

**ELAN MICROELECTRONICS CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021**

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

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Independent Auditors' Review Report

To the Board of Directors of
ELAN MICROELECTRONICS CORPORATION:

Introduction

We have reviewed the accompanying consolidated balance sheets of ELAN MICROELECTRONICS CORPORATION (the "Company") and its subsidiaries (the "Group") as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021 and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$1,466,325 thousand and \$742,699 thousand, constituting 8.03% and 4.72% of the consolidated total assets; and the total liabilities amounting to \$476,144 thousand and \$253,420 thousand, constituting 7.51% and 4.75% of the consolidated total liabilities as of March 31, 2022 and 2021, respectively; as well as the total comprehensive loss amounting to \$(56,758) thousand and \$(44,087) thousand, constituting (7.91)% and (3.87)% of the consolidated total comprehensive income (loss) respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of \$343,540 thousand and \$335,966 thousand as of March 31, 2022 and 2021, respectively, and its equity in net earnings on these investee companies of \$(4,284) thousand and \$16,344 thousand respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
May 5, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2022 and 2021

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2022, December 31, 2021, and March 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2022		December 31, 2021		March 31, 2021		Liabilities and Equity		March 31, 2022		December 31, 2021		March 31, 2021			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents (notes 6(a) and (x))	\$	3,902,453	21	4,254,507	25	1,678,967	11	2100	Short-term borrowings (notes 6(l), (x) and 9)	\$	80,000	-	30,000	-	50,000	-
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (x))		780,777	4	772,628	4	1,040,902	7	2170	Accounts payable (note 6(x))		1,956,128	11	1,706,452	10	1,742,036	11
1170	Notes and accounts receivable, net (notes 6(c) and (x))		1,960,225	11	1,794,193	11	2,106,427	13	2206	Employee bonus payable (note 6(w))		927,338	5	821,000	5	705,756	5
1200	Other receivables (notes 6(c) and (x))		1,072,217	6	1,176,985	7	1,141,698	7	2230	Current tax liabilities		1,260,650	7	1,020,464	6	1,041,428	7
1310	Inventories, net (note 6(d))		2,855,673	16	2,314,145	14	1,829,243	12	2280	Current lease liabilities (notes 6(o) and (x))		19,396	-	21,687	-	23,518	-
1410	Prepayments and other current assets		39,023	-	32,053	-	196,010	1	2322	Long-term borrowings, current portion (note 6(m) and (x))		2,861	-	-	-	-	-
1476	Current financial assets at amortized cost (notes 6(a), (x) and 8)		2,909,990	16	1,725,450	10	4,259,050	27	2399	Other current liabilities (note 6(x) and 9)		869,407	5	1,253,154	8	1,173,383	7
			13,520,358	74	12,069,961	71	12,252,297	78				5,115,780	28	4,852,757	29	4,736,121	30
Non-current assets:									Non-Current liabilities:								
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and (x))		1,414,714	8	1,577,319	9	1,148,225	7	2540	Long-term borrowings (note 6(m) and (x))		21,634	-	-	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(e) and (x))		435,067	2	491,824	3	361,080	2	2570	Deferred tax liabilities		1,067	-	1,067	-	1,244	-
1536	Non-current financial assets at amortized cost (notes 6(a), (x) and 8)		7,200	-	7,200	-	7,200	-	2580	Non-current lease liabilities (note 6(o) and (x))		708,418	4	671,682	4	184,828	2
1551	Investments accounted for using equity method (note 6(f))		343,540	2	346,697	2	335,966	2	2635	Non-current preference share liabilities (note 6(n) and (x))		40,000	-	-	-	-	-
1600	Property, plant and equipment (note 6(i))		951,463	5	952,324	6	864,707	6	2640	Net defined benefit liability, non-current		386,342	2	396,993	2	376,386	2
1755	Right-of-use assets (note 6(j))		866,882	5	838,550	5	204,682	1	2645	Guarantee deposits received (note 6(x))		67,349	1	36,641	-	39,416	-
1780	Intangible assets (note 6(g) and (k))		495,572	3	424,650	3	453,003	3				1,224,810	7	1,106,383	6	601,874	4
1840	Deferred tax assets		39,994	-	39,994	-	33,221	-		Total liabilities		6,340,590	35	5,959,140	35	5,337,995	34
1900	Other non-current assets (note 6(x))		181,322	1	184,489	1	87,666	1	Equity attributable to owners of parent: (notes 6(f) and (r))								
			4,735,754	26	4,863,047	29	3,495,750	22	3100	Capital stock		3,038,804	17	3,038,804	18	3,038,804	20
									3200	Capital surplus		631,181	3	631,181	4	519,638	3
										Retained earnings:							
									3310	Legal reserve		2,159,576	12	2,159,576	13	1,825,597	12
									3350	Undistributed earnings		6,623,091	36	5,824,804	34	4,792,049	30
												8,782,667	48	7,984,380	47	6,617,646	42
									3400	Other equity		139,866	1	195,094	1	60,460	-
									3500	Treasury shares		(1,106,485)	(6)	(1,106,485)	(7)	(28,975)	-
									Total equity attributable to owners of parent:			11,486,033	63	10,742,974	63	10,207,573	65
								36XX	Non-controlling interests		429,489	2	230,894	2	202,479	1	
									Total equity		11,915,522	65	10,973,868	65	10,410,052	66	
Total assets		\$	18,256,112	100	16,933,008	100	15,748,047	100	Total liabilities and equity	\$	18,256,112	100	16,933,008	100	15,748,047	100	

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

		For the three months ended March 31			
		2022		2021	
		Amount	%	Amount	%
4000	Total operating revenue (notes 6(u) and 14)	\$ 4,098,639	100	4,155,821	100
5000	Total operating costs (notes 6(d) and (p))	<u>2,162,866</u>	<u>53</u>	<u>2,163,142</u>	<u>52</u>
5900	Gross profit from operations	1,935,773	47	1,992,679	48
5920	Add: Realized (unrealized) profit from sales	<u>437</u>	<u>-</u>	<u>559</u>	<u>-</u>
5950	Gross profits	<u>1,936,210</u>	<u>47</u>	<u>1,993,238</u>	<u>48</u>
6000	Operating expenses: (notes 6(c), (p), (s) and 12)				
6100	Selling expenses	142,608	3	155,067	4
6200	Administrative expenses	113,467	3	116,098	3
6300	Research and development expenses	567,089	14	532,314	13
6450	Impairment gains and losses determined in accordance with IFRS 9	<u>267</u>	<u>-</u>	<u>(1,711)</u>	<u>-</u>
		<u>823,431</u>	<u>20</u>	<u>801,768</u>	<u>20</u>
6900	Net Operating income	<u>1,112,779</u>	<u>27</u>	<u>1,191,470</u>	<u>28</u>
7000	Non-operating income and expenses:				
7100	Interest income (note 6(v))	5,535	-	7,255	-
7010	Other income (note 6(v))	4,964	-	1,510	-
7020	Other gains and losses (notes 6(h) and (v))	(102,551)	(3)	106,501	3
7050	Finance costs (note 6(n) and (o))	(3,089)	-	(1,235)	-
7770	Shares of gain of associates accounted for using equity method (note 6(f))	<u>(4,284)</u>	<u>-</u>	<u>16,344</u>	<u>-</u>
		<u>(99,425)</u>	<u>(3)</u>	<u>130,375</u>	<u>3</u>
7900	Profit before income tax	1,013,354	24	1,321,845	31
8110	Less: Income tax expenses (note 6(q))	<u>240,277</u>	<u>6</u>	<u>239,154</u>	<u>6</u>
	Net profit	<u>773,077</u>	<u>18</u>	<u>1,082,691</u>	<u>25</u>
8300	Other comprehensive income (loss): (notes 6(f) and (r))				
8310	Items that may not be reclassified subsequently to profit or loss:				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(56,757)	(1)	56,728	1
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(56,757)</u>	<u>(1)</u>	<u>56,728</u>	<u>1</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	1,581	-	392	-
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	11	-	-	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>1,592</u>	<u>-</u>	<u>392</u>	<u>-</u>
8300	Other comprehensive income (loss), net	<u>(55,165)</u>	<u>(1)</u>	<u>57,120</u>	<u>1</u>
8500	Comprehensive income	<u>\$ 717,912</u>	<u>17</u>	<u>1,139,811</u>	<u>26</u>
	Net profit (loss) attributable to:				
8610	Owners of parent	\$ 798,287	19	1,099,831	25
8620	Non-controlling interests	<u>(25,210)</u>	<u>(1)</u>	<u>(17,140)</u>	<u>-</u>
		<u>\$ 773,077</u>	<u>18</u>	<u>1,082,691</u>	<u>25</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of the parent	\$ 743,059	18	1,156,951	26
8720	Non-controlling interests	<u>(25,147)</u>	<u>(1)</u>	<u>(17,140)</u>	<u>-</u>
		<u>\$ 717,912</u>	<u>17</u>	<u>1,139,811</u>	<u>26</u>
	Earnings per share (expressed in dollars) (note 6(t))				
9710	Basic earnings per share	<u>\$ 2.81</u>		<u>3.77</u>	
9850	Diluted earnings per share	<u>\$ 2.76</u>		<u>3.73</u>	

