

**ELAN MICROELECTRONICS CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 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 June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2022 and 2021, as well as the changes in equity and cash flows for the six months ended June 30, 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 \$1,482,849 thousand and \$916,889 thousand, constituting 7.86% and 5.11% of the consolidated total assets; and the total liabilities amounting to \$520,587 thousand and \$324,149 thousand, constituting 5.01% and 3.62% of the consolidated total liabilities as of June 30, 2022 and 2021, respectively; as well as the total comprehensive loss amounting to \$(56,953) thousand, \$(48,200) thousand, \$(113,711) thousand and \$(92,287) thousand, constituting (8.67)%, (3.67)%, (8.27)% and (3.76)% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2022 and 2021, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of \$280,451 thousand and \$358,770 thousand as of June 30, 2022 and 2021, respectively, and its equity in net earnings on these investee companies of \$(12,689) thousand, \$26,812 thousand, \$(16,973) thousand and \$43,156 thousand for the three months and six months ended June 30, 2022 and 2021, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022 and 2021, and of its consolidated financial performance for the three months and six months ended June 30, 2022 and 2021, as well as its consolidated cash flows for the six months ended June 30, 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)
August 4, 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 June 30, 2022 and 2021

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022, December 31, 2021, and June 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2022		December 31, 2021		June 30, 2021				June 30, 2022		December 31, 2021		June 30, 2021	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:															
1100	Cash and cash equivalents (notes 6(a) and (w))	\$ 4,838,432	26	4,254,507	25	3,772,960	21	2100	Short-term borrowings (notes 6(l), (w) and 9)	\$ 80,000	-	30,000	-	50,000	-
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (w))	772,949	4	772,628	4	1,015,860	6	2170	Accounts payable (note 6(w))	2,036,087	11	1,706,452	10	2,008,175	11
1136	Current financial assets at amortised cost, net (notes 6(a), (w) and 8)	1,723,260	9	1,725,450	10	3,169,150	18	2206	Employee bonus payable (note 6(v))	1,074,969	6	821,000	5	873,096	5
1170	Notes and accounts receivable, net (notes 6(c) and (w))	1,997,534	11	1,794,193	11	2,259,687	13	2216	Dividends payable (notes 6(q) and (w))	4,102,385	22	-	-	2,734,924	15
1200	Other receivables (notes 6(c) and (w))	1,372,332	7	1,176,985	7	1,528,972	8	2230	Current tax liabilities	788,756	4	1,020,464	6	949,828	6
1310	Inventories, net (note 6(d))	3,368,986	18	2,314,145	14	1,916,510	11	2280	Current lease liabilities (notes 6(n) and (w))	25,593	-	21,687	-	24,068	-
1470	Other current assets (note 9)	84,537	-	32,053	-	120,694	1	2399	Other current liabilities (note 6(w))	1,092,625	6	1,253,154	8	1,219,501	7
		14,158,030	75	12,069,961	71	13,783,833	78			9,200,415	49	4,852,757	29	7,859,592	44
Non-current assets:															
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and (w))	1,229,893	6	1,577,319	9	1,161,082	6	2570	Deferred tax liabilities	1,067	-	1,067	-	1,244	-
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(e) and (w))	331,451	2	491,824	3	374,279	2	2580	Non-current lease liabilities (note 6(n) and (w))	707,587	4	671,682	4	674,158	4
1536	Non-current financial assets at amortized cost (notes 6(w) and 8)	7,400	-	7,200	-	7,200	-	2635	Non-current preference share liabilities (note 6(m) and (w))	40,000	-	-	-	-	-
1551	Investments accounted for using equity method (note 6(f))	280,451	1	346,697	2	358,770	2	2640	Net defined benefit liability, non-current	385,639	2	396,993	2	375,998	2
1600	Property, plant and equipment (note 6(i))	998,907	5	952,324	6	860,812	5	2645	Guarantee deposits received (note 6(w))	65,281	-	36,641	-	39,534	-
1755	Right-of-use assets (note 6(j))	866,059	5	838,550	5	851,509	5			1,199,574	6	1,106,383	6	1,090,934	6
1780	Intangible assets (note 6(g) and (k))	506,436	3	424,650	3	431,585	2		Total liabilities	10,399,989	55	5,959,140	35	8,950,526	50
1840	Deferred tax assets	39,994	-	39,994	-	33,221	-		Equity attributable to owners of parent: (notes 6(f) and (q))						
1900	Other non-current assets (notes 6(w) and 9)	167,512	1	184,489	1	81,489	-	3100	Capital stock	3,038,804	16	3,038,804	18	3,038,804	17
1960	Prepayments for investments (note 6(b))	290,000	2	-	-	-	-	3200	Capital surplus	631,229	3	631,181	4	519,923	3
		4,718,103	25	4,863,047	29	4,159,947	22		Retained earnings:						
								3310	Legal reserve	2,679,725	14	2,159,576	13	2,159,576	12
								3350	Undistributed earnings	2,784,557	15	5,824,804	34	3,043,206	17
										5,464,282	29	7,984,380	47	5,202,782	29
