YEH, I-Hau
NT\$50,000,000 (including) ~ NT\$100,000,000(excluding)				
NT\$100,000,000 or above				
Total	12 seats	12 seats	12 seats	12 seats

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

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

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

Note 4: Referred to the relevant business execution costs (including transportation allowances, special disbursements, various allowances, living quarters,

assigned company cars, etc.) of the Directors incurred during the last fiscal year. If house, car and other transportation or personal expenditures are provided, the nature and costs of the assets so provided, actual rent or rent at fair market value, gasoline allowances and other payments shall be disclosed. In addition, if driver(s) is provided, please specify relevant compensation of the driver(s) paid by the Company, of which shall not be included in the remuneration.

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

(2) Remuneration of Supervisors

The Company has appointed three Independent Directors in 2015 to establish the Audit Committee in lieu of Supervisors; therefore, there was no remuneration of supervisors in 2021.

(3) Remuneration of the President and Vice President

December 31, 2021
Unit: NT\$1000 /1000 shares

Unit: NT\$1000/1000 shares

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonus and Allowances (C) (Note 3)		Employee compensation amount (D) (Note 4)				Percentage of A+B+C+D to Net Income After Taxes (Note 8)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary (Note 9)
		From EMC	From All Consolidated Entities (Note 5)	From EMC	From All Consolidated Entities (Note 5)	From EMC	From All Consolidated Entities (Note 5)	From EMC		From All Consolidated Entities (Note 5)		From EMC	From All Consolidated Entities (Note 5)	
								Cash amount	Amount in shares	Cash amount	Amount in shares			
President	YEH, I-Hau	14,477	18,642	310	310	6,839	7,533	28,968	0	28,968	0	50,594 0.99%	55,453 1.09%	110
Execute Vice President	YEN, Kuo-Lung													

[Note] "Severance Pay" referred to the pension amount contributed in 2021.

Schedule of Remuneration

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

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

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

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

Note 4: The employee compensation (including shares and cash) of the President and Vice President during the last fiscal year authorized to be distributed by the Board of Directors. If the amount cannot be estimated, the proposed amount to be distributed shall be based on the proportional actual distributed amount of the previous year and fill out the attached form 1 – 3. Net Income After Taxes referred to Net Income After Taxes of the last fiscal year; for those who have adopted the International Financial Reporting Standards, Net Income After Taxes shall be Net Income After Taxes presented on the

Parent Company Financial Statements of last fiscal year.

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

(4) Remuneration Paid to Manager(s)

December 31, 2021
Unit: NT\$'000 / share

	Title (Note 1)	Name (Note 1)	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income After Tax (%)
Managers	President	YEH, I-Hau	0	30,373	30,373	0.60%
	Executive Vice President	YEN, Kuo-Lung				
	Chief Finance and Accounting Officer	CHEN, Yi-Lin				

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

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

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

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

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

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

Unit: NT\$ thousands

Job title	2021				2020			
	The Company		All companies listed in the consolidated financial statements		The Company		All companies listed in the consolidated financial statements	
	Total remuneration amount	Percentage to Net Income After Taxes	Total remuneration amount	Percentage to Net Income After Taxes	Total remuneration amount	Percentage to Net Income After Taxes	Total remuneration amount	Percentage to Net Income After Taxes
Director	96,740	1.90%	96,740	1.90%	62,580	1.93%	62,580	1.93%
Supervisor	0	0%	0	0%	0	0%	0	0%
President and Vice President	50,594	0.99%	55,453	1.09%	42,693	1.32%	47,716	1.47%

Explanation:

- (1) The independent directors of the company do not receive other remuneration except for the fixed remuneration and attendance fee. The remuneration of directors and managers shall be handled in accordance with the company's articles of association: Article 29 of the company's articles of association stipulates that if the company makes a profit in the year, it shall allocate no less than 10% for employee bonus and no more than 2% for directors' remuneration; the remuneration of directors and managers is reviewed by the remuneration committee to review the degree of participation, contribution value and financial indicators (revenue and net profit after tax) of each director and manager in the company's operations, and submit to the board of directors for approval after considering the level of payment in the industry.
- (2) The 2021 Profit Distribution was the proposed distribution amount; the 2020 Profit Distribution was the actual distributed remuneration;
- (3) The company's directors' remuneration increased in 2021 compared to 2020, mainly due to the increase in profit in 2021 compared to 2020, which resulted in an increase in directors' remuneration based on profit. The increase rate of directors' remuneration in 2021 is greater than the increase rate of after-tax net profit. The reason is that the 108-year after-tax net profit contains higher income tax benefits. When comparing the rate of increase in directors' remuneration in 2021 with the rate of increase in pre-tax net profit in 2020, there is not much difference between the two.

4. Implementation of Corporate Governance

(1) Board of Directors Meeting Status

(1) Board of Directors Meeting Status

Elan Microelectronics Corporation (EMC)'s Chairman of the Board of Directors convened nine (9) (A) meetings in 2021. The directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【 B / A 】	Notes
Chairman	YEH, I-Hau Past Position: Representative of the Yulong Investment Co., Ltd. (Note 1)	9	0	100%	Renewal of office Re-elected (July 2, 2021) (As new elected Chairman in person)
Director	Yulong Investment Co., Ltd. Representative: YEH, Tsung-Ying (Note 1)	5			Re-elected (July 2, 2021) Renewal of office
Director	YEN, Kuo-Lung	9	0	100%	Renewal of office
Director	Zonglong Investment Co., Ltd. Representative: WEI, Chi-Lin	9	0	100%	Renewal of office
Director	CHIU, Te-Chen	9	0	100%	Renewal of office
Independent Director	LIN, Hsien-Ming	9	0	100%	Renewal of office
Independent Director	CHEN, Hou-Ming	4	0	100%	Re-elected (July 2, 2021) Term Expired
Independent Director	CHUNG, Rong-Da	4	0	100%	Re-elected (July 2, 2021) Term Expired
Independent Director	SHAW, Ming-Fu	5	0	100%	Re-elected (July 2, 2021) Renewal of office
Independent Director	TANG, Chuan-Yi	5	0	100%	Re-elected (July 2, 2021) Renewal of office
Independent Director	LU, Fang-Cheng	5	0	100%	Re-elected (July 2, 2021) Renewal of office

Additional Notes:

- In the event of any of the following circumstances concerning the operation of the Board of Directors, the date, session number, agenda of the Board meeting, all Independent Director's opinions and how the Company process the Independent Director's opinions shall be specified:
 - Matters relating to Article 14-3 of the Securities and Exchange Act: Not applicable (The Company has established an Audit Committee).
 - Other Board resolutions, except the matters mentioned above, opposed or given qualified opinion by Independent Director(s) with record(s) or written statement(s): Not applicable.
- Where the Director avoided conflict of interests, specify the Director's name, agenda, reason for the avoidance of conflict of interests and participation in voting: not applicable.

3. The TWSE/TOPIX Listed Companies shall disclose the cycle, period, scope, method and contents of the Board's self (or by peer) evaluation and other information, and fill out Schedule 2 “Results of the Implementation of Board of Directors’ Evaluation”: the 2020 Results of the Implementation of Board of Directors’ Evaluation are shown in the schedule below.
4. The goals to strengthen the functions of the Board of Directors (such as establishing an Audit Committee, enhance information transparency, etc.) for the current year and last fiscal year and assessment on the execution: The shareholders' meeting convened in 2021 approved to increase one independent director, one director and four independent directors, total nine directors are elected during the shareholders’ meeting to organize an Audit Committee to improve the diversity among the Board members; the Board of Directors and Audit Committee conduct performance evaluation and self-assessment to implement corporate governance and enhance functions of the Board.

(Note 1): The Representative of the Yulong Investment Co., Ltd, YEH, I-Hau, was changed to YEH, Tsung-Ying on July 2, 2021

(2) Board of Directors' Performance Evaluation Implementation Status

Evaluation Cycle (Note 1)	Evaluation Period (Note 2)	Evaluation Scope (Note 3)	Evaluation Method (Note 4)	Evaluation Aspect (Note 5)
Annual	From January 1, 2021 to December 31, 2021	The Board of Directors as a whole	Self-assessment by each Board member	1. Involvement in the Company's operation 2. Enhancement of the quality of the board's decision-making 3. Makeup and structure of the board 4. Election of board members and continuing knowledge development 5. Internal controls
Annual	From January 1, 2021 to December 31, 2021	The Audit Committee	Self-assessment by each Committee member	1. Understanding of the Company's goals and mission 2. Awareness of the audit committee's duties 3. Involvement in the Company's operation 4. Internal relationship and communication 5. Director's professionalism and continuing knowledge development 6.. Internal controls.
Annual	From January 1, 2021 to December 31, 2021	The Compensation Committee	Self-assessment by each Committee member	1. Involvement in the Company's operation 2. Awareness of director's duties 3. Enhancement of the quality of the board's decision-making 4. Makeup and structure of the Committee and Election of committee members
Annual	From January 1, 2021 to December 31, 2021	The Sustainable Development Committee	Self-assessment by each Committee member	1. Involvement in the Company's operation 2. Implementation status of the relevant policies and the company's sustainable development 3. Expertise and experience 4. Regularly participate in committee meetings 5. True compliance with confidentiality obligations
Annual	From January 1, 2021 to December 31, 2021	The Individual Directors	Self-evaluation by the Board member	1. Involvement in the Company's operation 2. Awareness of director's duties 3. Enhancement of the quality of the board's decision-making 4. Election of board members and continuing knowledge development 5. Internal control

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

Note 2: Fill in the period of evaluation of the Board of Directors (e.g. evaluate the Board of Directors' performance for the period of January 1, 2021 to December 31, 2021).

- Note 3: The scope of the evaluation, which includes performance evaluation on the Board of Directors, Individual Board member and functional committee.
- Note 4: The method of evaluation, which includes internal self-evaluation of the Board of Directors, self-evaluation by the Board member, peer evaluation, commissioned performance evaluation by external professional institutions, experts or other appropriate methods.
- Note 5: The contents of evaluation, which include at least the following items according to the scope of evaluation:
- (1) Performance evaluation on the Board of Directors: which at least include the level of participation in the Company's operations, quality of decision-making of the Board of Directors, composition and structure of the Board of Directors, election, appointment and continuous training of the directors, internal control, etc.
 - (2) Performance evaluation on the individual member of the Board: which at least include the level of mastering the Company's goals and tasks, understanding of director's duties, the level of participation in the Company's operations, internal relationship management and communication, director's profession and continuous training, internal control, etc.
 - (3) Performance evaluation on the functional committees: the level of participation in the Company's operations, understanding of functional committee's duties, the quality of decision-making of the functional committees, composition and structure of the functional committees, election and appointment of members of the functional committee, internal control, etc.

(2) Audit Committee Performance Evaluation Implementation Status:

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

The subjects reviewed by the audit committee mainly consist of:

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

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

● Review of financial report

The Board of Directors has prepared the Company's 2021 business report, financial statements, profit distribution proposal, etc., of which the financial statements were commissioned to Klynveld Peat Marwick Goerdeler (KPMG) for audit with an audit report issued upon completion thereby. The Audit Committee had reviewed and believed that there are no discrepancies in the above-mentioned business report, financial statements and profit distribution proposal.

Information Regarding the Audit Committee Members :

Criteria Name/ Title	Professional Qualification and Experiences	Independence Status	Number of Other Public Companies Concurrently Serving as an Audit Committee Member
SHAW, Ming-Fu Independent Director (Meeting Convener)	Associate professor at the Department of Economics of the National University, with a financial -related academic major and is currently not in or under any circumstances stated in Article 30 of the Company Law	According to the requirements of the competent authority, when the company elects independent directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the company.	0
LIN, Hsien-Ming Independent Director	Chairman of a well-known electronics manufacturer in Taiwan, with rich industrial and commercial experience and is currently not in or under any circumstances stated in Article 30 of the Company Law	According to the requirements of the competent authority, when the company elects independent directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the company.	2
TANG, Chuan-YI Independent Director	Ph.D. in computer engineering/Chiao Tung University and is currently the president of the university with academic and management experience and is currently not in or under any circumstances stated in Article 30 of the Company Law	According to the requirements of the competent authority, when the company elects independent directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the company.	0
LU, Fang-Cheng Independent Director	Ph.D. in IT engineering / Tsing Hua University, chairman of a company, with business experience and is currently not in or under any circumstances stated in Article 30 of the Company Law	According to the requirements of the competent authority, when the company elects independent directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the company.	0

The Audit Committee convened 6 meetings (A) in 2021. The Independent Directors' attendance status is as follows:

Title	Name	Attendance in Person [B]	By Proxy	Attendance rate (%) [B/A] (Note)	Notes
Independent Director	CHEN, Hou-Ming	3	0	100%	Reelected on July 2, 2021 Term Expired
Independent Director	LIN, Hsien-Ming	6	0	100%	Renewal of office
Independent Director	CHUNG, Rong-Da	3	0	100%	Reelected on July 2, 2021 Term Expired
Independent Director	SHAW, Ming-Fu	3	0	100%	Reelected on July 2, 2021 New office assumed
Independent Director	TANG, Chuan-Yi	3	0	100%	Reelected on July 2, 2021 New office assumed
Independent Director	Lu, Fang-Cheng	3	0	100%	Reelected on July 2, 2021 New office assumed

Other mentionable items:

- In the event of any of the following circumstances concerning the operation of the Audit Committee, the date, session number, agenda of the Board meeting, the Audit Committee resolution and how the Company process the Audit Committee resolution shall be specified.
 - Matters relating to Article 14-5 of the Securities and Exchange Act;
 - Other Board resolutions, except the matters mentioned above, authorized by 2/3 (or above) of the Directors but opposed by the Audit Committee:

Audit Committee Meeting Date	Proposal and Resolutions	Independent directors' objections, reservations or major suggestions	Resolutions related to Securities and Exchange Act §14-5:	Proposals that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors
The 14th Meeting of the 2 nd Session Dated 02.17.2021	1. Proposal to discuss about the Company's 2020 self-closing financial statements and consolidated financial statements.	None	V	
	Resolution of the Audit Committee (made on 02.17.2021): The members of the Audit Committee unanimously approved all the resolutions			
	The Company's response to the Audit Committee's Opinion: The Board of Directors approved all such resolutions recommended by the Audit Committee			
The 15th Meeting of the 2 nd Session Dated 03.23.2021	1. Adoption of statement of internal control system on design and implementation effectiveness	None	V	
	2. Proposal for appointing accountant(s) of Klynveld Peat Marwick Goerdeler (KPMG) to audit and certify the Company's 2021 financial statements and tax reports.	None	V	
	Resolution of the Audit Committee (made on 03.23.2021): The members of the Audit Committee unanimously approved all the resolutions			
	The Company's response to the Audit Committee's Opinion: The Board of Directors approved all such resolutions recommended by the Audit Committee			

The 16th Meeting of the 2 nd Session Dated 04.28.2021	1. Proposal to discuss about the Company's 2021 first quarter self-closing financial statements	None	V	
	2. Proposal to discuss about the subscription of cash capital increase of Metanoia Communication, Inc.	None	V	
	Resolution of the Audit Committee (made on 4.28.2021):The members of the Audit Committee unanimously approved all the resolutions			
	The Company's response to the Audit Committee's Opinion: The Board of Directors approved all such resolutions recommended by the Audit Committee			
The 1st Meeting of the 3rd Session Dated 08.02.2021	1. Proposal to discuss about the Company's 2021 second quarter self-closing financial statements	None	V	
	2. Proposal to discuss about the establishment of the Top Taiwan Xiii Venture Capital Co., Ltd	None	V	
	3. Proposal to discuss about the subscription of the Vertex Growth II(SG)LP	None	V	
	4. Proposal to discuss about the subscription of cash capital increase of Weltronics Co., Ltd. in 2021	None	V	
	5. Proposal to discuss about the subscription of Avisonic Technology Corporation	None	V	
	Resolution of the Audit Committee (made on 08.02.2021):The members of the Audit Committee unanimously approved all the resolutions			
	The Company's response to the Audit Committee's Opinion: The Board of Directors approved all such resolutions recommended by the Audit Committee			
The 2nd Meeting of the 3rd Session Dated 08.02.2021	1. Proposal to discuss about the Company's 2021 third quarter self-closing consolidated financial statements	None	V	
	2. Amendment to the Operational Procedures for Loaning Funds to Others	None	V	
	Resolution of the Audit Committee (made on 11.04.2021):The members of the Audit Committee unanimously approved all the resolutions			
	The Company's response to the Audit Committee's Opinion: The Board of Directors approved all such resolutions recommended by the Audit Committee			
The 3rd	1. To establish an Audit Plan in 2022	None	V	

Meeting of the 3rd Session Dated 12.23.2021	2.Application for bidding the establishment of superficial rights for the "Hsinchu County International AI Smart Park"	None	V	
	3. Proposal to discuss about the subscription of cash capital increase of Chimei Motor Electronics	None	V	
	Resolution of the Audit Committee (made on 12.23, 2021):The members of the Audit Committee unanimously approved all the resolutions			
	The Company's response to the Audit Committee's Opinion: The Board of Directors approved all such resolutions recommended by the Audit Committee			

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

Summary of Communications between the Independent Directors and the Internal Auditors

Meeting Date	Meeting held by	Communications between the Independent Directors and the Internal Auditors	Recommendations and results
02/17/2021	Audit Committee	Internal Audit Report from Dec. 2020 to Jan. 2021	no objection
03/23/2021	Audit Committee	1. Internal Auditor's report up to February 28, 2021 2. Adoption to the "Internal Control Design and Implementation Effective Declaration	no objection
04/28/2021	Audit Committee	Internal Auditor's report up to March 31, 2021	no objection
08/2/2021	Audit Committee	Internal Auditor's report From April 2021 to June 2021	no objection
11/4/2021	Audit Committee	1. Internal Auditor's report from July 2021 to September 2021 2. Amendments to the Operational Procedures for Loaning Funds to Others	no objection
12/23/2021	Audit Committee	1.Internal Auditor's report up to October 2021 2.Improve situation tracking report 3. 2022 internal audit plan	no objection

Result: all of the above matters were reviewed and/or approved by the Audit Committee whereupon independent directors and the Internal Auditors raised no objection.

Summary of communications between independent directors and the CPA

Date	Communications between the Independent Directors and the CPA	Recommendations and results
02.17.2021	Communication meeting with the corporate governance unit: 1. Independence status; 2. Responsibilities of auditors for auditing financial statements; 3. Scope of the Audit Review for Annual Report 2020; 4. Audit findings of Annual Report 2020	No objection

Note:

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

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

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

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

Assessment Item	Implementation Status (Note)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on November 8, 2018. The information has been disclosed on the Company’s website and the Market Observation Post System (MOPS)..	None
2. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		The Company has established the spokesperson system and legal department to process relevant issues.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The Company has established the personnel dedicated to stocks/shares related matters and entrusted agent Masterlink Securities to process stocks/shares related affairs.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		The Company has formulated the “Regulations on the Operating Management of Subsidiary” as the basis for control.	None
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		The Company has formulated the “Major Internal Information Processing Procedures” and “Ethical Code of Conduct” specifications.	None
3. Composition and responsibilities of the Board of Directors				
(1) Does the Board of Directors formulate and implement a diversified approach for the member composition?	V		1. The Company adopted the “Code of Corporate Governance” on the Ninth Session No. 3 Board meeting on November 8, 2018, of which diversified policy was set out in Chapter 3 “Strengthening the Board Functions”. The nomination and selection of the Board members of the Company adopts the nomination system for candidates as prescribed in the Articles of Association and abides by the “Guidelines Governing the Election of Directors” and “Code of Corporate Governance” to ensure the diversity and independence of the Board members. The company pays attention to the diversity of the composition of the board of directors, and added one director and one independent director during the re-election of the shareholders' meeting on July 2, 2021 to increase the diversity of directors. 2. The Company’s current Board of Directors consists of 5 directors and 4	None

Assessment Item	Implementation Status (Note)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
			<p>independent directors. Among the directors, there are those specialized in leadership, operational judgment, management, crisis management, industrial and international market knowledges such as YEH, I-Hau, YEN, Kuo-Lung, CHIU, Te-Chen, WEI, Chi-Lin; and CHIU, Te-Chen has many years experiences in venture capital management and rich experiences in the industry; WEI, Chi-Lin has served as a professor in government unit and university and is currently chairman of a bills finance company with rich industrial, government, and academic experiences; YEH, Tsung-Ying has been in contact with foreign electronics manufacturers all the year round, and has good interaction with foreign merchants, which is helpful for the company to expand foreign business; independent director LIN, Hsien-Ming is the chairman of well-known domestic electronics manufacturers. Often provide valuable practical operation advice; independent directors TANG, Chuan-Yi and SHAW, Ming-Fu are the current university president and associate professor of the Department of Economics, respectively, providing company-related academic views; another independent director LU, Fang-Cheng, in addition to having a Ph.D. background, he also has relevant company management experience.</p> <p>3. 33% of the company's directors are also active as employee, while 44% of independent directors are also active as employee. 3 independent directors have a term of office of less than 2 years, 1 independent director has a term of office of 6 years, and the seniority of independent directors is between 51- 69 years old; 1 director is over 70 years old, 2 directors are between 60 and 69 years old, 1 director is between 50 and 60 years old, and 1 director is under 40 years old.</p> <p>4. The Board and Management pay attention to tolerance and diversity in supporting The Company's system of values: "Diversity Management Goal": The Board supports and oversees management's actions to increase the number of female senior executives.</p>	<p>None</p> <p>None</p>

Assessment Item	Implementation Status (Note)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
(2) Does the Company, in addition to the establishment of the Compensation Committee and Audit Committee by laws, voluntarily establish other types of functional committees?	V		The company established a Sustainable Development Committee in 2020, with an independent director as the convener, and the president and vice-president as members, responsible for supervising the company's ESG promotion.	None
(3) Does the Company set methods of evaluating the performances of the Board of Directors perform the evaluation regularly on a yearly basis and report the performance evaluation results to the Board of Directors as references for individual director's remuneration and nomination?	V		<p>The Company's Board of Directors has formulated the "Methods of evaluating the performances of the Board of Directors" on December 21, 2018, which stipulated that the Board of Directors shall perform an internal Board performance evaluation once a year. The internal evaluation period of the Board of Directors shall be at the end of each year, which shall conduct annual performance evaluations on the entire Board of Directors, individual Board members and the functional committees. The results of the Board's internal performance evaluation shall be completed prior to the earliest Board meeting of the following year.</p> <p>Performance evaluation of the Board of Directors (functional committee):</p> <ol style="list-style-type: none"> 1. The level of participation in the Company's operations. 2. Improve the quality of decision-making of the Board of Directors. 3. Composition and structure of the Board of Directors. 4. Election, appointment and continuous training of the directors. 5. Internal control. <p>Performance evaluation of the Board members (self or peers) shall at least cover the following six aspects:</p> <ol style="list-style-type: none"> 1. The level of mastering the Company's goals and tasks. 2. Understanding of director's duties. 3. The level of participation in the Company's operations. 4. Internal relationship management and communication. 5. Director's profession and continuous training. 6. Internal control. <p>At the end of each year, each implementation unit shall collect relevant information concerning activities of the Board of Directors and distribute relevant self-assessment questionnaires to fill out. Then, the organizing implementation unit shall collect the data, record the evaluation results</p>	

Assessment Item	Implementation Status (Note)			Non-Implementation and its Reason(s)															
	Yes	No	Summary																
(4) Does the Company regularly evaluate the independence of the Certified Public Accountant (CPA)?	V		report and sends it to the Board of Directors for report.																
			The Company has completed the performance evaluation of the Board of Directors and the directors in January 2022 and reported at the Board meeting on February 22, 2022. The Results of the performance evaluation of the Company’s Board member are all good.																
			The Company assessed the independence of the public certified accountants (CPA)on yearly basis and has submitted the results on March 23, 2022 to the Audit Committee and the Board of Directors for authorization before the appointment of the accountant. The Company has evaluated Accountant CHOU, Pao-Lien and Accountant TSENG, Mei-Yu of Klynveld Peat Marwick Goerdeler (KPMG) and concluded with the issuance of written statement that they both met the Company’s independence assessment standards (Note 1) and are suitable to serve as the Company’s Certified Public Accountants and accounting firm.																
			Note 1: Independence assessment standards for accountant(s)																
			<table><tr><th>Assessment Item</th><th>Assessment Results</th><th>Independence</th></tr><tr><td>1. Does the Accountant has direct or major indirect financial interests with the Company?</td><td>No</td><td>Yes</td></tr><tr><td>2. Does the Accountant have financing or guarantee behaviors with the Company or the Company’s Directors?</td><td>No</td><td>Yes</td></tr><tr><td>3. Does the Accountant have close business relationship and potential employment relationship with the Company?</td><td>No</td><td>Yes</td></tr><tr><td>4. Does the Accountant and its audit team member currently or use to serve in the Company as a director, manager or other position having major influence on the</td><td>No</td><td>Yes</td></tr></table>		Assessment Item	Assessment Results	Independence	1. Does the Accountant has direct or major indirect financial interests with the Company?	No	Yes	2. Does the Accountant have financing or guarantee behaviors with the Company or the Company’s Directors?	No	Yes	3. Does the Accountant have close business relationship and potential employment relationship with the Company?	No	Yes	4. Does the Accountant and its audit team member currently or use to serve in the Company as a director, manager or other position having major influence on the	No	Yes
			Assessment Item		Assessment Results	Independence													
			1. Does the Accountant has direct or major indirect financial interests with the Company?		No	Yes													
2. Does the Accountant have financing or guarantee behaviors with the Company or the Company’s Directors?	No	Yes																	
3. Does the Accountant have close business relationship and potential employment relationship with the Company?	No	Yes																	
4. Does the Accountant and its audit team member currently or use to serve in the Company as a director, manager or other position having major influence on the	No	Yes																	

Assessment Item	Implementation Status (Note)					Non-Implementation and its Reason(s)
	Yes	No	Summary			
			<div>audit work in the Last Two Years?</div> <div>5. Does the Accountant provide the Company with non-audit service item that may directly affect audit the work?</div> <div>6. Does the accountant intermediate the stocks or other securities issued by the company?</div> <div>7. Does the Accountant ever serve as the Company’s defender or represent the Company in coordinating conflicts with other third parties?</div> <div>8. Is the Accountant related in kinship or marriage with the Company’s Director, manager or other person having major influence on the audit work?</div>			
4. Does the TWSE/TPEx listed companies arrange adequate Corporate Governance personnel and assign Corporate Governance supervisor to be responsible for corporate governance related affairs (including but not limited to providing information required by the Directors and/or Supervisors to execute the business, assist directors and supervisors to comply with laws and regulations, processing the Board meeting and shareholders’ meeting related matters pursuant to laws and regulation, generating minutes of the Board meetings and shareholders’ meetings, etc.)?	V		<div>On April 28, 2021 the Board of Directors of the Company has appointed the finance and accounting chief officer to be acting as the Corporate Governance Senior officer as well, responsible for handling and administration of the corporate governance related operation business operated by the Finance and Accounting Department, the Administration Department, the Intellectual Property Rights & Legal Department and the Audit Office etc.:</div> <div>1. To study and plan appropriate company system and organizational structure to promote the independence of the Board of Directors, transparency of the Company, compliance with the laws and regulations, and implementation of the internal control of internal audit.</div> <div>2. To prepare the agenda before the Board meeting and notify all Directors to attend and provide sufficient meeting materials at least 7 days before the meeting to facilitate the Directors in understanding the contents of the related topics; the interested parties shall be reminded should the contents of the issues call for their avoidance of conflict of interests.</div> <div>3. Register the date of the shareholders' meeting within the deadline on</div>			None

Assessment Item	Implementation Status (Note)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
			yearly basis pursuant to laws and regulations, generate and file the meeting notification, meeting handbook and minutes within the deadline, and register after the amendment on Article of Association or re-election of the Directors.	
5. Does the Company establish communication channel with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up an Interested Parties Zone on the Company's website, and duly respond to important corporate social responsibility issues concerned by the interested parties?	V		The Company's website has established an Interested Parties Zone and public e-mail to safeguard the communication channel of the interested parties.	None
6. Does the Company appoint professional service agency to process affairs of the shareholders' meeting?	V		The Company has entrusted the professional stock agent Masterlink Securities to handle the shareholders' meeting related affairs.	None
7. Information disclosure				
(1) Does the Company set up a website to disclose information concerning financial operations and corporate governance?	V		The Company has established an external website (URL http://www.emc.com.tw) to disclose financial operations information and corporate governance information.	None
(2) Does the Company adopt other means of disclosing information (such as setting up an English website, assigning someone to take charge of the collection and disclosure of the Company's information, implementing the Spokesperson system, posting Corporate Conference process on the Company's website)?	V		Currently, the Company has a dedicated website and dedicated Spokesperson. The video/audio files and newsletter of Corporate Conference will also be posted on the Company's website for public references.	None
(3) Does the Company declare and file annual financial report within two months after the end of the fiscal year, and declare and file the financial reports and monthly Implementation Status for the first, second, and third quarter within the required deadline?	V		The Company will disclose and file its annual financial report within two months after the end of each fiscal year 2021; and the financial reports and monthly business operation status for the first, second, and third quarters are all declared and filed before the required deadline.	
8. Does the Company possess other important information (including but not limited to employee rights, employee care, investor relations, supplier	V		1. In addition to common benefit such as health insurance, social security, group insurance and pension, employees of the Company also enjoy benefits provided by the Company such as bonuses for the year,	None

Assessment Item	Implementation Status (Note)						Non-Implementation and its Reason(s)		
	Yes	No	Summary						
relations, rights of the interested parties, trainings of the Directors and Supervisors, execution status of risks manage policies and risks measurement standards, execution status of customer policies, liability insurance purchased by the Company for the Directors and Supervisors, etc.) that can help in understanding the corporate governance operating status?			employee compensation, regular health checkups, established medical room to care for employees’ health, employees travel allowances and club activities.						
			2. The Company has established a Spokesperson, Acting Spokesperson, investment contact person and public e-mail as communication channels between the Company and the investors. The Company’s external website (URL http://www.emc.com.tw) also has established an Interested Parties Zone to present various aspects concerned by the interested parties and related means of communication and response.						
			3. Education Training of Directors and Supervisors:						
			Title	Name	Date	Host By	Courses Training/Speech Title		Du
			Chairman	YEH, I-Hau	Jul. /2021	Securities and Futures Market Development Foundation	Elan Electronics Corporation commissioned training - case study of insider trading		
					Oct. /2021	Securities and Futures Market Development Foundation	2021 Annual Insider Equity Transaction Legal Compliance Publicity Seminar		
			Director	YEN, Kuo-Lung	May. /2021	Securities and Futures Market Development Foundation	2021 Annual Prevention of Insider Trading and Insider Equity Trading Publicity Seminar		
Jul. /2021	Securities and Futures Market Development Foundation	Elan Electronics Corporation commissioned training - case study of insider trading							
Director	Te-C	Mar /2021	Corporate Governance	Digital Governance Enhances Risk					

Assessment Item	Implementation Status (Note)								Non-Implementation and its Reason(s)
	Yes	No	Summary						
						Association	Control and Crisis Handling		
					Mar. /2021	Corporate Governance Association	The impact of the new company law on directors, supervisors and shareholders		3H
			Corporate director	WEI, Chi-Lin	Mar /2021	Corporate Governance Association	Information security status sharing and future challenges in the technology industry		3H
					Mar /2021	Corporate Governance Association	The general trend of ESG and corporate governance 3.0		3H
					Augu st /2021	Corporate Governance Association	Global minimum tax system		3H
					Sep. /2021	Securities and Futures Market Development Foundation	Operating Norms and Supervision Mechanisms of Financial Holding Companies and Discussion on ESG-related Norms		3H
					Dec /2021	Securities and Futures Market Development Foundation	Looking at the opportunity for the development of PE industry in Taiwan and the need of building and strengthening anti-money laundering from the perspective of ESG		3H
					Corporate director YEH, Tsung-Yin	Jul /2021	Securities and Futures Market Development Foundation	Elan Electronics Corporation commissioned training - case study of insider trading	

Assessment Item	Implementation Status (Note)								Non-Implementation and its Reason(s)
	Yes	No	Summary						
					Oct /2021	Taipei Exchange (TPEX)	Seminar of Insider Equity Promotion for OTC listed Emerging Companies		
					Oct /2021	Securities and Futures Market Development Foundation	2021 Annual Insider Equity Transaction Legal Compliance Publicity Seminar		
					Nov /2021	Securities and Futures Market Development Foundation	2021 Insider Trading Prevention Seminar		
			Independent Director	LIN, Hsien-Ming	Jul /2021	Securities and Futures Market Development Foundation	Powerchip Semiconductor Manufacturing Corporation Commissioned Training - Corporate Governance and Securities Regulations		3H
					Oct /2021	Corporate Governance Association	Enterprise operation and public opinion news crisis management strategy		3H
					Oct/2021	Corporate Governance Association	On Corporate Governance Blueprint 3.0 and Directors' Responsibilities		
			Independent Director	SHAW, Ming-Fu	Sept 2021	Securities and Futures Market Development Foundation	Elan Electronics Corporation commissioned training - case study of insider trading		3H