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
			Retained earnings		Other equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares			
Balance at January 1, 2021	\$ 3,038,804	519,638	1,825,597	3,692,218	(6,597)	9,937	(28,975)	9,050,622	222,434	9,273,056
Net profit	-	-	-	1,099,831	-	-	-	1,099,831	(17,140)	1,082,691
Other comprehensive income	-	-	-	-	392	56,728	-	57,120	-	57,120
Total comprehensive income	-	-	-	1,099,831	392	56,728	-	1,156,951	(17,140)	1,139,811
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(2,815)	(2,815)
Balance at March 31, 2021	<u>\$ 3,038,804</u>	<u>519,638</u>	<u>1,825,597</u>	<u>4,792,049</u>	<u>(6,205)</u>	<u>66,665</u>	<u>(28,975)</u>	<u>10,207,573</u>	<u>202,479</u>	<u>10,410,052</u>
Balance at January 1, 2022	\$ 3,038,804	631,181	2,159,576	5,824,804	(6,923)	202,017	(1,106,485)	10,742,974	230,894	10,973,868
Net profit	-	-	-	798,287	-	-	-	798,287	(25,210)	773,077
Other comprehensive income	-	-	-	-	1,529	(56,757)	-	(55,228)	63	(55,165)
Total comprehensive income	-	-	-	798,287	1,529	(56,757)	-	743,059	(25,147)	717,912
Changes in non-controlling interests	-	-	-	-	-	-	-	-	223,742	223,742
Balance at March 31, 2022	<u>\$ 3,038,804</u>	<u>631,181</u>	<u>2,159,576</u>	<u>6,623,091</u>	<u>(5,394)</u>	<u>145,260</u>	<u>(1,106,485)</u>	<u>11,486,033</u>	<u>429,489</u>	<u>11,915,522</u>

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the three months ended March 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2022	2021
Cash flows from operating activities:		
Profit before tax	\$ 1,013,354	1,321,845
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	38,963	26,493
Amortization expense	36,405	30,721
Expected credit loss (gain)	267	(1,711)
Net loss (profit) on financial assets at fair value through profit or loss	187,253	(116,318)
Interest expense	3,089	1,235
Interest income	(5,535)	(7,255)
Dividend income	(2,884)	-
Share-based payment transactions	296	-
Share of profit of associates accounted for using equity method	4,284	(16,344)
Loss on disposal of property, plant and equipment	-	341
Gain on disposal of investments	-	(1,343)
Impairment loss and disposal loss on inventory	35,040	31,095
Other	157	-
Total adjustments to reconcile profit	297,335	(53,086)
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	(137,950)	49,069
Increase in inventories	(439,949)	(77,685)
Decrease (increase) in prepayments and other current assets	211	(172,848)
Decrease in other receivables	104,998	333,200
Increase (decrease) in notes and accounts payable	228,200	(84,631)
Increase (decrease) in other current liabilities	(300,756)	9,584
Decrease in net defined benefit liability	(10,651)	(13,070)
Cash inflow generated from operations	754,792	1,312,378
Interest received	5,319	7,132
Interest paid	(3,004)	(1,235)
Income taxes paid	(91)	(127)
Net cash flows from operating activities	757,016	1,318,148
Cash flows from (used in) investing activities:		
Dividends received	2,884	-
Acquisition of current financial assets at fair value through profit or loss	(22,179)	(98,034)
Proceeds from disposal of current financial assets at fair value through profit or loss	-	30,034
Acquisition of non-current financial assets at fair value through profit or loss	(14,601)	(11,152)
Increase in financial assets at amortized cost	(1,184,540)	(1,523,400)
Acquisition of investments accounted for using equity method	(199,200)	-
Net cash flow from acquisition of subsidiaries	252,308	-
Proceeds from disposal of subsidiaries	-	9,166
Acquisition of property, plant and equipment	(18,808)	(12,962)
Acquisition of intangible assets	(3,961)	(36,027)
Decrease (increase) in refundable deposits	4,305	(31,688)
Decrease in other non-current assets	547	825
Net cash flows from (used in) investing activities	(1,183,245)	(1,673,238)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	60,000	10,000
Decrease in short-term borrowings	(10,000)	-
Repayments of long-term debt	(184)	-
Increase (decrease) in guarantee deposits received	30,706	(11)
Payment of lease liabilities	(7,879)	(6,657)
Net cash flows from (used in) financing activities	72,643	3,332
Effect of exchange rate changes on cash and cash equivalents	1,532	384
Net decrease in cash and cash equivalents	(352,054)	(351,374)
Cash and cash equivalents at the beginning of period	4,254,507	2,030,341
Cash and cash equivalents at the end of period	\$ 3,902,453	1,678,967

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2022 and 2021

(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(b) 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 May 5, 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, 2022:

- 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”

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The 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

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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

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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:

(a) Statement of Compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
The Company	Elan Investment Corp.	Investment holding	100.00 %	100.00 %	100.00 %	-
The Company and Elan Investment Corp.	Metanoia Communications Inc. (MetaCom)	Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network	51.57 %	51.57 %	51.57 %	note 1
The Company and Elan Investment Corp.	Avisonic Technology Corp. (Avisonic)	Research, design, develop, manufacture and sale on digital image-process chips	87.91 %	87.91 %	84.21 %	note 1, 2
The Company	JPUP Electron Co., Ltd. (JPUP)	Wholesale and installation of electronic devices, data storage and equipment process	49.00 %	49.00 %	49.00 %	note 1, 3

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Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
The Company and Elan Investment Corp.	PiXORD Corporation (PiXORD)	Research, design, develop, manufacture and sale on Webcam and server	98.23 %	98.23 %	98.23 %	note 1
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 %	28.74 %	43.98 %	note 1, 4
The Company	Bruckewell Technology Co., Ltd. (Bruckewell)	Manufactures and sells electronics devices	- %	- %	61.16 %	note 1, 5
The Company	Elan (H.K.)	Sale and after-sales service	100.00 %	100.00 %	100.00 %	-
The Company	Elan Information	After-sales service and provide new informational skills	100.00 %	100.00 %	100.00 %	note 1
Elan (H.K.)	Power Asia	Investment holding	100.00 %	100.00 %	100.00 %	-
Power Asia	Elan Shanghai	Provide technical support and information service	100.00 %	100.00 %	100.00 %	-
Power Asia	Elan Shenzhen	Provide technical support and information service	100.00 %	100.00 %	100.00 %	-
MetaCom	Metanoia EU	Provide technical support and information service	100.00 %	100.00 %	- %	note 1, 6
The Company	Chimei Motor Electronics Co., Ltd. (Chimei)	Image recognition, automotive electronic manufacturing and wholesaling business	31.36	- %	-	note 1, 7
Chimei	Chimei Motor Electronics (SAMOA) Co., Ltd. (Chimei (SAMOA))	Investment holding	100.00 %	- %	- %	note 7
Chimei (SAMOA)	Gianteye Technology (Shanghai) Co., Ltd.	Develops advanced driver assistance systems and wholesales automotive electronic products.	100.00 %	- %	- %	note 7

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

Note 2: On August 30, 2021, the Group's ownership increased to 87.91% after participating in the capital increase of Avisonic.

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

Note 4: The Company obtained 3 out of 5 Board seats and gained control over Eminent. 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 5: 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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 March 1, 2022, the Company acquired 31.36% equity interest in Chimei Motor Electronics Co., Ltd. by participating in a cash capital increase and obtained four of the seven seats on the Board of Directors. Therefore, Chimei Motor Electronics Co., Ltd. and its subsidiaries are considered to be subsidiaries over which the Company has control and are included in the consolidated financial statements since then.