								3400	Other equity	36,403	-	195,094	1	73,100	-
								3500	Treasury shares	(1,106,485)	(5)	(1,106,485)	(7)	(28,975)	-
									Total equity attributable to owners of parent:	8,064,233	43	10,742,974	63	8,805,634	49
								36XX	Non-controlling interests	411,911	2	230,894	2	187,620	1
									Total equity	8,476,144	45	10,973,868	65	8,993,254	50
Total assets		\$ 18,876,133	100	16,933,008	100	17,943,780	100		Total liabilities and equity	\$ 18,876,133	100	16,933,008	100	17,943,780	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 and six months ended June 30, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		For the three months ended June 30				For the six months ended June 30			
		2022		2021		2022		2021	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Total operating revenue (notes 6(t) and 14)	\$ 4,148,548	100	5,036,112	100	8,247,187	100	9,191,933	100
5000	Total operating costs (notes 6(d) and (o))	<u>2,175,028</u>	<u>52</u>	<u>2,507,304</u>	<u>50</u>	<u>4,337,894</u>	<u>53</u>	<u>4,670,446</u>	<u>51</u>
5900	Gross profit from operations	1,973,520	48	2,528,808	50	3,909,293	47	4,521,487	49
5920	Add: Realized (unrealized) profit from sales	<u>(437)</u>	<u>-</u>	<u>(525)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>-</u>
5950	Gross profits	<u>1,973,083</u>	<u>48</u>	<u>2,528,283</u>	<u>50</u>	<u>3,909,293</u>	<u>47</u>	<u>4,521,521</u>	<u>49</u>
6000	Operating expenses: (notes 6(c), (o), (r) and 12)								
6100	Selling expenses	154,957	4	163,398	3	297,565	4	318,465	3
6200	Administrative expenses	125,843	3	133,714	3	239,310	3	249,812	3
6300	Research and development expenses	561,973	14	560,579	11	1,129,062	14	1,092,893	12
6450	Impairment gains and losses determined in accordance with IFRS 9	<u>10,442</u>	<u>-</u>	<u>1,681</u>	<u>-</u>	<u>10,709</u>	<u>-</u>	<u>(30)</u>	<u>-</u>
		<u>853,215</u>	<u>21</u>	<u>859,372</u>	<u>17</u>	<u>1,676,646</u>	<u>21</u>	<u>1,661,140</u>	<u>18</u>
6900	Net Operating income	<u>1,119,868</u>	<u>27</u>	<u>1,668,911</u>	<u>33</u>	<u>2,232,647</u>	<u>26</u>	<u>2,860,381</u>	<u>31</u>
7000	Non-operating income and expenses:								
7100	Interest income (note 6(u))	8,367	-	1,963	-	13,902	-	9,218	-
7010	Other income (notes 6(g) and (u))	66,714	2	23,250	-	71,678	1	24,760	-
7020	Other gains and losses (notes 6(h) and (u))	(111,142)	(3)	(49,812)	(1)	(213,693)	(3)	56,689	1
7050	Finance costs (note 6(m) and (n))	(3,460)	-	(2,497)	-	(6,549)	-	(3,732)	-
7770	Shares of gain of associates accounted for using equity method (note 6(f))	<u>(12,689)</u>	<u>-</u>	<u>26,812</u>	<u>1</u>	<u>(16,973)</u>	<u>-</u>	<u>43,156</u>	<u>-</u>
		<u>(52,210)</u>	<u>(1)</u>	<u>(284)</u>	<u>-</u>	<u>(151,635)</u>	<u>(2)</u>	<u>130,091</u>	<u>1</u>
7900	Profit before income tax	1,067,658	26	1,668,627	33	2,081,012	24	2,990,472	32
8110	Less: Income tax expenses (note 6(p))	<u>307,077</u>	<u>7</u>	<u>366,531</u>	<u>7</u>	<u>547,354</u>	<u>7</u>	<u>605,685</u>	<u>7</u>
	Net profit	<u>760,581</u>	<u>19</u>	<u>1,302,096</u>	<u>26</u>	<u>1,533,658</u>	<u>17</u>	<u>2,384,787</u>	<u>25</u>
8300	Other comprehensive income (loss): (notes 6(f) and (q))								
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	(103,616)	(2)	13,199	-	(160,373)	(2)	69,927	1
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(103,616)</u>	<u>(2)</u>	<u>13,199</u>	<u>-</u>	<u>(160,373)</u>	<u>(2)</u>	<u>69,927</u>	<u>1</u>
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of foreign financial statements	101	-	(569)	-	1,682	-	(177)	-
8370	Shares of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>101</u>	<u>-</u>	<u>(569)</u>	<u>-</u>	<u>1,693</u>	<u>-</u>	<u>(177)</u>	<u>-</u>
8300	Other comprehensive income (loss), net	<u>(103,515)</u>	<u>(2)</u>	<u>12,630</u>	<u>-</u>	<u>(158,680)</u>	<u>(2)</u>	<u>69,750</u>	<u>1</u>
8500	Comprehensive income	<u>\$ 657,066</u>	<u>17</u>	<u>1,314,726</u>	<u>26</u>	<u>1,374,978</u>	<u>15</u>	<u>2,454,537</u>	<u>26</u>
	Net profit (loss) attributable to:								
8610	Owners of parent	\$ 784,000	20	1,320,060	26	1,582,287	18	2,419,891	25
8620	Non-controlling interests	<u>(23,419)</u>	<u>(1)</u>	<u>(17,964)</u>	<u>-</u>	<u>(48,629)</u>	<u>(1)</u>	<u>(35,104)</u>	<u>-</u>
		<u>\$ 760,581</u>	<u>19</u>	<u>1,302,096</u>	<u>26</u>	<u>1,533,658</u>	<u>17</u>	<u>2,384,787</u>	<u>25</u>
	Comprehensive income (loss) attributable to:								
8710	Owners of the parent	\$ 680,537	17	1,332,700	26	1,423,596	16	2,489,651	26
8720	Non-controlling interests	<u>(23,471)</u>	<u>-</u>	<u>(17,974)</u>	<u>-</u>	<u>(48,618)</u>	<u>(1)</u>	<u>(35,114)</u>	<u>-</u>
		<u>\$ 657,066</u>	<u>17</u>	<u>1,314,726</u>	<u>26</u>	<u>1,374,978</u>	<u>15</u>	<u>2,454,537</u>	<u>26</u>
	Earnings per share (expressed in dollars) (note 6(s))								
9710	Basic earnings per share	<u>\$ 2.75</u>		<u>4.53</u>		<u>5.56</u>		<u>8.30</u>	
9850	Diluted earnings per share	<u>\$ 2.74</u>		<u>4.50</u>		<u>5.50</u>		<u>8.21</u>	