Assessment Item	Implementation Status (Note)							Non-Implementation and its Reason(s)
	Yes	No	Summary					
					Aug /2021	Securities and Futures Market Development Foundation	Integrity Management Regulations and Corporate Social Responsibility of Listed and (OTC) Companies	3H
					Oct /2021	Securities and Futures Market Development Foundation	2021 Annual Insider Equity Transaction Legal Compliance Publicity Seminar	3H
					Nov /2021	Securities and Futures Market Development Foundation	Analysis and Case Study of Unconventional Transactions of Directors and Supervisors	3H
					Nov /2021	Securities and Futures Market Development Foundation	2021 Insider Trading Prevention Seminar	3H
			Independent Director	TANG, Chuan-Yi	Jul /2021	Securities and Futures Market Development Foundation	Elan Electronics Corporation commissioned training - case study of insider trading	3H

Assessment Item	Implementation Status (Note)							Non-Implementation and its Reason(s)
	Yes	No	Summary					
					Sep /2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	
					Oct /2021	Securities and Futures Market Development Foundation	2021 Annual Insider Equity Transaction Legal Compliance Publicity Seminar	
			Independent Director	LU, Fang-Cheng	Jul /2021	Securities and Futures Market Development Foundation	Elan Electronics Corporation commissioned training - case study of insider trading	
					Aug /2021	Securities and Futures Market Development Foundation	Integrity Management Regulations and Corporate Social Responsibility of Listed and (OTC) Companies	
					Oct /2021	Securities and Futures Market Development Foundation	2021 Annual Insider Equity Transaction Legal Compliance Publicity Seminar	
					Nov /2021	Securities and Futures Market Development Foundation	2021 Insider Trading Prevention Seminar	
			4. If the Board meeting convened by the Company involves personal interests of the Director(s) which are potentially damaging to the Company's interests, the Director(s) shall uphold self-discipline to					

Assessment Item	Implementation Status (Note)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
			avoid the participation in voting or represent other Director(s) in exercising voting power. 5. The Company has purchased NT\$160,000,000 liability insurance for the Directors and managers, of which the related underwriting period and premiums has been reported in the Board meeting on August 2, 2021.	
9. Please state the status of improvement for issues identified in the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the last fiscal year and propose priority enhancements and Procedures for those that have not yet improved. (This is not applicable for the companies not listed as a rated company): The issues identified in the Company's 2020 corporate governance evaluation results that have been improved: Reveal the annual operation of risk management on the company's website Priority enhancement in the future: The annual report shall be completed at the end of next year and uploaded on the website via the Market Observation Post System of the TWSE				

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

(5) Information Regarding Compensation Committee Members

Criteria Name/ Title	Professional Qualification and Experiences	Independence Status	Number of Other Public Companies Concurrently Serving as an Audit Committee Member
LIN, Hsien-Ming Independent Director (Meeting Converner)	Chairman of a well-known electronics manufacturer in Taiwan, with rich industrial and commercial experience and is currently not in or under any circumstances stated in Article 30 of the Company Law	According to the requirements of the competent authority, when the company elects independent directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the company.	2
TANG, Chuan-Yi Independent Director	Ph.D. in computer engineering/Chiao Tung University and is currently the president of the university with academic and management experience and is currently not in or under any circumstances stated in Article 30 of the Company Law	According to the requirements of the competent authority, when the company elects independent directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the company.	0
LU, Fang-Chen Independent Director	Ph.D. in IT engineering / Tsing Hua University, chairman of a company, with business experience and is currently not in or under any circumstances stated in Article 30 of the Company Law	According to the requirements of the competent authority, when the company elects independent directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the company.	0

(6) Compensation Committee Meeting Status

1. The Company has a total of three (3) Compensation Committee members
2. The fourth term of office of the compensation committee members: CHEN, Hou-Ming、 LIN, Hsien-Ming, tenures from June 11, 2018 to June 10, 2021; CHUNG, Rong-Da, from November 8, 2018 to June 10, 2021. The fifth term of office of the compensation committee members: LIN, Hsien-Ming, LU, Fang-Cheng tenures from July 2, 2021 to July 1, 2024, CHUNG, Rong-Da tenures from July 2, 2021 to August 2, 2021, TANG, Chuan-Yi tenures from August 3, 2021 to July 1, 2024. The Chairman of the Compensation Committee convened 5 meetings (A) in 2021. The qualifications and attendance of the committee members were as follows:

Title	Name	Attendance in Person [B]	By Proxy	Attendance rate (%) [B/A] (Note)	Notes
Independent Director	CHEN, Hou-Ming	2	0	100%	Reelected on July 2, 2021 Term Expired
Independent Director	LIN, Hsien-Ming	5	0	100%	Renewal of office Elected as meeting convener
Independent Director	CHUNG, Rong-Da	3	0	100%	August 2, 2021 Term Expired
Independent Director	TANG, Chuan-Yi	2	0	100%	August 2, 2021 New office assumed
Independent Director	LU, Fang-Cheng	3	0	100%	Reelected on July 2, 2021 New office assumed

The dates, sessions, motions and resolutions of the Compensation Committee's meetings in 2021, and the Company's actions taken towards the Compensation Committee's opinions:

Meeting Date	Proposals	Resolutions	The Company's response to the Compensation Committee's Opinion
The Fourth Session No.9 Mar. 23, 2021	1. Payment of manager's 2020 performance bonus 2. Payment of 2019 employee's compensation and directors' remuneration	The members of the Compensation Committee unanimously approved all the resolutions	The Board of Directors approved all such resolutions recommended by the Compensation Committee
The Fourth Session No.10 June 3, 2021	1. Payment of director's 2020 remuneration 2. Amendment to the Management methods of salary and remuneration of managers	The members of the Compensation Committee unanimously approved all the resolutions	The Board of Directors approved all such resolutions recommended by the Compensation Committee
The Fifth Session No.1 August 2, 2021	1. Manager's compensation adjustment	The members of the Compensation Committee unanimously approved all the resolutions	The Board of Directors approved all such resolutions recommended by the Compensation Committee
The Fifth Session No.2 Nov. 4, 2021	1. Payment of manager's 2020 remuneration	The members of the Compensation Committee unanimously approved all the resolutions	The Board of Directors approved all such resolutions recommended by the Compensation Committee
The Fifth Session No.3 Dec. 23, 2021	1. Director and Manager Remuneration Planning Timeline	The members of the Compensation Committee unanimously approved all the resolutions	The Board of Directors approved all such resolutions recommended by the Compensation Committee

Other mentionable items:

1. In the event of where the Board of Directors did not approve or correct the Compensation Committee's propose, the date, session number, agenda of the Board meeting, the Board resolution and how the Company process the Compensation Committee's resolution shall be specified (if the remuneration authorized by the Board of Directors is better than that of proposed by the Compensation Committee, please specify the differences and reason therefor): None.
2. In the event of where the Compensation Committee's resolutions opposed or given qualified opinion by its member(s) with record(s) or written statement(s), the date, session number, agenda of the Compensation Committee meeting, opinions of all members and how the members' opinions were processed: None.

Note:

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

(7) Sustainable Development Implementation Status as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status (Note1)			Non-Implementation and its reason(s)
	Yes	No	Summary	
1. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors?	V		<ul style="list-style-type: none"> Following the vision and mission of the company's ESG policy, the Corporate Social Responsibility Committee (CSR Committee)" was established in 2014, and was renamed the "Sustainable Development Committee (ESG Committee)" in 2020 as the sustainable development decision-making center, chaired by an independent director, reviews the company's core operating capabilities with a number of senior executives and school professors in different fields, and formulates medium- and long-term sustainable development plans. Implementation Status <ol style="list-style-type: none"> The "ESG Committee" has a secretarial team managed and operated by the Industry Performance Office to promote sustainable development, which is an inter-departmental communication platform that integrates up and down and connects horizontally. Through irregular meetings and task groups based on issues, to identify sustainable issues related to company operations and stakeholders, to formulate corresponding strategies and work policies, to compile budgets related to sustainable development of each organization, and to implement annual plan. At the same time, trace the implementation results to ensure that the sustainable development strategy is fully implemented in the company's daily operations. The "ESG Committee" secretarial team reports to the Board of Directors on the implementation results of sustainable development and future work plans every six months. A total of 2 meetings were held in 2021, and the proposals included: <ol style="list-style-type: none"> Amendments to the Articles of Incorporation of the ESG Committee; Identify sustainable issues that need attention, and formulate an annual action plan accordingly; The progress of the annual target. The board of directors of the company regularly listens to the report of the ESG committee every six months (including the promotion of ESG report/RBA system/risk management system, etc.), and provides the company's sustainable development trend and develops coping strategies; the board of directors must evaluate the possibility of success of these strategies, also regularly reviewing the progress of the strategy and urging the ESG Committee to adjust when appropriate. 	None
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate	V		1. This disclosure information covers the company's sustainable development performance at its main bases from January 2021 to December 2021. The boundary of risk assessment is mainly based on the company, and the existing bases in Taiwan and mainland China are included in the scope.	None

governance topics related to company operation, and establish risk management related policy or strategy? (Note 2)			2. In accordance with the materiality principle of the "Risk Management Procedures", conduct an annual risk assessment on environmental, social and corporate governance (ESG) issues related to the company's operations, formulate risk management policies for effective identification, measurement, assessment, supervision and control, and take specific action plans to integrate risk management and handling into daily operations and decision-making operations to reduce the possibility and consequences of damage and ensure the achievement of operational objectives and operational performance.			
			Major Issued	Risk Evaluation Items	Description	
			Environment	Environmental Impact and Management	<p>1. The company obtained the certification of "ISO 14001:2015 Environmental System" in 2016, and the certification will be obtained regularly in future. Manage the production process to effectively reduce pollution emissions and impact on the environment; also ensure that the company's products comply with laws and international norms.</p> <p>2. The company has introduced the TCFD course last year, and has carried out the analysis of climate-related risks and opportunities according to the framework recommended by TCFD, and has initially set the company's climate risk governance, strategy, risk management, indicators and goals. elements, disclosed in Chapter 5 of the 2020 Sustainability Report.</p> <p>3. Since 2014, according to ISO 14064-1, we have regularly checked greenhouse gas emissions and examined the impact of the company's operations. According to the results of the carbon inventory, we will continue to implement carbon reduction Procedures to effectively reduce the need for independent inventory of greenhouse gases. The relevant data are disclosed in the sustainability reports/corporate social responsibility reports over the years.</p> <p>4. The annual internal audit plan is planned, aiming at the compliance of the company's compliance with various relevant environmental laws and regulations, and checking that each operating process has complied with the regulations. In 2021, there has been no violation of environmental protection regulations.</p>	
			Society	Occupatio	■ The "ISO45001: 2018 Occupational Health and Safety Management	

				nal Safety	System" verification has been completed since 2019, and the certification has been obtained regularly. ■ Regular fire drills and industrial safety education and training are held every year to cultivate employees' ability to respond to emergencies and self-safety management.										
				Product Safety	1.The marketing and labeling of the company's products and services follows the international standards of "ISO 9001 Quality Management System" and "ISO 14001 Environmental Management System". Green products comply with the requirements of international regulations such as RoHS/Reach/RMI. 2. In order to ensure the quality of customer service, the Company has established a customer service website, and actively conduct customer service satisfaction surveys on a regular basis every year to strengthen the cooperative relationship with customers.										
			Corporate Governance	Economy and Law Compliance	1.Through establishing a governance organization and implementing an internal control mechanism, to ensure that all personnel and operations of the company truly comply with relevant laws and regulations. 2.All products/technologies developed by the company will apply for patents to protect the company's intellectual property rights. 3. No violation of social and economic laws in 2021										
				Stakeholders and Communication Channel	1. Establish various communication channels and actively communicate with stakeholders: <table><tr><td>Stakeholders</td><td>Communication Channels</td></tr><tr><td rowspan="7">Employees</td><td>*Employee Satisfaction Survey</td></tr><tr><td>* Operation and Labor Conference</td></tr><tr><td>* Employee Opinion Box</td></tr><tr><td>* Stakeholders Concern Questionnaire</td></tr><tr><td>* New Employees/ On-The-Job Education and Training</td></tr><tr><td>* Performance Interview</td></tr><tr><td>* Performance Interview</td></tr><tr><td></td><td>Director Li/ Human Performance Management</td></tr></table>	Stakeholders	Communication Channels	Employees	*Employee Satisfaction Survey	* Operation and Labor Conference	* Employee Opinion Box	* Stakeholders Concern Questionnaire	* New Employees/ On-The-Job Education and Training	* Performance Interview	* Performance Interview
Stakeholders	Communication Channels														
Employees	*Employee Satisfaction Survey														
	* Operation and Labor Conference														
	* Employee Opinion Box														
	* Stakeholders Concern Questionnaire														
	* New Employees/ On-The-Job Education and Training														
	* Performance Interview														
	* Performance Interview														
	Director Li/ Human Performance Management														

					Department (Email: pmlms@emc.com.tw)	
					Shareholders General Shareholders: *Annual General Meeting of Shareholders *Annual Report *Material Announcement / Press Release *Company Website *Stakeholders Concern Questionnaire * Spokesperson Channel Legal Person Shareholders: *Company Visit *Road Show * Spokesperson Channel *Annual Report Director Liu/Investment Relations Office (Email: dennis_liu@emc.com.tw)	
					Affiliated Enterprise *Telephone /E-Mail *Stakeholders Concern Questionnaire Director Li/ Human Performance Management Department (Email: pmlms@emc.com.tw)	
					Customers *Company Website *Telephone/E-Mail *Satisfaction Survey *Stakeholders concern Questionnaire * External Communication Mailbox *Questionnaire Director Chung/ Laptop Marketing Department (Email: ian.chung@emc.com.tw)	
					Agents/ Distributors *Company Website *Telephone/E-Mail *Satisfaction Survey *Stakeholders concern Questionnaire * External Communication Mailbox Director Chung/ Laptop Marketing Department (Email: ian.chung@emc.com.tw)	

					<p>Suppliers</p> <ul style="list-style-type: none"> *Company Website *Telephone/E-Mail * Outsourced Meetings *Supplier Audit *Suppliers *Stakeholders concern Questionnaire * External Communication Mailbox <p>Director Li of Production Planning Office (Email:pmlms@emc.com.tw)</p> <p>2.Each year issues the stakeholders concern questionnaire to collect the concerning issues.</p> <p>3.The company's official website has a CSR mailbox:csr@emc.com.tw</p>	
3. Environmental Topic (1) Has the Company set an environmental management system designed to industry characteristics?	V		<p>The company completed the ISO 14001:2015 verification in 2016, covering the Hsinchu headquarters and the Zhonghe plant. The latest certificate is valid from 2019/11/20 to 2022/11/20; the relevant units are requested to fill in the environmental risk assessment every year, and also every quarter. Environmental protection regulations (international and Taiwan laws) will be reviewed, and an environmental management plan will be established for improvement, and an environmental management review meeting will be held with senior executives to regularly confirm the progress of implementation.</p>			None
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		<p>1. Since 2001, the paperless operation has been implemented successively to reduce the use of paper. From the record in 2011 from 849 packs to 501 packs in 2021, a total decrease of 40.99%.</p> <p>2. The official vehicles will be replaced with gasoline-powered trams one after another. In 2021, one will be replaced/added in the Hsinchu area and the Zhonghe area.</p> <p>3. The official locomotives are replaced by gogoro electric motorcycles from four-stroke motorcycles.</p> <p>4. Putting heat insulation paper on the glass of the building to reduce the use of air conditioners.</p> <p>5. Replace old equipment one after another to improve energy efficiency and reduce unnecessary energy consumption.</p> <p>6. The existing electric lamps will be replaced with LED lamps one after another.</p> <p>7. Recycling of packaging materials: such as trays / tubes / wafer boxes / cartons / buffer materials...etc. In the factory, when the warehouse destroys the scrapped products every quarter, the pallets after the scrapped PKG packaging IC will be kept, and the manufacturer will be asked to recycle them from time to time. The percentage of pallets used in recycled products in 2021 is 6.44%. The rest, such as tube strips/wafer boxes/cartons/buffer materials, etc., are kept in the warehouse area/storage area for on-site recycling.</p> <p><u>More information about this original text requires the original text to display additional translation information</u> <u>Provide Advices</u> <u>Side Panel</u></p>			None

(3) Does the Company evaluate current and future climate change potential risks and opportunities and take Procedures related to climate related topics?	V		Risk Impact	Risk Items	Counter Measures	None
			Entity financial expenses and losses and asset value reduction caused by extreme weather events such as typhoons and floods	typhoons and floods	Formulate "Emergency Preparedness and Response Management Procedures" to ensure the company implements relevant contingency	
				average temperature risk	Continue to promote energy saving and carbon reduction programs every year	
				Water restrictions	Make sure the reservoir is full	
				power outage blackout, failure	Construction of emergency generators and uninterruptible power supply (UPS)	
			Introduction of new technology development or the use of raw materials, the environmental impact caused by climate change, energy, and water resources	In order to meet the low power consumption requirements of end products, new technologies need to be introduced in chip/module design/supply chain production	Taking the environment into consideration at the chip design stage, and responding to the impact of climate change by developing energy-saving and product miniaturization designs	
Raw materials that do not meet international regulations and customer requirements are used	Combining with suppliers to control the supply chain internally, from raw materials to finished products, use materials that meet customer requirements and international regulations					
(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies?	V		<p>(1) Greenhouse gases (GHG): The total greenhouse gas emissions in 2021 were 3,080.142 ton CO2-e, a decrease of 19.147 ton CO2-e compared with the total greenhouse gas emissions of 3,099.289 ton CO2-e in 2020.</p> <p>Category 1 mainly includes emissions from gasoline for official vehicles, diesel for emergency generators, gas in kitchen barrels and septic tanks. The total direct greenhouse gas emissions in 2021 were 132.517 ton CO2-e, compared with 138.657 ton CO2-e in 2020, It decreased by 4.43%. The analysis showed that the most of the decrease was gas consumption. The main reason was that due to the impact of the epidemic, the way of directly taking lunch boxes was changed to less cooking styles, so the greenhouse gas emissions decreased more.</p> <p>Category 2 is mainly generated by electricity emissions. In 2021, the total indirect greenhouse gas emissions were 2,931.925 ton CO2-e, a decrease of 0.57% compared with 2,948.879 ton CO2-e in 2020. Basement lighting changed to induction lighting.</p> <p>Category 3 currently only discloses emissions from waste treatment and removal. In 2021, other</p>			None

		<p>indirect greenhouse gas emissions were 15,701 ton CO2-e, an increase of 3,948 ton CO2-e compared with 11,753 ton CO2-e in 2020, mainly due to the increase in manpower.</p> <p>(2) Water consumption: As the company is an IC design company, it mainly uses service water. Among them, only the Hsinchu headquarters is its own building, and the rest of the bases are leased office buildings. There is no independent electricity meter, and the water fee is directly incorporated into the management fee. Therefore, only Hsinchu is disclosed. part of the headquarters. The total water consumption in Hsinchu in 2021 were 21,766 degrees, a decrease of 10.07% compared with 23,481 degrees in 2020. The main reason is that the faucets in the toilets will be changed to sensor faucets in 2021 to reduce unnecessary waste of water resources.</p> <p>(3) Waste: Elan Group's waste is mainly general waste and a small amount of hazardous waste generated during laboratory tests. The categories are divided into general waste (class D), resource recovery (class R), and a little hazardous waste (code C-0202, E-222, E-0217). In terms of waste disposal methods, general waste and confidential documents are treated by incineration; electronic components (code E-0222, E-0217) are treated by physical crushing; and code C-0202 waste acid liquid is treated by chemical neutralization.</p> <table><tr><td></td><td></td><td>2020</td><td>2021</td></tr><tr><td>General Waste</td><td>Category D</td><td>42.28 ton</td><td>41.25 ton</td></tr><tr><td>Resource Recovery</td><td>Category R</td><td>7.984 ton</td><td>9.274 ton</td></tr><tr><td>Hazardous Industrial Waste</td><td>Category C</td><td>0.11 ton</td><td>0 ton</td></tr></table> <p>The above-mentioned data are in-plant statistics as of February 2022, and the ESG report has not yet been reviewed. It is expected to be verified by a third party in 2022 Q2.</p>			2020	2021	General Waste	Category D	42.28 ton	41.25 ton	Resource Recovery	Category R	7.984 ton	9.274 ton	Hazardous Industrial Waste	Category C	0.11 ton	0 ton	
		2020	2021																
General Waste	Category D	42.28 ton	41.25 ton																
Resource Recovery	Category R	7.984 ton	9.274 ton																
Hazardous Industrial Waste	Category C	0.11 ton	0 ton																
4. Social Topic (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?		<p>In addition to formulating work rules that comply with relevant laws and regulations, and approved by the board of directors, the company has formulated a "human rights policy" to safeguard the basic human rights of employees, create an environment for adequate protection of human rights, and recognize and support the UN Universal Declaration of Human Rights (UDHR), and are committed to treating all workers with dignity and respect as understood by international human rights standards, including The International Bill of Human Rights, The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, The UN Guiding Principles on Business and Human Rights (UNGPs), and The Ten Principles of The United Nations Global Compact (UNGC). We also align our actions with the Responsible Business Alliance (RBA) Code of Conduct and other internationally recognized basic human rights, and requires all of our suppliers to follow the same standards to eliminate any violations and violations of human rights, treat and respect the company's internal and external members with dignity, and abide by the labor-related laws and regulations where the company is located.</p>																	

(2) Has the Company established appropriately managed employee welfare Procedures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?			The company has established work rules and related personnel management regulations, which cover the basic wages, working hours, vacations, pension benefits, labor health insurance benefits, and occupational accident compensation of the employees employed by the company. Set up an employee welfare committee to handle various welfare matters: the company's remuneration policy is based on personal ability, contribution to the company, performance, and the correlation between business performance and business performance is positively correlated.	
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?			<ol style="list-style-type: none"> 1. The company completed the ISO 45001:2018 certification in 2019, covering the Hsinchu headquarters and the Zhonghe plant. The current certification validity date is April 29, 2022. 2. The company has a first-level unit of occupational safety and health management, which conducts a risk assessment in the work area once a year, formulates a management plan, and holds a quarterly occupational safety and health meeting with senior managers and labor representatives for regular review and adjustment. 3. Implementation results in 2021: <ol style="list-style-type: none"> 3-1 The completion rate of on-the-job safety and health education and training for workers is 100%. 3-2 The measurement results of the working environment in the factory are all in line with the regulations of Taiwan and the detection value is close to 0. 3-3 Provide colleagues with free health checks every year, and the check items are more than those stipulated by laws and regulations. 3-4 The occurrence rate of occupational disasters in the factory in the current year is 0. 3-5 A total of 190 people attended the Health Promotion Lectures. 3-6 The number of participants in physicians' on-site service was 103. 3-7 A total of 151 people participated in the blood donation activities held in 2021. 3-8 This year's weight loss activities have increased the participation of foreign workers and factory-based manufacturers, and the average weight loss per person has increased from 2.47 kg in 2019 to 3.66 kg in 2021. (Note: 2020 was cancelled due to the impact of the epidemic) 3-9 The Company provides a good pregnancy project for female labors, providing nursing rooms, parking spaces for pregnant women, books and maternity chairs. 	
4) Has the Company established effective career development training plans?			The company creates a good environment for employees' career development and establishes an effective career ability development training program.	
(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' or customers' rights and consumer appeal procedures?			<ol style="list-style-type: none"> 1. The marketing and labeling of the company's products and services follows the international standards of "ISO 9001 Quality Management System" and "ISO 14001 Environmental Management System", and green products meet the requirements of international regulations such as RoHS/Reach/RMI. 2. The company formulates the relevant processes of the "customer service procedures" and the "customer complaint handling management procedures", and builds a customer service website, with business colleagues, communicates with customers from time to time, actively contacts and visits, 	

			and grasps needs; accepts customers appeal to protect the rights and interests of customers. 3. The company has established a personal data protection management system and policy, and has set up a personal data protection task force to manage and protect customer privacy. Through the internal audit of personal information, external verification, crisis prevention and education and training, we can check the customer's information.					
(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?			<p>The company has established the "Corporate Social Responsibility Management System and Promotion Plan" and "Supplier Management Procedures" to establish the screening conditions for suppliers to protect the environment, human rights, safety, health and sustainable development, and to provide suppliers with environmental protection. Requirements and expectations for safety and health risks, prohibition of child labor, labor management, non-hazardous labor fundamental rights, ethical standards, and integrity management.</p> <p>The company has established a supplier training project. Through the selection of suppliers, audit training, performance evaluation, training and supplier conferences, based on cooperation, the requirements of sustainability are implemented in the daily management of the supply chain. The company has cooperated with its supply chain in 2021 and 100% meet the following conditions.</p> <table><tr><td>Supplier Evaluation</td><td>All suppliers must pass supplier evaluation and comply with the Supplier Code of Conduct. Suppliers of process-related raw materials must pass the ISO9001 quality management system certification, and suppliers must obtain the valid factory registration certificates issued by the government and the ISO14001 environmental management certification according to business categories.</td></tr><tr><td>Supplier Audit</td><td>The company has established an audit team and guided improvement mechanism to trace and improve suppliers' deficiencies, and jointly improve product quality and technical capabilities, strengthen environmental protection, safety and hygiene performance, and introduce automation to increase production capacity.</td></tr></table>	Supplier Evaluation	All suppliers must pass supplier evaluation and comply with the Supplier Code of Conduct. Suppliers of process-related raw materials must pass the ISO9001 quality management system certification, and suppliers must obtain the valid factory registration certificates issued by the government and the ISO14001 environmental management certification according to business categories.	Supplier Audit	The company has established an audit team and guided improvement mechanism to trace and improve suppliers' deficiencies, and jointly improve product quality and technical capabilities, strengthen environmental protection, safety and hygiene performance, and introduce automation to increase production capacity.	
Supplier Evaluation	All suppliers must pass supplier evaluation and comply with the Supplier Code of Conduct. Suppliers of process-related raw materials must pass the ISO9001 quality management system certification, and suppliers must obtain the valid factory registration certificates issued by the government and the ISO14001 environmental management certification according to business categories.							
Supplier Audit	The company has established an audit team and guided improvement mechanism to trace and improve suppliers' deficiencies, and jointly improve product quality and technical capabilities, strengthen environmental protection, safety and hygiene performance, and introduce automation to increase production capacity.							

<p>5. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire third party verification or statement of assurance?</p>			<p>The content of the company's "2019 Sustainability Report" also align our actions with the Core Option of the "Sustainability Reporting Standards (GRI Standards)" issued by the Global Reporting Initiative (GRI), echoing the "United Nations Sustainable Development Report", Sustainable Development Goals (SDGs)", compiled according to industry characteristics and regional references "Responsible Business Alliance (RBA)", Financial Supervisory Commission "Corporate Governance 3.0", etc. Additionally, we also obtained the third-party independent assurance Type II moderate assurance level on reliability and quality from the BSI Pacific Limited according to AA1000 Assurance Standard.</p>	
<p>6. If the Company has established its sustainable development code of practice according to “Listed Companies Sustainable Development Code of Practice,” please describe the operational status and differences: None</p>				
<p>7. Other important information to facilitate better understanding of the Company’s implementation of sustainable development:</p> <p>Active disclosure of social responsibility information In order to implement corporate social responsibility information disclosure, the company has officially issued the "2020 Annual Sustainability Report" in traditional, simplified and English versions, and placed it on the company's external website and posted the information through the Market Observation Post System.</p> <p>Caring for disadvantaged groups – Huiming blind students Due to the impact of the COVID 19 pandemic, the Catholic Social Service Center held a love garden party every year on the eve of the Mid-Autumn Festival, so we turned this love into the cost of sponsoring the Huiming Welfare Foundation for the Blind to implement the annual work plan.</p> <p>Supporting Talent and Intern Programs – College Students Elan is a professional IC design company; cultivating talents is the most direct and effective way to give back to the society. Starting from campuses, Elan provides internship quota to the school, which creates a mutually beneficial win-win situation between Elan and the school. There is no doubt that internship is where the corporation and school connect together and one of the most effective and easiest ways to develop talents in an early stage. Through the provision of workplace internship opportunities to the students, the internships and work content are arranged in a planned manner. Under the leadership and subtle influence of the seniors, the interns are able to practice the practical ability of the workplace and cultivate correct working attitudes. The enterprise can also assess the development potential of interns during the process, which can reduce pre-employment training costs and reserve future talent.</p> <p>Such internship program is planned in advance by Elan and the school to conduct business internships through "semester" or "full academic year" approach arrangements, setting a system with specific job descriptions and achievable tasks, so that students can enter the workplace early to broaden knowledge and practice what they have learned, as well as to inject new vitality and creativity into the organization of Elan and to use this opportunity to explore suitable talents and keep excellent internships as new force of the Company. For the students, it is possible to understand workplace and employment environment early, to strengthen own skills, and to make the right career choices. By the end of 2021, 106 job vacancies have been provided to college students and postgraduate internships.</p> <p>Implementation of Ecological Conservation EMC agrees with the Lovely Taiwan Foundation's philosophy of focusing on organic diet, land education, and hometown identity. Since 2020, EMC has continuously participated in the so-called " Agriculture Plan", donating a total of NTD 1 million, mainly to assist Zhongxing Elementary School in Miaoli and Zhonghe Elementary School in developing distinctive and cross-disciplinary teaching application courses, planting school fields friendly, and making the fields an extension of the classroom, so that students can get closer to</p>				

the land and care for the earth.

Note: If you check "Yes" for the implementation situation, please specify the important policies, strategies, Procedures and implementation situations adopted; if you check "No" for the implementation situation, please specify the "Non-Implementation and its reason(s)" column and explain the circumstances and reasons for discrepancies, and describe plans to adopt relevant policies, strategies and Procedures in the future.

Note 2: The materiality principle refers to those environmental, social and corporate governance issues that have significant impact on the Company's investors and other stakeholders.

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

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
1. Establishment of ethical operation policies and plans (1) Does the Company set ethical operation policies authorized by the Board of Directors and specify the ethical operating policies and practices and the commitment of the Board of Directors and management level to actively implement operating policies practices in Articles of Association and external documents? (2) Does the Company establish assessment mechanism for risk of unethical conducts, regularly analyze and evaluate business activities with high risk of unethical conducts within the scope of business, and formulates an unethical conducts prevention plan to at least covers the preventive Procedures for behaviors identified in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”? (3) Does the Company establish appropriate precautions against high-potential unethical conducts, stipulate operating procedures, code of conduct, punishment for violation and complaint filing system in various plans, implement accordingly and regularly review and revise the plan thereof?	V		(1) The Company has established the “Ethical Corporate Management Best Practice Principles” and “Ethical Corporate Management Best Practice Procedures and Code of Conduct”, which were authorized by the Board of Directors; the management level actively implemented the ethical operating policies based on fair, honest, trustworthy and transparent principles of engaging operating activities. (2) The Company has established the operating procedures, code of conduct, punishment for violation and complaint filing system in various plans in accordance to “Ethical Corporate Management Best Practice Principles”, “Ethical Corporate Management Best Practice Procedures and Code of Conduct” and “allegation reporting system” and implement accordingly. (3) The Company has established the “Ethical Corporate Management Best Practice Principles” and “Ethical Corporate Management Best Practice Procedures and Code of Conduct” to prevent operating activities with higher risks of unethical conduct within its scope of business.	None
2. Implementation of ethical operation (1) Does the Company evaluate ethical records of the counterparties, and specify provision of ethical conduct in the contract it entered into with its transaction counterparties? (2) Does the Company establish dedicated unit under the	V		(1) The Company fully understood counterparties’ ethical operating conditions when entering into contract with others, and specified in the contract that the contract may be unconditionally terminated or rescind if the operating activities involve unethical conduct. (2) The company designates the president’s office as a unit	None

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
<p>Board of Directors to promote corporate ethical operation and regularly (at least once a year) report the status of its implementation of ethical operation policies and unethical conducts prevention plan and supervisory to the Board of Directors?</p> <p>(3) Does the Company formulate, provide and implement policies to prevent conflict of interests and suitable channel to express opinion / statement?</p> <p>(4) Does the Company establish effective accounting system and internal control system and have the internal audit unit formulating relevant audit plan based on the results of assessment on risk of unethical conduct, while examining the compliance with the unethical conduct prevention plan (or commissioning an accountant to perform the examination)?</p> <p>(5) Does the Company regularly hold internal and/or external training on ethical operation?</p>	V		<p>responsible for promoting corporate integrity management. If an incident of dishonest behavior occurs, the president's office will report to the board of directors on its handling methods and follow-up review and improvement Procedures, and the annual integrity management implementation status will be reported to the board of directors on a regular basis every year. The operation and implementation of the integrity management unit in 2021 were reported to the board of directors on December 28, 2021.</p> <p>(3) In the event when Company's staff member performed the Company's business found that there is a conflict with the interests of his/her own or the juristic person it represents, or may result in the obtaining of improperly interests by him/herself or him/herself spouse, parent(s), children or interested parties, he/she shall report the matter to his/her direct superior and the Company's dedicated unit, and the direct superior shall provide adequate guidance.</p> <p>(4) The Company has established effectively accounting system and internal control system; external accounts or secret account(s) are prohibited, and review were conducted to ensure that the design and implementation of the system continues to be effective. The internal audit unit regularly check compliance of the relevant systems according to the audit plan.</p> <p>(5) Since 2018, newcomers' on-the-job training has included anti-corruption digital courses, the relevant training and online tests of which are subject to be completed 100% and updated regularly thereafter. In 2021, the Company held internal and external education trainings on ethical operations (including courses on compliance with ethical operations regulations, accounting systems, internal control systems and other relevant courses) with 116 man-count and total 26,624 man-hours.</p>	

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
Does the Company disclose its set Ethical Corporate Management Best Practice Principles contents and effectiveness in promotion on its website and Market Observation Post System?			Best Practice Principles” and “Ethical Corporate Management Best Practice Procedures and Code of Conduct” on its website and the Market Observation Post System, and disclose status of the implementation of ethical operations under “corporate governance” section of the Company's website.	
5. Where the Company has formulated its own Ethical Corporate Management Best Practice Principles based on the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please specify the differences between the two: None				
6. Other important information that may facilitate the understanding about the status of the Company’s ethical operation: (such as: The Company’s review and revise its own Ethical Corporate Management Best Practice Principles) As of the end of 2021, The Company did not incur any case of corruption, violation of business ethics and trust.				