(c) Employee benefits

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

(d) Income taxes

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

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

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

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 31.36% of the voting shares of Chimei Motor Electronics Co., Ltd., making it the single largest shareholder, and holds more than half of the seats on the Board of Directors of Chimei Motor Electronics Co., Ltd. Therefore, the Group determines that Chimei Motor Electronics Co., Ltd. and its subsidiaries are subsidiaries over which it has control.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2021 consolidated financial statements. Please refer to Note 6 of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Petty cash	\$ 1,322	755	603
Checking and demand deposits	2,317,031	2,477,962	1,549,979
Time deposits with maturities of three months or less	<u>1,584,100</u>	<u>1,775,790</u>	<u>128,385</u>
	<u>\$ 3,902,453</u>	<u>4,254,507</u>	<u>1,678,967</u>

- (i) As of March 31, 2022, December 31 and March 31, 2021, time deposits with maturities more than three months held by the Group amounted to \$2,917,190 thousand, \$1,732,650 thousand, and \$4,266,250 thousand, respectively, and were recorded as current and non-current financial assets at amortized cost.
- (ii) The Group did not recognize impairment loss on current and non-current financial assets at amortized cost for the three months ended March 31, 2022 and 2021. Please refer to note 6(x) for the information on credit risk of the Group.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Mandatorily measured at fair value through profit or loss:			
Current:			
Listed stocks	\$ 5,934	6,691	4,750
Certificates of beneficial interest	706,159	706,368	974,579
Short-term commercial papers	<u>68,684</u>	<u>59,569</u>	<u>61,573</u>
Subtotal	<u>780,777</u>	<u>772,628</u>	<u>1,040,902</u>
Non-current:			
Listed stocks	396,067	523,342	461,039
Non-publicly traded stocks	822,943	876,923	616,415
Unlisted funds	<u>195,704</u>	<u>177,054</u>	<u>70,771</u>
Subtotal	<u>1,414,714</u>	<u>1,577,319</u>	<u>1,148,225</u>
Total	<u>\$ 2,195,491</u>	<u>2,349,947</u>	<u>2,189,127</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Notes and accounts receivable

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable	\$ 7,187	5,550	5,932
Accounts receivable - fair value through other comprehensive income	1,378,125	1,125,227	1,205,037
Accounts receivable - measured at amortized cost	604,711	691,897	929,001
Less: Loss allowance	(29,798)	(28,481)	(33,543)
	<u><u>\$ 1,960,225</u></u>	<u><u>1,794,193</u></u>	<u><u>2,106,427</u></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:

March 31, 2022			
	Gross carrying amount	Weighted- average loss rate	Expected credit loss
Current	\$ 1,892,980	0.25%	4,695
1 to 30 days past due	59,391	1.73%	1,029
31 to 60 days past due	10,844	10.91%	1,183
61 to 90 days past due	4,358	54.64%	2,381
More than 90 days past due	22,450	50%~100%	20,510
	<u><u>\$ 1,990,023</u></u>		<u><u>29,798</u></u>

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	18,395	50%~100%	18,395
	<u><u>\$ 1,822,674</u></u>		<u><u>28,481</u></u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	For the three months ended March 31	
	2022	2021
Balance at January 1	\$ 28,481	35,254
Acquisitions	1,046	-
Impairment loss recognized (reversed)	267	(1,711)
Effect of changes in exchange rates	4	-
Balance at December 31	\$ 29,798	33,543

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 accounts receivable from the financial institutions were recognized as “other receivables” upon the derecognition of those accounts receivable.

March 31, 2022						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial Institution	<u>\$ 938,693</u>	<u>2,092,460</u>	<u>-</u>	<u>938,693</u>	<u>0.05%~0.10%</u>	None

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

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

The Group has deducted the advanced amount from the accounts receivable in accordance with the condition of derecognition as of March 31, 2022, December 31 and March 31, 2021. The remaining amount has been reclassified into other receivables. The Group did not recognize impairment loss on other receivables for the three months ended March 31, 2022 and 2021. Please refer to note 6(x) for the information on credit risk of the Group.

(d) Inventories

	March 31, 2022	December 31, 2021	March 31, 2021
Raw materials	\$ 974,522	750,079	668,693
Work in progress	1,440,886	1,260,834	903,433
Finished goods	440,265	303,232	257,117
	<u>\$ 2,855,673</u>	<u>2,314,145</u>	<u>1,829,243</u>

The details of the cost of sales were as follows:

	For the three months ended March 31	
	2022	2021
Inventory that has been sold	\$ 2,128,053	2,132,594
Write-down of inventories	35,040	31,095
Others	(227)	(547)
	<u>\$ 2,162,866</u>	<u>2,163,142</u>

As of March 31, 2022 and 2021, the Group did not provide any inventories as collateral for its loans.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Equity investments at fair value through other comprehensive income:			
Emerging stocks	\$ 20,947	20,969	27,808
Listed stocks	414,120	470,855	333,272
	<u>\$ 435,067</u>	<u>491,824</u>	<u>361,080</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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) There were no disposals of strategic investments and transfers of any accumulative gain or loss within equity relating to these investments as of March 31, 2022 and 2021.
- (iii) For market risk, please refer to note 6(x).
- (iv) As of March 31, 2022, December 31 and March 31, 2021, 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:

	March 31, 2022	December 31, 2021	March 31, 2021
Associates	<u><u>\$ 343,540</u></u>	<u><u>346,697</u></u>	<u><u>335,966</u></u>

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

			<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
	Nature of the relationship with the Group	Main operating location / Registered Country of the Company	Amount	Share- holding (%)	Amount	Share- holding (%)	Amount	Share- holding (%)
Tong Fu Investment Corporation	Investment holding	R.O.C.	\$ 26,070	46.73	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	11,712	45.07
Top Taiwan X Venture Capital Co., Ltd.	Venture capital	R.O.C.	240,000	30.00	240,000	30.00	240,000	30.00
Uniband Electronic Corp.	Manufactures and sells electronic devices	R.O.C.	50,000	24.69	50,000	24.69	50,000	24.69
Finger Pro. Incorporation	Manufactures and sells electronic devices	R.O.C.	6,000	23.08	6,000	23.08	6,000	23.08
RONG CHENG Technology	Manufactures and sells electronic devices, computers and its related products, manufactures optical instruments	R.O.C.	77,706	38.46	77,706	38.46	77,706	38.46
			<u><u>\$ 411,488</u></u>		<u><u>411,488</u></u>		<u><u>415,418</u></u>	

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Notes to the Consolidated Financial Statements

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

	For the three months ended March 31	
	2022	2021
Attributable to the Group:		
Profit (Loss) from continuing operations	\$ (4,284)	16,344
Other comprehensive income (loss)	<u>11</u>	<u>-</u>
Comprehensive income	<u>\$ (4,273)</u>	<u>41,263</u>

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

(g) Business combinations

- (i) On March 1, 2022, the Group obtained control over Chimei Motor Electronics Co., Ltd. and began to incorporate it into the consolidated financial statements. The Group holds 31.36% of the equity in the Company, which is mainly engaged in the manufacturing and wholesale of image recognition and automotive electronics products. The Group expects to improve its management synergy after the acquisition.
- (ii) The following table summarized the consideration paid for Chimei 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.

	March 31, 2022
Fair value of pre-existing interest in Eminent	\$ 202,067
Non-controlling interest in the acquisition	<u>223,742</u>
	<u>\$ 425,809</u>
Current assets	
Cash and cash equivalents	\$ 252,308
Accounts receivables (note 6(c))	28,349
Other receivables	14
Inventories	136,619
Prepayments	7,130
Non-current assets	
Property, plant and equipment (note 6(i))	10,669
Intangible assets (note 6(k))	1,204
Guarantee deposits	1,685

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Current liabilities	
Accounts payables	(21,476)
Other payables	(25,858)
Non-current liabilities	
Long-term borrowing	(24,679)
Non-current preference share liabilities	<u>(40,000)</u>
Total identifiable net assets acquired	<u>\$ 325,965</u>
Goodwill	<u>\$ 99,844</u>

(h) Loss control of subsidiaries

The Group had sold 86.96% of its shares in RisingStar, wherein the proceeds of \$20,111 thousand on February 9, 2021, resulted in a loss of control over RisingStar. Therefore, the \$1,343 thousand gain on disposal of a subsidiary had been recognized as other gains and losses under other comprehensive income.