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 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	-	-	-	2,419,891	-	-	-	2,419,891	(35,104)	2,384,787
Other comprehensive income	-	-	-	-	(167)	69,927	-	69,760	(10)	69,750
Total comprehensive income	-	-	-	2,419,891	(167)	69,927	-	2,489,651	(35,114)	2,454,537
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	333,979	(333,979)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(2,734,924)	-	-	-	(2,734,924)	-	(2,734,924)
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	3,400	3,400
Changes in non-controlling interests	-	285	-	-	-	-	-	285	(3,100)	(2,815)
Balance at June 30, 2021	\$ 3,038,804	519,923	2,159,576	3,043,206	(6,764)	79,864	(28,975)	8,805,634	187,620	8,993,254
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	-	-	-	1,582,287	-	-	-	1,582,287	(48,629)	1,533,658
Other comprehensive income	-	-	-	-	1,682	(160,373)	-	(158,691)	11	(158,680)
Total comprehensive income	-	-	-	1,582,287	1,682	(160,373)	-	1,423,596	(48,618)	1,374,978
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	520,149	(520,149)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(4,102,385)	-	-	-	(4,102,385)	-	(4,102,385)
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	4,890	4,890
Changes in non-controlling interests	-	48	-	-	-	-	-	48	224,745	224,793
Balance at June 30, 2022	\$ 3,038,804	631,229	2,679,725	2,784,557	(5,241)	41,644	(1,106,485)	8,064,233	411,911	8,476,144