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

- (9) If the Company has established the corporate governance code and related regulations, it shall disclose the equity methods: The Company's "Code of Corporate Governance" and related regulations have been disclosed on the Company's website and Market Observation Post System. For enquiries, please refer to our URL (<http://www.emc.com.tw>) or Market Observation Post System (<http://mops.twse.com.tw>).
- (10) Other important information that may facilitate the understanding about the implementation status of the corporate governance operation shall also be disclosed: There are regulation concerning corporate governance under "Code of Corporate Governance" in the Company's external webpage.
- (11) Disclosure about the implementation of internal control system shall include the following items:
 1. Statement on Internal Control: (please see page 290)
 2. Where there is ad hoc audit on internal control system by outsourced accountant(s), the Accountant's audit report shall be disclosed: None.
- (12) Where, during the last fiscal year and as of the publishing date of the annual report, the Company and its staff members were sanctioned by law and/or the Company applied punitive Procedures on its staff members who violated provisions of the internal control system, if the result of the punishment may have a significant impact on shareholders' equity or the price of securities, the content of the punishment, the major deficiencies and improvement thereof shall be specified: None.
- (13) Important resolution adopted by shareholders' meeting and the Board meeting during the last fiscal year and until the publishing date of the annual report:

Major Resolutions of Shareholders' Meeting and the Implementation:

Date	Item	Major resolutions	Implementation status
07.02.2021	2021 Annual Shareholders' Meeting	Acknowledgement:	
		(1) Approval of the 2020 business report and financial statements	Proceed as per resolutions.
		(2) Approval of the proposal for distribution of 2020 retained earnings	Set July 30, 2021 as the reference date of the distribution of rights, and August 11, 2021 as the cash dividends pay day (cash dividend distributed per share was NT\$ 9).
		Discussion:	
		Amendment to the Operational Procedures for Shareholders' Meeting	Proceed as per resolutions.
		Election Matters:	
		Election of the directors for the tenth term of office of the company (including independent directors)	According to the registration approval of Hsinchu Science Park Administration on July 8, 2021.
		Other proposals:	
		Removal of non-compete restrictions on directors	Actions to be taken according to the resolution

Major Resolutions of Board Meetings

Date	Item	Major Resolutions
02.17.2021	Board meeting	<ol style="list-style-type: none"> 1. The report obtained the land title of "Hsinchu County International AI Park Industrial Zone (1) - 3 Hills 2. Report on the results of the performance appraisal and self-evaluation of the board of directors; 3. Approval of the company's 2020 self-closing financial statements and consolidated financial statements; 4. To discuss and approve the proposal for distribution of the company's 2020 profits; 5. To discuss and approve the distribution of employee bonus and directors' remuneration proposed by the Compensation Committee; 6. To discuss and approve the proposal for reelection of the 10th term of office of directors of the Company; 7. To discuss and approve the proposal for amendment to the Operational Procedures for Shareholders' Meeting 8. To discuss the date and place to hold the company's annual shareholders' meeting in 2021; 9. To discuss and stipulate the period for accepting shareholder proposals and the place of acceptance; 10. Disposition of the equity of the Rising Star Technology Co., Ltd., submitted for approval
03.23.2021	Board meeting	<ol style="list-style-type: none"> 1. Regarding the items that are insufficient to achieve the goal of preparing financial reports by themselves in the "Assessment Form for the Explanation and Evaluation of Financial Report Preparation Capability of Listed Companies", the relevant improvement plan report 2. Proposal by the Compensation Committee: Proposed Distribution of the manager's 2020 performance bonus is submitted for approval 3. During the acceptance of nominations for candidates for directors (including independent directors), the number of directors to be selected and the place for registration should be submitted for discussion 4. The company's internal control system in 2020 has been completed through self-assessment. The result of the assessment is to issue a statement of internal control system for approval. 5. Apply for the "Hsinchu County International AI Smart Park" to establish an investment management company in a common space with the joint investment of all parties, and submit it for approval 6. Proposal for appointing the accountants from KPMG Taiwan to audit and approve the company's financial statements and tax reports for 2021;
04.28.2021	Board meeting	<ol style="list-style-type: none"> 1. Report the consolidated financial report for the first quarter of 2021 2. Proposal raised by the board of directors to nominate the candidates for directors (including independent directors) 3. Proposal for removing the restriction on non-compete of directors and submit it for approval

Date	Item	Major Resolutions
		<p>4. Proposal for appointment of Corporate Governance Directors,</p> <p>5. To discuss and approve the proposal for equity subscription in Metanoia Communication Inc.'s first cash capital increase in 2021;</p> <p>6. Subscription of Taishan Buffalo No. 5 Venture Capital Limited Partnership and submitting for approval</p>
06.03.2021	Board meeting	<p>1. Report on the re-election of directors of the company and the term of office of new directors</p> <p>2. Proposal to redefine the date and venue of the 110th annual general meeting of shareholders of the company, and submit it for approval</p> <p>3. Proposal raised by the Compensation Committee to pay the remuneration of directors in 2020</p> <p>4. Proposal raised by the Compensation Committee to amend the "Rules of Procedures for Paying compensation of managers"</p>
07.02.2021	Board meeting	<p>1. Election of the chairman</p> <p>2. Appointment a general manager</p> <p>3. Appoint members of the audit committee and submit resolutions</p> <p>4. Appoint members of the compensation committee and submit resolutions</p> <p>5. Appoint members of the Sustainable Development Committee for approval</p> <p>6. Determination of the cash dividend distribution base date and dividend distribution date, and submit it for approval</p>
08.02.2021	Board meeting	<p>1. Report on the consolidated financial report of the company for the second quarter of 2021</p> <p>2. Report on Purchase of Directors and Managers Liability Insurance</p> <p>3. Report on the give up to the first cash capital increase of Eminent Electric Technology Co., Ltd. in 2021</p> <p>4. Proposal raised by the Compensation Committee to raise the salary paid to managers</p> <p>5. Approval for appointing an additional member of the Compensation Committee and submit it for approval</p> <p>6. Amendment to the performance evaluation method of the board of directors</p> <p>7. Proposal to participate in the establishment of "TOP TAIWAN XIII VENTURE CAPITAL CO., LTD."</p> <p>8. Proposal for subscription of "Vertex Growth II (SG) LP" US\$2 million</p> <p>9. Proposal for subscription of WELTRONICS CO., LTD 2021 annual cash capital increase</p> <p>10. Proposal for subscription of Avisonic Technology Corp.'s 2021 cash capital increase proposal, submitted for approval</p>
08.06.2021	Board meeting	<p>1. Proposal for buyback the shares and transfer them to employees, and submit for approval</p> <p>2. Proposal for formulating the company's "Procedures for Buying Back Shares and Transferring Employees"</p>

11.04.2021	Board meeting	<ol style="list-style-type: none"> 1. Report on the consolidated financial report for the third quarter of 2021 2. Amendment to the company's thirteenth "Procedures for Repurchasing Shares and Transferring Employees" and submit it for ratification 3. Amendment to the company's "Operating Procedures for Funds Loans to Others" 4. Proposals raised by the Compensation Committee to pay remuneration of managers in 2020 5. Proposal for the improvement plan and correction operation for the lack of internal control are to be authorized to the board members who can enable the auditor to perform the audit business independently and objectively 6. Proposal for apply to Changhua Bank and KGI Bank for a credit-granting
12.23.2021	Board meeting	<ol style="list-style-type: none"> 1. Report on the CSR implementation plan and achievement 2. Report on risk management operation status 3. Report on the operation and implementation of the integrity management unit 4. Report on the communication situation with stakeholders 5. Report on information security specific management plan situation 6. Report on the implementation of intellectual property management 7. Proposal raised by the Compensation Committee regarding the Remuneration planning schedule for directors and managers 8. Proposal for approval of formulating an annual audit plan and submit it for approval 9. Proposal for approval for Re-election of the person who signed the audit report 10. Proposal for approval for building a factory and office building in Hsinchu County International AI Smart Park by means of leased land 11. Proposal for approval for subscription for cash capital increase of Chimei Motor Electronics Co., Ltd., 12. Proposal for approval for apply to each bank for a credit-granting

02.22.2022	Board meeting	<ol style="list-style-type: none"> 1. Report the self-assessment results of the performance appraisal of the board of directors 2. Proposal for approval of the company's self-closing financial statements and consolidated financial statements 2021 3. To discuss the approval of the company's 2021 annual profit distribution proposal 4. Proposal for approval of the payment of remuneration to employees and directors 5. Amendment to the Articles of Incorporation for approval 6. Discuss the date and venue of the company's 2022 annual general meeting of shareholders 7. Proposal to set the period for accepting shareholder proposals and the place for registration 8. Proposal for approval of the disposal of equity of Bruckwell Technology Co., Ltd. 9. Proposal to anticipate in the establishment of "TOPTAIWAN XIV VENTURECAPITALCO., LTD." 10. Proposal for approval for applying to Changhua Bank Hsinchu Science Park Branch for a project loan to stay in Taiwan, and issue a Negative Pledge Letter
03.22.2022	Board meeting	<ol style="list-style-type: none"> 1. Report the self-assessment results of the Sustainable Development Committee's performance appraisal 2. Report the self-assessment results of the performance appraisal to the Compensation Committee 3. Proposal by the Compensation Committee: Managers will issue performance bonuses for 110 years and submit for approval 4. Proposal raised by the Compensation Committee to pay remuneration to Managers for 2021 5. Proposal to remove the restriction on the non-compete of directors 6. Amend the Company's "Rules of Procedure for Acquisition or Disposal of Assets" for review 7. Amendments to the company's "Rules of Procedure for Shareholders' Meetings" 8. Amendments to the company's "Code of Practice on Corporate Social Responsibility" as "Code of Practice for Sustainable Development" and submit it for approval 9. Amendments to the company's "Corporate Governance Code" and submit it for approval 10. The company's statement of internal control system 2021 has been completed by self-assessment. The result of the assessment is to issue an internal control statement for approval. 11. Proposal for appointing the accountants from KPMG Taiwan to audit and approve the company's financial statements and tax reports for 2022;
05.05.2022	Board meeting	<ol style="list-style-type: none"> 1. Report on the consolidated financial statements for the first quarter of 2022 2. Report on the parent company's GHG inventory check and verification schedule 3. Proposal for approval of the subscription of PiXORD Corp.

		Ltd.'s annual cash capital increase in 2022
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- (12) Where there are recorded or written statements during the last fiscal year and until the publishing date of the annual report regarding the Directors or Supervisors' opposing on important Board resolution(s), its main contents are: None.
- (13) Summary of resignation and dismissal of financial statements related staff members (including Chairman, President, Chief Accounting Officer, Chief Financing Officer, Chief Audit Executive and Chief R & D Officer, etc.) during the last fiscal year and until the publishing date of the annual report: N/A.

5. Audit Fee Information:

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

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit period	Audit Fee	Non-audit Fees	Total	Note
Klynveld Peat Marwick Goerdeler (KPMG)	CHOU, Pao-Lien	01.01. 2021~12.31. 2021	5,100	374	5,474	
	TSENG, Mei-Yu	01.01. 2021~12.31. 2021				

Please indicate the Nature of the non-auditing fees: i.e. the offshore investment company maintenance fees, tax consultation service charges and traveling expenses.

Note: If the company changes its accountant or accounting firm in the current year, please list their audit periods separately and explain the reasons for replacement in the "remark" field, and disclose the information on audit and non-audit public fees paid in sequence. on-audit public fees should be annotated to explain its service content.

- (1) Whether the non-auditing fees paid to the CPA, the CPA firm and its affiliates amount to 25% of the total auditing fees: No
- (2) The Nature of the non-auditing fees: i.e. the offshore investment company maintenance fees, tax consultation service charges and traveling expenses.
- (3) If there is a change in accounting firm and the auditing fees in the year of such change is less than the auditing fees in the previous year: No change.
- (4) If the auditing fees was decrease by more than 10% comparing to that of in the previous year: None

6. **Information Regarding Change of Certified Public Accountant (CPA): No change of CPA in the last two years and subsequent periods**
7. **The Company's Chairman, President, Chief Financial Officer or Chief Accounting Officer who hold any positions in the Company's independent auditing firm or its affiliates during the last fiscal year: None**
8. **Any transfer of shareholdings and changes in equity pledge from the directors, managers and shareholder(s) holding more than 10% of the shares during the last fiscal year and until the publishing date of the annual report:**

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

Unit: Shares

Title	Name	2021		As of March 31, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Yulong Investment	-	-	-	-
Chairman and President	YEH, I-Hau	776,000	-	-	-
Director	YEN, Kuo-Lung	-	-	-	-
Director	CHIU, Te-Chen	-	-	-	-
Director	Zonglong Investment	-	-	-	-
Independent Director	LIN, Hsien-Ming	-	-	-	-
Independent Director	SHAW, Ming-Fu	-	-	-	-
Independent Director	TANG, Chuan-Yi	-	-	-	-
Independent Director	LU, Fang-Cheng	-	-	-	-
Manager	CHEN, I-lin	-	-	-	-

- (2) The counterparty of an equity pledge who is also a related party shall disclose name of the counterparty, the relationship with the Company, Director, Supervisor, and/or shareholder holding more than 10% of the shares and number of shares obtained or pledged:
 - 2.1 Equity transfer information: Not applicable, because it is traded freely in the exchange market.
 - 2.2 Equity pledge information: Not applicable.

9. Relationship among the Top Ten Shareholders:

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3)		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
ELAN Investment Corp., Representative: YEH, I-Ming	12,438,199	4.09%	N/A	N/A	N/A	N/A	-	A subsidiary of the EMC	
	0		N/A	N/A	N/A	N/A	YEH, I-Hau	A second-degree relative (SDR)	
Nan Shan Life Insurance Representative: CHEN, Tan	11,373,000	3.74%	N/A	N/A	N/A	N/A	-	-	
	0	0%	N/A	N/A	N/A	N/A	-	-	
Yuanta Taiwan High-yield Leading Company Fund	10,136,067	3.34%	N/A	N/A	N/A	N/A	-	-	
Yulong Investment Co., Ltd. Representative: YEH, I-Ming	7,083,059	2.33%	N/A	N/A	N/A	N/A	YEH, I-Hau	One of the major shareholders of EMC	
	0	0%	N/A	N/A	N/A	N/A	YEH, I-Hau	A second-degree relative (SDR)	
New Labor Pension Fund	6,965,700	2.29%	N/A	N/A	N/A	N/A	-	-	
YEH, I-Hau	6,000,895	1.97%	N/A	N/A	N/A	N/A	Yulong Investment Co., Ltd.	One of the major shareholders of Yulong Investment	
Standard Chartered Custody of the Schroders Robotech Fund	5,500,000	1.81%	N/A	N/A	N/A	N/A	-	-	
Fubon Taiwan high dividend 30 ETF FUND	5,140,000	1.69%	N/A	N/A	N/A	N/A	-	-	
Vanguard Emerging Market Stock Index Fund Account	4,147,870	1.36%	N/A	N/A	N/A	N/A	-	-	
Yuanta Taiwan High-yield Leading Company Fund	4,033,000	1.33%	N/A	N/A	N/A	N/A	-	-	

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

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

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

10. Ownership of Shares in Affiliated Enterprises

Unit: Thousand shares/ %

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares		Shares	%
Elan (HK)	29,328	100.00%			29,328	100.00%
Elan Investment Corporation	50,000	100.00%			50,000	100.00%
Elan Information	65	100.00%			65	100.00%
JPUP Electron Co., Ltd.	784	49.00%			784	49.00%
Metanoia Communications Inc.	32,695	50.29%	831	1.28%	33,526	51.57%
Avisonic Technology Corporation	17,517	84.78%	646	3.13%	18,163	87.91%
Tongfu Investment Co., Ltd.	3,000	46.73%			3,000	46.73%
Brighten Heart Technology Co., Ltd.	1,805	45.07%			1,805	45.07%
PiXORD Corporation Co., Ltd.	15,427	97.95%	43	0.28%	15,470	98.23%
Eminent Electronic Technology Co., Ltd.	4,113	18.91%	2,138	9.83%	6,251	28.74%
Top Taiwan X Venture Capital Co., Ltd.	24,000	30.00%			24,000	30.00%
Uniband Electronic Corporation	5,000	24.69%			5,000	24.69%
Finger Pro. Incorporation	600	23.08%			600	23.08%

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

IV. Capital Overview

1. Capital and Shares: (1) Source of Capital

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-up Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Source of Capital	Capital Increased by Assets Other than Cash	Other
May 1994	10	100,000	1,000,000	100,000	1,000,000	Established	N/A	N/A
Aug. 1997	10	110,600	1,106,000	110,600	1,106,000	Retained Earnings Transferred to Capital 100,000 Employee bonus 6,000	N/A	Document No. (86)Tai-Cai-Zheng(1)-52750 issued on July 5, 1997
Jul. 1998	10	147,140	1,471,400	147,140	1,471,400	Retained Earnings Transferred to Capital 331,800 Employee bonus 33,600	N/A	Document No. (87)Tai-Cai-Zheng(1)-52941 issued on June 18, 1998
Sep. 1999	10	164,854	1,648,540	164,854	1,648,540	Retained Earnings Transferred to Capital 147,140 Employee bonus 30,000	N/A	Document No. (88)Tai-Cai-Zheng-63446 issued on July 12, 1999
Jun. 2000	10	220,810	2,208,102	220,810	2,208,102	Retained Earnings Transferred to Capital 494,562 Employee bonus 65,000	N/A	Document No. (89)Tai-Cai-Zheng-35156 issued on May 2, 2000
Jul. 2001	10	450,000	4,500,000	295,038	2,950,383	Retained Earnings Transferred to Capital 662,431 Employee bonus 79,850	N/A	Document No. (90)Tai-Cai-Zheng(1)-43780 issued on May 2, 2001
Jul. 2002	10	450,000	4,500,000	329,239	3,292,391	Retained Earnings Transferred to Capital 295,038 Employee bonus 46,970	N/A	Document No. (91)Tai-Cai-Zheng-Yi-Zi-0910137334 issued on July 8, 2002
Jul. 2003	10	450,000	4,500,000	330,792	3,307,923	Convert corporate bonds to shares 15,532	N/A	Document No. Yuan-Shang-Zi-0920020871 issued on July 30, 2003
Oct. 2003	10	450,000	4,500,000	335,307	3,353,071	Convert corporate bonds to shares 45,148	N/A	Document No. Yuan-Shang-Zi-0920029312 issued on October 21, 2003
Jan. 2004	10	450,000	4,500,000	338,311	3,383,114	Convert corporate bonds to shares 30,043	N/A	Document No. Yuan-Shang-Zi-0930001801 issued on January 29, 2004
Apr. 2004	10	450,000	4,500,000	338,903	3,389,028	Convert corporate bonds to shares 5,914	N/A	Document No. Yuan-Shang-Zi-0930010383 issued on April 21, 2004
Jul. 2004	10	450,000	4,500,000	343,235	3,432,348	Convert corporate bonds to shares 43,319	N/A	Document No. Yuan-Shang-Zi-09300199753 issued on July 27, 2004
Sep. 2004	10	450,000	4,500,000	355,684	3,556,841	Retained Earnings Transferred to Capital 101,493 Employee bonus 23,000	N/A	Document No. Yuan-Shang-Zi-0930025813 issued on September 21, 2004
Jan. 2005	10	450,000	4,500,000	364,625	3,646,253	Convert corporate bonds to shares 89,412	N/A	Document No. Yuan-Shang-Zi-0940001655 issued on January 20, 2005
Apr. 2005	10	450,000	4,500,000	359,625	3,596,253	Capital reduction by Treasury Stock Retired (50,000)	N/A	Document No. Yuan-Shang-Zi-0940011303 issued on April 28, 2005
Oct. 2005	10	450,000	4,500,000	367,876	3,678,760	Retained Earnings Transferred to Capital 67,507 Employee bonus 15,000	N/A	Document No. Yuan-Shang-Zi-0940026465 issued on October 5, 2005
Aug. 2006	10	450,000	4,500,000	366,876	3,668,760	Capital reduction by Treasury Stock Retired (10,000)	N/A	Document No. Yuan-Shang-Zi-0950022

								570 issued on August 23, 2006
Oct. 2006	10	450,000	4,500,000	371,755	3,717,548	Retained Earnings Transferred to Capital 36,788 Employee bonus 12,000	N/A	Document No. Yuan-Shang-Zi-0950025887 issued on October 2, 2006
Nov. 2006	10	450,000	4,500,000	361,785	3,617,848	Capital reduction by Treasury Stock Retired (99,700)	N/A	Document No. Yuan-Shang-Zi-0950029921 issued on November 15, 2006
Oct. 2008	10	480,000	4,800,000	410,670	4,106,698	Capital addition from merger 488,850	N/A	Document No. Yuan-Shang-Zi-0970029807 issued on October 21, 2008
Aug. 2009	10	480,000	4,800,000	415,936	4,159,360	Employee stock option executed 11,480 Retained Earnings Transferred to Capital 41,182	N/A	Document No. Yuan-Shang-Zi-0980023343 issued on August 26, 2009
Jul. 2010	10	480,000	4,800,000	416,094	4,160,936	Employee stock option executed 1,576	N/A	Document No. Yuan-Shang-Zi-0990020694 issued on July 19, 2010
Jul. 2011	10	480,000	4,800,000	416,343	4,163,428	Employee stock option executed 2,492	N/A	Document No. Yuan-Shang-Zi-21017 issued on July 21, 2011
Oct. 2012	10	480,000	4,800,000	418,245	4,182,445	Employee stock option executed 19,017	N/A	Document No. Yuan-Shang-Zi-32156 issued on October 17, 2012
Jan. 2013	10	480,000	4,800,000	418,938	4,189,381	Employee stock option executed 6,936	N/A	Document No. Yuan-Shang-Zi-1954 issued on January 17, 2013
Apr. 2013	10	480,000	4,800,000	428,228	4,282,277	Employee stock option executed 92,896	N/A	Document No. Yuan-Shang-Zi-1020010764 issued on April 16, 2013
Jul. 2013	10	480,000	4,800,000	432,599	4,325,985	Employee stock option executed 43,708	N/A	Document No. Yuan-Shang-Zi-1020020794 issued on July 15, 2013
Oct. 2013	10	480,000	4,800,000	433,215	4,332,125	Employee stock option executed 6,140	N/A	Document No. Yuan-Shang-Zi-1020031608 issued on October 18, 2013
Apr. 2014	10	480,000	4,800,000	435,121	4,351,214	Employee stock option executed 19,089	N/A	Document No. Zhu-Shang-Zi-1030010997 issued on April 18, 2014
May 2014	10	480,000	4,800,000	438,598	4,385,978	Employee stock option executed 34,764	N/A	Document No. Zhu-Shang-Zi-1030014030 issued on May 19, 2014
Oct. 2014	10	480,000	4,800,000	439,335	4,393,348	Capital addition by employee stock option 7,370	N/A	Document No. Zhu-Shang-Zi-1030030508 issued on October 20, 2014
Dec. 2014	10	480,000	4,800,000	441,145	4,411,448	Employee stock option executed 18,100	N/A	Document No. Zhu-Shang-Zi-1030038314 issued on December 26, 2014
Aug. 2016	10	480,000	4,800,000	434,115	4,341,148	Capital reduction by Treasury Stock Retired (70,300)	N/A	Document No. Zhu-Shang-Zi-1050023250 issued on August 16, 2016
Aug. 2018	10	480,000	4,800,000	303,880	3,038,804	Capital reduction 1,302,344	N/A	Document No. Zhu-Shang-Zi-1070025345 issued on August 29, 2018

Type of Stock:

Unit: share

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

(2) Status of Shareholders

As of April 17, 2022

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	18	304	52,229	280	52,831
Shareholding (shares)	-	27,538,300	85,638,112	128,644,579	62,059,401	303,880,392
Percentage	-	9.06%	28.18%	42.33%	20.43%	100%

Note: The Company has no mainland China shareholders.

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

(3) Shareholding Distribution Status

As of April 17, 2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	22,541	3,941,429	1.30
1,000 ~ 5,000	26,292	48,012,455	15.80
5,001 ~ 10,000	2,221	16,956,932	5.58
10,001 ~ 15,000	618	7,845,994	2.58
15,001 ~ 20,000	301	5,593,552	1.84
20,001 ~ 30,000	271	6,798,708	2.24
30,001 ~ 50,000	226	8,991,103	2.96
50,001 ~ 100,000	144	10,309,470	3.39
100,001 ~ 200,000	79	11,262,914	3.71
200,001 ~ 400,000	46	12,847,933	4.23
400,001 ~ 600,000	25	11,772,382	3.87
600,001 ~ 800,000	14	9,627,407	3.17
800,001 ~ 1,000,000	7	6,336,300	2.09
1,000,001 or over	46	143,583,813	47.24
Total	52,831	303,880,392	100

(4) List of Major Shareholders

As of April 17, 2022

Shareholder's Name	Shareholding	
	Shares	Percentage
Name of Major Shareholders		
Elan Investment Corp.	12,438,199	4.09%
Nan Shan Life Insurance	11,373,000	3.74%
Yuanta Taiwan High Dividend Fund Account	10,136,067	3.34%
Yulong Investment Co., Ltd.	7,083,059	2.33%
New Labor Pension Fund	6,965,700	2.29%
YEH, I-Hau	6,000,895	1.97%
Standard Chartered Custody of the Schrodgers Robotech Fund	5,500,000	1.81%
Fubon Taiwan high dividend 30 ETF Fund	5,140,000	1.69%
Vanguard Emerging Market Stock Index Fund Account	4,147,870	1.36%
Yuanta Taiwan High-yield Leading Company Fund	4,033,000	1.33%

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

Unit: NT\$

Year		2020	2021	As of March 31, 2022 Note (8)
Items				
Market price per Share Note (1)	Highest Market Price	163	228.5	181.5
	Lowest Market Price	68.4	134	155.5
	Average Market Price	118.92	176.85	168.42
Net Worth per Share Note (2)	Before distribution	30.52	36.11	39.21
	After distribution	21.52	22.61	25.71
Earnings per Share	Weighted Average Shares (thousand shares)	291,442	289,323	284,585
	Earnings per share (Note 3)	11.14	17.64	2.81
	-	-	-	-
Dividends per Share (Note 9)	Cash dividends	9.00	13.50	-
	Stock dividends	-	-	-
	-	-	-	-
	-	-	-	-
	Accumulated Undistributed dividends (Note 4)	-	-	-
Return on Investment	Price / Earnings Ratio (Note 5)	10.68	10.03	-
	Price /Dividend Ratio (Note 6)	13.21	13.10	-
	Cash Dividend Yield (Note 7)	7.57%	7.63%	-

Note 1: List the highest and lowest market prices of each year and calculate average market price base on trading value and trading volume of each year.

Note 2: Please fill in the number of shares that have been issued as of the end of the year according to the distribution decided by the shareholders meeting.

Note 3: If there are retrospective adjustments due to circumstances such as stock grants, both pre-adjustment and post-adjustment earnings per share shall be listed.

Note 4: If the equity securities issuance conditions stipulated that dividends that have not been paid in the current year can be accumulated to be paid in the surplus year, the accumulated unpaid dividends as of the current year shall be separately disclosed.

Note 5: Price / Earnings Ratio = average closing price per share of the year / earnings per share.

Note 6: Price /Dividend Ratio = average closing price per share of the year / cash dividends per share.

Note 7: Cash Dividend Yield = cash dividend per share / average closing price per share of the year.

Note 8: Shall fill in information of the year as of the publishing date of the annual reports.

Note 9: Dividend per share shall be filled in according to profit distribution of the year and the distribution resolution to be adopted by a shareholders' meeting in the following year.

(6) Dividend Policy and Implementation Status

(1) Dividend policy

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

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

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

The proposal for the distribution of 2021 profits was passed at the 10th Term Session No. 6 Board of Directors' meeting in 2022, of which shareholders' bonus of NT\$4,102,385,292 was proposed to be appropriated from the available surplus as cash dividends at NT\$13.5 per share. The aforementioned dividend distributions are subject to the target dividend distribution date to be set by the Board of Directors upon resolutions adopted by the Annual Shareholders' Meeting this year.

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

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

Not applicable, because the Company did not disclosure 2021 financial forecast information pursuant to document number Tai-Cai-Zheng (1)-OO371 issued on 1 February 2000, provided that the Company is not required to disclose such information.

(8) Employee Bonus and Directors and Supervisors' remuneration

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

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

dividends.

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

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

The proposal for the 2021 profit distribution of the Company has been adopted at the resolution made by the Board of Directors' Meeting on February 22, 2022, which is still not yet adopted by the shareholders' meeting.

Recommended Distribution of Employee Bonus and Directors' Remuneration:

Unit: NT\$ thousands; Thousand Shares

Amount Items	Cash distribution	Share distribution – in Cash/Stock			Remuneration	Any difference with the recognized estimated expenses of the year?
		Amount	Shares	Proportion to the sum of Net Income After Taxes plus employee bonus		
Employee Bonus	728,000	0	0	0	0	None
Directors' remuneration	0	0	0	0	93,000	

4. The proposal for distribution of 2020 profits was adopted at the Board of Directors' Meeting on February 17 2021 and approved at the Annual Shareholders' Meeting on July 2, 2021. The actual distributed employee bonus and Directors Supervisors remunerations was in the line with the recommended resolution of the Board of Directors. The actual distribution is as follows:

Unit: NT\$ thousands; Thousand Shares

Items	Amount	Share distribution- In Cash/Stock			Remuneration	Differences between the expenses recognized with the original amount proposed by the Board of Directors
		Amount	Shares	Proportion to profit transferred		
Employee bonus	467,000	0	0	0	0	None
Directors and Supervisors' Remuneration	0	0	0	0	60,000	

(1)The Company's Buyback (Repurchase) of Stock:

Repurchase Times	The 13th
Purpose of Repurchase	Transfer of shares to Employees
Repurchase Period	08/06/2021~10/05/2021
Price Range of Repurchase	140-200
Type and Quantity of Shares repurchased	Common Stock
Number of shares repurchased	6,857,000股
Ratio of the Repurchased quantity to the scheduled buy-back quantity (%)	68.57%
Ratio of repurchased quantity to the scheduled repurchase quantity and the number of shares that have been cancelled and transferred	0 share
Number of shares held at the time of reporting	Common Stock 6,857,000 Shares
Ratio of the cumulative number of shares held by the company to the total number of issued shares (%)	2.26%

2. Corporate Bonds: N/A.

3. Preference Share: N/A.

4. Issuance of Global Depositary Receipt: N/A.

5. Employee Stock Options:

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

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

7. Financing Plans and Implementation: N/A.

V. Operational Highlights

1. Business Activities

(1) Business Scope

(1) Main areas of business operations

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

- (a) Touchscreen Controller
- (b) Touchscreen Controller with Pen
- (c) Touchpad Module
- (d) Pointing Stick
- (e) Biometric chip (including fingerprint and face recognition)

(2) 2020 Main Products, Revenue and Weight

Scope of Business	Revenue (thousand dollars)	Weight (%)
Consumer touch IC	6,199,437	33.83
Notebook input device module	11,532,113	62.92
Network communications IC	93,087	0.51
Others	503,336	2.74
Total	18,327,973	100.00

(3) New Products Development

The new products planned to be developed by the Company:

- Fingerprint recognition smart card solutions
- Smart watch touch control chip with low power consumption/
High sensitivity/high noise immunity
- Touch screen solutions for laptops that support flexible OLED panels
- CD display area supporting backlight control chip
- Touch driver integrated chip supporting amorphous silicon panel (A-Si)
- Pressure-sensitive touch panel module that supports force feedback
and short-range wireless communication

(2) Industry Overview

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

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

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

system after years of integration, so that the benefits of the semiconductor industries are emerging under a specific model of concentrating the resources in the area of a single industry. At present, Taiwan's semiconductor industry in the year 2021 has broken through a production value of four trillion dollars, it is not only an important economic lifeline of Taiwan, but also plays a very important role in the global semiconductor and downstream consumer and automotive industries.