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

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

(ii) Gain on disposal of a subsidiary

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

(iii) Net cash flows from disposal of a subsidiary

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

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(i) Property, plant and equipment

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

		Land	Buildings	Machinery and equipment	Office and transportation equipment	Equipment awaiting examination and prepayments on construction	Total
Cost:							
Balance at January 1, 2022	\$	230,790	1,178,182	671,578	164,413	33,979	2,278,942
Acquisitions		-	-	1,322	8,868	479	10,669
Additions		-	786	9,568	1,757	6,697	18,808
Derecognized		-	-	(3,964)	(1,239)	-	(5,203)
Reclassification		-	2,541	711	1,423	(7,044)	(2,369)
Effect of movements in exchange rates		-	-	197	314	-	511
Balance at March 31, 2022	\$	<u>230,790</u>	<u>1,181,509</u>	<u>679,412</u>	<u>175,536</u>	<u>34,111</u>	<u>2,301,358</u>
Balance at January 1, 2021	\$	230,790	1,162,385	575,934	160,230	30,451	2,159,790
Additions		-	91	7,189	1,493	4,189	12,962
Effect of disposal of subsidiaries		-	-	-	(365)	-	(365)
Derecognized		-	-	(2,336)	(864)	-	(3,200)
Reclassification		-	-	4,347	-	(4,347)	-
Effect of movements in exchange rates		-	-	43	52	-	95
Balance at March 31, 2021	\$	<u>230,790</u>	<u>1,162,476</u>	<u>585,177</u>	<u>160,546</u>	<u>30,293</u>	<u>2,169,282</u>
Depreciation:							
Balance at January 1, 2022	\$	-	714,779	474,786	137,053	-	1,326,618
Depreciation		-	5,549	19,292	3,218	-	28,059
Derecognized		-	-	(3,964)	(1,239)	-	(5,203)
Effect of movements in exchange rates		-	-	174	247	-	421
Balance at March 31, 2022	\$	<u>-</u>	<u>720,328</u>	<u>490,288</u>	<u>139,279</u>	<u>-</u>	<u>1,349,895</u>
Balance at January 1, 2021	\$	-	694,485	456,020	136,504	-	1,287,009
Depreciation		-	4,949	13,284	2,229	-	20,462
Effect of disposal of subsidiaries		-	-	-	(120)	-	(120)
Derecognized		-	-	(2,074)	(785)	-	(2,859)
Effect of movements in exchange rates		-	-	39	44	-	83
Balance at March 31, 2021	\$	<u>-</u>	<u>699,434</u>	<u>467,269</u>	<u>137,872</u>	<u>-</u>	<u>1,304,575</u>
Carrying amount:							
Balance at March 31, 2022	\$	<u>230,790</u>	<u>461,181</u>	<u>189,124</u>	<u>36,257</u>	<u>34,111</u>	<u>951,463</u>
Balance at March 31, 2021	\$	<u>230,790</u>	<u>463,042</u>	<u>117,908</u>	<u>22,674</u>	<u>30,293</u>	<u>864,707</u>

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Notes to the Consolidated Financial Statements

(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, 2022	\$ 842,737	42,070	948	19,179	904,934
Additions	-	40,072	-	-	40,072
Derecognized	-	-	-	(9,117)	(9,117)
Effect of movements in exchange rates	-	1,095	-	-	1,095
Balance at March 31, 2022	<u>\$ 842,737</u>	<u>83,237</u>	<u>948</u>	<u>10,062</u>	<u>936,984</u>
Balance at January 1, 2021	\$ 186,883	36,203	948	12,179	236,213
Additions	-	-	-	4,672	4,672
Effect of movements in exchange rates	-	196	-	-	196
Balance at March 31, 2021	<u>\$ 186,883</u>	<u>36,399</u>	<u>948</u>	<u>16,851</u>	<u>241,081</u>
Accumulated depreciation:					
Balance at January 1, 2022	\$ 27,706	27,446	448	10,784	66,384
Depreciation	5,502	4,309	78	1,015	10,904
Derecognized	-	-	-	(8,006)	(8,006)
Effect of movements in exchange rates	-	820	-	-	820
Balance at March 31, 2022	<u>\$ 33,208</u>	<u>32,575</u>	<u>526</u>	<u>3,793</u>	<u>70,102</u>
Balance at January 1, 2021	\$ 11,165	14,045	132	4,950	30,292
Depreciation	1,402	3,237	79	1,313	6,031
Effect of movements in exchange rates	-	76	-	-	76
Balance at March 31, 2021	<u>\$ 12,567</u>	<u>17,358</u>	<u>211</u>	<u>6,263</u>	<u>36,399</u>
Carrying amount:					
Balance at March 31, 2022	<u>\$ 809,529</u>	<u>50,662</u>	<u>422</u>	<u>6,269</u>	<u>866,882</u>
Balance at March 31, 2021	<u>\$ 174,316</u>	<u>19,041</u>	<u>737</u>	<u>10,588</u>	<u>204,682</u>

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.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, 2022	\$ 176,838	281,058	265,155	723,051
Additions	-	-	3,961	3,961
Acquisitions	99,844	833	371	101,048
Reclassifications	-	-	2,318	2,318
Derecognized	-	(1,689)	(6,767)	(8,456)
Balance at March 31, 2022	<u>\$ 276,682</u>	<u>280,202</u>	<u>265,038</u>	<u>821,922</u>
Balance at January 1, 2021	\$ 176,838	230,769	233,204	640,811
Additions	-	7,911	28,116	36,027
Effect of disposal of subsidiaries	-	-	(3,007)	(3,007)
Derecognized	-	-	(1,892)	(1,892)
Balance at March 31, 2021	<u>\$ 176,838</u>	<u>238,680</u>	<u>256,421</u>	<u>671,939</u>
Accumulated amortization:				
Balance at January 1, 2022	\$ -	134,420	163,981	298,401
Additions	-	15,883	20,522	36,405
Derecognized	-	(1,689)	(6,767)	(8,456)
Balance at March 31, 2022	<u>\$ -</u>	<u>148,614</u>	<u>177,736</u>	<u>326,350</u>
Balance at January 1, 2021	\$ -	92,014	99,240	191,254
Additions	-	11,218	19,503	30,721
Effect of disposal of subsidiaries	-	-	(1,147)	(1,147)
Derecognized	-	-	(1,892)	(1,892)
Balance at March 31, 2021	<u>\$ -</u>	<u>103,232</u>	<u>115,704</u>	<u>218,936</u>
Carrying amount:				
Balance at March 31, 2022	<u>\$ 276,682</u>	<u>131,588</u>	<u>87,302</u>	<u>495,572</u>
Balance at March 31, 2021	<u>\$ 176,838</u>	<u>135,448</u>	<u>140,717</u>	<u>453,003</u>

(l) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Unsecured bank loans	<u>\$ 80,000</u>	<u>30,000</u>	<u>30,000</u>
Range of interest rate	<u>1.60%~ 1.80%</u>	<u>1.78%~ 1.80%</u>	<u>1.78%~ 2.05%</u>
Unused short-term credit lines	<u>\$ 2,700,000</u>	<u>2,750,000</u>	<u>2,750,000</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Long-term borrowings

The long-term borrowings were summarized as follows:

	March 31, 2022
Secured bank loans-Maturity dates are 2024/7/1, 2025/9/29 and 2026/12/8	\$ 24,495
Less: current portion	(2,861)
Total	<u>\$ 24,495</u>
Unused long-term credit lines	<u>\$ 6,803,505</u>
Range of interest rate	<u>1.05%~2.15%</u>

(n) Preference share liabilities

	March 31, 2022
Cumulative redeemable preferred shares	<u>\$ 40,000</u>

During the Chimei Motor Electronics Co., Ltd.'s shareholders meeting held on June 30, 2020, a resolution was passed to issue 4,000 thousand cumulative redeemable preferred shares for cash, with a par value of \$10 per share at an issue price of \$10 per share, amounting to \$40,000 thousand. On July 16, 2022, the shares will be compulsorily redeemed at par value with an annual dividend rate of 1.5%. In November 2021, Chimei Motor Electronics Co., Ltd. signed a revised agreement with its creditors to extend the maturity date of the aforementioned compulsory redemption by one year.

The Group recognized interest expenses amounting to \$50 thousand for the three months ended March 31, 2022.