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2022	2021
Cash flows from operating activities:		
Profit before tax	\$ 2,081,012	2,990,472
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	79,880	56,935
Amortization expense	76,163	61,866
Expected credit loss (gain)	10,709	(30)
Net loss (profit) on financial assets at fair value through profit or loss	361,088	(113,278)
Interest expense	6,549	3,732
Interest income	(13,902)	(9,218)
Dividend income	(61,736)	(15,252)
Share-based payment transactions	1,051	-
Share of profit of associates accounted for using equity method	16,973	(43,156)
(Gain) loss on disposal of property, plant and equipment	(11)	340
Gain on disposal of investments	-	(1,343)
Gain on a bargain purchase	-	(1,201)
Impairment loss and disposal loss on inventory	77,202	48,753
Gain on adjustments to lease	157	-
Total adjustments to reconcile profit	554,123	(11,852)
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(185,701)	(105,872)
Increase in inventories	(995,424)	(182,610)
Increase in prepayments and other current assets	(33,302)	(97,506)
Decrease (increase) in other receivables	(121,990)	6,975
Increase in notes and accounts payable	308,159	181,508
Increase in other current liabilities	73,194	223,871
Decrease in net defined benefit liability	(11,354)	(13,458)
Cash inflow generated from operations	1,668,717	2,991,528
Interest received	13,612	9,129
Interest paid	(6,309)	(3,732)
Income taxes paid	(779,062)	(458,258)
Net cash flows from operating activities	896,958	2,538,667
Cash flows from (used in) investing activities:		
Dividends received	49,636	16,769
Acquisition of current financial assets at fair value through profit or loss	(32,179)	(118,034)
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	(26,435)	(48,022)
Proceeds from capital reduction and liquidation of financial assets at fair value through profit or loss	30,095	7,473
Decrease (increase) in financial assets at amortized cost	1,990	(433,500)
Increase in prepayments for investments	(290,000)	-
Net cash flow from acquisition of subsidiaries	53,108	2,337
Proceeds from disposal of subsidiaries	-	9,166
Acquisition of property, plant and equipment	(95,758)	(30,399)
Proceeds from disposal of property, plant and equipment	15	-
Acquisition of intangible assets	(54,583)	(45,779)
Decrease (increase) in refundable deposits	5,567	(20,517)
Decrease (increase) in other non-current assets	1,095	(4,169)
Net cash flows from (used in) investing activities	(357,449)	(634,641)
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	(24,679)	-
Increase in guarantee deposits received	28,639	107
Payment of lease liabilities	(16,097)	(174,746)
Change in non-controlling interests	4,890	3,400
Net cash flows from (used in) financing activities	42,753	(161,239)
Effect of exchange rate changes on cash and cash equivalents	1,663	(168)
Net increase in cash and cash equivalents	583,925	1,742,619
Cash and cash equivalents at the beginning of period	4,254,507	2,030,341
Cash and cash equivalents at the end of period	\$ 4,838,432	3,772,960

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 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 August 4, 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 the FSC but not yet effective

The Group's adoption of the new amendments, effective for annual period beginning on January 1, 2022, are expected to have the following impacts:

- (i) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments require companies to disclose their material accounting policies rather than their significant accounting policies, clarify that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and clarify that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The Group is evaluating the impact of the amendment on its consolidated financial position and consolidated financial performance.

- (ii) 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. The Group is evaluating the impact of the amendment on its consolidated financial position and consolidated financial performance.

- (iii) Other amendments

The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

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

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>	Effective date to be determined by IASB

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

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”

(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.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the 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
			June 30, 2022	December 31, 2021	June 30, 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
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	28.11 %	28.74 %	42.96 %	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 %	-

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
MetaCom	Metanoia EU	Provide technical support and information service	100.00 %	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 %	5.00 %	5.00 %	note 1, 7
Chimei	Chimei Motor Electronics (SAMOA) Co., Ltd. (Chimei (SAMOA))	Investment holding	100.00 %	100.00 %	100.00 %	note 7
Chimei (SAMOA)	Gianteye Technology (Shanghai) Co., Ltd.	Develops advanced driver assistance systems and wholesales automotive electronic products.	100.00 %	100.00 %	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 June 22, 2022 and April 19, 2021, and increased capital on August 16, 2021. The Group's ownership decreased to 28.11%.

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.

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 equity interest in Chimei Motor Electronics Co., Ltd. from 5% to 31.36% 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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 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.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2020 consolidated financial statements. Please refer to Note 6 of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2022	December 31, 2021	June 30, 2021
Petty cash	\$ 1,569	755	538
Checking and demand deposits	2,689,833	2,477,962	1,948,122
Time deposits with maturities of three months or less	<u>2,147,030</u>	<u>1,775,790</u>	<u>1,824,300</u>
	<u>\$ 4,838,432</u>	<u>4,254,507</u>	<u>3,772,960</u>

- (i) As of June 30, 2022, December 31 and June 30, 2021, time deposits with maturities more than three months held by the Group amounted to \$1,634,100 thousand, \$1,732,650 thousand, and \$3,169,150 thousand, respectively, and were recorded as current and non-current financial assets at amortized cost.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) The Group did not recognize impairment loss on current and non-current financial assets at amortized cost for the six months ended June 30, 2022 and 2021. Please refer to note 6(w) for the information on credit risk of the Group.