(2) Product development trend and competition

In response to the development trend of the market, the company promotes the growth of operations by increasing product functions and improving product specifications, such as haptic feedback (Haptic Pad), large-size touchpad, specification upgrade of the new version of Window 11, LTDI (Large Touch Display Integrated Circuits) for the integration of touch and driver chips. At the same time, EMC has invested in the development and application of touch technology for a long time, and has patents in the United States, Japan, China and Taiwan.

Secondly, the application of biometric recognition chips in smart phones is very mature, and the competition situation is relatively fierce. In consideration of the overall operation growth, the company strengthens the application of fingerprint recognition and develops towards diversified application products. The application of notebook computers is currently the most important and one of the products with the most obvious growth in 2021. The revenue generated by all related applications reached an annual growth rate of 70%, and the application of notebook computers accounted for more than 90%.

At the same time, non-laptop applications are also actively developed. Firstly, in order to expand the application of fingerprint recognition and drive operational growth, the company is actively entering into the smart card market. Identification cards, ID cards, etc. have great market potential in the future. In order to enhance market competitiveness, the company seeks to support encryption and payment with high added value and increase anti-counterfeiting fingerprints and other functions as product requirements to provide clients with the best market competitiveness. .

Current Product Lines of Elan and Affiliated Companies

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

The two main product categories are touch and non-touch, and the revenue of the touch products is the main driving force for the operation in 2021 accounting for the revenue up to 82%. The five product lines include touchscreen controller, Touch Pad module and fingerprint recognition chip of the touch products, and microcontroller (MCU) and point stick of the of the non-touch products.

Touchscreen Chips:

These chips are applied to products such as smartphones, tablets, notebook computers, AIO PC, E-books, etc. In addition, AI technology has been introduced into automotive electronics, combined with advanced driver assistance systems (ADAS), touch, fingerprint and Local Dimming technology applications of Mini LED.

Touch Pad Modules and Chips: These products are mainly applied in notebook computers.

Biometric Recognition Chips:

This product is applicable in a wide range covering smartphones, notebooks, tablets, smart

cards, PC peripherals, etc. At present, the company is actively rushing into the car market and will use capacitive and optical fingerprint recognition chips with high value-added support encryption and add the payment function and anti-spooling fingerprints to the products in order to provide our clients with the best market competitiveness and maximize our revenue and profits.

Microcontroller IC (MIC):

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

Pointing Stick:

This product is mainly applied in notebook computers

(3) Research and Development

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

Unit: NT\$ thousands

Year	2021	2020
Items		
Research and Development expenses	2,315,472	1,858,343
Net Income	18,327,973	15,099,690
Proportion to Net Income	13%	12%

Source: CPA's report

- (2) The following technology or products are successfully developed:
- Smart card solutions supporting polyvinyl chloride (PVC) substrates
 - Fingerprint identification solutions for anti-counterfeiting fingerprints applied in smart phones
 - Anti-counterfeit fingerprint identification solutions for laptops
 - Independent smoke sensor control chip
 - Mobile phone touch screen solutions that support flexible panels
 - Hardware accelerated touch panel chips to support NIST AI
- (3) Affiliates: Products and planned product developments of Metanoia Communications, Avisonic Technology and PiXORD etc.
- Metanoia Communications:
The main products include ICs and solutions for VDSL2 /VDSL35b system, ICs and solutions for G.fast system, and VDSL2/VDSL35b/G.fast SFP modules.
Products planned to be developed include sub-6G RF chips and 5G sub-6G and mmWave digital baseband chips, and cooperate with the launch of software solutions for the complete physical layer (Low PHY and High PHY) of the 5G chipset, providing customers with a variety of 5G RU/DU, CPE, Small Cell and mmWave RF AIP solutions.
 - Avisonic Technology:
Avisonic Technology's current main products include: (1) fisheye lens image calibration processing ICs; (2) megapixel high-resolution image processing ICs;

(3) AI Box application on advanced driver-assistance systems (ADAS).

New products planned to be developed: (1) Chip IC: In order to strengthen the application of in-vehicle intelligent imaging, we will continue to develop the intelligent identification technology Advanced Driver Assistance Systems (ADAS) market for in-vehicle imaging, and expect to provide drivers with safety and front protection when driving forward at medium and low speeds in the future and automatic when reversing. The image ranging converts the bird's-eye view to allow the driver to park safely; (2) Artificial intelligence application solution: In response to the needs of artificial intelligence, we provide a complete application solution of artificial intelligence box to shorten the development time of customers, and meet the diverse characteristics of future market needs to enhance the competitive advantage of products.

- **PiXORD:**

Current products include: (1) 5 Mega Pixel 360-degree Fisheye H.264 IP Camera); (2) Dual Lens Panoramic Dome Network Camera; (3) 2 Mega Pixel Low Lux Outdoor Bullet Network Camera) (4) VDSL2 Point to Point Long Distance Media Converter; (5) Artificial Intelligence Traffic Detection System.

- **Eminent Electronic Technology Co. Ltd.:**

The main products include (1) Ambient light sensor (2) Proximity sensor (3) Ambient light-proximity sensor three-in-one module (4) LED ambient light under OLED screen-Proximity sensor (5) RGB color temperature sensor (6) TWS in-ear detection sensor and (7) AR/VR wearable detection sensor.

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

(1) Short-term development plan

A. Marketing strategy:

- (a) To provide customers with the best platform backed by the most competitive cost-effective and engineering support to help customers in gaining a broader market share.
- (b) To require the business marketing personnel to work deeper into the industry and face customer demand directly, in order to master the overall industrial supply chain, understand the key demand of the market, identify customers who can generate business energy, and seek cooperation and collaboration with muscle of the industry. At the same time, establish office in the main markets with after-sales service engineers ready at all time to provide customer with the best services in line with business demands.

B. Product development direction:

- (a) The development of touch-and-display 2-in-1 integrated ICs for smart phones was completed: and equipped with pen function, while the touch-control ICs with pen function can also apply to both hard and soft OLED panels, which will effectively reduce costs and improve performance. At the same time, the Company seeks market difference through touch-control ICs with pen functions to emphasize market difference and gain more branding customers. All of these are various IC solutions for smart phones.
- (b) Introduce touch pads with gloves and waterproof operation, touch screens and driver chips into the automotive market
- (c) A fingerprint recognition solution with low power consumption and

anti-fake fingerprints to protect personal information. This move will help expand business opportunities in smart phones, notebook computers, credit cards, financial cards, employee access cards, and automotive electronics.

- (d) The Touch Pad solution with active pen provides users with the best solution when online learning is currently prevailing.
- (e) Complete the development of a highly integrated point stick solution. This differentiated integration solution is expected to help expand the market share of point sticks.
- (f) Completion of the development and support of large-size FHD touch display integration (LTDI) solutions, and the introduction of embedded touch pad devices will help expand the application level of the market.
- (g) Provide Mini-LED area dimming technology under strong outdoor light, so that the image quality of the car screen is not affected by light.

C. Production strategies:

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

D. Operating strategies:

- (a) More flexible product sales strategies: The use of modular, single-chip and other sales approaches etc. are the key sales approaches for continuous implementation, in order to strengthen market expansion, increase revenue scale effectively, meet customer demands and further enhance deeper understanding of the market.
- (b) Concentration: In order to cope with the increasingly fierce competition in the overall market, the Company focuses on the competitive and profitable application markets.
- (c) Performance optimization: Maximized performance: All of the company's products are activated with touch performance, and the competitive pen function and anti-fake fingerprint function are introduced into various terminal consumer products, with the goal of increasing the product's gross profit margin.
- (d) Close cooperation with well-known brands, ODMs and related supply chains customers: strengthen cooperative programs with branding customers while diversifying by collaborating with ODMs and customer resources of upstream, midstream, and downstream supply chains to improve operating performance.

E. Financial strategy:

Seeking cooperation opportunities in the industry's upstream, mid-stream and downstream supply chains to achieve corporate financial benefits by means of investment, to increase product complementarity and drive revenue growth by combining the resources of both companies, while achieving maximum effectiveness in fund utilization through sound financial operation.

(2) Long-term development plan

A. Marketing strategy:

- (a) With Taiwan in Asia as the operating headquarters, as the center of strategic planning, the deployment of a global marketing network and channel system, including the world's well-known brand manufacturers such as laptops, smartphones and tablets, are important customers of the company, and flexible Using our own energy and the marketing and technical support capabilities of the agency distribution system, and combining with the cooperation of well-known companies in the United States, Japan and mainland China, we will jointly develop new application markets to strive for products to become the most important market leader and provide a full range of marketing and complete after-sales service to drive revenue growth to increase market visibility and market share
- (b) Actively establish the Company's own elite talent pool, to enhance international marketing capabilities and strengthen technical support, and obtain cooperative opportunities with world-class manufacturers.

B. Product development direction:

- (a) Continue the collaboration with multiple renowned platform industry players in U.S. and Japan to launch products that respond to the latest demands of the market, which will be applied in smart phones, tablet PCs, notebooks, smart home appliances and other products, in order to cost effectively promote the increase in volume and price.
- (b) Actively collaborate with affiliate(s) of joint venture(s) and related IoT technology companies to jointly develop AI technology related platforms and the trending products such as MiniLED/Micro LED etc. as well as to invest in automotive electronics, smart home, smart city, smart transportation, video surveillance, and wearable product etc. different fields.

C. Production strategies:

- (a) Continuously improve product yields to improve product quality, reduce production costs, and effectively increase gross margins.
- (b) Establish a close cooperative relationship or strategic alliance with the outsource factories to ensure sufficient production capacity.

D. Operating strategies:

- (a) Focus on competitive products and expand their application range, emphasize differentiated competitive strategies, effectively use self-developed microcontrollers and digital signal processor technologies of various bits, combined with external advanced development technologies, or authorize or Through cooperation and other methods, we will launch highly integrated chips and modularized products and application platforms with price and quality competitiveness, and strategically cooperate with leading manufacturers in various fields to create a win-win situation and expand the scale of operations.
- (b) Strategic alliances: leverage on external strength, seek related upstream and downstream industries with similar goals, work together to achieve coexistence and common prosperity.

E. Financial strategies:

Fully utilize, in line with the continuous expansion of business scale, various

types of financial instruments in the capital market to obtain lower-cost working capital and strengthen the financial structure.

2. Market and Sales Overview

(1) Market analysis:

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

Unit: NT\$ thousands

Year Region \ sales	2021		2020	
	Sales amount	Percentage (%)	Sales amount	Percentage (%)
Taiwan	1,598,129	8.72	973,713	6.45
China	2,580,977	14.08	2,512,482	16.64
Hong Kong	13,878,610	75.72	11,380,557	75.37
Other Area	270,257	1.48	232,938	1.54
Total Net Income	18,327,973	100.00	15,099,690	100.00

The COVID-19 pandemic continues to affect 2021, making work from home, distance learning, and the home economy still prevailing. The demand for notebook products is still strong. It is estimated that shipments will increase by 13.5% year-on-year to 235 million units, which can be said to be the best performance in recent years. At present, the overall demand in 2022 is observed to decline slightly, and the shipment of notebook computers is forecast to be 220 million units. The products sold by the company cover major global brands, whether it is American, Japanese, Korean, Taiwan and mainland China. In the notebook market spare parts industry has a dominant position.

Users have higher requirements for information security, and Window11 promoted by Microsoft requires both consumer and commercial laptops to use Match on Chip (check the fingerprint before powering on to unlock). At the same time, the user experience of fingerprint technology has also been improved. Therefore, the proportion of laptops using fingerprint recognition is increasing year by year, and the market penetration rate is estimated to be increased from 38% in 2021 up to be 45% in 2022. Furthermore, fingerprint recognition with encryption and anti-fake fingerprint functions can more protect consumers' privacy and the security of using the Internet, so it can be widely used in smart phones, laptops and tablets, and extended to smart cards, credit cards, financial cards, etc. In the car's fingerprint identification lock or fingerprint identification card, the personalized seat, music, radio and other information can be automatically activated when unlocked. This product helps to provide differentiated competitive energy and enhance operations to a higher level.

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

As for the point stick products used for notebooks, the Company currently ranks first in the world in terms of market share. The Company mainly supplies to the world's largest notebook manufacturers. The Company will continue to increase as the market share of

major notebook manufacturers continues to increase. At the same time, the company has also successively completed a new generation of thinner pointing device sensing chips, which is conducive to the increase in average selling prices.

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

Effectively improving chip performance, reducing chip production costs, establishing differentiated product features and competitive technical thresholds and sales channels are The Company's goals of continuous efforts in 2022.

(2) Market share

The Company is a professional IC design company with a full range of integrated solutions. It has a strong research and development (R&D) team and invests more than 12% in R & D each year. It is an IC design company that focuses on research and development of new products. The quality of products developed by the Company is recognized by the customers; the proportion of revenue from global tier-one manufacturer customers accounted for more than half of the total revenue. The touch control notebook ICs accounted for nearly half of the world's market share. At present, the Company has three products that ranks first in the world, namely stylus notebook screen IC, touch pad module and point stick. The market share of the first two items is about 60%, and the market share of pointing devices is expected to exceed 70%.

According to the data from IEK of ITRI, output value of Taiwan's IC design industry reached NT\$1,214.7 Billion in 2021; the proportion that the Company accounted for was approximately 1.5%.

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

What really affects semiconductors is the changes in terminal market demand. It is obvious that the main demand for semiconductors is the largest consumer electronics, including smart phones, laptops, tablets and television sets etc. Affected by the COVID-19 pandemic in 2021, demand was quite strong in the first half of the year. In the second half of the year, the momentum of market demand slowed down, so that manufacturers were actively stocking up before, resulting in a high inventory and a slowdown in the overall momentum of pulling goods in the second half of the year. However, according to past cases, after the inventory has been depleted for a period of time, the momentum of pulling goods will resume.

However, on the whole, as various consumer products have more and more functions, more and more powerful chips are required. In addition, the future prospects of electric vehicles are promising, and more chips are required. Therefore, the prospect of semiconductors is expected to be very optimistic, and the long-term market demand is still established. The sales of 5G smartphones will be booming in 2021. However, due to the tight wafer foundry capacity, manufacturers are generally active in stocking. In the first quarter of this year, due to the high inventory, the overall economy has slowed down slightly, and the strength of mobile phone shipments is slightly not good.

Research institutions are optimistic that starting from 2022, consumers' replacement cycle extended by the pandemic will gradually return to normal, and even "retaliatory consumption" will occur. Coupled with a wave of communication system upgrades in

emerging countries in Southeast Asia and Africa, it is estimated that this year the total production of smartphones will reach 1.386 billion units, with an annual growth rate of 3.8%, which is expected to climb to the level before the epidemic.

This year, under the premise of continuing the mixed office, the overall demand of the notebook computer industry has shown a slight decline. The company will increase the average selling price of chips with multiple functions to drive growth. At the same time, the launch of haptic feedback (Haptic Pad), the launch of many new functions in Window 11, the launch of large-size screen integrated touch and driver chips, etc. It is the key point to the company's continued growth.

The application of artificial intelligence can be regarded as the next wave of huge business opportunities following smart phones, PCs and tablets. The Company plans to use artificial intelligence (AI) technology of the existing products in the initial stage. At present, it has been gradually introduced into the existing application products of notebook computers, mobile phones and smart cards, and it is planned to be introduced into automobile-related products. Generally speaking, it has the energy to enhance the competitiveness of chip products, thereby driving the growth of the company's operations.

(4) Competitive niche:

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

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

- A. Favorable factors
 - The Company focused on the global market, combined with renowned platforms providers and specification makers in the United States and Japan, and conducted comprehensive contacts with tier-one brands and customers in China to gain purchase orders. The focus of market development in 2022 is to continue to strengthen the modular sales model, strengthen product functions and drive the increase in average selling prices, strengthen the market expansion of non-notebook products, which is conducive to the increase in revenue, and actively strive for global brands, the penetration rate of large manufacturers using the company's chip products, as well as first-tier brand customers in mainland China, etc.
 - Flexible business strategies: modularized, single-chip or chipset methods of sales are available.
 - Touch applications have clearly penetrated into various consumer electronic products, and the penetration rate has been increasing year by year. The company has a considerable number of semiconductor-related technologies that can be widely used in various consumer electronic products, just in line with the

development trend of the market.

- Own a strong research and development (R & D) team and hundreds of patented technologies.
- Close to the market: outsource production in the vast consumer market, achieve the goal of rapid delivery, and strengthen customer service.
- Complete system of production chain: Fully maintain close cooperative relations with upstream, midstream and downstream manufacturers in the semiconductor industry.
- Long-term collaboration with upstream, midstream, and downstream supply chains of the customers: understand the requirements of production and process nodes, reduce processing time, reduce peripheral costs and increase production efficiency.
- In response to the demand for market price/function ratio: As the market is increasingly competitive, continue to provide cost-effective products has always been the goal of the company. At the same time, with regard to the different requirements of product features in different markets, the company also provides a diversified product range to provide different product solutions in response to customer demand.
- Product diversification: low impact from the economic environment, broad distribution channels, low impact from changes in a single market, and a stable customer base.
- Consumer electronic digitalization has become the mainstream of the market. Since the establishment of the Company, it has oriented towards consumer electronics and the market, and realized that consumer electronics is already the mainstream industry in the future. Therefore, the continuous introduction of new products helps the Company in meeting the market demand.

B. Unfavorable factors

- The IC design industry is highly dependent on wafer production capacity and is susceptible to wafer manufacturer; when the wafer production capacity is full, IC design companies must pay higher costs to obtain production capacity. When the production capacity of the silicon wafer manufacturing factories is fully loaded, IC design companies must pay higher costs in order to obtain capacity supply. However, after 2023, the global wafer production capacity will continue to be increased, and IC design companies will have more options, the situation is expected to be considerably improved.
- In addition to the IC foundry, the overall semiconductor upstream, midstream and downstream supply chain and the company's supply chain dedicated to module products such as printed circuit boards, connectors, resistors, etc. are very important and indispensable, so keep all relevant close supply chain cooperation is critical.
- The amount of development funds invested in artificial intelligence-related applications is relatively high, the application environment is in the thriving period, the product life cycle is short and the changes are rapid, creating pressure on product development. At present, the application of AI is still the main product.
- Insufficient domestic R & D manpower and foreign semiconductor companies have come to Taiwan to expand their bases, looking for local talents. In the past two years, semiconductor companies have been operating well, and related companies have stepped up efforts to expand their manpower needs, makes recruitment a problem for companies.
- Competition and price war among domestic and foreign IC design companies have become increasingly fierce; the increasing pressure on product prices created operating pressure.

(6) Counter Procedures:

Control the evolution of market trends and develop appropriate strategies. 5G smart

phone is about to be commercialized, which is a huge business opportunity worth developing in 2022. The introduction of dual-screen notebook products to the market and innovative approach brings room for growth;

Secondly, the market demand for notebook computers has stabilized this year. The notebook computer industry will also enter the embedded panel (In Cell) industry model in 2022, integrating touch chips and driver chips to make notebook computers thinner and thinner. With the advent of the LED/Micro LED era, the company has cooperated with the investment company Macroblock to develop related control chips, which will be used in notebooks, tablets, game consoles, automobiles, wearable products and other markets. The Company cooperate with Chimei Motor Electronics, a reinvested company, to jointly promote the advanced driver assistance system (Adas) in the automotive market, and there is the artificial intelligence (AI) era coming, the huge potential business will once again lead the prospects of the semiconductor industry.

In order to respond to the development trend of the market, the Company still adheres to Deviations business strategy, such as capacitive biometric sensing IC, adding anti-spoof function, which can be applied to the smartphone and notebook computer industry and enter a brand-new financial industry targeting credit cards, debit cards, and personal social security cards.

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

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

(2) Important Fields of Application and Manufacturing Processes of Main Products

(1) Major Products and Their Important Fields of Application

At present, the company has two major product categories and five product lines. The two product categories are touch control and non-touch control. The touch control category includes touch screen ICs, touch pad module, and Biometric recognition ICs. The non-touch control category includes MCU and a point stick. All related production processes are carried out by the Company from IC design, to outsourcing the photomask

company to make the photomask, to transfer to the wafer factory for the various fabrication (such as exposure to UV-light, etching, etc.), to perform wafer testing and packaging testing before ship to the customer for production. All production time varies according to various required IC functions, precision, etc.

A. Touch application products:

Touch application products include touch screen IC and touch module products, which are the key sources of income of the Company in 2021 and 2022. It is divided into two categories and one of them is the touch screen ICs, and its major application products include smart phones, tablet computers and notebook computers, E-books, AIO. PC and innovative products to be used on the automotive market in the future.

B. Touch Pad module:

Mainly used on notebook PCs.

C. Biometric recognition ICs:

In 2021, notebooks will be the most popular application for fingerprint recognition chips. Compared with 2020, there will be a significant growth. In 2022, more additional functions will be added to increase the average selling price and the sales promotion of Window 11 is expected to drive the growth of operations. Due to the wide scope of application of the fingerprint recognition chips in the fields of smart phones, laptops, tablets, smart cards, PC peripherals, etc., seeking for potential prospective application industries is the focus of future efforts.

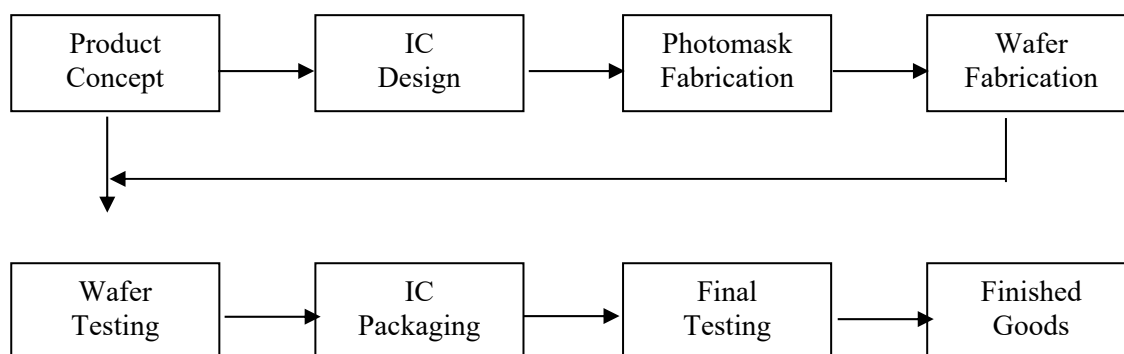
D. MCU IC:

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

E. Pointing stick products:

Point stick products are mainly applied in notebook computers, it has successively completed high-anti-noise and anti-RFI pointing device sensing chips. In 2022, it will continue to expand its market share and improve operational performance.

(2) Major Products and Their Production Processes



(3) Supply Status of Main Materials

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

(4) Major Suppliers and Customers

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

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

Unit: NT\$ thousands

Item	2020				2021				As of the previous quarter of 2022 (Note 2)			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Proportion to net sales revenue of the year as of the previous quarter of the year (%)	Relation with Issuer
1	Ultra Source	7,395,550	48.98	non-related parties	Ultra Source	8,183,120	44.65	non-related parties	Ultra Source	1,764,672	43.06	non-related parties
2	Silicon Application	2,682,389	17.76	non-related parties	Silicon Application	3,709,758	20.24	non-related parties	Silicon Application	824,652	20.12	non-related parties
	Others	5,021,751	33.26		Others	6,435,095	35.11		Others	1,509,315	36.82	
	Net Sales Revenue	15,099,690	100.00		Net Sales Revenue	18,327,973	100.00		Net Sales Revenue	4,098,639	100	

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

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

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

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

Unit: NT\$ thousands

	2020 (Note 3)				2021 (Note 3)				As of the previous quarter of 2022 (Note 2, (Note 3))			
Item	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Proportion to net sales revenue of the year as of the h previous quarter of the year (%)	Relation with Issuer
1	Lien Hwa	1,509,227	19.14	non-related parties	Lien Hwa	2,074,992	22.66	non-related parties	Lien Hwa	709,590	29.17	non-related parties
	Others	6,376,492	80.86		Others	7,082,725	77.34		Others	1,722,830	70.83	
	Net purchase amount	4,610,881	100		Net purchase amount	9,157,717	100		Net purchase amount	2,432,420	100	

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

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

Note 3: Including finished goods purchased.

(5) Production and Sales in the Last Two Years

1. Production and sales value (consolidated basis):

Unit: 1,000pcs, NT\$ thousands

Year Output	2020			2021		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major products						
Consumer touch control IC	-	586,784	4,053,884	—	514,553	5,534,839
Notebook input devices module	-	314,197	6,644,754	—	327,489	6,987,091
Network communication IC	-	528	78,410	—	519	63,399
Others	-	112,796	271,345	—	161,443	275,916
Total		1,014,305	11,048,393		1,004,004	12,861,245

2. Shipments and Sales (consolidated basis):

Unit: 1,000pcs, NT\$ thousands

Year Shipments & Sales	2020				2021			
	Local		Export		Local		Export	
	Capacity	Quantity	Amount	Capacity	Quantity	Amount	Capacity	Quantity
Major products								
Consumer touch control IC	54,194	666,827	310,463	4,454,854	45,837	1,404,680	251,429	4,794,757
Notebook input devices module	769	189,764	152,451	9,366,075	414	47,560	163,211	11,484,553
Network communication IC	145	47,062	22	24,224	158	47,620	27	45,467
Others	12,137	70,060	61,219	280,824	24,409	98,269	80,806	405,067
Total	67,245	973,713	524,155	14,125,977	70,818	1,598,129	495,473	16,729,844

3. Human Resources

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

Year		2020	2021	March 31, 2022
Number of employees	Managers	231	238	257
	Technicians	348	315	314
	General staffs	738	759	791
	Total	1,317	1,312	1,362
Average age		36.43	37.36	37.61
Average years of service		7.7 Years	10.4 Years	10.4 Years
Education	Ph.D.	1.7%	1.3%	1.3%
	Masters	41.0%	43.5%	43.0%
	Bachelor's Degree	36.7%	36.7%	38.8%
	Senior High School	3.1%	1.7%	1.8%
	Below Senior High School	17.5%	16.8%	15.1%

4. Environmental Protection Expenditure

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

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

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

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

1. Employee health checkups;
2. Established Safety & Health Office and medical room for labor safety health education and environmental protection management;
3. Invite lecture with expertise to hold several health promotion seminars;
4. Hire professional medical practitioners to the Company on monthly basis to perform on-site health services and provide health advice to the employees;
5. Hold safety and health training every six months;
6. Hold weight loss classes and weight loss competitions to promote employee health;
7. Drinking water quality testing;
- 8.. The Company commissions professional manufacturers to overhaul and report firefighting facilities on yearly basis;
9. Conduct employees' firefighting training every six months.
10. Conduct CO₂ measurement for the workplace environment every six months to safeguard employee health;
11. The measurement results of the working environment in the factory are all meet the requirements of the prevailing applicable laws and regulations of Taiwan and the detection value is close to 0.
12. The Company has established a special project for pregnant female employees, providing them nursing rooms, parking spaces, books and maternity chairs.
13. Obtained ISO 14001 Environmental System Certification. Environmental policies: prevention of pollution, company-wide full participation, commitment to environmental protection, continuous improvement;
14. The Corporate Social Responsibility Report has been introduced since 2014; the greenhouse gases inspections were commenced since 2014; and a KPI performance indicator of at least 1% in energy conservation and carbon reduction per year was set;
15. Obtained OHSAS 18001 Occupational Safety and Health Management System certification in May 2016. In 2018, the Company began to promote the latest occupational safety and health management system ISO 45001 and is expected to be certified in 2019.
16. In 2018, the Company participated in the prize issued by the Health Promotion Administration of the Ministry of Health and Welfare and won the "Gender-Friendly Health Award".
17. In 2019, the Company participated in the healthy workplace selection held by the Health Promotion Administration of the Ministry of Health and Welfare and won the "Creative Healthy Workplace Award".

5. Labor Relations

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

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

1. Employee benefit Procedures

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

2. Employee education and training

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

Complete training system-

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

Multiple learning channels-

- (1) Internal training:

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

- (2) Dispatched training:
Employees take part in training courses and seminars organized by external organizations.
- (3) Knowledge inheritance:
Hold work experience sharing courses from time to time.
- (4) Interlibrary cooperation:
Cooperate with Soc Alliance, Industrial Technology Research Institute, Chiao Tung University and many other institutions.
- (5) Knowledge management website:
Plan knowledge management website to provide technical document sharing.

Consolidated employee training and training execution status of the Company of the last fiscal year (2021)

Unit: NT\$ / number of person / hours

Items	Expenses	Number of persons	Hours
Technology and R & D category	115,924	369	1,359
Management category	689,300	454	2,865
Production QC category	13,715	3,099	1,626
General Knowledge category	187,150	620	2,026
Total	1,006,089	4,542	7,876

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

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

3. Pension system

(1) Pension fund contribution:

- A. The Company has formulated an employee retirement plan and established a Retirement Reserve Supervision Committee. The Company contributes 2% of the monthly salary to the retirement reserve funds pursuant to the "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds" and deposits in the Retirement Reserve Account at Taiwan bank.
- B. The Company, pursuant to the Labor Pension Act, also deposits the 6% contribution from monthly salary of those employees who are eligible for pension as identified by the Labor Pension Act to each individual pension account.

(2) Pension system:

- A. Mandatory retirement:
 - a. Those who reached the age of 65; or
 - b. Those who suffer from the loss of mind or physical disability and unfit to work.
- B. Volunteer retirement:
 - a. Those who have served over 25 years; or
 - b. Those who have served over 15 years and reached the age of 55; or
 - c. Those who have served over 10 years and reached the age of 60.

- C. Base point: average salary of the last 6 months prior to the retirement.
 - (3) Retirement benefits: For those who have reached the years of serve applicable for pension pursuant to the Labor Standards Act shall receive 2 base points for each full year; for those who have served for more than 15 years shall receive additional 1 base point for each full year; the total number of base points is limited to 45 points.
4. Agreements between employee / employer and the safeguarding of employees' rights and interests
- The Company has not established a written agreement with the employee. Employees can freely express various advices for the Company through the quarterly employee-employer meeting, annual meeting with employees, employee suggestion boxes, e-mail, internal network systems, etc.; the Manpower Performance Management Department gathers opinions from employees and distributes them, based on their opinions, to the responsible units for reply, and be processed pursuant to Employees' Code of Work after reporting to the President; the protection of the rights and interests of employees are subject to the Employees' Code of Work and the relevant regulations of the competent authorities.
- (2) The losses incurred due to industrial disputes (including labor inspection results that indicate violation of the Labor Standards Act, and the date of prosecution, prosecution number, provision of law violated, content of the provision of law violated, and content of the prosecution thereof) during the last fiscal year and until the publishing date of the annual report, and disclose the amount and counter Procedures that might incur at present and in the future. If it cannot be reasonably estimated, please explain why it cannot be reasonably estimated: N/A.

6. Information Regarding Security Management:

- (1) Describe the information security risk management framework, the information security policy, the specific management plan and the resources invested in the information security management, etc.:

Information Security Risk Management Framework

In order for the information security management to operate effectively and sustainably, ELAN Microelectronics established the "Information Security Management Committee", which is mainly responsible for reviewing the formulation of relevant policies, policies, systems and promotion of the organization of information security management, and regularly report the information security governance status to the Board of Directors. The President serves as the chairman, the Executive VP serves as the deputy chairman, and the head of the Information Management Department serves as the management representative. The Information Security Management Committee established functional teams based on professional division of labor to execute information security operations and to promote and implement information security policy. The information security risk management policy was reported at the board meeting on December 23, 2021, and the said information security risk is also listed for risk management.

Information Security Policy:

Elan Electronics considers the relationship between the development trend of information security management at home and abroad and the core business of the enterprise, and continuously strengthens and improves the information security management system to ensure the security of company data, systems, equipment and networks, and avoid accidental or malicious damage and improper use, making the information security system run continuously and stably.