(o) Lease liabilities

The lease liabilities were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Current	<u>\$ 19,396</u>	<u>21,687</u>	<u>21,858</u>
Non-current	<u>\$ 708,418</u>	<u>671,682</u>	<u>187,361</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2022	2021
Interest on lease liabilities	<u>\$ 2,892</u>	<u>988</u>
Expenses relating to short-term leases	<u>\$ 4,537</u>	<u>4,286</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 211</u>	<u>223</u>

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the three months ended March 31	
	2022	2021
Total cash outflow for leases	\$ 15,519	12,154

(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 8 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.

(p) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020. The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended March 31	
	2022	2021
Operating cost	\$ 68	83
Selling expenses	58	85
Administration expenses	68	84
Research and development expenses	624	773
	\$ 818	1,025

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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 three months ended March 31, 2022 and 2021 were as follows:

	For the three months ended March 31	
	2022	2021
Operating cost	\$ 2,233	2,112
Selling expenses	1,619	1,578
Administration expenses	2,580	2,243
Research and development expenses	13,066	12,239
	\$ 19,498	18,172

(q) Income taxes

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

The Group's income tax expenses were as follows:

	For the three months ended March 31	
	2022	2021
Current tax expense	\$ 240,277	239,154

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

(r) Capital and other equity

(i) Ordinary share

As of March 31, 2022, December 31 and March 31, 2021, the authorized capital of the Company amounted to \$4,800,000 thousand, divided into 303,880 thousand ordinary shares, with par value of \$10 per share. The issued shares were composed of common stocks only and have been fully paid up.

(ii) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Additional paid-in capital	\$ 231,051	231,051	231,051
Treasury share transactions	337,686	337,686	225,742
Difference arising from subsidiary's share price and its carrying value	62,444	62,444	62,845
	\$ 631,181	631,181	519,638

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

3) Earnings distribution

The appropriations of earnings for 2021 and 2020 had been approved in the Board meeting and the shareholders' meeting held on February 22, 2022 and July 2, 2021, respectively. The Company declared cash dividends of \$13.50 and \$9.00 per share, amounting to \$4,102,385 thousand and \$2,734,924 thousand, respectively, for the year 2021 and 2020.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Treasury shares

	March 31, 2022		December 31, 2021		March 31, 2021	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
Shares transferred to employees	6,857	\$ 1,077,510	6,857	1,077,510	-	-
Shares held by subsidiaries	12,438	28,975	12,438	28,975	12,438	28,975
	19,295	\$ 1,106,485	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:

	For the three months ended March 31, 2022		For the three months ended March 31, 2021	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
Ending balance(Opening 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 three months ended March 31, 2022 and 2021, the information on the Company's stock held by Elan Investment Corp. was as follows:

	For the three months ended March 31					
	2022			2021		
	Shares (in thousands)	Acquisition cost	Total market value	Shares (in thousands)	Acquisition cost	Total market value
Opening balance	12,438	\$ 28,975	2,114,494	12,438	28,975	1,660,500
Effect of valuation changes	-	-	24,876	-	-	453,994
Ending balance	12,438	\$ 28,975	2,139,370	12,438	28,975	2,114,494

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Other equity

The movements of other equity were as follows:

For the three months ended March 31, 2022			
	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	\$ (6,923)	202,017	195,094
Exchange differences on foreign operations:			
The Group	1,518	-	1,518
Associates	11	-	11
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	(56,757)	(56,757)
Balance at March 31	<u>\$ (5,394)</u>	<u>145,260</u>	<u>139,866</u>
For the three months ended March 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	392	-	392
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	56,728	56,728
Balance at March 31	<u>\$ (6,205)</u>	<u>66,665</u>	<u>60,460</u>

(s) Share-based payment

Except for the following disclosure, there were no significant changes in share-based payment for the three months ended March 31, 2022 and 2021. For the related information, please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2021.

The Board of Directors' meeting on November 29 2019, Chimei Motor Electronics decided to award 500 units of employee stock options (hereinafter referred to as 2019 employee stock options) to those full-time employees who meet the specific requirements. Each unit of stock option can be subscribed one thousand stocks of common stock and the duration is three years. The Group recognized share-based payment cost amounting to 296 thousand from January 1 to March 31, 2022, recognized under operation expense.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

During the period when the subscriber is granted the employee stock option, the stock options that can be exercised are as follows:

2019 employee stock options	
Period	Porportion of exercising stock
November 29, 2020	20%
November 29, 2021	50%
November 29, 2022	100%

Chimei adopted the Black-Scholes model to measure the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2019 employee stock options
Fair value at grant date	\$ 18.71
Exercise price	20.00
Expected volatility	39.80%-40.64%
Duration of stock options	2.04years-3.04years
Risk-free interest rate	0.5433%-0.5834%

Details of the employee stock options were as follows:

	2022	
2019 employee stock options	Number of options	Weighted average exercise price
Outstanding at January 1	500	\$ 20.00
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	-	-
Outstanding at March 31	<u>500</u>	<u>\$ 20.00</u>
Exercisable at March 31	<u>250</u>	

Chimei adopted the Black-Scholes model to measure the fair value of employee stock options granted in 2019. Since the shares of Chimei were not listed on an exchange, Chimei 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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Earnings per share

The Group's earnings per share for the three months ended March 31, 2022 and 2021 were calculated as follows:

(i) Basic earnings per share:

	For the three months ended March 31	
	2022	2021
Net profit attributable to ordinary shareholders of the Company	<u>\$ 798,287</u>	<u>1,099,831</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>284,585</u>	<u>291,442</u>
Earnings per share	<u>\$ 2.81</u>	<u>3.77</u>

(ii) Diluted earnings per share:

	For the three months ended March 31	
	2022	2021
Net profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 798,287</u>	<u>1,099,831</u>
Weighted-average number of ordinary shares outstanding (in thousands)	284,585	291,442
Effect of dilutive potential ordinary shares (in thousands) — employee share bonus	<u>4,811</u>	<u>3,702</u>
Weighted-average number of ordinary shares outstanding (diluted)(in thousands)	<u>289,396</u>	<u>295,144</u>
Diluted earnings per share	<u>\$ 2.76</u>	<u>3.73</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

		For the three months ended March 31	
		2022	2021
Taiwan	\$	360,186	137,582
Mainland China		679,256	717,765
Hong Kong		3,007,106	3,240,750
America		7,029	10,156
Europe		9,217	1,918
Others		35,845	47,650
	\$	<u>4,098,639</u>	<u>4,155,821</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).

(v) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

		For the three months ended March 31	
		2022	2021
Interest income from bank deposits	\$	<u>5,535</u>	<u>7,255</u>

(ii) Other income

		For the three months ended March 31	
		2022	2021
Dividend income	\$	2,884	-
Government grants		-	535
Others		2,080	975
Total	\$	<u>4,964</u>	<u>1,510</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

	For the three months ended March 31	
	2022	2021
Foreign exchange gains (losses)	\$ 84,866	(10,382)
Losses on adjustments to lease	(157)	-
Gains (losses) on financial asset at fair value through profit or loss	(187,253)	116,318
Gains (Losses) on disposals of property, plant and equipment	-	(341)
Gains (Losses) on disposals of investment property	-	1,343
Miscellaneous disbursements	(7)	(437)
Total	<u><u>\$ (102,551)</u></u>	<u><u>106,501</u></u>

(w) 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 three months ended March 31, 2022 and 2021, the remunerations to employees and directors were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employee remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

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

	For the three months ended March 31	
	2022	2021
Employee compensation	\$ 124,075	561,709
Directors' and supervisors' remuneration	15,907	72,014
	<u><u>\$ 139,982</u></u>	<u><u>633,723</u></u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020, the Company estimated its employee compensation amounting to \$728,000 thousand and \$467,000 thousand, and directors' and supervisors' remuneration amounting to \$93,000 thousand and \$60,000 thousand, respectively. The compensation and remuneration were all paid in cash. There were no differences between the distribution amounts of compensation and remuneration decided by the Board of Directors and the estimated amounts. Related information would be available at the Market Observation Post System website.

(x) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2021.

(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 March 31, 2022 and 2021, 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) of the consolidated financial statements for the year ended December 31, 2021. There was no loss allowance provision for the three months ended March 31, 2022 and 2021, respectively.