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

	June 30, 2022	December 31, 2021	June 30, 2021
Mandatorily measured at fair value through profit or loss:			
Current:			
Listed stocks	\$ 4,897	6,691	5,934
Certificates of beneficial interest	696,956	706,368	949,998
Short-term commercial papers	<u>71,096</u>	<u>59,569</u>	<u>59,928</u>
Subtotal	<u>772,949</u>	<u>772,628</u>	<u>1,015,860</u>
Non-current:			
Listed stocks	289,262	523,342	375,596
Non-publicly traded stocks	692,920	876,923	704,679
Unlisted funds	<u>247,711</u>	<u>177,054</u>	<u>80,807</u>
Subtotal	<u>1,229,893</u>	<u>1,577,319</u>	<u>1,161,082</u>
Total	<u><u>\$ 2,002,842</u></u>	<u><u>2,349,947</u></u>	<u><u>2,176,942</u></u>

The Group paid \$290,000 thousand in advance for investment in Top Taiwan XIV Venture Capital Co., Ltd on June 30, 2022.

(c) Notes and accounts receivable

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable	\$ 9,268	5,550	3,814
Accounts receivable - fair value through other comprehensive income	1,230,385	1,125,227	1,126,700
Accounts receivable - measured at amortized cost	797,682	691,897	1,164,397
Less: Loss allowance	<u>(39,801)</u>	<u>(28,481)</u>	<u>(35,224)</u>
	<u><u>\$ 1,997,534</u></u>	<u><u>1,794,193</u></u>	<u><u>2,259,687</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.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts 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:

June 30, 2022			
	Gross carrying amount	Weighted-average loss rate	Expected credit loss
Current	\$ 1,848,019	0.39%	7,237
1 to 30 days past due	123,556	1.75%	2,158
31 to 60 days past due	31,826	11.46%	3,648
61 to 90 days past due	8,047	56.29%	4,530
More than 90 days past due	25,887	50%~100%	22,228
	\$ 2,037,335		39,801

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
	\$ 1,822,674		28,481

June 30, 2021			
	Gross carrying amount	Weighted-average loss rate	Expected credit loss
Current	\$ 2,156,713	0.36%	7,786
1 to 30 days past due	93,853	2.30%	2,158
31 to 60 days past due	21,197	15.54%	3,293
61 to 90 days past due	612	73.86%	452
More than 90 days past due	22,536	50%~100%	21,535
	\$ 2,294,911		35,224

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the six months ended June 30	
	2022	2021
Balance at January 1	\$ 28,481	35,254
Acquisitions	1,046	-
Impairment loss recognized (reversed)	10,709	(30)
Effect of changes in exchange rates	(435)	-
Balance at December 31	<u><u>\$ 39,801</u></u>	<u><u>35,224</u></u>

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

June 30, 2022						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial Institution	<u><u>\$ 1,181,920</u></u>	<u><u>2,948,240</u></u>	<u><u>-</u></u>	<u><u>1,181,920</u></u>	<u><u>0.05%~0.10%</u></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><u>\$ 1,060,125</u></u>	<u><u>2,862,560</u></u>	<u><u>-</u></u>	<u><u>1,060,125</u></u>	<u><u>0.05%~0.10%</u></u>	None

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

The Group has deducted the advanced amount from the accounts receivable in accordance with the condition of derecognition as of June 30, 2022, December 31 and June 30, 2021. The remaining amount has been reclassified into other receivables. The Group did not recognize impairment loss on other receivables for the six months ended June 30, 2022 and 2021. Please refer to note 6(x) for the information on credit risk of the Group.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Inventories

	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials	\$ 1,341,304	750,079	693,846
Work in progress	1,577,030	1,260,834	998,426
Finished goods	450,652	303,232	224,238
	<u>\$ 3,368,986</u>	<u>2,314,145</u>	<u>1,916,510</u>

The details of the cost of sales were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Inventory that has been sold	\$ 2,132,539	2,489,894	4,260,592	4,622,488
Write-down of inventories	42,162	17,658	77,202	48,753
Others	327	(248)	100	(795)
	<u>\$ 2,175,028</u>	<u>2,507,304</u>	<u>4,337,894</u>	<u>4,670,446</u>

As of June 30, 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

	June 30, 2022	December 31, 2021	June 30, 2021
Equity investments at fair value through other comprehensive income:			
Emerging stocks	\$ 18,761	20,969	25,277
Listed stocks	312,690	470,855	349,002
	<u>\$ 331,451</u>	<u>491,824</u>	<u>374,279</u>

- (i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.
- (ii) There were no disposals of strategic investments and transfers of any accumulative gain or loss within equity relating to these investments as of June 30, 2022 and 2021.
- (iii) For market risk, please refer to note 6(w).
- (iv) As of June 30, 2022, December 31 and June 30, 2021, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral for its loans.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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:

	June 30, 2022	December 31, 2021	June 30, 2021
Associates	\$ <u>280,451</u>	<u>346,697</u>	<u>358,770</u>