Specific Management Plan and Resources Invested in The Security Risk Management

Items	Description
Firewall	Separate and define internal and external networks to prevent abnormal network attacks and online behaviors.
Intrusion Prevention System (IPS)	Through this module, prevent the unknown illegal invasion and destruction from the outside.
Internet Antivirus System	Through this module, the packets entering and leaving the Internet can be filtered in real time to avoid being infected by website viruses or malicious programs.
Web URL Filtering System	Restricting employees to only browse certain categories of web pages can prevent data leakage and prevent employees from browsing inappropriate websites when they go to work, which affects work efficiency.
Application Control System	Regulating the network applications that employees can use when browsing the Internet can avoid data leakage and abnormal network traffic caused by bad applications.
Spam Filtering System	Significantly reduces the amount of spam entering the company. Contains email antivirus module, which can effectively filter malicious emails with embedded viruses.
Email Backup System	Back up all incoming and outgoing emails for email tracking and archiving purposes, in line with regulatory requirements, and provide colleagues with lost emails.
Mail Audit System	Through setting filter conditions, you can perform precise email auditing to solve the problem of sensitive data leakage.
DLP Data Leakage Prevention System and Endpoint Protection	Through computer peripheral control, the outflow of important company data can be avoided. Record the access actions of peripheral devices, and filter whether there is any information security hazard behavior.
Vulnerability Scan	Regularly scan computer system vulnerabilities and perform patching to ensure that each system has no security concerns.
MPLS IP-VPN +VDI Home Office Environment	Provide a safe and stable VPN connection between locations across the strait and three places, and a home connection environment that considers information security during the epidemic
Antivirus Software	It is installed on all computer equipment distributed by the company to prevent computer viruses from attacking client computers and causing information security hazards.
Intranet Behavior Intelligence Analysis Security Monitoring System	Self-learning AI systems can protect the cloud, enterprise networks, IoT and industrial systems from various cyber threats and security vulnerabilities, including insider threats, ransomware, latent and silent attacks.
Log Archive Audit System	Syslog records storage/audit/query system, integrates various LOGs to assist enterprises in presenting evidence, LOG centralized management meets auditing needs, and completely restores historical information security events

The company has full-time information security personnel responsible for handling the company's information security business.

- (2) List the losses, possible impacts and countermeasures caused by major information security incidents in the most recent year and up to the date of publication of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: None.

7. Important Contracts

Agreements	Counterparty	Period	Major Contents	Restriction
Technology Licensing	ARM	2018/12/30~	ARM Cortex-M4 Perpetual License	N/A
Technology Licensing	NXP	2017/10/1~2021/10/1	METANOIA-NXP Frame Agreement	N/A
Technology Licensing	NXP	2019/4/22	Amendment No.1	N/A
Development Service	NXP	2020/6/29~2030/6/28	Product Development Agreement	
Commissioned Development	Industrial Technology Research	2013/12/01 ~2024/02/28	Commissioned Service and Licensing Contract	N/A
Commissioned Development	Intel	2014/9/18~	Software Development, Support and Demonstration Agreement	N/A
Commissioned Development	Quanta Technology Co., Ltd.	2017/5/18~	Entrusted Development Software Contract	N/A
Joint Appointment Turnkey Contract	Lianqi Development Co., Ltd.	2019/9/23 ~ Project warranty period expires	National Chiao Tung University/ Tainan Campus: Joint-Appointment Turnkey Contract for The New Construction of Zhiyuan Building-Industry-School Space No. 5	N/A
Joint Appointment Turnkey Contract	National Chiao Tung University	2019/2/1~2039/1/31	National Chiao Tung University/ Tainan Campus: Joint-Appointment Turnkey Contract for The New Construction of Zhiyuan Building-Industry-School Space No. 5	N/A
Joint Appointment Turnkey Contract	Lianqi Development Co., Ltd.	2019/9/23 ~ Project warranty period expires	National Chiao Tung University/ Tainan Campus: Joint-Appointment Turnkey Contract for The New Construction of Zhiyuan Building-Industry-School Space No. 6	N/A
Joint Lease for Self-Construction Contract	National Chiao Tung University	2019/2/1~2039/1/31	National Chiao Tung University/ Tainan Campus: Joint-Appointment Turnkey Contract for The New Construction of Zhiyuan Building-Industry-School Space No. 6	N/A
Land Establishment Superficies Contract	Hsinchu County Government	2021/3~2041/3	Hsinchu County International AI Smart Park Industrial Zone (1)	N/A

House Lease Agreement	Advantech Foundation	2021/8/1~2026/7/31	House Lease Agreement	N/A
Capacity Guarantee Contract	United Microelectronics Corporation	2021/7/9~2024/12/31	Capacity Reservation Agreement	N/A
Test cooperation	Orient Semiconductor Electronics, Ltd.	2021/7/1~ 2024/6/30	Letter of Intent for Packaging and Testing (Turnkey) Cooperation	N/A
Planning and Design and Engineering Supervision	JJP Architects	2021/7/16~2023/9/11	Office Building Planning and Design and Engineering Supervision	N/A
Industry-University Cooperation	National Yangming Chiao Tung University	2021/12/01~2022/11/30	National Yangming Chiao Tung University Industry-University Cooperation Service Contract	N/A

VI. Financial Information

1. Five-Year Financial Summary

(1) Condensed Balance Sheet and Income Statement

1. Condensed Balance Sheet - Consolidated Financial Statements

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years					Financial information as of March 31, 2022 (Note 3)
		2017	2018	2019	2020	2021	
Current assets		7,953,564	7,447,785	8,006,975	11,178,791	12,069,961	13,520,358
Property, plants and equipment (Note 2)		580,010	767,874	760,537	872,781	952,324	951,463
Intangible assets		256,273	225,319	304,219	449,557	424,650	495,572
Other assets (Note 2)		54,739	55,439	271,869	303,238	1,070,233	1,095,398
Total assets		10,142,805	9,803,147	11,246,892	14,452,190	16,933,008	18,256,112
Current liabilities	Before distribution	2,410,414	2,828,645	3,057,941	4,561,646	4,852,757	5,115,780
	After distribution	3,530,430	4,348,047	5,033,164	7,296,570	Note 4	Note 4
Non-current liabilities		408,928	391,744	585,799	617,488	1,106,383	1,224,810
Total liabilities	Before distribution	2,819,342	3,220,389	3,643,740	5,179,134	5,959,140	6,340,590
	After distribution	3,939,358	4,739,791	5,618,963	7,914,058	Note 4	Note 4
Equity attributable to shareholders of the parent company		7,356,477	6,627,180	7,668,931	9,050,622	10,742,974	11,486,033
Capital stock		4,341,148	3,038,804	3,038,804	3,038,804	3,038,804	3,038,804
Capital surplus		536,328	444,033	375,945	519,638	631,181	631,181
Retained earnings	Before distribution	2,422,333	3,005,648	4,153,247	5,517,815	7,984,380	8,782,667
	After distribution	1,423,869	1,592,604	2,178,024	2,782,891	Note 4	Note 4
Other equity interest		147,779	172,023	129,910	3,340	195,094	139,866
Treasury stock		91,111	33,328	28,975	28,975	1,106,485	1,106,485
Non-controlling interest		(33,014)	(44,422)	(65,779)	222,434	230,894	429,489
Total equity	Before distribution	7,323,463	6,582,758	7,603,152	9,273,056	10,973,868	11,915,522
	After distribution	6,203,447	5,063,356	5,627,929	6,538,132	Note 4	Note 4

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

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

Note 3: Q1 / 2022 financial information certified by the CPA.

Note 4: As of the reporting date, profit distribution has not yet been resolved by the 2021 shareholders' meeting.

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

2. Condensed Comprehensive Income Statement - Consolidated Financial Statements

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years					Financial information as of March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating revenue	7,503,267	8,651,332	9,487,977	15,099,690	18,327,973	4,098,639
Gross Profit	3,347,820	3,944,177	4,416,688	7,054,196	9,116,400	1,936,210
Operating Income (Loss)	1,349,782	1,730,288	2,081,426	4,217,199	5,665,225	1,112,779
Non-operating income and expenses	(87,521)	139,780	728,234	(323,507)	395,924	(99,425)
Net profit before tax	1,262,261	1,870,068	2,809,660	3,893,692	6,061,149	1,013,354
Income before tax from continuing operations	1,032,110	1,531,702	2,464,742	3,193,038	5,027,538	773,077
Income (Loss) on discontinued operations	0	0	0	0	0	0
Net Income (Loss)	1,032,110	1,531,702	2,464,742	3,193,038	5,027,538	773,077
Other comprehensive income (loss) (income after tax)	6,211	29,148	29,792	(33,401)	290,561	(55,165)
Total comprehensive income (loss)	1,038,321	1,560,850	2,494,534	3,159,637	5,318,099	717,912
Net income attributable to shareholders of the parent company	1,073,802	1,559,580	2,496,744	3,245,811	5,102,446	798,287
Net income attributable to non-controlling interest	(41,692)	(27,878)	(32,002)	(52,773)	(74,908)	(25,210)
Comprehensive income (loss) attributable to shareholders of the parent company	1,079,841	1,588,903	2,526,686	3,213,221	5,393,243	743,059
Comprehensive income (loss) attributable to non-controlling interest	(41,520)	(28,053)	(32,152)	(53,584)	(75,144)	(25,147)
Earnings per share	2.58	4.16	8.57	11.14	17.64	2.81

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

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

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

3. Condensed Balance Sheet - Parent Company Financial Statements

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2017	2018	2019	2020	2021
Current assets		7,341,632	6,620,611	7,020,098	9,511,286	9,893,402
Property, plants and equipment (Note 2)		572,376	761,937	755,686	836,016	864,262
Intangible assets		230,104	202,743	223,170	310,651	279,425
Other assets (Note 2)		79,247	58,722	225,662	240,769	1,054,663
Total assets		9,886,202	9,517,947	10,903,241	13,928,586	16,233,203
Current liabilities	Before distribution	2,126,747	2,505,043	2,673,761	4,293,321	4,410,717
	After distribution	3,246,763	4,024,445	4,648,984	7,028,245	Note 3
Non-current liabilities		402,978	385,724	560,549		
Total liabilities	Before distribution	2,529,725	2,890,767	3,234,310	4,877,964	5,490,229
	After distribution	3,649,741	5,209,533	5,209,533	7,612,888	Note 3
Equity attributable to shareholders of the parent company		7,356,477	6,627,180	7,668,931	9,050,622	10,742,974
Capital stock		4,341,148	3,038,804	3,038,804	3,038,804	3,038,804
Capital surplus		536,328	444,033	375,945	519,638	631,181
Retained earnings	Before distribution	2,422,333	3,005,648	4,153,247	5,517,815	7,984,380
	After distribution	1,423,869	1,592,604	2,178,024	2,782,891	Note 3
Other equity interest		147,779	172,023	129,910	3,340	195,094
Treasury stock		91,111	33,328	28,975	28,975	1,106,485
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	7,356,477	6,627,180	7,668,931	9,050,622	10,742,974
	After distribution	6,236,461	5,107,778	5,693,708	6,315,698	Note 3

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

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

Note 3: As of the reporting date, profit distribution has not yet been resolved by the 2021 shareholders' meeting.

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

4. Condensed Comprehensive Income Statement - Parent Company Financial Statements

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years				
	2017	2018	2019	2020	2021
Operating revenue	7,341,164	8,432,996	9,309,465	14,678,422	17,742,077
Gross Profit	3,307,355	3,858,659	4,356,033	6,890,595	8,918,005
Operating Income (Loss)	1,463,417	1,769,576	2,137,455	4,128,151	5,635,829
Non-operating income and expenses	(167,090)	115,093	697,727	(220,672)	455,525
Net profit before tax	1,296,327	1,884,669	2,835,182	3,907,479	6,091,354
Income before tax from continuing operations	1,073,802	1,559,580	2,496,744	3,245,811	5,102,446
Income (Loss) on discontinued operations	0	0	0	0	0
Net Income (Loss)	1,073,802	1,559,580	2,496,744	3,245,811	5,102,446
Other comprehensive income (loss) (income after tax)	6,039	29,323	29,942	(32,590)	290,797
Total comprehensive income (loss)	1,079,841	1,588,903	2,526,686	3,213,221	5,393,243
Net income attributable to shareholders of the parent company	1,073,802	1,559,580	2,496,744	3,245,811	5,102,446
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income (loss) attributable to shareholders of the parent company	1,079,841	1,588,903	2,526,686	3,213,221	5,393,243
Comprehensive income (loss) attributable to non-controlling interest	-	-	-	-	-
Earnings per share	2.58	4.16	8.57	11.14	17.64

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

Note 2: Note 3: IFRS 9 and IFRS 15 was adopted on January 1, 2018 without retroactively restate consolidated balance sheets issued before the year of 2017. IFRS 16 was adopted on January 1, 2019 without retroactively restate consolidated balance sheets issued before the year of 2018.

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

1. Condensed Balance Sheet - Taiwan's Financial Accounting Standards: The Company has adopted International Financial Reporting Standards in preparing financial information for five years; therefore, the Company will not prepare separate financial information base on Taiwan's Financial Accounting Standards.
2. Condensed Income Statement - Taiwan's Financial Accounting Standards: The Company has adopted International Financial Reporting Standards in preparing financial information for five years; therefore, the Company will not prepare separate financial information base on Taiwan's Financial Accounting Standards.

3. Names and audit opinions of the Certified Public Accountants for the last five (5) years:

Year	Accounting Firm	CPA	Audit Opinion
2017	KPMG	GAU, Wei-Chuan; TSENG, Mei-Yu	Unqualified opinion
2018	KPMG	TSENG, Mei-Yu ; GAU, Wei-Chuan	Unqualified opinion
2019	KPMG	CHOU, Pao-Lien;TSENG, Mei-Yu	Unqualified opinion
2020	KPMG	CHOU, Pao-Lien;TSENG, Mei-Yu	Unqualified opinion
2021	KPMG	CHOU, Pao-Lien;TSENG, Mei-Yu	Unqualified opinion

2. Five Year Financial Analysis

(1) Consolidated Financial Analysis

Year (Note 1) Item (Note 3)		Financial Analysis for the Last Five Years					As of March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt Ratio	27.80	32.85	32.40	35.84	35.19	34.73
	Ratio of long-term capital to property, plant and equipment	1,333.15	908.29	1,076.73	1,133.22	1,268.50	1,381.07
Solvency (%)	Current ratio	329.97	263.30	261.84	245.06	248.72	264.29
	Quick ratio	279.39	221.07	215.86	205.47	200.38	207.70
	Interest earned ratio (times)	300.61	403.08	297.78	682.67	616.66	329.05
Operating performance	Accounts receivable turnover (times)	6.99	8.09	8.00	8.83	9.12	8.60
	Average collection period	52	45	46	41	40	42
	Inventory turnover (times)	3.00	3.29	3.27	4.18	3.76	2.87
	Accounts payable turnover (times)	4.81	5.03	4.73	5.37	5.21	4.72
	Average days in sales	122	111	112	87	97	127
	Property, plant and equipment turnover (times)	12.92	12.84	12.42	18.49	20.08	17.22
	Total assets turnover (times)	0.78	0.87	0.90	1.18	1.17	0.93
Profitability	Return on total assets (%)	10.75	15.40	23.49	24.88	32.09	17.63
	Return on stockholders' equity (%)	14.52	22.03	34.75	37.84	49.66	27.02
	Pre-tax income to paid-in capital (%)	29.08	61.54	92.46	128.13	199.46	133.39
	Profit ratio (%)	13.76	17.70	25.98	21.15	27.43	18.86
	Earnings per share (NT\$)	2.58	4.16	8.57	11.14	17.64	2.81
Cash Flow	Cash flow ratio (%)	60.69	64.18	54.01	72.48	108.44	59.19
	Cash flow adequacy ratio (%)	99.04	102.01	99.93	120.28	132.81	131.48
	Cash reinvestment ratio (%)	9.09	9.07	2.35	12.63	19.69	20.77
Leverage	Operating leverage	4.85	4.30	3.87	2.96	2.66	2.98
	Financial leverage	1	1	1	1	1	1

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

1. Profitability: Due to the increase in sales revenue in 2021 compared with that in 2020, and the increase in net profit after tax, the profitability-related ratios of 2021 were increased compared with that 2020.
2. Cash flow: Due to the increase in cash inflow from operating activities in 2021 compared with that in 2020, the cash flow ratio and cash reinvestment ratio in 2021 were increased compared with those in 2020.

(2) Financial Analysis –Individual

Year (Note 1) Item (Note 3)		Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt Ratio	25.59	30.37	29.66	35.02	33.82
	Ratio of long-term capital to property, plant and equipment	1,355.66	920.40	1,089.01	1,152.52	1,367.93
Solvency (%)	Current ratio	345.20	264.29	262.56	221.54	224.30
	Quick ratio	294.82	221.26	212.73	182.24	174.29
	Interest earned ratio (times)	162,042	235,585	924.51	1,300.89	735.43
Operating performance	Accounts receivable turnover (times)	7.30	8.40	8.26	8.81	9.01
	Average collection period	50	43	44	41	41
	Inventory turnover (times)	3.16	3.46	3.42	4.36	3.88
	Accounts payable turnover (times)	4.72	4.94	4.66	5.23	5.04
	Average days in sales	116	105	107	84	94
	Property, plant and equipment turnover (times)	12.88	12.64	12.27	18.44	20.87
	Total assets turnover (times)	0.78	0.87	0.91	1.18	1.18
Profitability	Return on total assets (%)	11.42	16.07	24.48	26.16	33.88
	Return on stockholders' equity (%)	15.06	22.31	34.93	38.83	51.56
	Pre-tax income to paid-in capital (%) (Note 7)	29.86	62.02	93.30	128.59	200.45
	Profit ratio (%)	14.63	18.49	26.82	22.11	28.76
	Earnings per share (NT\$)	2.58	4.16	8.57	11.14	17.64
Cash Flow	Cash flow ratio (%)	76.70	69.31	59.87	73.48	114.93
	Cash flow adequacy ratio (%)	116.80	114.69	107.14	120.53	127.94
	Cash reinvestment ratio (%)	10.73	7.57	0.87	10.88	17.88
Leverage	Operating leverage	4.18	3.63	3.28	2.68	2.41
	Financial leverage	1	1	1	1	1

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

1. Profitability: Due to the increase in sales revenue in 2021 compared with that in 2020, and the increase in net profit after tax, the profitability-related ratios of 2021 were increased compared with that 2020.
2. Cash flow: Due to the increase in cash inflow from operating activities in 2021 compared with that in 2020, the cash flow ratio and cash reinvestment ratio in 2021 were increased compared with those in 2020.

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

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

Note 3: Financial ratio formula:

1. Financial structure

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

2. Solvency

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

3. Operating performance

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

4. Profitability

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

5. Cash Flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = net cash flow from operating activities in the last 5 years / (capital expenditures + increase in inventory + cash dividends) in the last 5 years.

- (3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividends) / (gross property, plants and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage

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

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

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

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

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

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

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

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

3. Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 financial statements and consolidated financial statements, which was audited by the Certified Public Accountants (CPA) CHOU, Pao-Lian and TSENG, Mei-Yu of Klynveld Peat Marwick Goerdeler (KPMG) who issued an audit report, together with business report and the profit distribution proposal for Audit Committee's review. The Audit Committee hereby confirmed that there are no discrepancies and reported as above pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and submitted for your kind approval.

Elan Microelectronics Corporation

Convener of the Audit Committee:

Dated: February 22, 2022

Independent Auditors' Report

To the Board of Directors
ELAN MICROELECTRONICS CORPORATION:

Opinion

We have audited the financial statements of ELAN MICROELECTRONICS CORPORATION (“the Company”), which comprise the statement of financial position as of December 31, 2021 and 2020, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and 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 Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of Top Taiwan X Venture Capital Co., Ltd., which represented investment in accounted for using the equity method of the Company. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Top Taiwan X Venture Capital Co., Ltd., is based solely on the report of another auditor. The investment in Top Taiwan X Venture Capital Co., Ltd. accounted for using the equity method constituted 2.08% and 2.23% of the total assets at December 31, 2021 and 2020, respectively, and the related share of profit of associates accounted for using the equity method constituted 0.51% and 0.79% of the total profit before tax for the years ended December 31, 2021 and 2020, respectively.

Key Audit Matters

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

1. Valuation of inventories

Refer to Note 4(g) 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 Company's inventory provision rate, evaluated reasonableness of the accounting policy, delved into the sales price adopted by management in valuation, and reviewed the sales and valuation which was based on the net realizable value used to assess the appropriateness of management's estimation of inventory provision.

2. Revenue recognition

Refer to Note 4(o) and 6(p) for accounting policy of revenue recognition.

Description of key audit matter:

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

How the matter was addressed in our audit:

Our audit procedures in this area included, among others: testing the effectiveness of related controls of revenue recognition 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

February 22, 2022

Notes to Readers

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

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

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

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2021</u>		<u>December 31, 2020</u>				<u>December 31, 2021</u>		<u>December 31, 2020</u>	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (notes 6(a) and (s))	\$ 2,910,238	18	1,056,566	8	2170	Accounts payable (notes 6(s) and 7)	1,692,409	10	1,811,241	13
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (s))	160,028	1	488,811	4	2206	Employee bonus payable (note 6(r))	821,000	5	527,000	4
1172	Notes and accounts receivable, net (notes 6(c) and (s))	1,707,040	11	2,070,680	15	2230	Current tax liabilities	979,161	6	768,135	6
1181	Accounts receivable due from related parties (notes 6(c), (s) and 7)	42,649	-	55,199	-	2280	Current lease liabilities (notes 6(k) and (s))	11,706	-	8,335	-
1200	Other receivables (notes 6(c), (s) and 7)	1,156,907	7	1,456,679	10	2300	Other current liabilities (notes 6(s) and 7)	<u>906,441</u>	<u>6</u>	<u>1,178,610</u>	<u>8</u>
1310	Inventories, net (note 6(d))	2,202,115	14	1,679,128	12			<u>4,410,717</u>	<u>27</u>	<u>4,293,321</u>	<u>31</u>
1410	Prepayments and other current assets	3,825	-	8,173	-	Non-Current liabilities:					
1476	Current financial assets at amortized cost (notes 6(a) and (s) and 8)	<u>1,710,600</u>	<u>11</u>	<u>2,696,050</u>	<u>20</u>	2570	Deferred tax liabilities (note 6(m))	1,067	-	1,244	-
		<u>9,893,402</u>	<u>62</u>	<u>9,511,286</u>	<u>69</u>	2580	Non-current lease liabilities (notes 6(k) and (s))	671,682	4	177,421	1
Non-current assets:						2640	Net defined benefit liability, non-current (note 6(l))	394,795	3	382,275	3
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and (s))	1,009,519	6	587,275	4	2645	Guarantee deposits received (note 6(s))	10,797	-	10,889	-
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(e) and (s))	491,824	3	256,562	2	2650	Credit balance of investments accounted for using equity method (note 6(f))	<u>1,171</u>	<u>-</u>	<u>12,814</u>	<u>-</u>
1535	Non-current financial assets at amortised cost, net (notes 6(a), (s) and 8)	7,200	-	7,200	-			<u>1,079,512</u>	<u>7</u>	<u>584,643</u>	<u>4</u>
1551	Investments accounted for using equity method (notes 6(f) and (g))	2,492,260	15	2,186,027	16	Total liabilities		<u>5,490,229</u>	<u>34</u>	<u>4,877,964</u>	<u>35</u>
1600	Property, plant and equipment (note 6(h))	864,262	5	836,016	6	Equity attributable to owners of parent: (notes 6(f) and (n))					
1755	Right-of-use assets (note 6(i))	829,693	5	183,096	1	3100	Capital stock	<u>3,038,804</u>	<u>19</u>	<u>3,038,804</u>	<u>22</u>
1780	Intangible assets (note 6(j))	279,425	2	310,651	2	3200	Capital surplus	<u>631,181</u>	<u>4</u>	<u>519,638</u>	<u>4</u>
1840	Deferred tax assets (note 6(m))	39,994	-	33,221	-		Retained earnings:				
1900	Other non-current assets (note 6(s))	177,776	1	17,252	-	3310	Legal reserve	2,159,576	13	1,825,597	13
1960	Prepaid investment (note 6(f))	<u>147,848</u>	<u>1</u>	<u>-</u>	<u>-</u>	3350	Undistributed earnings	<u>5,824,804</u>	<u>36</u>	<u>3,692,218</u>	<u>26</u>
		6,339,801	38	4,417,300	31			<u>7,984,380</u>	<u>49</u>	<u>5,517,815</u>	<u>39</u>
						3400	Other equity	<u>195,094</u>	<u>1</u>	<u>3,340</u>	<u>-</u>
						3500	Treasury shares	<u>(1,106,485)</u>	<u>(7)</u>	<u>(28,975)</u>	<u>-</u>
							Total equity	<u>10,742,974</u>	<u>66</u>	<u>9,050,622</u>	<u>65</u>
Total assets		\$ <u>16,233,203</u>	<u>100</u>	<u>13,928,586</u>	<u>100</u>		Total liabilities and equity	\$ <u>16,233,203</u>	<u>100</u>	<u>13,928,586</u>	<u>100</u>

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

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(p) and 7)	\$17,742,077	100	14,678,422	100
5000	Operating costs (notes 6(d) and 7)	<u>8,820,971</u>	<u>50</u>	<u>7,789,061</u>	<u>53</u>
5900	Gross profit from operations	8,921,106	50	6,889,361	47
5920	Add: Realized (unrealized) profit from sales	<u>(3,101)</u>	<u>-</u>	<u>1,234</u>	<u>-</u>
	Gross profits	<u>8,918,005</u>	<u>50</u>	<u>6,890,595</u>	<u>47</u>
6000	Operating expenses: (notes 6(c), 7, 9 and 12)				
6100	Selling expenses	906,782	5	831,305	6
6200	Administrative expenses	415,016	2	340,840	2
6300	Research and development expenses	1,967,455	11	1,582,695	11
6450	Impairment gain and loss determined in accordance with IFRS 9	<u>(7,077)</u>	<u>-</u>	<u>7,604</u>	<u>-</u>
		<u>3,282,176</u>	<u>18</u>	<u>2,762,444</u>	<u>19</u>
6900	Operating income	<u>5,635,829</u>	<u>32</u>	<u>4,128,151</u>	<u>28</u>
7000	Non-operating income and expenses:				
7100	Interest income (note 6(q))	23,054	-	26,198	-
7010	Other income (notes 6(q) and 7)	50,460	-	39,511	-
7020	Other gains and losses (note 6(q))	153,593	1	(96,707)	(1)
7050	Finance costs	(8,294)	-	(3,006)	-
7070	Share of gain of subsidiaries and associates accounted for using equity method (note 6(f))	<u>236,712</u>	<u>1</u>	<u>(186,668)</u>	<u>(1)</u>
		<u>455,525</u>	<u>2</u>	<u>(220,672)</u>	<u>(2)</u>
7900	Profit before tax	6,091,354	34	3,907,479	26
7950	Less: Income tax expenses (note 6(m))	<u>988,908</u>	<u>6</u>	<u>661,668</u>	<u>5</u>
	Net profit	<u>5,102,446</u>	<u>28</u>	<u>3,245,811</u>	<u>21</u>
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss:				
8311	Losses on remeasurements of defined benefit plans	(27,049)	-	(15,399)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	235,262	1	(21,116)	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified	82,910	-	4,985	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>291,123</u>	<u>1</u>	<u>(31,530)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	(323)	-	(1,078)	-
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(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>(326)</u>	<u>-</u>	<u>(1,060)</u>	<u>-</u>
8300	Other comprehensive income (loss), net	<u>290,797</u>	<u>1</u>	<u>(32,590)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 5,393,243</u>	<u>29</u>	<u>3,213,221</u>	<u>21</u>
	Earnings per share (expressed in dollars) (note 6(o))				
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 Parent-company-only Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION**Statements of Changes in Equity****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	Ordinary shares	Capital surplus	Retained earnings		Other equity		Treasury shares	Total equity
			Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
Balance at January 1, 2020	\$ 3,038,804	375,945	1,575,923	2,577,324	(5,537)	135,447	(28,975)	7,668,931
Net profit	-	-	-	3,245,811	-	-	-	3,245,811
Other comprehensive income	-	-	-	(16,339)	(1,060)	(15,191)	-	(32,590)
Total comprehensive income	-	-	-	3,229,472	(1,060)	(15,191)	-	3,213,221
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	249,674	(249,674)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,975,223)	-	-	-	(1,975,223)
Other changes in capital surplus:								
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	80,848	-	-	-	-	-	80,848
Changes in ownership interests in subsidiaries	-	62,845	-	-	-	-	-	62,845
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	58,245	-	(58,245)	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income by subsidiaries	-	-	-	52,074	-	(52,074)	-	-
Balance at December 31, 2020	3,038,804	519,638	1,825,597	3,692,218	(6,597)	9,937	(28,975)	9,050,622
Net profit	-	-	-	5,102,446	-	-	-	5,102,446
Other comprehensive income	-	-	-	(27,093)	(326)	318,216	-	290,797
Total comprehensive income	-	-	-	5,075,353	(326)	318,216	-	5,393,243
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	333,979	(333,979)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(2,734,924)	-	-	-	(2,734,924)
Other changes in capital surplus:								
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	111,944	-	-	-	-	-	111,944
Changes in ownership interests in subsidiaries	-	(401)	-	-	-	-	-	(401)
Purchase of treasury share	-	-	-	-	-	-	(1,077,510)	(1,077,510)
Disposal of investments in equity instruments designated at fair value through other comprehensive income by subsidiaries	-	-	-	126,136	-	(126,136)	-	-
Balance at December 31, 2021	<u>\$ 3,038,804</u>	<u>631,181</u>	<u>2,159,576</u>	<u>5,824,804</u>	<u>(6,923)</u>	<u>202,017</u>	<u>(1,106,485)</u>	<u>10,742,974</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION**Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	2021	2020
Cash flows from operating activities:		
Profit before tax	\$ 6,091,354	3,907,479
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	88,331	67,178
Amortization expense	92,034	65,683
Expected credit loss (gain)	(7,077)	7,604
Net profit on financial assets at fair value through profit or loss	(200,710)	(16,838)
Interest expense	8,294	3,006
Interest income	(23,054)	(26,198)
Dividend income	(27,433)	(27,805)
Share of (profit) loss of subsidiaries and associates accounted for using equity method	(236,712)	186,668
Loss (gain) on disposal of property, plant and equipment	51	(13)
Gain on disposal of investment properties	(6,254)	(13,754)
Impairment loss and disposal loss on inventory	105,789	93,969
Reversal of impairment loss	(3,930)	-
Others	3,103	(1,233)
Total adjustments to reconcile profit	<u>(207,568)</u>	<u>338,267</u>
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	383,267	(989,621)
Increase in inventories	(628,776)	(454,488)
Decrease (increase) in other receivables	299,656	(634,213)
Decrease in other current assets	4,348	5,345
Increase (decrease) in notes and accounts payable	(118,832)	643,613
Increase in other current liabilities	30,125	479,014
Decrease in net defined benefit liability	(14,529)	(278)
Total adjustments	<u>(252,309)</u>	<u>(612,361)</u>
Cash inflow generated from operations	5,839,045	3,295,118
Interest received	23,170	26,351
Interest paid	(8,294)	(3,006)
Income taxes paid	<u>(784,831)</u>	<u>(163,610)</u>
Net cash flows from operating activities	<u>5,069,090</u>	<u>3,154,853</u>
Cash flows from (used in) investing activities:		
Dividends received	170,140	54,077
Decrease (increase) in financial assets at amortized cost	985,450	(423,600)
Acquisition of current financial assets at fair value through profit or loss	(20,000)	(1,966,148)
Proceeds from disposal of current financial assets at fair value through profit or loss	351,606	1,898,138
Acquisition of non-current financial assets at fair value through profit or loss	(240,162)	(29,755)
Proceeds from capital reduction and liquidation of financial assets at fair value through profit or loss	15,803	44,456
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	-	76,592
Acquisition of investments accounted for using equity method	(59,703)	(215,170)
Increase in prepayments for investments	(147,848)	-
Proceeds from disposal of subsidiaries	33,111	-
Proceeds from capital reduction of investments accounted for using equity method	3,930	-
Acquisition of property, plant and equipment	(94,923)	(136,484)
Proceeds from disposal of property, plant and equipment	-	60
Acquisition of intangible assets	(59,908)	(153,164)
Increase in refundable deposits	<u>(160,524)</u>	<u>(11,952)</u>
Net cash flows from (used in) investing activities	<u>776,972</u>	<u>(1,131,750)</u>
Cash flows used in financing activities:		
Increase (decrease) in guarantee deposits received	(92)	561
Payment of lease liabilities	(179,864)	(12,554)
Cash dividends paid	(2,734,924)	(1,975,223)
Payments to acquire treasury shares	<u>(1,077,510)</u>	<u>-</u>
Net cash flows used in financing activities	<u>(3,992,390)</u>	<u>(1,987,216)</u>
Net increase in cash and cash equivalents	1,853,672	35,887
Cash and cash equivalents at the beginning of period	<u>1,056,566</u>	<u>1,020,679</u>
Cash and cash equivalents at the end of period	<u><u>\$ 2,910,238</u></u>	<u><u>1,056,566</u></u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

Elan Microelectronics Corp. (hereinafter referred to as the “Company”) was incorporated on May 5, 1994, under the approval of Ministry of Economic Affairs, Republic of China (“R.O.C.”). The 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.