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(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>
March 31, 2022							
Non-derivative financial liabilities							
Short-term borrowings	\$ 80,000	80,790	30,485	50,305	-	-	-
Notes and accounts payable	1,956,128	1,956,128	1,956,128	-	-	-	-
Other payables	390,644	390,644	390,644	-	-	-	-
Lease liabilities	727,814	933,546	13,486	14,642	20,192	51,563	833,663
Long-term borrowings	24,495	25,425	988	2,233	6,910	15,294	-
Redeemable preferred stock	40,000	40,800	300	300	40,200	-	-
	<u>\$ 3,219,081</u>	<u>3,427,333</u>	<u>2,392,031</u>	<u>67,480</u>	<u>67,302</u>	<u>66,857</u>	<u>833,663</u>
December 31, 2021							
Non derivative financial liabilities							
Short-term borrowing	\$ 30,000	30,216	30,216	-	-	-	-
Notes and accounts payable	1,706,452	1,706,452	1,706,452	-	-	-	-
Other payable	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>2,954,648</u>	<u>3,006,334</u>	<u>829,831</u>
March 31, 2021							
Non-derivative financial liabilities							
Short-term loans	\$ 50,000	50,107	50,107	-	-	-	-
Notes and accounts payable	1,742,036	1,742,036	1,742,036	-	-	-	-
Other payables	853,938	853,938	853,938	-	-	-	-
Lease liabilities	208,346	260,685	13,530	13,502	17,523	23,632	192,498
	<u>\$ 2,854,320</u>	<u>2,906,766</u>	<u>2,659,611</u>	<u>13,502</u>	<u>17,523</u>	<u>23,632</u>	<u>192,498</u>

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:

	March 31, 2022			December 31, 2021			March 31, 2021			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Financial assets:										
Monetary item										
USD	\$	161,112	28.63	4,612,631	167,292	27.68	4,630,629	147,147	28.53	4,198,874

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	March 31, 2022			December 31, 2021			March 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial liabilities:</u>									
<u>Monetary item</u>									
USD	69,112	28.63	1,978,681	67,676	27.68	1,873,275	79,075	28.53	2,256,010

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 March 31, 2022, and 2021 would have increased (decreased) the net profit after tax by \$105,358 thousand and \$77,714 thousand for the three months ended March 31, 2022 and 2021, respectively, with all other variables remaining constant. The analysis is performed on the same basis in 2022 and 2021.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. The foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$84,866 thousand and \$(10,382) thousand for the three months ended March 31, 2022 and 2021, respectively.

(iv) Other market price risk

For the three months ended March 31, 2022 and 2021, the sensitivity analysis of the changes in the securities prices at the reporting date were performed on the same basis for profit or loss as illustrated below:

	For the three months ended March 31 2022		For the three months ended March 31 2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increase 5%	<u>\$ 17,403</u>	<u>48,998</u>	<u>14,443</u>	<u>43,288</u>
Decrease 5%	<u>\$ (17,403)</u>	<u>(48,998)</u>	<u>(14,443)</u>	<u>(43,288)</u>

(v) Fair value of financial instruments

1) Fair value hierarchy

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

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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:

March 31, 2022					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss (current and non-current)	\$ 2,195,491	1,028,757	148,087	1,018,647	2,195,491
Financial assets at fair value through other comprehensive income					
Stocks	435,067	-	414,120	20,947	435,067
Accounts receivable	1,378,125	-	-	-	-
Subtotal	1,813,192	-	414,120	20,947	435,067
Financial assets measured at amortized cost					
Cash and cash equivalents	3,902,453	-	-	-	-
Notes and accounts receivable	611,898	-	-	-	-
Other receivables	1,072,217	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	2,917,190	-	-	-	-
Guarantee deposits	180,079	-	-	-	-
Subtotal	8,683,837	-	-	-	-
Total	\$ 12,692,520	1,028,757	562,207	1,039,594	2,630,558
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 80,000	-	-	-	-
Notes and accounts payable	1,956,128	-	-	-	-
Other payables	390,644	-	-	-	-
Lease liabilities (current and non-current)	727,814	-	-	-	-
Long-term borrowings	24,495	-	-	-	-
Redeemable preferred stock	40,000	-	-	-	-
Guarantee deposits received	67,349	-	-	-	-
Total	\$ 3,286,430	-	-	-	-
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

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December 31, 2021					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	4,254,507	-	-	-	-
Notes and accounts receivable	697,447	-	-	-	-
Other receivables	1,176,985	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	1,732,650	-	-	-	-
Guarantee deposits	182,698	-	-	-	-
Subtotal	8,044,287	-	-	-	-
Total	<u><u>\$ 12,011,285</u></u>	<u><u>1,166,190</u></u>	<u><u>600,635</u></u>	<u><u>1,074,946</u></u>	<u><u>2,841,771</u></u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 30,000	-	-	-	-
Notes and accounts payable	1,706,452	-	-	-	-
Other payables	565,857	-	-	-	-
Lease liabilities (current and non-current)	693,368	-	-	-	-
Guarantee deposits received	36,641	-	-	-	-
Total	<u><u>\$ 3,032,318</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
March 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)	\$ 2,189,127	1,371,139	130,802	687,186	2,189,127
Financial assets at fair value through other comprehensive income					
Stocks	361,080	55,932	277,340	27,808	361,080
Accounts receivable	1,205,037	-	-	-	-
Subtotal	1,566,117	55,932	277,340	27,808	361,080
Financial assets measured at amortized cost					
Cash and cash equivalents	1,678,967	-	-	-	-
Notes and accounts receivable	934,933	-	-	-	-
Other receivables	1,141,698	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	4,266,250	-	-	-	-
Guarantee deposits	56,255	-	-	-	-
Subtotal	8,078,103	-	-	-	-
Total	<u><u>\$ 11,833,347</u></u>	<u><u>1,427,071</u></u>	<u><u>408,142</u></u>	<u><u>714,994</u></u>	<u><u>2,550,207</u></u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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	March 31, 2021				
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank loans	50,000	-	-	-	-
Notes and accounts payable	1,742,036	-	-	-	-
Other payables	853,938	-	-	-	-
Lease liabilities (current and non-current)	208,346	-	-	-	-
Guarantee deposits received	39,416	-	-	-	-
Total	<u>\$ 2,893,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 three months ended March 31, 2022 and 2021.

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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, 2022	\$ 1,053,977	20,969	1,074,946
Total gains and losses recognized:			
In profit or loss	(45,948)	-	(45,948)
In other comprehensive income	-	(22)	(22)
Purchased	14,601	-	14,601
Disposal	(3,983)	-	(3,983)
Ending Balance, March 31, 2022	<u>\$ 1,018,647</u>	<u>20,947</u>	<u>1,039,594</u>
Opening balance, January 1, 2021	\$ 630,007	13,732	643,739
Total gains and losses recognized:			
In profit or loss	46,027	-	46,027
In other comprehensive income	-	14,076	14,076
Purchased	11,152	-	11,152
Ending Balance, March 31, 2021	<u>\$ 687,186</u>	<u>27,808</u>	<u>714,994</u>

For the three months ended March 31, 2022 and 2021, 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:

	For the three months ended March 31	
	2022	2021
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	(45,948)	46,027
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	(22)	14,076

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

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss - equity investments without an active market	Market Comparison Method	<ul style="list-style-type: none"> Price-to-book ratio (March 31, 2022, December 31, 2021 and March 31, 2021: 1.23 to 1.39, 1.28 to 1.47 and 1.70 to 2.74) Liquidity discount (March 31, 2022, December 31, 2021 and March 31, 2021: 30% , 30% and 0% to 10%) Price-to-earnings ratio (March 31, 2022, December 31, 2021 and March 31, 2021: 1.42 , 2.46 and 0.84 to 2.53) Price-to-book assets ratio (March 31, 2021: 0.76 to 1.29) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the price-to-book ratio were higher (lower); the liquidity discount were lower (higher); the price-to-earnings ratio were higher (lower); or the price-to-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
March 31, 2022				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	1,167	(1,167)
	Liquidity discount	10%	500	(500)
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)
March 31, 2021				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	3,173	(3,173)
	Liquidity discount	10%	294	(294)

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(y) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(w) of the consolidated financial statements for the year ended December 31, 2021.

(z) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2021, for further details.