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

			June 30, 2022		December 31, 2021		June 30, 2021	
	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.	210,000	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>\$ 381,488</u>		<u>411,488</u>		<u>415,418</u>	

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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 June 30		For the six months ended June 30	
	2022	2021	2022	2021
Attributable to the Group:				
Profit (Loss) from continuing operations	\$ (12,689)	(1,893)	(16,973)	43,156
Other comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>11</u>	<u>-</u>
Comprehensive income	<u><u>\$ (12,689)</u></u>	<u><u>(1,893)</u></u>	<u><u>(16,962)</u></u>	<u><u>41,263</u></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) 1) On March 1, 2022, the Group participated in Chimei's cash capital increase, increasing its shareholding from 5% to 31.36% and gaining control over the investee. Chimei 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.
- 2) 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.

	<u>March 1, 2022</u>
Consideration paid by cash	\$ 199,200
Fair value of pre-existing interest in Chimei	2,867
Non-controlling interest in the acquisition	<u>223,742</u>
	<u><u>\$ 425,809</u></u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Current liabilities

Accounts payables	(21,476)
Other payables	(25,858)

Non-current liabilities

Long-term borrowing	(24,679)
reference share liabilities non-current	(40,000)
Total identifiable net assets acquired	<u>\$ 325,965</u>
Goodwill	<u>\$ 99,844</u>

3) Note cash flows from acquisition of a subsidiary

Consideration paid by cash	\$ 252,308
Less: Cash paid	(199,200)
	<u>\$ 53,108</u>

- 4) Chimei contributed the Group's revenue and net losses of \$39,466 thousand and \$9,395 thousand, respectively, from the date of acquisition to June 30, 2022. If the acquisition happened on January 1, 2022, the management estimated that the Group's revenue and net income for the six months ended June 30, 2022, would have been \$8,265,906 and \$1,530,610, respectively. In determining the amount, the management assumed that the acquisition occurred on January 1, 2022, and assumed that the provisional fair value adjustment was the same at the date of acquisition.

- (ii) 1) To expand European operations and provide technical support and services, the Group acquired 100.00% shares of Metanoia Communication Europe (Metanoia EU) at an investment cost of \$34 thousand (EUR\$1 thousand) and obtained control over it on April 28, 2021.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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- 2) The following table summarizes the acquisition-date fair value of major class of consideration transferred.

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

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

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(ii) Gain on disposal of a subsidiary

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

(iii) Net cash flows from disposal of a subsidiary

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

(i) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office and transportation equipment</u>	<u>Equipment awaiting examination and prepayments on construction</u>	<u>Total</u>
Cost:						
Balance at January 1, 2022	\$ 230,790	1,178,182	671,578	164,413	33,979	2,278,942
Acquisitions	-	-	1,322	8,868	479	10,669
Additions	-	1,169	22,834	26,496	45,259	95,758
Derecognized	-	-	(4,319)	(1,250)	-	(5,569)
Reclassification	-	2,541	2,486	1,422	(8,819)	(2,370)
Effect of movements in exchange rates	<u>-</u>	<u>-</u>	<u>111</u>	<u>178</u>	<u>-</u>	<u>289</u>
Balance at June 30, 2022	<u><u>\$ 230,790</u></u>	<u><u>1,181,892</u></u>	<u><u>694,012</u></u>	<u><u>200,127</u></u>	<u><u>70,898</u></u>	<u><u>2,377,719</u></u>
Balance at January 1, 2021	\$ 230,790	1,162,385	575,934	160,230	30,451	2,159,790
Acquisitions	-	-	250	-	-	250
Additions	-	639	16,978	4,712	8,070	30,399
Effect of disposal of subsidiaries	-	-	-	(365)	-	(365)
Derecognized	-	-	(9,181)	(1,176)	-	(10,357)
Reclassification	-	-	4,134	214	(4,348)	-
Effect of movements in exchange rates	<u>-</u>	<u>-</u>	<u>(14)</u>	<u>(16)</u>	<u>-</u>	<u>(30)</u>
Balance at June 30, 2021	<u><u>\$ 230,790</u></u>	<u><u>1,163,024</u></u>	<u><u>588,101</u></u>	<u><u>163,599</u></u>	<u><u>34,173</u></u>	<u><u>2,179,687</u></u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office and transportation equipment</u>	<u>Equipment awaiting examination and prepayments on construction</u>	<u>Total</u>
Depreciation:						
Balance at January 1, 2022	\$ -	714,779	474,786	137,053	-	1,326,618
Depreciation	-	11,185	38,770	7,558	-	57,513
Derecognized	-	-	(4,316)	(1,249)	-	(5,565)
Effect of disposal of subsidiaries	-	-	102	144	-	246
Balance at June 30, 2022	<u>\$ -</u>	<u>725,964</u>	<u>509,342</u>	<u>143,506</u>	<u>-</u>	<u>1,378,812</u>
Balance at January 1, 2021	\$ -	694,485	456,020	136,504	-	1,287,009
Depreciation	-	9,883	27,452	4,688	-	42,023
Effect of disposal of subsidiaries	-	-	-	(120)	-	(120)
Derecognized	-	-	(8,919)	(1,098)	-	(10,017)
Reclassification	-	-	(171)	171	-	-
Effect of movements in exchange rates	-	-	(9)	(11)	-	(20)
Balance at June 30, 2021	<u>\$ -</u>	<u>704,368</u>	<u>474,373</u>	<u>140,134</u>	<u>-</u>	<u>1,318,875</u>
Carrying amount:						
Balance at January 1, 2022	<u>\$ 230,790</u>	<u>463,403</u>	<u>196,792</u>	<u>27,360</u>	<u>33,979</u>	<u>952,324</u>
Balance at June 30, 2022	<u>\$ 230,790</u>	<u>455,928</u>	<u>184,670</u>	<u>56,621</u>	<u>70,898</u>	<u>998,907</u>
Balance at June 30, 2021	<u>\$ 230,790</u>	<u>458,656</u>	<u>113,728</u>	<u>23,465</u>	<u>34,173</u>	<u>860,812</u>