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

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

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

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

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

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to the Financial Statements

- 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 Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

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

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

The Company 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 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 financial statements.

(a) Statement of Compliance

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the 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;
- 2) Financial instruments at fair value through other comprehensive income are measured at fair value; and
- 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 the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

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(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

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

(ii) Foreign operations

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

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

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

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

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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An entity shall classify a liability as current when:

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

(e) 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.

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

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4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5) **Derecognition of financial assets**

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

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

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Notes to the Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

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

3) Treasury shares

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

4) Other financial liabilities

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

5) Derecognition of financial liabilities

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

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

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Notes to the 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 Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

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

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

(h) Investments in associates

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

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

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company from the date on which significant influence commences until the date on which significant influence ceases. The Company 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 Company and an associate are recognized only to the extent of unrelated the Company's interests in the associate.

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

The Company 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 Company 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 on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued. If

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

In a business combination achieved in stages, the Company 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 Company 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 Company 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.

(i) Investment in subsidiaries

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

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

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

(k) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

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

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

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

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

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;

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- 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;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- 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.

(ii) As a lessor

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

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

(l) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

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(iii) Amortization

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

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

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

Patents	1~3 years
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Computer software cost	1~3 years
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Amortization method, amortization period, and residual value for an intangible asset are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment – non derivative financial assets

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

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

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

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

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.

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(n) Provisions

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

(o) Revenue from contracts with customers

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

(i) Sale of goods

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

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

(ii) Services

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

(iii) Financing components

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

(p) Government grants

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

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(q) Employee benefits

(i) Defined contribution plan

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

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

(ii) Defined benefit plan

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

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

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

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

(iii) Short-term employee benefits

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

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ELAN MICROELECTRONICS CORPORATION
Notes to the Financial Statements

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

(r) **Income taxes**

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

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

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

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

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

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

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

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

(s) Business acquisition

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

(t) Earnings per share

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

(u) Operating segments

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

(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.

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

Judgment of whether the Company has substantive control over its investees, please refer to the 2021 annual consolidated financial statements.

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:

Valuation of inventories

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Petty cash	\$ 74	74
Checking and demand deposits	1,153,974	765,992
Time deposits with maturities of three months or less	<u>1,756,190</u>	<u>290,500</u>
	<u>\$ 2,910,238</u>	<u>1,056,566</u>

- (i) Please refer to Note 6(s) for the interest rate risk and fair value sensitivity analysis of the financial assets and liabilities of the Company.
- (ii) As of December 31, 2021 and 2020, time deposits with maturities of more than three months held by the Company amounted to \$1,717,800 thousand and \$2,703,250 thousand, respectively, and were recorded as current and non-current financial assets measured at amortized cost.
- (iii) The Company did not recognize impairment loss on financial assets measured at amortized cost for the years ended December 31, 2021 and 2020. Other information relating to credit risk is provided in Note 6(s).

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Notes to the Financial Statements

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

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Current:		
Listed stocks	\$ 6,691	4,310
Certificates of beneficial interest	93,768	424,047
Short-term commercial papers	<u>59,569</u>	<u>60,454</u>
Subtotal	<u>160,028</u>	<u>488,811</u>
Non-current:		
Listed stocks	832,465	528,108
Unlisted funds	<u>177,054</u>	<u>59,167</u>
Subtotal	<u>1,009,519</u>	<u>587,275</u>
Total	<u>\$ 1,169,547</u>	<u>1,076,086</u>

(c) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable - fair value through other comprehensive income	\$ 1,124,190	759,277
Accounts receivable - measured at amortized cost	653,226	1,401,406
Less: Loss allowance	<u>(27,727)</u>	<u>(34,804)</u>
	<u>\$ 1,749,689</u>	<u>2,125,879</u>

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

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

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Expected credit loss
Current	\$ 1,678,376	0.35%	5,858
1 to 30 days past due	59,249	1.78%	1,053
31 to 60 days past due	21,344	11.21%	2,392
61 to 90 days past due	52	55.56%	29
More than 90 days past due	<u>18,395</u>	50%~100%	<u>18,395</u>
	<u>\$ 1,777,416</u>		<u>27,727</u>

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ELAN MICROELECTRONICS CORPORATION

Notes to the Financial Statements

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

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

	2021	2020
Balance at January 1	\$ 34,804	27,200
Impairment loss recognized (reversed)	(7,077)	7,604
Balance at December 31	<u>\$ 27,727</u>	<u>34,804</u>

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

December 31, 2021						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial Institution	<u>\$ 1,057,830</u>	<u>2,807,200</u>	<u>-</u>	<u>1,057,830</u>	<u>0.05%~0.10%</u>	None

December 31, 2020						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial Institution	<u>\$ 1,376,747</u>	<u>2,823,800</u>	<u>-</u>	<u>1,376,747</u>	<u>0.05%~0.10%</u>	None

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

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ELAN MICROELECTRONICS CORPORATION
Notes to the Financial Statements

(d) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 739,243	648,872
Work in progress	1,207,372	808,884
Finished goods	<u>255,500</u>	<u>221,372</u>
	<u>\$ 2,202,115</u>	<u>1,679,128</u>

The details of the cost of sales are as follows:

	2021	2020
Inventory that has been sold	\$ 8,715,916	7,695,349
Write-down of inventories	105,789	93,969
Others	<u>(734)</u>	<u>(257)</u>
	<u>\$ 8,820,971</u>	<u>7,789,061</u>

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

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

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income:		
Listed stocks	470,855	242,830
Emerging stocks	<u>20,969</u>	<u>13,732</u>
	<u>\$ 491,824</u>	<u>256,562</u>

- (i) The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities were held for long-term strategic purposes instead of for trading.
- (ii) The Company sold its shares for the years ended December 31, 2020. The shares sold had a fair value of \$76,592 thousand, wherein the Company realized a gain of \$58,245 thousand, which was recognized from other comprehensive income to retained earnings.
- (iii) For market risk, please refer to note 6(s).
- (iv) As of December 31, 2021 and 2020, the Company had not provided any financial assets at fair value through other comprehensive income as collateral for its loans.

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Notes to the Financial Statements

(f) Investments accounted for using equity method

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

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 2,145,562	1,866,405
Associates	346,698	319,622
Investments accounted for using equity method	\$ 2,492,260	2,186,027
Credit balance of investments accounted for using equity method	\$ 1,171	12,814

(i) Subsidiaries

A summary of the Company's financial information for its subsidiaries at the reporting date was as follows:

	2021	2020
The Company's share of gain of subsidiaries accounted for using equity method	\$ 205,625	(211,977)

Please refer to the consolidated financial statements for the year ended December 31, 2021 for further details.

The Company recognized \$147,848 thousand for prepayments for investments in Metanoia Communications Inc. as of December 31, 2021.

(ii) Associates

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

			December 31, 2021		December 31, 2020	
		Main operating location / Registered Country of the Company		Share-holding (%)		Share-holding (%)
	Nature of the relationship	Company	Amount		Amount	
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
			\$ 333,782		337,712	

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

	<u>2021</u>	<u>2020</u>
The Company's share of gain of associates accounted for using equity method	\$ <u>31,087</u>	<u>25,309</u>

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

	<u>2021</u>	<u>2020</u>
Attributable to the Company:		
Profit (loss) from continuing operations	\$ 31,087	25,309
Other comprehensive income (loss)	<u>(3)</u>	<u>18</u>
Comprehensive income (loss)	<u>\$ 31,084</u>	<u>25,327</u>

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

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

(iii) Pledges

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

(g) 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 a loss of control over RisingStar. Therefore, the \$1,343 thousand gain on disposal of a subsidiary had been recognized as other gains and losses under other comprehensive income.

1) The carrying amounts of assets and liabilities of RisingStar on the date of disposal were as follows:

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Cash and cash equivalents	\$ 10,945
Accounts receivables	8,431
Prepayments	186
Property, plant and equipment	245
Intangible assets	1,860
Guarantee deposits	93
Other payables	(177)
Carrying amount of net assets	<u><u>\$ 21,583</u></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	2,815
Gain on disposal	<u><u>\$ 1,343</u></u>
3) Net cash flows from disposal of a subsidiary	
Cash received	\$ 20,111
Less: Carrying amount of cash and cash equivalents	(10,945)
	<u><u>\$ 9,166</u></u>
(ii) The Group had sold 61.16% of its shares in Bruckewell, wherein the proceeds of \$13,000 thousand on December 29, 2021, resulted in a 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 receivables	2,748
Other receivables	138
Inventories	6,411
Prepayments	299
Property, plant and equipment	7,910
Intangible assets	511
Guarantee deposits	798
Accounts payable	(2,372)
Other current liabilities	(5,748)
Carrying amount of net assets	<u><u>\$ 13,224</u></u>

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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><u>\$ 4,911</u></u>

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>
	<u><u>\$ 10,471</u></u>

(h) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office and transportation equipment</u>	<u>Equipment awaiting examination</u>	<u>Total</u>
Cost:						
Balance as of January 1, 2021	\$ 230,790	1,162,385	503,223	119,222	29,540	2,045,160
Additions	-	10,465	46,099	14,644	23,715	94,923
Derecognized	-	-	(39,191)	(5,581)	-	(44,772)
Reclassification	<u>-</u>	<u>5,333</u>	<u>13,043</u>	<u>-</u>	<u>(19,276)</u>	<u>(900)</u>
Balance as of December 31, 2021	<u><u>\$ 230,790</u></u>	<u><u>1,178,183</u></u>	<u><u>523,174</u></u>	<u><u>128,285</u></u>	<u><u>33,979</u></u>	<u><u>2,094,411</u></u>
Balance as of January 1, 2020	\$ 230,790	1,089,827	479,649	112,518	8,567	1,921,351
Additions	-	68,184	33,853	8,067	26,380	136,484
Derecognized	-	-	(11,312)	(1,363)	-	(12,675)
Reclassification	<u>-</u>	<u>4,374</u>	<u>1,033</u>	<u>-</u>	<u>(5,407)</u>	<u>-</u>
Balance as of December 31, 2020	<u><u>\$ 230,790</u></u>	<u><u>1,162,385</u></u>	<u><u>503,223</u></u>	<u><u>119,222</u></u>	<u><u>29,540</u></u>	<u><u>2,045,160</u></u>
Accumulated depreciation:						
Balance as of January 1, 2021	\$ -	694,485	412,034	102,625	-	1,209,144
Depreciation	-	20,294	37,906	7,526	-	65,726
Derecognized	<u>-</u>	<u>-</u>	<u>(39,140)</u>	<u>(5,581)</u>	<u>-</u>	<u>(44,721)</u>
Balance as of December 31, 2021	<u><u>\$ -</u></u>	<u><u>714,779</u></u>	<u><u>410,800</u></u>	<u><u>104,570</u></u>	<u><u>-</u></u>	<u><u>1,230,149</u></u>
Balance as of January 1, 2020	\$ -	677,667	390,794	97,204	-	1,165,665
Depreciation	-	16,818	32,552	6,737	-	56,107
Derecognized	<u>-</u>	<u>-</u>	<u>(11,312)</u>	<u>(1,316)</u>	<u>-</u>	<u>(12,628)</u>
Balance as of December 31, 2020	<u><u>\$ -</u></u>	<u><u>694,485</u></u>	<u><u>412,034</u></u>	<u><u>102,625</u></u>	<u><u>-</u></u>	<u><u>1,209,144</u></u>
Carrying value:						
Balance as of December 31, 2021	<u><u>\$ 230,790</u></u>	<u><u>463,404</u></u>	<u><u>112,374</u></u>	<u><u>23,715</u></u>	<u><u>33,979</u></u>	<u><u>864,262</u></u>
Balance as of December 31, 2020	<u><u>\$ 230,790</u></u>	<u><u>467,900</u></u>	<u><u>91,189</u></u>	<u><u>16,597</u></u>	<u><u>29,540</u></u>	<u><u>836,016</u></u>

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

(i) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance as of January 1, 2021	\$ 186,882	-	948	10,334	198,164
Additions	<u>655,854</u>	<u>6,347</u>	<u>-</u>	<u>7,001</u>	<u>669,202</u>
Balance as of December 31, 2021	<u><u>\$ 842,736</u></u>	<u><u>6,347</u></u>	<u><u>948</u></u>	<u><u>17,335</u></u>	<u><u>867,366</u></u>
Balance as of January 1, 2020	\$ 186,140	4,271	375	7,002	197,788
Additions	742	-	948	3,977	5,667
Derecognized	<u>-</u>	<u>(4,271)</u>	<u>(375)</u>	<u>(645)</u>	<u>(5,291)</u>
Balance as of December 31, 2020	<u><u>\$ 186,882</u></u>	<u><u>-</u></u>	<u><u>948</u></u>	<u><u>10,334</u></u>	<u><u>198,164</u></u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2021	\$ 11,164	-	132	3,772	15,068
Depreciation	<u>16,541</u>	<u>529</u>	<u>316</u>	<u>5,219</u>	<u>22,605</u>
Balance as of December 31, 2021	<u><u>\$ 27,705</u></u>	<u><u>529</u></u>	<u><u>448</u></u>	<u><u>8,991</u></u>	<u><u>37,673</u></u>
Balance at January 1, 2020	\$ 5,570	2,329	237	1,152	9,288
Depreciation	5,594	1,942	270	3,265	11,071
Derecognized	<u>-</u>	<u>(4,271)</u>	<u>(375)</u>	<u>(645)</u>	<u>(5,291)</u>
Balance as of December 31, 2020	<u><u>\$ 11,164</u></u>	<u><u>-</u></u>	<u><u>132</u></u>	<u><u>3,772</u></u>	<u><u>15,068</u></u>
Book value:					
Balance as of December 31, 2021	<u><u>\$ 815,031</u></u>	<u><u>5,818</u></u>	<u><u>500</u></u>	<u><u>8,344</u></u>	<u><u>829,693</u></u>
Balance as of December 31, 2020	<u><u>\$ 175,718</u></u>	<u><u>-</u></u>	<u><u>816</u></u>	<u><u>6,562</u></u>	<u><u>183,096</u></u>

The Company 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 Company recognized right-of-use assets and lease liabilities amounting to \$655,854 thousand, respectively.

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(j) Intangible assets

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

	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance as of January 1, 2021	\$ 160,600	91,929	214,883	467,412
Additions	-	13,973	45,935	59,908
Reclassifications	-	-	900	900
Derecognized	-	(6,424)	(5,439)	(11,863)
Balance as of December 31, 2021	<u>\$ 160,600</u>	<u>99,478</u>	<u>256,279</u>	<u>516,357</u>
Balance as of January 1, 2020	\$ 160,600	89,997	142,883	393,480
Additions	-	5,099	148,065	153,164
Derecognized	-	(3,167)	(76,065)	(79,232)
Balance as of December 31, 2020	<u>\$ 160,600</u>	<u>91,929</u>	<u>214,883</u>	<u>467,412</u>
Accumulated amortization:				
Balance as of January 1, 2021	\$ -	67,080	89,681	156,761
Additions	-	18,033	74,001	92,034
Derecognized	-	(6,424)	(5,439)	(11,863)
Balance as of December 31, 2021	<u>\$ -</u>	<u>78,689</u>	<u>158,243</u>	<u>236,932</u>
Balance as of January 1, 2020	\$ -	54,411	115,899	170,310
Additions	-	15,836	49,847	65,683
Derecognized	-	(3,167)	(76,065)	(79,232)
Balance as of December 31, 2020	<u>\$ -</u>	<u>67,080</u>	<u>89,681</u>	<u>156,761</u>
Book value:				
Balance as of December 31, 2021	<u>\$ 160,600</u>	<u>20,789</u>	<u>98,036</u>	<u>279,425</u>
Balance as of December 31, 2020	<u>\$ 160,600</u>	<u>24,849</u>	<u>125,202</u>	<u>310,651</u>

(i) The amortization of intangible assets recognized under operation costs and operating expenses for the years ended 2021 and 2020 were \$92,034 thousand and \$65,683 thousand, respectively.

(ii) Impairment testing for goodwill

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

The carrying amounts of goodwill were as follow:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Laptop input device business cash-generating units	<u>\$ 160,600</u>	<u>160,600</u>

(Continued)

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

	December 31, 2021	December 31, 2020
Average revenue growth rate	4.1 %	4.4 %
Discount rate	7.88 %	9.30 %

The key assumptions represents the management's valuation 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.

(k) Lease liabilities

The lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	\$ 11,706	8,335
Non-current	\$ 671,682	177,421

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

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	\$ 8,294	3,006
Expenses relating to short-term leases	\$ 9,734	7,485
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 874	1,270

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

	2021	2020
Total cash outflow for leases	\$ 198,766	24,315

(i) Real estate leases

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

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(ii) Other leases

The Company 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 Company leases its office and transportation equipment, with lease terms ranging from 1 to 3 years. In some cases, the Company 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 Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(l) Employee benefits

(i) Defined benefit plans

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

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 483,711	468,361
Fair value of plan assets	<u>(88,916)</u>	<u>(86,086)</u>
Net defined benefit liabilities	<u>\$ 394,795</u>	<u>382,275</u>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$88,916 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 Labor Pension Fund Supervisory Committee.

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2) Movements in present value of the defined benefit obligations

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

	<u>2021</u>	<u>2020</u>
Defined benefit obligations at January 1	\$ 468,361	444,492
Current service cost and interest cost	4,492	6,228
Remeasurements of net defined benefit liabilities (assets)		
— Actuarial loss (gain) arising from demographic assumptions	12,714	-
— Actuarial loss (gain) arising from financial assumptions	7,139	21,491
— Actuarial loss (gain) arising from experience adjustments	8,049	(3,850)
Benefits paid	<u>(17,044)</u>	<u>-</u>
Defined benefit obligations at December 31	<u><u>\$ 483,711</u></u>	<u><u>468,361</u></u>

3) Movements of plan assets

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

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 86,086	77,337
Interest income	655	878
Remeasurements of net defined benefit liabilities (assets)		
— Return on plan assets excluding interest income	853	2,242
Contributions paid by the employer	15,698	5,629
Benefits paid	<u>(14,376)</u>	<u>-</u>
Fair value of plan assets at December 31	<u><u>\$ 88,916</u></u>	<u><u>86,086</u></u>

4) Expenses recognized in profit or loss

The Company'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	1,252
Net interest of net liabilities for defined benefit obligations	<u>2,755</u>	<u>4,099</u>
	<u><u>\$ 3,837</u></u>	<u><u>5,351</u></u>

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ELAN MICROELECTRONICS CORPORATION
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	2021	2020
Operating cost	\$ 333	456
Selling expenses	243	374
Administration expenses	334	444
Research and development expenses	2,927	4,077
	\$ 3,837	5,351

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

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

	2021	2020
Balance at January 1	\$ 6,858	(8,541)
Recognized	27,049	15,399
Balance at December 31	\$ 33,907	6,858

- 6) Actuarial assumptions

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

	December 31, 2021	December 31, 2020
Discount rate	0.625%	0.750%
Future salary increase rate	5.000%	5.000%

The expected allocation payment to be made by the Company to the defined benefit plans for one-year period after the reporting date was \$5,787 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

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

	Impact on the defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2021		
Discount rate	\$ (14,131)	14,687
Future salary increasing rate	13,742	(13,311)

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	Impact on the defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2020		
Discount rate	(14,483)	15,091
Future salary increasing rate	14,143	(13,671)

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.

(ii) Defined contribution plans

The Company'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:

	2021	2020
Operating cost	\$ 7,550	7,698
Selling expenses	4,797	4,509
Administration expenses	4,604	4,285
Research and development expenses	39,529	37,570
	\$ 56,480	54,062

(m) Income taxes

(i) The components of income tax were as follow:

	2021	2020
Current tax expense	\$ 995,858	663,880
Deferred tax expense	(6,950)	(2,212)
Income tax expense	\$ 988,908	661,668

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

	2021	2020
Income before income tax	\$ 6,091,354	3,907,479
Income tax using the Company's domestic tax rate	\$ 1,218,271	781,496
Tax-exempt income	-	(77,792)
Suspension of tax-exempt gain on disposal of domestic securities	1,018	481

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	<u>2021</u>	<u>2020</u>
Prior year's income tax adjustment	9,787	8,843
Investment tax credit	(39,587)	(34,149)
Change in unrecognized temporary differences	(191,300)	(82,000)
Investment income from domestic securities	(26,803)	61,377
Additional tax on undistributed earnings	28,396	13,609
Others	(10,874)	(10,197)
Total	<u><u>\$ 988,908</u></u>	<u><u>661,668</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	\$ 36,100	228,400
Tax-deductible loss carry forward	92,100	94,600
Provision for decline in value of inventories	34,900	31,100
Others	2,700	3,000
	<u><u>\$ 165,800</u></u>	<u><u>357,100</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 Company can utilize the benefits therefrom.

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>

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Deferred Tax Assets:

	Decline in Value of Inventories	Others	Total
Balance at January 1, 2021	\$ 31,043	2,178	33,221
Recognized in profit or loss	<u>3,942</u>	<u>2,831</u>	<u>6,773</u>
Balance at December 31, 2021	<u>\$ 34,985</u>	<u>5,009</u>	<u>39,994</u>
Balance at January 1, 2020	\$ 26,705	5,157	31,862
Recognized in profit or loss	<u>4,338</u>	<u>(2,979)</u>	<u>1,359</u>
Balance at December 31, 2020	<u>\$ 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.

(n) Capital and other equity

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 a par value of \$10 per share. The issued shares were composed of common stocks only and have been fully paid up.

(i) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
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>
	<u>\$ 631,181</u>	<u>519,638</u>

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

(ii) 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

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

3) Earnings distribution

The appropriations of earnings for 2020 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 distribution and the estimation 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.

(iii) Treasury shares

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

- 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:

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	2021		2020	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
Beginning balance	-	\$ -	-	-
Increase	6,857	1,077,510	-	-
Ending balance	6,857	\$ 1,077,510	-	-

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:

	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
Effects of valuation change	-	-	453,994	-	-	526,136
Ending balance	12,438	\$ 28,975	2,114,494	12,438	28,975	1,660,500

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.

(iv) Other equity

The movements of other equity were as follows:

	For the years ended December 31, 2021		
	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1	\$ (6,597)	9,937	3,340
Exchange differences on foreign operations:			
The Company	(247)	-	(247)
Subsidiaries	(76)	-	(76)
Associates	(3)	-	(3)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Company	-	235,262	235,262
Subsidiaries	-	82,954	82,954
Subsidiaries-disposal	-	(126,136)	(126,136)
Balance as of December 31	\$ (6,923)	202,017	195,094

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

(o) Earnings per share

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

(i) Basic earnings per share:

	2021	2020
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:

	2021	2020
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>

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(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021	2020
Taiwan	\$ 1,456,666	864,416
Mainland China	2,306,918	2,275,945
Hong Kong	13,758,326	11,326,654
America	6,267	9,599
Europe	3,317	4,586
Other	<u>210,583</u>	<u>197,222</u>
	<u>\$ 17,742,077</u>	<u>14,678,422</u>
Main products:		
Consumer Touch Control Integrated Circuit	\$ 6,193,142	5,083,611
Laptop Input Device	11,528,096	9,553,272
Development and other income	<u>20,839</u>	<u>41,539</u>
	<u>\$ 17,742,077</u>	<u>14,678,422</u>

(ii) Contract balances

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

(q) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	2021	2020
Interest income from bank deposits	<u>\$ 23,054</u>	<u>26,198</u>

(ii) Other income

	2021	2020
Rent income	\$ 8,413	8,413
Dividend income	27,433	27,805
Government grants	3,993	-
Others	<u>10,621</u>	<u>3,293</u>
Total	<u>\$ 50,460</u>	<u>39,511</u>

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(iii) Other gains and losses

	<u>2021</u>	<u>2020</u>
Foreign exchange losses	\$ (54,759)	(122,803)
Gains on financial asset at fair value through profit or loss	200,710	16,838
Gains (Losses) on disposal of property, plant and equipment	(51)	13
Gains on disposal of investment property	6,254	13,754
Reversal of impairment loss	3,930	-
Miscellaneous disbursement	(2,491)	(4,509)
Total	<u>\$ 153,593</u>	<u>(96,707)</u>

(r) 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 employees 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.

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

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As of December 31, 2021 and 2020, 86% and 89%, respectively, of accounts receivable were due from the ten largest customers. Thus, credit risk was significantly concentrated.

3) Receivables and debt securities

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

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Con- tractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2021							
Non-derivative financial liabilities							
Notes and accounts payable	\$ 1,692,409	1,692,409	1,692,409	-	-	-	-
Other payable	464,540	464,540	464,540	-	-	-	-
Lease liabilities	<u>683,388</u>	<u>906,267</u>	<u>7,248</u>	<u>11,364</u>	<u>16,891</u>	<u>40,933</u>	<u>829,831</u>
	<u>\$ 2,840,337</u>	<u>3,063,216</u>	<u>2,164,197</u>	<u>11,364</u>	<u>16,891</u>	<u>40,933</u>	<u>829,831</u>
December 31, 2020							
Non-derivative financial liabilities							
Notes and accounts payable	\$ 1,811,241	1,811,241	1,811,241	-	-	-	-
Other payables	818,504	818,504	818,504	-	-	-	-
Lease liabilities	<u>185,756</u>	<u>236,269</u>	<u>5,621</u>	<u>5,625</u>	<u>9,880</u>	<u>22,645</u>	<u>192,498</u>
	<u>\$ 2,815,501</u>	<u>2,866,014</u>	<u>2,635,366</u>	<u>5,625</u>	<u>9,880</u>	<u>22,645</u>	<u>192,498</u>

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

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ELAN MICROELECTRONICS CORPORATION
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(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets:</u>						
<u>Monetary item</u>						
USD	\$ 134,173	27.68	3,713,909	142,663	28.10	4,008,830
<u>Financial liabilities:</u>						
<u>Monetary item</u>						
USD	63,423	27.68	1,755,549	78,097	28.10	2,194,526

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the retranslation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A 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 \$78,264 thousand and \$70,445 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 Company 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 \$54,759 thousand and \$122,803 thousand for the years ended December 31, 2021 and 2020, respectively.

(iv) Interest rate analysis

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

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

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If the interest rate increases/decreases by 0.5%, the Company's net income will increase/decrease by \$317 thousand and \$78 thousand for the years ended December 31, 2021 and 2020, respectively, with all other variable factors remaining unchanged. This was mainly due to the Company's time deposits and borrowings at variable rates.

(v) Other market price risk

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

	2021		2020	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increase 5%	\$ 19,673	33,566	10,262	21,297
Decrease 5%	\$ (19,673)	(33,566)	(10,262)	(21,297)

(vi) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2021				
	Fair Value				
	Book value	Level 1	Level 2	Level 3	total
Financial assets at fair value through profit or loss (current and non-current)	\$ 1,169,547	81,967	78,061	1,009,519	1,169,547
Financial assets at fair value through other comprehensive income					
Stocks	491,824	-	470,855	20,969	491,824
Accounts receivable	1,124,190	-	-	-	-
Subtotal	1,616,014	-	470,855	20,969	491,824
Financial assets measured at amortized cost					
Cash and cash equivalents	2,910,238	-	-	-	-
Notes and accounts receivable	653,226	-	-	-	-
Other receivables	1,156,907	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	1,717,800	-	-	-	-
Guarantee deposits	177,776	-	-	-	-
Subtotal	6,615,947	-	-	-	-
Total	\$ 9,401,508	81,967	548,916	1,030,488	1,661,371

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December 31, 2021					
	Book value	Fair Value			
		Level 1	Level 2	Level 3	total
Financial liabilities measured at amortized cost					
Notes and accounts payable	\$ 1,692,409	-	-	-	-
Other payables	464,540	-	-	-	-
Lease liabilities (current and non-current)	683,388	-	-	-	-
Guarantee deposits received	10,797	-	-	-	-
Total	<u><u>\$ 2,851,134</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
December 31, 2020					
	Book value	Fair Value			
		Level 1	Level 2	Level 3	total
Financial assets at fair value through profit or loss (current and non-current)	\$ 1,076,086	410,665	78,146	587,275	1,076,086
Financial assets at fair value through other comprehensive income					
Stocks	256,562	-	242,830	13,732	256,562
Accounts receivable	759,277	-	-	-	-
Subtotal	<u>1,015,839</u>	<u>-</u>	<u>242,830</u>	<u>13,732</u>	<u>256,562</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	1,056,566	-	-	-	-
Notes and accounts receivable	1,401,406	-	-	-	-
Other receivables	1,456,679	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	2,703,250	-	-	-	-
Guarantee deposits	17,252	-	-	-	-
Subtotal	<u>6,635,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 8,727,078</u></u>	<u><u>410,665</u></u>	<u><u>320,976</u></u>	<u><u>601,007</u></u>	<u><u>1,332,648</u></u>
Financial liabilities measured at amortized cost					
Notes and accounts payable	\$ 1,811,241	-	-	-	-
Other payables	818,504	-	-	-	-
Lease liabilities (current and non-current)	185,756	-	-	-	-
Guarantee deposits received	10,889	-	-	-	-
Total	<u><u>\$ 2,826,390</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

3) Transfers between Level 1 and Level 2

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

4) Reconciliation of Level 3 fair values

	Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)	Financial assets at fair value through other comprehensive income	Total
Opening balance, January 1, 2021	\$ 587,275	13,732	601,007
Total gains and losses recognized:			
In profit or loss	197,885	-	197,885
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>\$ 1,009,519</u>	<u>20,969</u>	<u>1,030,488</u>

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	Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)	Financial assets at fair value through other comprehensive income	Total
Opening balance, January 1, 2020	\$ 584,778	11,924	596,702
Total gains and losses recognized:			
In profit or loss	17,198	-	17,198
In other comprehensive income	-	2,263	2,263
Purchased	29,755	-	29,755
Disposal	-	(455)	(455)
Capital reduction for redistribution to shareholders	(44,456)	-	(44,456)
Ending Balance, December 31, 2020	<u>\$ 587,275</u>	<u>13,732</u>	<u>601,007</u>

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:

	2021	2020
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	\$ 197,827	17,198
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 Company’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – equity investments”.

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Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss - equity investments without an active market	Market Comparison Method	<ul style="list-style-type: none"> Price-to-book ratio (December 31, 2021 and December 31, 2020: 1.28 and 1.37 to 1.91) Liquidity discount (December 31, 2020: 30% and 10%) Price-to-earnings ratio (December 31, 2020: 0.64 to 2.52) Price-to-book assets ratio (December 31, 2020: 0.66 to 1.28) 	<ul style="list-style-type: none"> The estimated fair value would increase (decrease) if: the price-to-book ratio were higher (lower); the liquidity discount were lower (higher); the price-to-earnings ratio were higher (lower); or the price-to-book assets ratio were higher (lower).
Financial assets at fair value through profit or loss - equity investments without an active market	Net Asset Value Method	Net Asset Value	<ul style="list-style-type: none"> 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	
	Input		Favorable	Unfavorable
December 31, 2021				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	387	(387)
	Liquidity discount	10%	166	(166)
December 31, 2020				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	798	(798)
	Liquidity discount	10%	101	(101)

(t) Financial risk management

(i) Overview

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

1) Credit risk

(Continued)

ELAN MICROELECTRONICS CORPORATION
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2) Liquidity risk

3) Market risk

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

(ii) Risk Management framework

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

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

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

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ELAN MICROELECTRONICS CORPORATION
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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 Company's finance department. As the Company deals with the banks and other external parties with good credit standing financial institutions, the management believes that the Company do not have any compliance issues, and therefore, there is no significant credit risk.

(iv) Liquidity risk

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

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

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

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

3) Other market price risk

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

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(u) Capital management

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

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

After being approved by the Board of Directors, the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under the Company's share option program. Buy-and-sell decisions are made on a specific transaction basis by the Board of Directors.