(aa) 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 for the three months ended March 31, 2022 and 2021, were as follows:

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

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

	Non-cash changes					
	January 1, 2022	Cash flows	Foreign exchange movement	Interest expense	Others	March 31, 2022
Short-term borrowings	\$ 30,000	50,000	-	-	-	80,000
Long-term borrowings	-	(184)	-	-	24,679	24,495
Lease liabilities	693,369	(7,879)	314	2,892	39,118	727,814
Preferred stock liabilities	-	-	-	-	40,000	40,000
Guarantee deposits received	36,641	30,706	2	-	-	67,349
Total liabilities from financing activities	<u>\$ 760,010</u>	<u>72,643</u>	<u>316</u>	<u>2,892</u>	<u>103,797</u>	<u>939,658</u>
	Non-cash changes					
	January 1, 2021	Cash flows	Foreign exchange movement	Interest expense	Others	March 31, 2021
Short-term borrowings	\$ 40,000	10,000	-	-	-	50,000
Lease liabilities	209,219	(6,657)	124	988	4,672	208,346
Guarantee deposits received	39,427	(11)	-	-	-	39,416
Total liabilities from financing activities	<u>\$ 288,646</u>	<u>3,332</u>	<u>124</u>	<u>988</u>	<u>4,672</u>	<u>297,762</u>

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

(b) Key management personnel compensation

	For the three months ended March 31	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 31,200	37,319
Post-employment benefits	131	195
	<u><u>\$ 31,331</u></u>	<u><u>37,514</u></u>

The short-term employee benefits include remuneration to employees and directors. Please refer to Note 6(w) 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current financial assets at amortized cost (Certificate Deposit)	Guarantee of the creditors of the purchase transactions	\$ 85,890	-	2,400
Non-current financial assets at amortized cost (Certificate Deposit)	Use land guarantee for Hsinchu Science Park Bureau	7,200	7,200	7,200
		<u><u>\$ 93,090</u></u>	<u><u>7,200</u></u>	<u><u>9,600</u></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 March 31, 2022, December 31 and March 31, 2021, the financial institutions had issued performance guarantees amounting to \$3,000 thousand, \$6,000 thousand, and \$6,000 thousand, respectively.

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- (b) As of March 31, 2022, December 31 and March 31, 2021, the refundable notes payable for short-term borrowings amounted to \$9,580,000 thousand, \$2,780,000 thousand, and \$455,000 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) The Group signed capacity guarantee contracts with several suppliers, stipulating the minimum quantity to be purchased by the Group. The Group paid the security deposit of \$136,452 thousand in accordance with the contract, which was recognized under other non-current assets.
- (e) As of March 31, 2022, December 31 and March 31, 2021, the refundable notes payable for lease amounted to \$600 thousand.
- (f) 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 March 31, 2022, the subsidy received but not recognized, amounting to \$4,000 thousand, was classified as other current liabilities. As of March 31, 2022, December 31, 2021 and March 31, 2021, 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.

- (g) 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.

- (h) Litigation and actions

As of March 31, 2022, 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.

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- (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 appeal period. However, on January 28, 2022, the Supreme People's Court denied the appeal. After the evaluation, the Company expects no significant influence on its finance and business as the case is still on trial.
- (i) As of March 31, 2022, the total amount of building contract signed by the Company was \$43,000 thousand and the payable amount in the following years was \$31,948 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 three months ended March 31					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	\$ 84,688	512,444	597,132	88,179	511,413	599,592
Labor and health insurance	7,233	27,255	34,488	7,518	25,657	33,175
Pension	2,301	18,015	20,316	2,195	17,002	19,197
Others	5,946	12,551	18,497	5,787	11,475	17,262
Depreciation	13,731	25,232	38,963	9,336	17,157	26,493
Amortization	1,474	34,931	36,405	1,085	29,636	30,721

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(b) Seasonality of operations

The Group's sales of products continued the sale strength in the fourth quarter of 2021. Compared with the off-season in consumer electronics market in the prior years, the Group's product sales in the first quarter of 2022 were not weak. The main reason was the sales of laptop touch panels, fingerprints and pointing devices was still better than the fourth quarter of 2021. However, the capacity of foundry was still tight and the price was increasing continuously in the first quarter of 2022. All of these would influence the operation overall; therefore, the revenue was lower than the fourth quarter of 2021 but still better than the first quarter in prior year. The subsequent overall challenges will be a test to the Group, as it needs to face the current overall economic uncertainties, the ongoing war between Ukraine and Russia, the hikes in interest rates and the recent decline in demand of the consumer electronics market after two years of prosperity.

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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 three months ended March 31, 2022:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of March 31, 2022 (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	5,934	0.12%	5,934	
Elan Microelectronics Corporation	Fubon China Money Market Fund-TWD	-	Current financial assets at fair value through profit or loss	2,751	31,315	-	31,315	
Elan Microelectronics Corporation	PineBridge Quantitative Diversified Income Fund-A	-	Current financial assets at fair value through profit or loss	2,001	18,759	-	18,759	
Elan Microelectronics Corporation	Nomura Global Short Duration Bond Fund-TWD	-	Current financial assets at fair value through profit or loss	3,282	33,864	-	33,864	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	190	19,389	-	19,389	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	95	27,198	-	27,198	
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	12,856	-	12,856	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (SERIES II)	-	Current financial assets at fair value through profit or loss	100	28,630	-	28,630	
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,077	20,947	4.14%	20,947	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,500	414,120	7.87%	414,120	
Elan Microelectronics Corporation	Chino-Excel Technology Corporation	-	Non-current financial assets at fair value through other comprehensive income	823	-	1.48%	-	
Elan Microelectronics Corporation	Panther technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	340	6,541	0.94%	6,541	
Elan Microelectronics Corporation	XINCE Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,866	-	9.24%	-	
Elan Microelectronics Corporation	TOP TAIWAN VI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	335	3,480	2.17%	3,480	
Elan Microelectronics Corporation	TOP TAIWAN VII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	1,776	26,390	6.12%	26,390	
Elan Microelectronics Corporation	TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	2,383	45,830	4.17%	45,830	

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	Midastouch Research Corporation	-	Non-current financial assets at fair value through other comprehensive income	2,500	3,925	8.16%	3,925	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	5,000	107,338	6.25%	107,338	
Elan Microelectronics Corporation	InnoBridge Venture Capital	-	Non-current financial assets at fair value through other comprehensive income	800	2,415	11.35%	2,415	
Elan Microelectronics Corporation	Startek Engineering Inc.	-	Non-current financial assets at fair value through other comprehensive income	189	-	0.53%	-	
Elan Microelectronics Corporation	North Star Venture Capital	-	Non-current financial assets at fair value through other comprehensive income	3,000	41,450	10.00%	41,450	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	5,000	65,489	6.25%	65,489	
Elan Microelectronics Corporation	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through other comprehensive income	495	-	1.83%	-	
Elan Microelectronics Corporation	Lyra Semiconductor Incorporated	-	Non-current financial assets at fair value through other comprehensive income	1,440	-	5.87%	-	
Elan Microelectronics Corporation	TOP TAIWAN XII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	25,000	329,725	18.52%	329,725	
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through other comprehensive income	20	-	0.24%	-	
Elan Microelectronics Corporation	Vertex Growth (SG) LP	-	Non-current financial assets at fair value through other comprehensive income	-	169,815	-	169,815	
Elan Microelectronics Corporation	Vertex Growth II (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	1,920	-	1,920	
Elan Microelectronics Corporation	Taiwania Capital Buffalo Fund V, LP.	-	Non-current financial assets at fair value through profit or loss	-	23,969	3.19%	23,969	
Elan Microelectronics Corporation	TOP TAIWAN XIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	15,000	146,535	17.44%	146,535	
Elan Microelectronics Corporation	WELTRONICS CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,300	-	11.15%	-	
Elan Investment Corp.	FSITC Money Market Fund	-	Current financial assets at fair value through profit or loss	131	23,539	-	23,539	
Elan Investment Corp.	FSITC US Top 100 Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	1,500	13,972	-	13,972	
Elan Investment Corp.	FSITC Global Wealthy Nations Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	2,629	23,586	-	23,586	
Elan Investment Corp.	FSITC Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,271	35,152	-	35,152	
Elan Investment Corp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	5,435	-	5,435	
Elan Investment Corp.	FSITC Global Health & Weight Loss Fund	-	Current financial assets at fair value through profit or loss	500	4,830	-	4,830	