(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	-	50,801	-	-	50,801
Derecognized	-	(12,966)	-	(9,117)	(22,083)
Effect of movements in exchange rates	-	542	-	-	542
Balance at June 30, 2022	<u>\$ 842,737</u>	<u>80,447</u>	<u>948</u>	<u>10,062</u>	<u>934,194</u>
Balance at January 1, 2021	\$ 186,883	36,203	948	12,179	236,213
Additions	655,854	-	-	4,672	660,526
Effect of movements in exchange rates	-	(65)	-	-	(65)
Balance at June 30, 2021	<u>\$ 842,737</u>	<u>36,138</u>	<u>948</u>	<u>16,851</u>	<u>896,674</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Accumulated depreciation:					
Balance at January 1, 2022	\$ 27,706	27,446	448	10,784	66,384
Depreciation	11,004	9,352	158	1,853	22,367
Derecognized	-	(12,966)	-	(8,006)	(20,972)
Effect of movements in exchange rates	-	356	-	-	356
Balance at June 30, 2022	<u>\$ 38,710</u>	<u>24,188</u>	<u>606</u>	<u>4,631</u>	<u>68,135</u>
Balance at January 1, 2021	\$ 11,165	14,045	132	4,950	30,292
Depreciation	5,538	6,461	158	2,755	14,912
Effect of movements in exchange rates	-	(39)	-	-	(39)
Balance at June 30, 2021	<u>\$ 16,703</u>	<u>20,467</u>	<u>290</u>	<u>7,705</u>	<u>45,165</u>
Carrying amount:					
Balance at January 1, 2022	<u>\$ 815,031</u>	<u>14,624</u>	<u>500</u>	<u>8,395</u>	<u>838,550</u>
Balance at June 30, 2022	<u>\$ 804,027</u>	<u>56,259</u>	<u>342</u>	<u>5,431</u>	<u>866,059</u>
Balance at June 30, 2021	<u>\$ 826,034</u>	<u>15,671</u>	<u>658</u>	<u>9,146</u>	<u>851,509</u>

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

(k) Intangible assets

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

	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance at January 1, 2022	\$ 176,838	281,058	265,155	723,051
Acquisitions	99,844	833	371	101,048
Additions	-	1,724	52,859	54,583
Derecognized	-	(6,261)	(22,630)	(28,891)
Reclassifications	-	-	2,318	2,318
Balance at June 30, 2022	<u>\$ 276,682</u>	<u>277,354</u>	<u>298,073</u>	<u>852,109</u>
Balance at January 1, 2021	\$ 176,838	230,769	233,204	640,811
Additions	-	8,898	36,881	45,779
Effect of disposal of subsidiaries	-	-	(3,007)	(3,007)
Derecognized	-	(5,579)	(3,936)	(9,515)
Reclassifications	-	(25)	-	(25)
Balance at June 30, 2021	<u>\$ 176,838</u>	<u>234,063</u>	<u>263,142</u>	<u>674,043</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
Accumulated amortization:				
Balance at January 1, 2022	\$ -	134,420	163,981	298,401
Additions	-	31,710	44,453	76,163
Derecognized	-	(6,261)	(22,630)	(28,891)
Balance at June 30, 2022	<u>\$ -</u>	<u>159,869</u>	<u>185,804</u>	<u>345,673</u>
Balance at January 1, 2021	\$ -	92,014	99,240	191,254
Additions	-	22,582	39,284	61,866
Effect of disposal of subsidiaries	-	-	(1,147)	(1,147)
Derecognized	-	(5,579)	(3,936)	(9,515)
Balance at June 30, 2021	<u>\$ -</u>	<u>109,017</u>	<u>133,441</u>	<u>242,458</u>
Carrying amount:				
Balance at January 1, 2022	<u>\$ 176,838</u>	<u>146,638</u>	<u>101,174</u>	<u>424,650</u>
Balance at June 30, 2022	<u>\$ 276,682</u>	<u>117,485</u>	<u>112,269</u>	<u>506,436</u>
Balance at June 30, 2021	<u>\$ 176,838</u>	<u>125,046</u>	<u>129,701</u>	<u>431,585</u>