The Company's debt-to-equity ratios at the end of the reporting period as at December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 5,490,229	4,877,964
Less: cash and cash equivalents	<u>(2,910,238)</u>	<u>(1,056,566)</u>
Net debt	<u>\$ 2,579,991</u>	<u>3,821,398</u>
Total equity	<u>\$ 10,742,974</u>	<u>9,050,622</u>
Debt-to-equity ratio	<u>24.02 %</u>	<u>42.22 %</u>

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

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

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

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Foreign exchange movement	Interest expense	Others	
Lease liabilities	\$ 185,756	(179,864)	-	8,294	669,202	683,388
Guarantee deposits received	<u>10,889</u>	<u>(92)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,797</u>
Total liabilities from financial activities	<u>\$ 196,645</u>	<u>(179,956)</u>	<u>-</u>	<u>8,294</u>	<u>669,202</u>	<u>694,185</u>

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	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020
			Foreign exchange movement	Interest expense	Others	
Lease liabilities	\$ 189,636	(12,554)	-	3,006	5,668	185,756
Guarantee deposits received	10,328	561	-	-	-	10,889
Total liabilities from financial activities	<u>\$ 199,964</u>	<u>(11,993)</u>	<u>-</u>	<u>3,006</u>	<u>5,668</u>	<u>196,645</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Elan H.K. Microelectronics Corporation	A subsidiary
Elan Investment Corp.	A subsidiary
Metanoia Communications Inc.	A subsidiary
Avisonic Technology Corp.	A subsidiary
Eminent Electronic Technology Corp. Ltd.	Eminent was originally an associate of the Company. However, the Company obtained control over Eminent on February 19, 2020; hence, it became one of the Company's subsidiaries.
PiXORD Corporation	A subsidiary
JPUP Electron Co., Ltd.	A subsidiary
Bruckewell Technology Co., Ltd.	Bruckewell was originally a subsidiary of the Company. However, the Company sold its shares on December 29, 2021; hence, it was excluded from the related party.
All directors, supervisors, president and vice president of the Company's key management personnel	

(b) Significant transactions with related parties

(i) Sales

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

	2021	2020
Subsidiaries-Elan H.K.	<u>\$ 560,243</u>	<u>523,296</u>

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

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(ii) Raw materials purchasing services and other operating income

	<u>2021</u>	<u>2020</u>
Subsidiaries-Metanoia	\$ 759	335
Subsidiaries-Avisonic	450	153
Subsidiaries-Eminent	3,203	9,004
Subsidiaries-Bruckewell	<u>15</u>	<u>153</u>
	<u>\$ 4,427</u>	<u>9,645</u>

(iii) Rent income

	<u>2021</u>	<u>2020</u>
Subsidiaries-PiXORD	\$ 1,629	1,629
Subsidiaries-Avisonic	1,363	1,363
Subsidiaries-Metanoia	3,515	3,515
Subsidiaries-Eminent	<u>1,906</u>	<u>1,906</u>
	<u>\$ 8,413</u>	<u>8,413</u>

(iv) Purchases and operating expenses

The amounts of purchases by the Company from related parties and operating expenses paid to related parties were as follows:

	<u>2021</u>	<u>2020</u>
Subsidiaries-JPUP	\$ 5,087	5,760
Subsidiaries-Bruckewell	<u>857</u>	<u>78</u>
	<u>\$ 5,944</u>	<u>5,838</u>

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

(v) Commission expenses

The Company's related parties provided overseas marketing and aftersales services to their customers, and thus the Company makes commission payments based on the amount of sales made. The amounts of commission expenses recognized in operating expenses (marketing expenses) during 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Subsidiaries-ELAN H.K.	<u>\$ 390,658</u>	<u>391,056</u>

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(vi) Receivable from related parties

The receivables from related parties were as follows:

Accounts	Types of related parties	December 31, 2021	December 31, 2020
Accounts receivable	Subsidiaries-Elan H.K.	\$ 41,504	53,824
Accounts receivable	Subsidiaries-Eminent	1,145	1,375
Other receivables	Subsidiaries-Metanoia	2,934	1,620
Other receivables	Subsidiaries-Avisonic	2,103	3,127
Other receivables	Subsidiaries-PiXORD	427	413
Other receivables	Subsidiaries-Eminent	40,758	27,837
		\$ 88,871	88,196

(vii) Payables to related parties

The payables to related parties were as follows:

Accounts	Types of related parties	December 31, 2021	December 31, 2020
Accounts payable	Subsidiaries-JPUP	\$ 921	1,217
Accounts payable	Subsidiaries-Elan H.K.	28,406	41,796
Other payables	Subsidiaries	1	161
		\$ 29,328	43,174

(c) Key management personnel compensation

	2021	2020
Short-term employee benefits	\$ 147,024	103,664
Post-employment benefits	151	491
	\$ 147,175	104,155

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

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(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2021	December 31, 2020
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	7,200	7,200
		\$ 7,200	9,600

(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 \$2,650,000 thousand and \$210,000 thousand, respectively.
- (c) As of December 31, 2021 and 2020, the refundable notes payable for lease amounted to \$600 thousand.
- (d) The Company entered into non-infringement guarantee agreements with some customers (guarantees) to provide a guarantee regarding the selling of touchpad module products.
- (e) Government grant

To implement the project "Elan Electronic Smart Supply Chain AI Application" under the guidance from the Ministry of Economics Affairs, the Company entered into a program contract with the Taiwan Small and Medium Enterprise Counseling Foundation in order to receive a grant amounting to \$9,000 thousand. The project runs between April 1, 2020 and March 31, 2022. The Company recognizes income based on the progress of the 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, 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.

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(f) Royalty fee

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

(g) Litigation and actions

As of December 31, 2021, the pending litigation of the Company 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.
- (h) As of September 30, 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.

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to the Financial Statements

(12) Others:

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	\$ 327,676	1,848,860	2,176,536	309,556	1,476,381	1,785,937
Labor and health insurance	28,137	92,907	121,044	26,417	80,765	107,182
Pension expenses	7,883	52,434	60,317	8,154	51,259	59,413
Remuneration of directors	-	96,740	96,740	-	62,580	62,580
Others	25,946	40,103	66,049	22,329	38,649	60,978
Depreciation	31,095	57,236	88,331	26,506	40,672	67,178
Amortization	2,895	89,139	92,034	1,279	64,404	65,683

For the years ended December 31, 2021 and 2020, the total numbers of employees and employee benefits were as follows:

	2021	2020
Number of employees	<u>1,039</u>	<u>1,005</u>
Number of directors who were not employees	<u>7</u>	<u>5</u>
The average employee benefits	<u>\$ 2,349</u>	<u>2,014</u>
The average salaries and wages	<u>\$ 2,109</u>	<u>1,786</u>
The adjustment rate of average employee salaries	<u>18.09 %</u>	<u>7.40 %</u>
Supervisors' remuneration	<u>\$ -</u>	<u>-</u>

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

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

(Continued)

ELAN MICROELECTRONICS CORPORATION

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company 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				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	
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 (USD)(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	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,500	470,855	7.87%	470,855	
Elan Microelectronics Corporation	Chino-Excel Technology Corporation	-	Non-current financial assets at fair value through profit or loss	823	-	1.48%	-	
Elan Microelectronics Corporation	Panther technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	340	6,330	0.94%	6,330	
Elan Microelectronics Corporation	XINCE Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	2,866	-	9.24%	-	
Elan Microelectronics Corporation	TOP TAIWAN VI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	335	3,336	2.17%	3,336	
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	
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	
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	

(Continued)

ELAN MICROELECTRONICS CORPORATION

Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	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	
Elan Microelectronics Corporation	InnoBridge Venture Capital	-	Non-current financial assets at fair value through profit or loss	800	2,415	11.35%	2,415	
Elan Microelectronics Corporation	Startek Engineering Inc.	-	Non-current financial assets at fair value through profit or loss	189	-	0.53%	-	
Elan Microelectronics Corporation	North Star Venture Capital	-	Non-current financial assets at fair value through profit or loss	3,000	42,071	10.00%	42,071	
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	
Elan Microelectronics Corporation	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	495	-	1.83%	-	
Elan Microelectronics Corporation	Lyra Semiconductor Incorporated	-	Non-current financial assets at fair value through profit or loss	1,440	-	5.87%	-	
Elan Microelectronics Corporation	TOP TAIWAN XII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	25,000	351,343	18.52%	351,343	
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	
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through profit or loss	20	-	0.24%	-	
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 fairvalue through profit or loss	-	24,235	3.19%	24,235	
Elan Microelectronics Corporation	TOP TAIWAN XIII VENTURE CAPITAL CO., LTD	-	Non-current financial assets at fairvalue through profit or loss	15,000	148,851	18.52%	148,851	
Elan Microelectronics Corporation	WELTRONICS CO., LTD.	-	Non-current financial assets at fairvalue through profit or loss	1,300	-	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	-	Non-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	

(Continued)

ELAN MICROELECTRONICS CORPORATION

Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Investment Corp.	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	
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	Current financial assets at fair value through profit or loss	12,438	2,114,494	4.09%	2,114,494	
Elan Investment Corp.	Panther Technology Co., Ltd.	-	Current financial assets at fair value through profit or loss	1,396	25,974	3.88%	25,974	
Elan Investment Corp.	RISE Technology Com	-	Non-current financial assets at fair value through other comprehensive income	769	-	3.23%	-	
Elan Investment Corp.	Finemat Applied Materials Co., Ltd	-	Non-current financial assets at fair value through other comprehensive income	8,900	523,342	13.41%	523,342	
Elan Investment Corp.	Linkinwave-Preferred shares	-	Non-current financial assets at fair value through other comprehensive income	-	-	-	-	
Elan Investment Corp.	Pica 8-Preferred shares	-	Non-current financial assets at fair value through profit or loss	342	-	2.25%	-	
Elan Investment Corp.	Arplanet Digital Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	128	1,538	2.91%	1,538	
Elan Investment Corp.	ZQAM Communications Corporation-Preferred shares	-	Non-current financial assets at fair value through profit or loss	250	800	1.07%	800	
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	
Elan Investment Corp.	ALGOLREALITY CO., LTD.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	100	-	13.04%	-	
Elan Investment Corp.	Vita Genomics, Inc.	-	Non-current financial assets at fair value through profit or loss	677	5,770	1.13%	5,770	
Elan Investment Corp.	Cognito Health International Inc.	-	Non-current financial assets at fair value through profit or loss	1,010	-	1.13%	-	
Elan Investment Corp.	Taiwan Intelligent Connect Co., Ltd.-Preferred shares	-	Non-current financial assets at fair value through profit or loss	10,000	2,115	14.29%	2,115	
Elan Investment Corp.	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	370	-	1.37%	-	

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ELAN MICROELECTRONICS CORPORATION

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 Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	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	3.16 %	Open Account 45 Days	-		41,504	2.34%	

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

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

- (ix) Trading in derivative instruments: None

(b) Information on investees:

The followings are the information on investees for the years ended December 31, 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			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. Ltd.	Hong Kong, China	Sale and after-sales service	123,272	123,272	29,328	100.00 %	694,321	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	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	(1,470)	(1,470)	Note
Elan Microelectronics Corporation	SHENZHEN JPUP Electron Co., Ltd.	New Taipei City, Taiwan	Wholesale and installation of electronic devices, data storage and equipment process	7,840	7,840	784	49.00 %	(1,171)	(2,845)	(1,394)	Note
Elan Microelectronics Corporation	Metanoia Communications Inc.	Hsin-Chu, Taiwan	Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network	460,516	460,516	32,695	50.29 %	61,130	(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	(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 %	-	-	-	
Elan Microelectronics Corporation	Lighting Device Technologies Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on LED chips	11,712	11,712	1,805	45.07 %	-	-	-	
Elan Microelectronics Corporation	PiXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	163,599	163,599	15,427	97.95 %	29,486	(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	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	103,553	31,066	

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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			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	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	5,000	24.69 %	9,205	84	21	
Elan Microelectronics Corporation	Finger Pro. Incorporation	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	6,000	6,000	600	23.08 %	-	-	-	
Elan Microelectronics Corporation	RisingStar Technology Company Limited	Taipei, Taiwan	Software information and supply of electronic services	-	20,000	-	- %	-	781	679	
Elan Microelectronics Corporation	Bruckewell Technology Co., Ltd.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	-	20,000	-	- %	-	(7,325)	(4,480)	
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	(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 %	-	-	-	
Elan Investment Corp.	PiXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	665	665	43	0.28 %	83	(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	(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	11,355	1,225	Note
Elan H.K.	Power Asia Investment Corporation	Republic of Mauritius	Investment business	89,572	89,572	2,861	100.00 %	24,835	(979)	(979)	Note
Metanoia Communications Inc.	Metanoia Communications Europe	France	Provide technical support and information service	9,908	-	301	100.00 %	5,561	(5,175)	(5,175)	Note

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

(c) Information on investment in mainland China:

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

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	Investment income (losses) recognized	Carrying value as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow						
Elan Microelectronics (Shanghai) Co., Ltd.	Provide technical support and information service	52,095	(2)	52,095	-	-	52,095	1,439	100.00%	1,439	18,408	-
Elan Microelectronics (Shenzhen) Co., Ltd.	Provide technical support and information service	34,670	(2)	34,670	-	-	34,670	(2,411)	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 income (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”.

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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
Notes to the Consolidated Financial Statements

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:

Product and services	2021	2020
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.

Geographical information	2021	2020
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)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<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>
	<u>\$ 2,217,315</u>	<u>1,560,494</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, not including financial instruments, deferred tax assets, 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>
	<u>\$ 11,892,878</u>	<u>10,077,939</u>

6. Financial Difficulties of the Company and its Affiliates During the Last Fiscal Year and Until the Publishing date of the Annual Report : N/A

ELAN MICROELECTRONICS CORPORATION
Notes to Consolidated Financial Statements

(d) Major shareholders:

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

(14) Segment information:

Please refer to the consolidated financial statements of 2021.

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

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)

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

(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	Total operating revenue (notes 6(s), 7 and 14)	\$ 18,327,973	100	15,099,690	100
5000	Total operating costs (notes 6(d) and (n))	<u>9,212,132</u>	<u>50</u>	<u>8,045,231</u>	<u>53</u>
5900	Gross profit from operations	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	Gross profits	<u>9,116,400</u>	<u>50</u>	<u>7,054,196</u>	<u>47</u>
6000	Operating expenses: (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	Net Operating income	<u>5,665,225</u>	<u>31</u>	<u>4,217,199</u>	<u>28</u>
7000	Non-operating income and expenses:				
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	(9,845)	-	(5,712)	-
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	Profit before income tax	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>
	Net profit	<u>5,027,538</u>	<u>27</u>	<u>3,193,038</u>	<u>20</u>
8300	Other comprehensive income (loss): (notes 6(f) and (q))				
8310	Items that may not be reclassified subsequently to profit or loss:				
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	Items that may be reclassified subsequently to profit or loss:				
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	Other comprehensive income (loss), net	<u>290,561</u>	<u>2</u>	<u>(33,401)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 5,318,099</u>	<u>29</u>	<u>3,159,637</u>	<u>20</u>
	Net profit (loss) attributable to:				
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>
	Comprehensive income (loss) attributable to:				
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>
	Earnings per share (expressed in dollars) (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		Other equity		Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
Balance at January 1, 2020	\$ 3,038,804	375,945	1,575,923	2,577,324	(5,537)	135,447	(28,975)	7,668,931	(65,779)	7,603,152
Net profit	-	-	-	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)	-	-	-	-
Balance at December 31, 2020	3,038,804	519,638	1,825,597	3,692,218	(6,597)	9,937	(28,975)	9,050,622	222,434	9,273,056
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)	-	-	-	-
Balance at December 31, 2021	<u>\$ 3,038,804</u>	<u>631,181</u>	<u>2,159,576</u>	<u>5,824,804</u>	<u>(6,923)</u>	<u>202,017</u>	<u>(1,106,485)</u>	<u>10,742,974</u>	<u>230,894</u>	<u>10,973,868</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 Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Profit before tax	\$ 6,061,149	3,893,692
Adjustments:		
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)
Total adjustments to reconcile profit	<u>(57,431)</u>	<u>484,907</u>
Changes in operating assets and liabilities:		
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	<u>(19,612)</u>	<u>(67)</u>
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	<u>(822,498)</u>	<u>(179,339)</u>
Net cash flows from operating activities	<u>5,262,570</u>	<u>3,306,224</u>
Cash flows from (used in) investing activities:		
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	<u>2,175</u>	<u>(21,902)</u>
Net cash flows from (used in) investing activities	<u>778,773</u>	<u>(987,321)</u>
Cash flows from (used in) financing activities:		
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	<u>90,097</u>	<u>319,267</u>
Net cash flows used in financing activities	<u>(3,816,687)</u>	<u>(1,789,611)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(490)</u>	<u>(1,072)</u>
Net increase in cash and cash equivalents	2,224,166	528,220
Cash and cash equivalents at the beginning of period	<u>2,030,341</u>	<u>1,502,121</u>
Cash and cash equivalents at the end of period	<u><u>\$ 4,254,507</u></u>	<u><u>2,030,341</u></u>

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”

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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:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The 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”	<p>The key amendments to IAS 1 include:</p> <ul style="list-style-type: none"> • requiring companies to disclose their material accounting policies rather than their significant accounting policies; • clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023

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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;

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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.

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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.

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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.

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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.

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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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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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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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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(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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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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(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

	December 31, 2021	December 31, 2020
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>
	<u>\$ 4,254,507</u>	<u>2,030,341</u>

- (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

	December 31, 2021	December 31, 2020
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	<u>\$ 2,349,947</u>	<u>1,993,657</u>

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Notes to the Consolidated Financial Statements

(c) Notes and accounts receivable

	December 31, 2021	December 31, 2020
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>
	<u>\$ 1,794,193</u>	<u>2,162,216</u>

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:

December 31, 2021			
	Gross carrying amount	Weighted- average loss rate	Expected credit loss
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>
	<u>\$ 1,822,674</u>		<u>28,481</u>

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

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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:

	2021	2020
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>\$ 28,481</u>	<u>35,254</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:

December 31, 2021						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
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

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

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

	December 31, 2021	December 31, 2020
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>\$ 2,314,145</u>	<u>1,782,653</u>

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The details of the cost of sales were as follows:

	<u>2021</u>	<u>2020</u>
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>
	<u>\$ 9,212,132</u>	<u>8,045,231</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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>
	<u>\$ 491,824</u>	<u>304,352</u>

(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:

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

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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.

	February 19, 2020
Fair value of pre-existing interest in Eminent	\$ 54,466
Non-controlling interest in the acquisition	<u>69,376</u>
	<u>\$ 123,842</u>
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	<u>\$ 123,842</u>

- 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.

	January 31, 2020
Consideration paid by cash	\$ 20,000
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	\$ 20,000

- (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.

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

- 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>April 28, 2021</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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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Intangible assets (note 6(k))	1,860
Guarantee deposits	93
Other payables	<u>(177)</u>
Carrying amount of net assets	<u>\$ 21,583</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>\$ 1,343</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>\$ 9,166</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>\$ 13,224</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>\$ 4,911</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>
	<u>\$ 10,471</u>

(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	<u>\$ 230,790</u>	<u>1,178,182</u>	<u>671,578</u>	<u>164,413</u>	<u>33,979</u>	<u>2,278,942</u>
Balance at January 1, 2020	\$ 230,790	1,089,827	518,632	151,594	8,567	1,999,410
Acquisitions	-	-	32,960	4,345	2,680	39,985
Additions	-	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	<u>\$ 230,790</u>	<u>1,162,385</u>	<u>575,934</u>	<u>160,230</u>	<u>30,451</u>	<u>2,159,790</u>
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	<u>\$ -</u>	<u>714,779</u>	<u>474,786</u>	<u>137,053</u>	<u>-</u>	<u>1,326,618</u>
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	<u>\$ -</u>	<u>694,485</u>	<u>456,020</u>	<u>136,504</u>	<u>-</u>	<u>1,287,009</u>
Carrying amount:						
Balance at December 31, 2021	<u>\$ 230,790</u>	<u>463,403</u>	<u>196,792</u>	<u>27,360</u>	<u>33,979</u>	<u>952,324</u>
Balance at December 31, 2020	<u>\$ 230,790</u>	<u>467,900</u>	<u>119,914</u>	<u>23,726</u>	<u>30,451</u>	<u>872,781</u>

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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><u>\$ 842,737</u></u>	<u><u>42,070</u></u>	<u><u>948</u></u>	<u><u>19,179</u></u>	<u><u>904,934</u></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><u>\$ 186,883</u></u>	<u><u>36,203</u></u>	<u><u>948</u></u>	<u><u>12,179</u></u>	<u><u>236,213</u></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><u>\$ 27,706</u></u>	<u><u>27,446</u></u>	<u><u>448</u></u>	<u><u>10,784</u></u>	<u><u>66,384</u></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><u>\$ 11,165</u></u>	<u><u>14,045</u></u>	<u><u>132</u></u>	<u><u>4,950</u></u>	<u><u>30,292</u></u>
Carrying amount:					
Balance at December 31, 2021	<u><u>\$ 815,031</u></u>	<u><u>14,624</u></u>	<u><u>500</u></u>	<u><u>8,395</u></u>	<u><u>838,550</u></u>
Balance at December 31, 2020	<u><u>\$ 175,718</u></u>	<u><u>22,158</u></u>	<u><u>816</u></u>	<u><u>7,229</u></u>	<u><u>205,921</u></u>

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:

	December 31, 2021	December 31, 2020
Laptop input device business cash-generating unit	\$ 160,600	160,600
Network communication business cash-generating units	<u>16,238</u>	<u>16,238</u>
	<u>\$ 176,838</u>	<u>176,838</u>

- 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:

	December 31, 2021	December 31, 2020
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.

(l) Short-term borrowings

The short-term borrowings were summarized as follows:

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

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:

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

	2021	2020
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>\$ 490,572</u>	<u>479,934</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements of plan assets

The movements in the fair value of plan assets 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:

	December 31, 2021	December 31, 2020
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:

	Impact on the defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
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.

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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	(11,653)	20,810
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	4,205	5,848
	<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
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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>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Decline in Value of Inventories	Others	Total
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><u>\$ 31,043</u></u>	<u><u>2,178</u></u>	<u><u>33,221</u></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:

	2021	
Employee stock options	Number of options	Weighted average exercise price
Outstanding at January 1	-	\$ -
Granted during the year	340,000	10.00
Forfeited during the year	-	-
Exercised during the year	(340,000)	10.00
Outstanding at December 31	<u><u>-</u></u>	<u><u>\$ -</u></u>
Exercisable at December 31	<u><u>-</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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
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>
	<u>\$ 631,181</u>	<u>519,638</u>

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

(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
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	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:

	2021	2020
Interest income from bank deposits	\$ 18,824	31,480

(ii) Other income

	2021	2020
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	\$ 60,228	72,652

(iii) Other gains and losses

	2021	2020
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	\$ 295,630	(445,033)

(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
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(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.

	<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>
December 31, 2021							
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>
December 31, 2020							
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>\$ 2,954,648</u>	<u>3,006,334</u>	<u>2,758,410</u>	<u>12,800</u>	<u>19,981</u>	<u>22,645</u>	<u>192,498</u>

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	
<u>Financial assets:</u>							
<u>Monetary item</u>							
USD	\$	167,292	27.68	4,630,629	165,617	28.10	4,653,824
<u>Financial liabilities:</u>							
<u>Monetary item</u>							
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>	
	Other comprehensive income		Other comprehensive income	
Prices of securities at the reporting date	after tax	Net income	after tax	Net income
Increase 5%	<u>\$ 19,673</u>	<u>56,278</u>	<u>12,174</u>	<u>38,760</u>
Decrease 5%	<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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December 31, 2021					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
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	\$ 12,011,285	1,166,190	600,635	1,074,946	2,841,771
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	\$ 3,032,318	-	-	-	-
December 31, 2020					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
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	\$ 10,768,106	1,283,650	370,620	643,739	2,298,009

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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

	Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)	Financial assets at fair value through other comprehensive income	Total
Opening balance, January 1, 2021	\$ 630,007	13,732	643,739
Total gains and losses recognized:			
In profit or loss	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:

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

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

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

		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:

	December 31, 2021	December 31, 2020
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	<u>\$ 1,704,633</u>	<u>3,148,793</u>
Total equity	<u>\$ 10,742,974</u>	<u>9,050,622</u>
Debt-to-equity ratio	<u>15.87 %</u>	<u>34.79 %</u>

(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:

			Non-cash changes			
			Foreign exchange movement	Interest expense	Others	
	January 1, 2021	Cash flows				December 31, 2021
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>

			Non-cash changes			
			Foreign exchange movement	Interest expense	Others	
	January 1, 2020	Cash flows				December 31, 2020
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.

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

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

	<u>2021</u>	<u>2020</u>
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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- (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

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(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	Macroblook, 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 %	

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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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 JPUP Electron Co., Ltd.	New Taipei City, Taiwan	Wholesale and installation of electronic devices, data storage and equipment process	7,840	7,840	784	49.00 %	(1,171)	49.00 %	(2,845)	(1,394)	Note

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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 %	(154,349)	(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
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(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>

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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)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<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	274	-
	<u><u>\$ 2,217,315</u></u>	<u><u>1,560,494</u></u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, not including financial instruments, deferred tax assets, 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)	451,707	151,091
	<u><u>\$ 11,892,878</u></u>	<u><u>10,077,939</u></u>

6. Financial Difficulties of the Company and its Affiliates During the Last Fiscal Year and Until the Publishing date of the Annual Report : N/A

VII. Review of Financial Conditions, Financial Performance, and Risk Management

1. Analysis of Financial Status

Comparative Statement of Financial Status

Unit: NT\$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Current Assets	12,069,961	11,178,791	891,170	7.97
Property, Plants and Equipment	952,324	872,781	79,543	9.11
Intangible Assets	424,650	449,557	(24,907)	(5.54)
Other Assets	1,070,233	303,238	766,995	252.93
Total Assets	16,933,008	14,452,190	2,480,818	17.17
Current Liabilities	4,852,757	4,561,646	291,111	6.38
Non-Current Liabilities	1,106,383	617,488	488,895	79.17
Total Liabilities	5,959,140	5,179,134	780,006	15.06
Equity Attributable to Shareholders of The Parent Company	10,742,974	9,050,622	1,692,352	18.70
Capital Stock	3,038,804	3,038,804	0	0
Capital Surplus	631,181	519,638	111,543	21.47
Retained Earnings	7,984,380	5,517,815	2,466,565	44.70
Other Equity	195,094	3,340	191,754	5,741.14
Treasury Shares	1,106,485	28,975	1,077,510	3,718.76
Non-Controlling Interest	230,894	222,434	8,460	3.80
Total Stockholders' Equity	10,973,868	9,273,056	1,700,812	18.34

Explanation:

- (1) Where the percentage of changes in the Company's consolidated assets, liabilities, and shareholders' equity in the past two years was more than 20% and the amount of changes reached NT\$10 million, the impact and future response actions:

1. Other assets:

The increase in the current period compared with last year is mainly due to the recognition of the industrial exclusive zone of Hsinchu County International AI Smart Park (1) the use right of land-3 mounds, and the increase in use rights assets compared with 2021.

2. Non-current liabilities: The increase in the current period compared with last year is mainly due to the recognition of the right to use the land-3 mounds in Hsinchu County International AI Smart Park Industrial Zone (1), and the recognition of lease liabilities, so that the non-current liabilities are higher than that of 2020.

3. Capital reserve: The increase in this period compared to last year was mainly due to the recognition of the capital reserve recognized by the factor company after the adjustment of dividends allocated by the parent company.

4. Retained Earnings: The increase in the current period compared with last year was mainly due to the increase in profit for the current period and the disposal of equity instruments measured at fair value through other comprehensive gains and losses, and the unrealized gains and losses of financial assets were transferred to the retained earnings.
 5. Other equity: The increase in the current period compared with last year is mainly due to the higher unrealized gains and losses of financial assets measured at fair value through other comprehensive gains and losses in the current period, and the increase in the current period due to disposal of equity instruments measured at fair value through other comprehensive gains and losses. After the unrealized gains and losses of the transferred financial assets were offset, the balance still increased compared with last year.
 6. Treasury shares: the increase in this period was mainly due to the execution of the repurchase of treasury shares in this period.
- (2) Future response actions: Not applicable

2. Analysis of Financial Performance

(1) Analysis of Operation Results

Unit: NT\$ thousands

Items \ Year	2021	2020	Increase (Decrease) Amount	Difference (%)
Operating revenue	18,327,973	15,099,690	3,228,283	21.38
Gross Profit	9,116,400	7,054,196	2,062,204	29.23
Operating Income (Loss)	5,665,225	4,217,199	1,448,026	34.34
Non-operating income and expenses	395,924	(323,507)	719,431	(222.38)
Net profit before tax	6,061,149	3,893,692	2,167,457	55.67
Income before tax from continuing operations	5,027,538	3,193,038	1,834,500	57.45
Net Income (Loss)	5,027,538	3,193,038	1,834,500	57.45
Other comprehensive income (loss) (income after tax)	290,561	(33,401)	323,962	(969.92)
Total comprehensive income (loss)	5,318,099	3,159,637	2,158,462	68.31
Net income attributable to shareholders of the parent company	5,102,446	3,245,811	1,856,635	57.20
Net income attributable to non-controlling interest	(74,908)	(52,773)	(22,135)	41.94
Comprehensive income (loss) attributable to shareholders of the parent company	5,393,243	3,213,221	2,180,022	67.85
Comprehensive income (loss) attributable to non-controlling interest	(75,144)	(53,584)	(21,560)	40.24

- (2) Major reasons for material changes in consolidated operating income, net operating income, and net profit before tax in the past two years; the possible impact on the Company's future finance and business from the expected sales volume (include its basis) and the counter Procedures therefor: (please provide analysis and explanation when the percentage of change is more than 20%, and the amount is more than 10 million)

1. Increase in operating income:

Mainly due to the increase in demand for home office notebooks driven by the new COVID-19 epidemic in this period, the revenue of this period has increased compared with the previous period.

2. Increase in operating net profit:

Mainly because of the increase in revenue during the current period, the net operating profit increased compared with the previous period.

3. Decrease in non-operating income and expenses:

Mainly due to the higher evaluation losses of financial assets in this period than in the previous period.

4. Increase in net profit before tax for the current period:

Mainly due to the revenue growth and gross profit margin maintained at the same level as the previous period, the net operating profit increased compared with the previous period, resulting in the increase of the net profit before tax in the current period compared with the previous period.

- (3) The possible impact on the Company's future finance and business from the expected sales volume (include its basis) and the counter Procedures therefor:

The COVID-19 pandemic continues to affect 2021, making work from home, distance learning, and the home economy still prevailing. The demand for notebook products is still strong. It is estimated that shipments will increase by 13.5% year-on-year to 235 million units, which can be said to be the best performance in recent years. year. At present, the overall demand in 2022 is observed to decline slightly, and the shipment of notebook computers is forecast to be 220 million units. The products sold by the company covers the global major global brands, whether it is American, Japanese, Korean, Taiwan and mainland China. In the notebook market spare parts industry has a dominant position.

However, due to the impact of external factors such as lack of materials, unsmooth logistics, and geopolitical fluctuations, the impact of demand is still under attention. According to the research and statistics of DIGITIMES Research, a research institute, the smartphone shipments in 2021 were 1.32 billion units, with an annual growth rate of only 6.1%. 2.9%, reaching 168 million units, the highest level since 2016.

Users' requirements for information security are getting higher and higher. Furthermore, Microsoft's Window 11 requires both consumer and commercial laptops to use Match on Chip (fingerprints are checked first and then unlocked) fingerprints. At the same time, the use of fingerprint technology the user experience has also been improving, so the proportion of laptops using fingerprint recognition is increasing year by year. It is estimated that the penetration rate will increase from 38% in 2021 to 45% in 2022. In addition, fingerprint recognition with encryption and anti-counterfeiting fingerprint functions can further protect consumers' privacy and the security of using the Internet, so it can be widely used in smart phones, laptops and tablets, and extends to smart cards, credit cards, financial cards, identity cards, etc. Identification documents, etc., and on the car fingerprint identification lock or fingerprint identification card, the personalized seat and music, radio and other information can be automatically activated when unlocking. This product helps provide differentiated competitive energy and elevate operations to the next level.

Furthermore, in response to the development trend of the market, the company has increased product functions and improved product specifications to drive the growth of operations, such as haptic feedback (Haptic Pad), large-sized touchpads, specification upgrades for the new Windows 11, integrated touch. At the same time, it has invested in the development and application of touch technology for a long time, and has patents in the United States, Japan, China and Taiwan. Generally speaking, the company has successfully developed and mass-produced touch chip application surfaces covering touch panels of various sizes, large, medium and small, and matching with terminal smart phones, tablet PCs and stylus notebooks, etc., for perfect pre-sales and after-sales service. We will continue to provide customers with overall solutions that are more competitive in the international market.

Secondly, the expansion of the automotive electronics market has also been actively carried out. The Company has re-invested in ADAS companies with more than ten years of experience and cooperated with well-known universities. The company is good at AI technology combined with advanced driver assistance systems (ADAS), touch, fingerprint and Mini LED Local Dimming technology application, to enter into the automotive market.

Additionally, the technology of touch and pen is also applied to foldable mobile phone products, and is currently cooperating with many OLED panel factories at home and abroad.

The Company is a professional IC design company with a full range of integrated solutions. It has a strong R & D team and invests more than 12% in R & D each year. It is an IC design company

that focuses on research and development of new products. The quality of products developed by the Company is recognized by the customers; the proportion of revenue from global Tier 1 manufacturer customers accounted for more than half of the total revenue. The touch control notebook ICs accounted for nearly half of the world's market share. At present, the Company has three products that ranks first in the world, namely stylus notebook screen IC, touch pad module and point stick. The market share of the first two items is about 60%, and the market share of pointing devices is expected to exceed 70%.