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Investment Corp.	Nomura Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	4,134	68,155	-	68,155	
Elan Investment Corp.	Nomura Global Short Duration Bond Fund TWD	-	Current financial assets at fair value through profit or loss	9,484	97,863	-	97,863	
Elan Investment Corp.	Nomura Global Financial Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	3,589	36,576	-	36,576	
Elan Investment Corp.	Taishin Global Multi-asset Fund of Funds A TWD	-	Current financial assets at fair value through profit or loss	1,000	11,410	-	11,410	
Elan Investment Corp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	21,210	-	21,210	
Elan Investment Corp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	58,747	-	58,747	
Elan Investment Corp.	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	5,556	76,055	-	76,055	
Elan Investment Corp.	Taishin ESG Emerging Markets Bond Fund A TWD	-	Current financial assets at fair value through profit or loss	3,003	25,910	-	25,910	
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	40,378	-	40,378	
Elan Investment Corp.	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	589	60,014	-	60,014	
Elan Investment Corp.	Elan Microelectronics Corporation	Subsidiary	Non-current financial assets at fair value through other comprehensive income	12,438	2,139,370	4.09%	2,139,370	
Elan Investment Corp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	26,841	3.88%	26,841	
Elan Investment Corp.	RISE Technology Com	-	Non-current financial assets at fair value through profit or loss	769	-	3.23%	-	
Elan Investment Corp.	Finemat Applied Materials Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	8,900	396,067	13.41%	396,067	
Elan Investment Corp.	Linkinwave - Preferred shares	-	Non-current financial assets at fair value through profit or loss	296	-	-	-	
Elan Investment Corp.	Pica 8 - Preferred shares	-	Non-current financial assets at fair value through profit or loss	342	-	1.75%	-	
Elan Investment Corp.	Arplanet Digital Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	128	1,486	2.70%	1,486	
Elan Investment Corp.	ZQAM Communications Corporation - Preferred shares	-	Non-current financial assets at fair value through profit or loss	250	763	1.07%	763	
Elan Investment Corp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	6,991	2.53%	6,991	
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	5,879	1.13%	5,879	
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	1,866	14.29%	1,866	

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Investment Corp.	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	370	-	1.37%	-	

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

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	116,920	2.85 %	Open Account 45 Days	-		39,813	2.00%	

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	116,920	Open Account 45 Days	2.85%
0	Elan Microelectronics Corporation	Elan (H.K.)	1	Accounts receivable	39,813	Open Account 45 Days	0.22%
1	Elan (H.K.)	Elan Microelectronics Corporation	2	Commission revenue	91,551	Monthly settlement	2.23%

(b) Information on investees:

The followings are the information on investees for the three months ended March 31, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2022	December 31, 2021	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 %	737,612	49,075	49,075	Note
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	1,139,349	(144,766)	(144,766)	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 %	15,484	(598)	(598)	Note
Elan Microelectronics Corporation	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 %	(1,620)	(917)	(449)	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 %	42,975	(35,908)	(18,057)	Note

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
Elan Microelectronics Corporation	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	194,226	194,226	17,517	84.78 %	14,192	(6,162)	(5,358)	Note
Elan Microelectronics Corporation	Tong fu Investment Corp.	Hsin-Chu, Taiwan	Investment holding	26,070	26,070	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 %	18,833	(10,877)	(10,654)	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 %	39,090	(7,290)	(1,379)	Note
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	240,000	240,000	24,000	30.00 %	335,324	(7,230)	(2,169)	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	5,000	24.69 %	8,216	(4,003)	(988)	
Elan Microelectronics Corporation	Finger Pro. Incorporation	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	6,000	6,000	600	23.08 %	-	-	-	
Elan Microelectronics Corporation	Chimei Motor Electronic Co., Ltd.	Taipei, Taiwan	Image recognition, automotive electronic manufacturing and wholesaling business	228,650	29,450	9,250	31.36 %	201,519	(5,369)	(1,684)	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 %	541	(6,162)	(198)	
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 %	-	-	-	Note
Elan Investment Corp.	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	665	665	43	0.28 %	53	(10,877)	(30)	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 %	17,358	(35,908)	(459)	Note
Elan Investment Corp.	EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.	Republic of Mauritius	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	38,481	38,481	2,138	9.83 %	20,781	(7,290)	(717)	Note
Elan (H.K.)	Power Asia Investment Corporation	Republic of Mauritius	Investment holding	89,572	89,572	2,861	100.00 %	23,619	(2,155)	(2,155)	Note
Metanoia Communications Inc.	Metanoia Communication Europe	France	Provide technical support and information service	9,908	9,908	301	100.00 %	5,067	(585)	(585)	
Chimei Motor Electronic Co., Ltd.	CHIMEI MOTOR ELECTRONICS (SAMOA) CO., LTD.	Somoa	Investment holding	22,336	22,336	750	100.00 %	1,779	(503)	(503)	

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 Note 1	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2022	Net income (losses) of the investee Note 2	Percentage of ownership	Investment income (losses) recognized Note 2	Carrying value as of March 31, 2022	Accumulated inward remittance of earnings as of March 31, 2022
					Outflow	Inflow						
Elan Micro-electronics (Shanghai) Co., Ltd.	Provide technical support and information service	52,095	(2)	52,095	-	-	52,095	(3,029)	100.00%	(3,029)	16,052	-
Elan Micro-electronics (Shenzhen) Co., Ltd.	Provide technical support and information service	34,670	(2)	34,670	-	-	34,670	877	100.00%	877	7,117	-
Gianteye Technology (Shanghai) CO., LTD.	Development of advanced driver assistance systems and wholesale of automotive electronic products	22,336	(2)	22,336	-	-	22,336	(503)	100.00%	(503)	1,779	-

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 March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Elan Microelectronics Corporation	86,765 (USD2,855,500)	98,333 (USD3,000,000)	6,891,620
Chimei Motor Electronic Co., Ltd.	22,336 (USD750,000)	36,933 (USD1,250,000)	194,530

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

(iii) Significant transactions:

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

(d) Major shareholders:

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

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

For the three months ended March 31, 2022								
	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	\$ 967,674	2,857,909	30,476	-	112,157	130,423	-	4,098,639
Intersegment revenues	125,340	-	-	-	91,551	4,945	(221,836)	-
Interest income	5,495	-	-	1	7	32	-	5,535
Total revenue	<u>\$ 1,098,509</u>	<u>2,857,909</u>	<u>30,476</u>	<u>1</u>	<u>203,715</u>	<u>135,400</u>	<u>(221,836)</u>	<u>4,104,174</u>
Reportable segment profit or loss	<u>\$ (38,381)</u>	<u>1,067,436</u>	<u>(36,493)</u>	<u>(144,766)</u>	<u>54,277</u>	<u>(31,764)</u>	<u>143,045</u>	<u>1,013,354</u>
Assets:								
Investments accounted for using equity method	<u>\$ 2,550,973</u>	<u>-</u>	<u>-</u>	<u>38,732</u>	<u>-</u>	<u>-</u>	<u>(2,246,165)</u>	<u>343,540</u>
Capital expenditure	<u>\$ 34,923</u>	<u>11,066</u>	<u>368</u>	<u>-</u>	<u>100</u>	<u>16,384</u>	<u>-</u>	<u>62,841</u>
Reportable segment assets	<u>\$ 13,546,111</u>	<u>3,761,620</u>	<u>408,980</u>	<u>3,286,166</u>	<u>864,006</u>	<u>959,940</u>	<u>(4,570,711)</u>	<u>18,256,112</u>

For the three months ended March 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	\$ 1,233,386	2,630,439	23,451	-	151,737	116,808	-	4,155,821
Intersegment revenues	155,766	-	-	-	86,163	6,084	(248,013)	-
Interest income	6,481	-	-	709	18	47	-	7,255
Total revenue	<u>\$ 1,395,633</u>	<u>2,630,439</u>	<u>23,451</u>	<u>709</u>	<u>237,918</u>	<u>122,939</u>	<u>(248,013)</u>	<u>4,163,076</u>
Reportable segment profit or loss	<u>\$ 475,951</u>	<u>956,712</u>	<u>(25,771)</u>	<u>73,530</u>	<u>18,616</u>	<u>(17,298)</u>	<u>(159,895)</u>	<u>1,321,845</u>
Assets								
Investments accounted for using equity method	<u>\$ 2,276,157</u>	<u>-</u>	<u>-</u>	<u>35,701</u>	<u>-</u>	<u>-</u>	<u>(1,975,892)</u>	<u>335,966</u>
Capital expenditure	<u>\$ 45,481</u>	<u>2,348</u>	<u>1,697</u>	<u>-</u>	<u>-</u>	<u>4,135</u>	<u>-</u>	<u>53,661</u>
Reportable segment assets	<u>\$ 11,798,137</u>	<u>3,447,656</u>	<u>376,039</u>	<u>3,602,008</u>	<u>690,349</u>	<u>352,981</u>	<u>(4,519,123)</u>	<u>15,748,047</u>