3. Analysis of Cash Flow

(1) Cash Flow Analysis for the last fiscal year (2021)

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
2,030,341	5,262,570	(3,038,404)	4,254,507	-	-
<p>1. Analysis of change in consolidated cash flow in the current year:</p> <p>(1) Operating activities: Net cash inflows from operating activities increased by NTD 1,956,346,000 over the previous year, which was mainly due to the increase in net profit before tax and the decrease in accounts receivable and other receivables this year.</p> <p>(2) Investment activities: Net cash inflow from investing activities increased by NTD 1,766,094,000 compared with the previous year, which was mainly due to the decrease in financial assets measured by amortized cost during the current year.</p> <p>(3) Financing activities: Net cash outflow from financing activities increased by NTD 2,027,076,000 over the previous year, mainly due to the increase in the amount of cash dividends distributed and the repurchase of treasury shares this year.</p> <p>2. Expected remedy for cash deficit and liquidity analysis: N/A.</p>					

(2) Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Estimated Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
4,254,507	3,254,510	(3,852,485)	3,656,532	-	-
<p>2. Analysis of change in cash flow in the current year:</p> <p>(1) Operating activities: The company expects that the launch of Win 11 will not only drive the demand for laptops, but also drive the demand for high-performance touch panels. In addition, the application of fingerprint products with high added value to laptops is also the main driver of revenue growth. It is expected that operating activities will be net cash inflows. .</p> <p>(2) Investment activities: Mainly for investment in Zhubei AI Smart Park, purchase of fixed assets and software, etc., and expected reduction of inflows such as fixed deposits for more than three months. Investment activities are expected to be net cash outflows.</p> <p>(3) Financing activities: Mainly due to the expected distribution of cash dividends to shareholders, increase of bank borrowings and increase of capital of subsidiaries, and the expected financing activities are cash outflows.</p> <p>2. Expected remedy for cash deficit and liquidity analysis: N/A.</p>					

4. Major Capital Expenditure Items on the Financial Operations during the Last Fiscal Year:

(1) Major Capital Expenditure Items and Source of Capital

The Company has no capital expenditure in recent years that has major impact on its finance.

(2) Expected benefits: N/A.

5. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

Item Affiliates	Policies	Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the coming year
Elan H.K Micro Electronics Corp	Sell the company's products, provide after-sales service, and establish a sales base	203,827	In the current period, due to the growth of the parent company's revenue, and the increase of commission income from product logistics management and after-sales service	-	-
Elan Investment Corporation	General Investment Business	135,186	Mainly due to the loss of financial asset evaluation during the current period.	-	-
Metanoia Communications Co., Ltd.	Manufacture cable and wireless communication machinery and equipment, electronic components, wholesale and retail telecommunication Equipment	(77,710)	Due to the continuous investment in the development of new telecommunication products and the delay in the progress of the telecommunication certification of customer premises equipment affected by the foreign COVID-19 epidemic affected the sales of the products, resulting in losses in 2021 years.	It is expected to launch 5G product solutions and continue to develop the common market with NXP, thus it can be contributable to the operating income in 2022.	-
Avisonic Technology Corporation	Research, design, manufacture and sale of multimedia video compression and impact processing ICs	(17,010)	Due to the influence caused by the COVID-19 epidemic, customers have adjusted their mass production schedule, the overall sales turnover was declined slightly. Because of the optimistic about the	The overall automotive electronics market demand is heating up, customer demand kinetic energy has increased significantly, and a variety of new models have	-

			growth of the intelligent image recognition application market and the automotive image market, the continuous investment in the software and hardware technology development of image-related products has caused losses occurred in 2021, but the losses for the whole year was decreased compared with that in 2020.	entered the mass production stage. It is expected that product revenue kinetic energy will increase in 2021.	
PIXORD Corporation	Export and manufacture of the data storage and processing equipment, wireless communication machinery and equipment manufacturing	(34,360)	Due to the investment in smart transportation trial cases and continuous investment in R&D, and the development of new products has not yet been completed, it has continued to lose money IN 2021.	Develop new products and integrate with automotive systems to contribute to revenue in 2021.	-
Top Taiwan X Venture Capital Co., Ltd.	Venture Capital investment	31,066	Mainly due to the increase of the financial asset evaluation benefit of the current period	-	-

Note: Analysis on investment income and loss of more than NT\$10 million only.

6. Analysis of Risk Management and Assessment

(1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Procedures

Unit: NT\$ thousands

Item	Year	2021
Net operating income		18,327,973
Net profit before tax		6,061,149
Net exchange (loss) profit		(55,142)
Net exchange (loss) profit to net income ratio		-0.30%
Net exchange (loss) profit to net profit before tax ratio		-0.91%
Interest revenues		18,824
Interest revenues accounted for net income ratio		0.10%
Interest revenues accounted for net profit before tax ratio		0.31%
Interest expenses		9,845
Interest expenses accounted for net income ratio		0.05%
Interest expenses accounted for net profit before tax ratio		0.16%

1. Interest Rates:

The net interest income (expenses) accounted for 0.05% of net income in 2021. The Company has sufficient funds and does not have any financial borrowing; and given the economic recovery is still over-shadowed, safety is a major consideration in the use of funds. Therefore, the funds were allocated to the stable targets in order to obtain steady amount of interest income.

2. Foreign Exchange Rates:

In order to avoid exchange rate fluctuations, the Company offsets regular sales amount with purchase amount to achieve the natural hedge effect on exchange rate changes. In 2021, the overall exchange loss was NT\$55,142,000. The Company's financial personnel pay close attention and duly response to exchange rate fluctuations at all time to reduce the impact of exchange rate changes on the Company's profit and loss.

3. Inflation:

The Company has long-term cooperation with raw materials suppliers, so the source and price of the raw materials are quite stable; therefore, inflation has no significant impact on the Company's profit and loss. The Company will pay close attention to the changes in the relevant economic environment and the market to avoid adverse effect on the Company caused by inflation.

(2) Policies, Main Causes of Gain or Loss and Future Response Procedures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending" and "Procedures for Endorsement Guarantee". Furthermore, derivative transactions follow the "Procedures for Acquisition and Disposal of Assets".

(3) Future Research & Development Projects and Corresponding Budget

1. Future Research & Development Plans

In response to the development trend of the market, the company promotes the growth of operations by increasing product functions and improving product specifications, such as haptic feedback (Haptic Pad), large-size touchpad, specification upgrade of the new version of Window 11, integrated touch and driver. At the same time, the Company has invested in the development and application of touch technology including small and medium-sized touch panels of various sizes, together with terminal smart phones, tablet PCs and stylus laptops, etc. for a long time, and has patents in the United States, Japan, mainland China and Taiwan for perfect pre-sale and after-sale service. The Company will continue to provide customers with overall solutions that are more competitive in the international market.

Secondly, the application of biometric recognition chips in smart phones is very mature, and the competition situation is relatively fierce. In consideration of the overall operation growth, the company strengthens the application of fingerprint recognition, and develops towards diversified application products. The application of notebook computers is the most important thing at present, and it is also one of the products with the most obvious growth in 2021. The revenue generated by all related applications has reached an annual growth rate of 70%, and the application of notebook computers accounts for more than 90%

At the same time, non-laptop applications are also actively developed. Firstly, in order to expand the application of fingerprint recognition and drive operational growth, the company is actively entering the smart card market. Identification cards, ID cards, etc. have great market potential in the future. In order to enhance market competitiveness, the Company seeks to support encryption and payment with high added value and increase anti-counterfeiting fingerprints and other functions as product requirements to provide clients with the best market competitiveness. .

Secondly, the expansion of the automotive electronics market has also been actively carried out. The Company has invested in ADAS companies with more than ten years of experience and cooperated with well-known universities. The company is good at AI technology combined with advanced driver assistance systems (ADAS), touch, fingerprint and Mini LED Local Dimming technology application, to enter into the automotive market.

In addition, the technology of touch and pen is also applied to foldable mobile phone products, and is currently cooperating with many OLED panel factories at home and abroad.

At the same time, in the face of strong competitors in the global touch chip industry, the company still maintains a leading position. Among them, touch screen notebook chips account for more than 60% of the global market share, and touch panel modules also have 60% of the global market share. achieved market share. The current competitors include many chip design companies at home and abroad, including American manufacturers Synaptics, Wacom, Microchip, Japanese Alps, and Goodix on the other side. Due to the increasingly fierce competition, the price of chips has fallen, so it has effectively increased Chip performance, reducing the production cost of chips, establishing differentiated product characteristics, and competitive technical barriers and sales channels are the goals of continuous efforts in 2022.

At present, the company's market share ranks first in the world, and it mainly supplies the world's largest notebook computer manufacturers. The Company will continue to increase the market share of the notebook computer manufacturers. A generation of thinner pointing

device sensing chips will help increase the average selling price.

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

2. The research and development expenses are expected to be approximately NT\$2.3 billion.

(4) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company has a legal department responsible for the research and collection of information related to intellectual property, laws, and important policies at home and abroad to truly understand the impact of this on the Company's finance and business and provide timely counter Procedures therefor.

Recent changes in major policies and laws at home and abroad have no material adverse impact on the company's finance and business.

(5) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The Company's diversified product lines can meet the needs of customers. The diversified product lines make the Company less subjective to technological changes than single product line or minority players. In recent years, the Company has actively sought multiple sources of production and has effectively controlled costs.

Regarding information security risk assessment, regularly assess the confidentiality, integrity, availability, legal compliance and other aspects of the information system that may affect the system, and the system may suffer accidental or malicious damage and improper use, making the information security system inoperable.

Countermeasures:

- A. Formulate information security policies and management methods for employee computer e-mail and network resource use, and manage them in accordance with the Information Security Management Manual.
- B. Establish an information security management committee to report the information security governance overview to the board of directors on a regular basis once a year.
- C. Regularly implement information security internal audit, education and training once a year.

In addition, in terms of financial operations, the Company actively strengthened the management of cash flows and maintained a good financial structure to maintain the stable operation of the Company and diversify the operating risks. Therefore, technological changes have no significant impact on the finance and business of the Company.

(6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Procedures: N/A.

(7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: N/A.

(8) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

The Company expects to build a new factory in the "Hsinchu County International AI Smart Park" in Zhubei City, Hsinchu County in the next three years, as a research and development base for the construction of 5G, AI, IOT, mobile vehicles, smart medical and other related industries innovation technology, and integrate affiliated enterprise, to carry out the integration of AI resources, hoping to drive the clustering effect of the AI industry and play the multiplier effect, attract more talents, and enhance the exchange and development of the AI industry.

In order to reduce the capital cost of building factories in the future, the company applied to the Ministry of Economic Affairs in 2021 for the "Accelerated Investment Action Plan for Rooting and Retaining Taiwanese Enterprises" and was approved by the competent authority. The government will pay part of the banking charges to reduce the company's future capital cost.

(9) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

The company has concluded a non-recourse agreement for the sale of accounts receivable with financial institutions for the accounts receivable of major sales customers. According to the contract, the company does not have to bear the risk that the accounts receivable cannot be recovered in order to reduce the moderate risk of sales. The Company has consistently focused on identifying alternative sources for purchasing, and has worked to diversify its customer base in order to reduce the concentration of sales.

(10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% :

The shareholdings of the Company's directors or shareholders with over 10% shareholdings have been stable during the last few years, and there have been no major transfers or swaps of shares.

(11) Effects of, Risks Relating to and Response to the Changes in Management Rights:

The Company has no significant changes in the Board of Directors in 2021, therefore, we believe that the risk of changing in management rights that would cause damage to the Company is mitigated.

(12) Litigation or non-litigation Matters:

As of May 24, 2021

Major lawsuits	Explanation	Results
Elan Microelectronics filed a patent infringement lawsuit at the Beijing Intellectual Property Court on December 2, 2019 against the Shenzhen Goodix Technology Co., Ltd. and Beijing Xinyitong Technology Co., Ltd.	Elan Microelectronics filed a patent infringement lawsuit at the Beijing Intellectual Property Court on December 2, 2019 against the Shenzhen Goodix Technology Co., Ltd. and Beijing Xinyitong Technology Co., Ltd., claiming that the capacitive touch chip used in the Touch Pad manufactured and sold by Goodix has infringed the China Mainland Invention Patent (No. ZL03158451.9) rights owned by the Elan Microelectronics. Therefore, Elan Microelectronics petitioned the court to prohibit the aforementioned defendants from using, manufacturing and selling the products involved in the case, and requested to pay a total of RMB 25 million for damages.	Because Elan Microelectronics is the plaintiff, after assessment it should have no material adverse effects on the company's finances and business.
Elan Microelectronics filed a patent infringement lawsuit at the Taiwan Intellectual Property Court on December 23, 2020 against the Goodix Technology Co., Ltd. and Shenzhen Goodix Technology Co., Ltd.	Elan Microelectronics filed a patent infringement lawsuit at the Taiwan Intellectual Property Court on December 23, 2020 against the Goodix Technology Co., Ltd. and Shenzhen Goodix Technology Co., Ltd. claiming that the touch controller used in the Touch Pad manufactured and sold by Goodix has infringed the China Mainland Invention Patent (No. I556033) rights owned by the Elan Microelectronics. Therefore, Elan Microelectronics petitioned to the court to prohibit the aforementioned defendant from using, manufacturing and selling the products involved in the case, and requesting compensation for damages.	Because Elan Microelectronics is the plaintiff, after assessment it should have no material adverse effects on the company's finances and business.
Elan Microelectronics (Shenzhen) CO., Ltd. has received patent infringement lawsuits filed by Goodix to Hohhot Intermediate People's Court on May 11, 2021 and May 13, 2021	Elan Microelectronics (Shenzhen) CO., Ltd. has received on May 11, 2021 a patent infringement lawsuit filed by Goodix to Hohhot Intermediate People's Court against Elan Microelectronics, Elan Microelectronics (Shenzhen) and Xincheng Yunzhou Electronic Product Distribution Department. The Company and Elan Shenzhen have appointed a patent attorney to apply for a jurisdictional objection to the court within the defense period, but the Hohhot Intermediate People's Court ruled to reject it on July 22, 2021. At present, the company and Elan Shenzhen have submitted an appeal to the court within the stipulated appeal period, and the appeal was filed to the Supreme People's Court, but the Supreme People's Court rejected the appeal on January 28, 2022. The case is currently being tried by the court, and after assessment, there should be no material adverse impact on the company's finances and business.	A patent attorney has been appointed, after assessment it should have no material adverse effects on the company's finances and business.

(13) Other Major Risk and Counter Procedures: N/A

7. Other Important Matters: N/A.

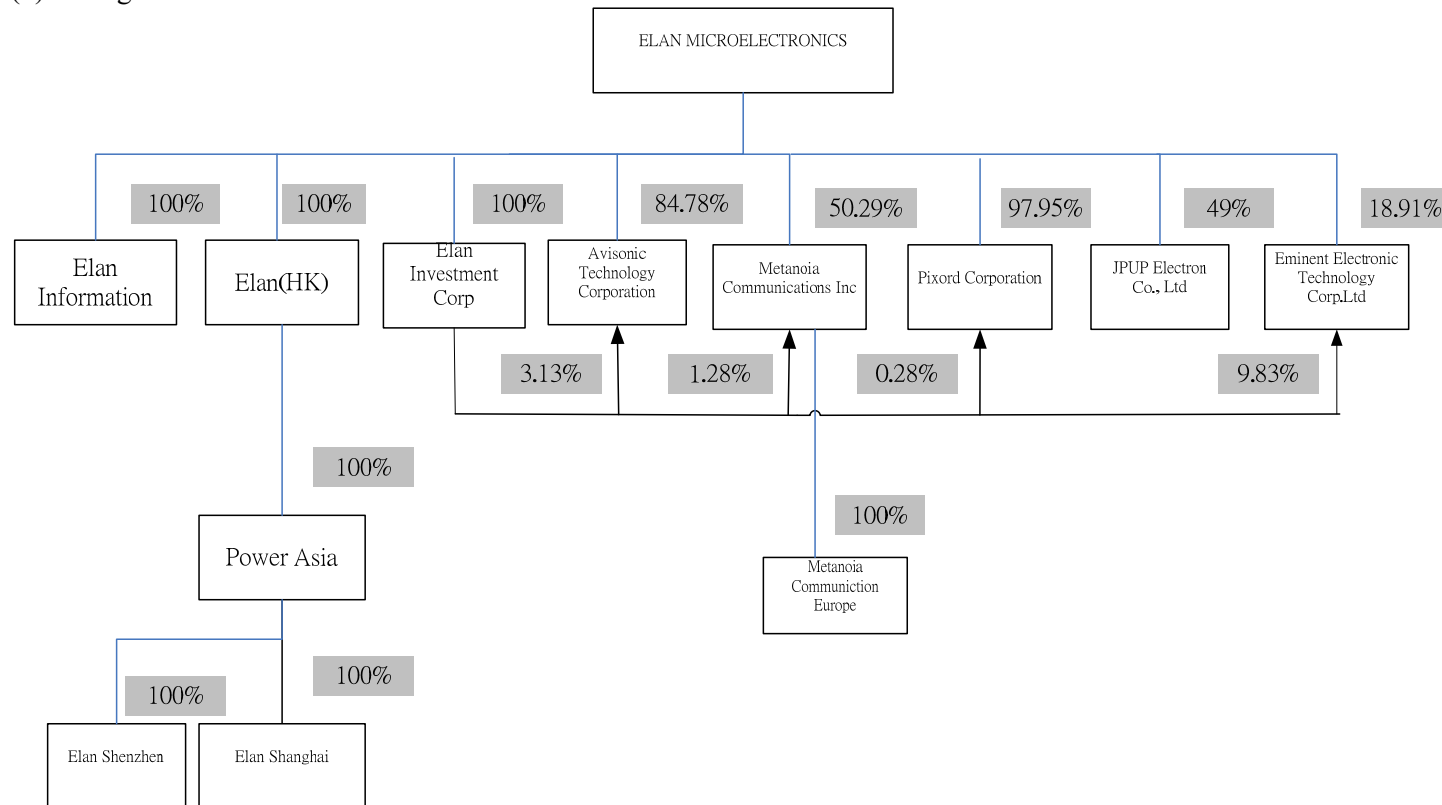
VIII. Special Disclosure

1. Summary of Affiliated Companies

(1) Consolidated business report of the affiliates

1. Overview of the affiliates

(1) Organizational chart of the affiliates:



Note: Metanoia Communication Europe was incorporated into the Elan Group on April 28, 2021. The entire equities of Rising Star Technology Co., Ltd. and Bruckewell Technology Co., Ltd. were disposed on February 9, 2021 and December 29, 2021 respectively, therefore these two companies are not consolidated into the parent company of Elan Group.

(2) Basic information of each affiliate:

Company name	Date of Incorporation	Address	Paid-up capital	Main business or production items
Elan H.K Micro electronics Corp.	May 15, 1997	Flat A, 19/F., World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong	HKD 29,328,003	Sales the Company's products, provide after-sales services, establish sales outlets
Elan Investment Corporation	May 31, 2000	Room#1, 5/F, No. 306, Section 1, Dunhua South Road, Taipei City	NTD 500,000,000	General investment business
Elan Information	Jan. 11, 2002	10268 Bandle Drive Suite 101, Cupertino, CA 95014, USA	USD 650,000	Provide after-sales services, obtain product information and technologies
Power Asia Investment Corp.	Jun. 6, 2002	2nd Floor, Felix House, 24 Dr. Joseph Riviere Street, Port Louis, Republic of Mauritius.	USD 2,861,000	General investment business
Elan Shanghai Co., Ltd.	Aug. 6, 2002	Room 703, No. 3, Lane 88, Shengrong Road, Pudong New Area, Shanghai	USD 1,500,000	Information supply services
Elan Shenzhen Co., Ltd.	Jun. 6, 2003	8A Floor, Microprofit Building, Gaoxin South Road 6, Shenzhen Hi-Tech Industrial Park, South Area, Shenzhen	USD 1,000,000	Information supply services
Metanoia Communications Inc.	Dec. 1, 2003	3/F, No. 12, Chuangxin 1st Road, Hsinchu Science Park	NTD 650,150,000	Manufacture cable and wireless communication machinery and equipment, electronic components, wholesale and retail telecommunication equipment
Avisonic Technology Corporation	Dec. 22, 2003	7/F, No.12, Innovation 1st Rd., Hsinchu Science Park	NTD 206,626,000	Research, design, manufacture and sale of multimedia video compression and impact processing ICs
JPUP Electron Co., Ltd.	Dec. 26, 2002	Room#13, 21/F, No. 1, Section 1, Zhongshan Road, Banqiao District, New Taipei City	NTD 16,000,000	Manufacture data storage and processing equipment, manufacture and wholesale of electronic components
PiXORD Corporation	Aug. 10, 2000	5/F, No. 12, Chuangxin 1st Road, Hsinchu Science Park	NTD 157,500,000	Export manufacturing, data storage and processing equipment, wireless communication machinery and equipment manufacturing
Eminent Electronic Technology	Sep. 2, 2010	6/F, No. 12, Chuangxin 1st Road, Hsinchu Science Park	NTD 217,517,770	Electronic component manufacturing, computer and peripheral equipment manufacturing, optical instrument manufacturing
Metanoia Communication Europe.	.10.2.2020	38 Rue Lieutenant Chancel Espace Chancel 83160 La Valette-du-Var	EUR 301,000	R&D / 5G products

- (3) Information on party presumed to be related to be controlling and subsidiary company:
N/A.
- (4) If the industries covered by the affiliates are related to each other in terms of business operations, the division of work shall be explained:

Name of Subsidiary	Main business or production items	Division of work
Elan H.K Micro electronics Corp.	Sales of the Company's products, provide after-sales services, establish sales outlets	The Company's Asia-Pacific sales outlet
Elan Investment Corporation	General investment business	Not applicable
Elan Information Technology Group	Provide after-sales services, obtain product information and technologies	The Company's customer services outlet in North America
Power Asia Investment Corp.	General investment business	Not applicable
Elan Shanghai Co., Ltd.	Information supply services	The Company's development and customer service outlet in Eastern China market
Elan Shenzhen Co., Ltd.	Information supply services	The Company's development and customer services outlet in Southern China market
Metanoia Communications Inc.	Manufacture cable and wireless communication machinery and equipment, electronic components, wholesale and retail telecommunication equipment	Not applicable
Avisonic Technology Corporation	Research, design, manufacture and sale of multimedia video compression and impact processing ICs	Not applicable
JPUP Electron Co., Ltd.	Manufacture data storage and processing equipment, manufacture and wholesale of electronic components	The Company's foundry
PiXORD Corporation	Export manufacturing, data storage and processing equipment, wireless communication machinery and equipment manufacturing	Not applicable
Eminent Electronic Technology	Electronic component manufacturing, computer and peripheral equipment manufacturing, optical instrument manufacturing	Not applicable
Metanoia Communion Europe.	R&D / 5G products	Work together with Metanoia Communications Inc. and is responsible for research and development of different functions

(5) Name of the Directors, Supervisors and President of each affiliate and their shareholding status:

Company Name	Title	Name or Representative	Shares held	
			Number of shares	Shareholding %
Elan H.K Microelectronics Corp.	Director	Elan Microelectronics Corporation	29,328,000	100%
		Representative: YEH, I-Hau		
	Director	Elan Microelectronics Corporation	29,328,000	100%
		Representative: YEH, I-Ming		
	Director	Elan Microelectronics Corporation	29,328,000	100%
		Representative: TSENG, Wen-Ya		
Elan Investment Corporation	Chairman	Elan Microelectronics Corporation	50,000,000	100%
		Representative: YEH, I-Ming		
Elan Information Technology Group	Director and President	Elan Microelectronics Corporation	65,000	100%
		Representative: JOE T. YEH		
Power Asia Investment Corp.	Director	Elan H.K Microelectronics Corp.	2,861,000	100%
		Representative: YEH, I-Hau		
Elan Shanghai Co., Ltd.	Chairman	Power Asia Investment Corp.	-	100%
		Representative: LI, I-Ching		
	Director	Power Asia Investment Corp.	-	100%
		Representative: WENG, Ching-Hsiung		
	Director	Power Asia Investment Corp.	-	100%
		representative: YEH, I-Ming		
Elan Shenzhen Co., Ltd.	Chairman	Power Asia Investment Corp.	-	100%
		Representative: LI, I-Ching		
	Director	Power Asia Investment Corp.	-	100%
		Representative: WENG, Ching-Hsiung		
	Director	Power Asia Investment Corp.	-	100%
		Representative: YEH, I-Ming		
Metanoia Communications Inc.	Chairman	Elan Microelectronics Corporation	32,695,022	50.29%
		Representative: YEH, I-Hau		
	Director	Elan Microelectronics Corporation	32,695,022	50.29%
		Representative: LIU, Tai-Ming		
	Director	Elan Microelectronics Corporation	32,695,022	50.29%
		Representative: WU, Wen-Tsan		
Avisonic Technology Corporation	Supervisor	Elan Investment Corporation	831,199	1.28%
		Representative: YEN, Kuo-Lung		
	Chairman	Elan Microelectronics Corporation	17,517,200	84.78%
		Representative: YEH, I-Hau		
	Director	Elan Microelectronics Corporation	17,517,200	84.78%
		Representative: LIU, Tai-Ming		
	Director	Elan Microelectronics Corporation	17,517,200	84.78%
		Representative: YEN, Kuo-Lung		
	Director	Elan Microelectronics Corporation	17,517,200	84.78%
		Representative: TAO, I-Hsin		
	Director	Elan Microelectronics Corporation	17,517,200	84.78%
		Representative: LIN, Meng-Chun		
	Supervisor	Elan Investment Co., Ltd.	646,296	3.13%
		Representative: LIN, Yung-Jen		
	Supervisor	Elan Investment Co., Ltd.	646,296	3.13%
		Representative: TSENG, Wen-Ya		

JPUP Electron Co., Ltd.	Director	Elan Microelectronics Corporation	784,000	49.00%
		Representative: WU, Tsung-Hsiao		
	Director	Elan Microelectronics Corporation	784,000	49.00%
		Representative: LI, Ming-Hsia		
	Director	Elan Microelectronics Corporation	784,000	49.00%
		Representative: HSIEH, Wen-Yu		
	Director	Elan Microelectronics Corporation	784,000	49.00%
		Representative: TSAI, Chien-Wen		
PiXORD Corporation	Chairman	Elan Microelectronics Corporation	15,427,195	97.95%
		Representative: YEH, I-Hau		
	Director	Elan Microelectronics Corporation	15,427,195	97.95%
		Representative: LIN, Meng-Chun		
	Director	Elan Microelectronics Corporation	15,427,195	97.95%
		Representative: LI, Ming-Hsia		
	Director	Elan Microelectronics Corporation	15,427,195	97.95%
		Representative: YANG, Chong-Liang		
	Director	Elan Microelectronics Corporation	15,427,195	97.95%
		Representative: HU, Chong-Ping		
Eminent Electronic Technology	Supervisor	Elan Investment Co., Ltd.	43,458	0.28%
		Representative: LIN, Yung-Jen		
	Supervisor	Elan Investment Co., Ltd.	43,458	0.28%
		Representative: TSENG, Wen-Ya		
	Chairman	Elan Microelectronics Corporation	4,113,444	18.91%
		Representative: CHANG, Hong-Te		
	Director	Elan Microelectronics Corporation	4,113,444	18.91%
		Representative: YEN, Kuo-Lung		
	Director	Elan Microelectronics Corporation	4,113,444	18.91%
		Representative: WU, Kao-Bing		
	Supervisor	Elan Investment Co., Ltd.	2,137,861	9.83%
		Representative: LIU, Tai-Ming		

2. Operating Highlights:

Operating Highlights of EMC Subsidiaries

Unit: NT\$ thousands

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) from Operation	Net Income (Loss) (after-tax)	Basic Earnings (Loss) per Share (after-tax)
Elan H.K	123,272	803,745	103,404	700,341	944,801	238,071	203,827	6.95
Elan Investment	500,000	3,406,217	7,609	3,398,608	0	(1,456)	135,186	2.70
Elan Information	22,822	15,617	59	15,558	15,339	(1,465)	(1,470)	(22.62)
Metanoia Communications	650,150	554,718	431,342	123,376	93,087	(151,836)	(154,549)	(2.38)
Avisonic Technology	206,626	65,177	41,584	23,593	50,470	(22,012)	(21,199)	(1.22)
JPUP Electron	16,000	2,839	5,229	(2,390)	5,087	(2,845)	(2,845)	(1.78)
PiXORD Corporation	157,500	38,566	8,462	30,104	17,549	(36,295)	(35,079)	(2.23)
Eminent Electronic	217,518	343,035	111,210	231,825	409,588	7,613	11,355	0.67
Rising Star Technology (Note 1)	23,000	0	0	0	1,502	781	781	0.34
Bruckewell Technology (Note 2)	32,700	0	0	0	27,878	(7,341)	(7,325)	(2.24)
Metanoia EU (Note 3)	9,908	7,140	1,579	5,561	0	(5,574)	(5,175)	(17.19)
Power Asia	98,368	24,835	0	24,835	0	(2)	(979)	(0.34)
Elan Shanghai	52,095	25,398	6,991	18,407	47,882	1,850	1,439	-
Elan Shenzhen	34,670	25,340	19,348	5,992	65,388	(2,307)	(2,411)	-

Note 1: The Company has disposed the entire equity of Rising Star Technology Co., Ltd. on February 9, 2021. Therefore, afterwards the financial information of Rising Star Technology Co., Ltd. is not more required to be incorporated into the Consolidated Financial Statement reported by the Elan Corp.

Note 2: The Company has disposed the entire equity of Bruckewell Technology on December 29, 2021. Therefore, afterwards the financial information of Bruckewell Technology is not more required to be incorporated into the Consolidated Financial Statement reported by the Elan Corp..

Note 3: Metanoia EU was incorporated into the Consolidated Financial Statement of Elan Group on April 28, 2021.

Note 4: The Assets and Liabilities accounts are based on the foreign currency exchange rates as of December 31, 2021: US\$1 to NT\$27.68, HKD 1 to NT\$355, RMB1 to NT\$4.34, EURO 1 to NT\$31.32.

The profit and loss accounts are based on the average exchange rate in 2021: US\$1 to NT\$ 27.8892, HKD 1 to NT\$3.5883, and RMB1 to NT\$4.3283, EURO 1 to NT\$32.5663.

(2) Consolidated financial statements of the affiliates

REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of Elan Microelectronics Corp. 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 the “International Financial Reporting Standard 10 (IFRS10)”, “Consolidated Financial Statements.” adopted by Financial Supervisory Commission (FSC). In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements of parent and subsidiary companies. Consequently, Elan Microelectronics Corp. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company Name: ELAN Microelectronics Corporation

Responsible person: YEH, I-HAU

Date: February 22, 2022

2. Private Placement Securities During the Last Fiscal Year and Until the Publishing date of the Annual Report: N/A.

3. Shares in the Company Held or Disposed by Subsidiaries During the Last Fiscal Year and Until the Publishing date of the Annual Report:

Unit: NT\$ thousands; Shares; %

Name of Subsidiary (Note 1)	Stock Capital Collected	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed of	Investment Gain (Loss)	Shareholdings and Amount in Most Recent Year	Mortgage	Endorsement Amount Made for the Subsidiary	Amount Loaned to the Subsidiary
ELAN Investment	500,000	Self-funding	100%	Oct. 1, 2008	17,573,679 shares; NT\$154,477,318	0	0	0	0	0	0
				As of the publishing date of the annual reports	12,438,199 shares; NT\$28,975,663	0	0	0	0 (Note 4)	0	0

Note 1: Please list the subsidiaries by type.

Note 2: "Amount" referred to actual acquisition or disposal amount.

Note 3: List the status of possession and disposal separately.

Note 4: Explains its impact on the Company's operation results and Analysis of Financial Status: no impact.

4. Other Necessary Supplementary Explanations: N/A.

IX. Any matter that has material effect on the shareholders' equity or the price of securities as set out in Article 36, Paragraph 3, Item 2 of the Company Act during the last fiscal year and until the publishing date of the annual report: N/A.

Public Company's Statement on Internal Control System
Represents the Effectiveness of Both the Design and Execution
(This statement is applicable when all laws and ordinances are compiled herewith)

Elan Microelectronics Corporation
Statement of Internal Control System

Date: December 31, 2021

Based on the findings of a self-assessment, Elan Microelectronics Corporation (EMC) states the following with regard to its internal control system during the year 2021:

1. EMC's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and EMC takes immediate remedial actions in response to any identified deficiencies.
3. EMC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations.
4. EMC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, EMC believes that, on December 31, 2021 ^(Note 2), it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of EMC's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on March 22, 2022, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Elan Microelectronics Corporation
Chairman: YEH, I-Hau (Signed & Sealed)
President: YEH, I-Hau (Signed & Sealed)

Note 1: If there are major deficiencies found in the design and implementation of the public company's internal control system during the year, the company shall add list and explanation for the major deficiencies found via self-assessment, and the Company's improvement actions taken before the balance sheet date and improvement status following the fourth item in the Statement on Internal Control.

Note 2: Date of the statement is "the end of the fiscal year".