(l) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Unsecured bank loans	\$ <u>80,000</u>	<u>30,000</u>	<u>50,000</u>
Range of interest rate	<u>1.85%~2.175%</u>	<u>1.78%~ 1.80%</u>	<u>1.78%~ 1.80%</u>
Unused short-term credit lines	\$ <u>2,835,000</u>	<u>2,750,000</u>	<u>2,360,000</u>

(m) Preference share liabilities

	<u>June 30, 2022</u>
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 \$200 thousand for the six months ended June 30, 2022.

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(n) Lease liabilities

The lease liabilities were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Current	\$ <u>25,593</u>	<u>21,687</u>	<u>24,068</u>
Non-current	\$ <u>707,587</u>	<u>671,682</u>	<u>674,158</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Interest on lease liabilities	\$ <u>2,960</u>	<u>2,266</u>	<u>5,852</u>	<u>3,254</u>
Expenses relating to short-term leases	\$ <u>4,288</u>	<u>4,370</u>	<u>8,825</u>	<u>8,656</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>266</u>	<u>338</u>	<u>477</u>	<u>561</u>

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

	For the six months ended June 30	
	2022	2021
Total cash outflow for leases	\$ <u>31,251</u>	<u>187,217</u>

(i) Real estate leases

The Group leases land and buildings for its office space. The leases of land typically run for a period of 20 to 40 years, and of buildings for 2 to 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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(o) 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		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Operating cost	\$ 67	83	135	166
Selling expenses	71	69	129	154
Administration expenses	69	83	137	167
Research and development expenses	649	773	1,273	1,546
	<u>\$ 856</u>	<u>1,008</u>	<u>1,674</u>	<u>2,033</u>

(ii) Defined contribution plans

The Group's expenses incurred from the contributions to the Bureau of Labor Insurance for the three months and six months ended June 30, 2022 and 2021 were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Operating cost	\$ 2,277	2,043	4,510	4,155
Selling expenses	1,636	1,621	3,255	3,199
Administration expenses	2,241	2,301	4,821	4,544
Research and development expenses	13,972	12,033	27,038	24,272
	<u>\$ 20,126</u>	<u>17,998</u>	<u>39,624</u>	<u>36,170</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) 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 June 30		For the six months ended June 30	
	2022	2021	2022	2021
Current period	\$ 246,964	335,365	487,241	574,519
Additional tax on undistributed earnings	60,113	31,166	60,113	31,166
Current tax expense	<u><u>\$ 307,077</u></u>	<u><u>366,531</u></u>	<u><u>547,354</u></u>	<u><u>605,685</u></u>

- (ii) The Company's tax returns for the year through 2019 were assessed by the tax authorities.

(q) Capital and other equity

(i) Ordinary share

As of June 30, 2022, December 31 and June 30, 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:

	June 30, 2022	December 31, 2021	June 30, 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	62,492	62,444	63,130
	<u><u>\$ 631,229</u></u>	<u><u>631,181</u></u>	<u><u>519,923</u></u>

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

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(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. 1090150022 issued by the Financial Supervisory Commission on March 31, 2021, 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 had been approved in the shareholders' meeting held on June 15, 2022. The appropriations of earnings for 2020 exceeded the statutory resolution threshold via electronic voting on June 13, 2021, and then the shareholders' meeting resolved to distribute the 2020 earnings on July 2, 2021. The Company declared cash dividends of \$13.81 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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(iv) Treasury shares

	June 30, 2022		December 31, 2021		June 30, 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 six months ended June 30		For the six months ended June 30	
	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 six months ended June 30, 2022 and 2021, the information on the Company's stock held by Elan Investment Corp. was as follows:

	For the six months ended June 30					
	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	-	-	(379,365)	-	-	758,730
Ending balance	12,438	\$ 28,975	1,735,129	12,438	28,975	2,419,230

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(v) Other equity

The movements of other equity were as follows:

For the six months ended June 30, 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	1,671	-	1,671
Associates	11	-	11
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	(160,373)	(160,373)
Balance at June 30	<u>\$ (5,241)</u>	<u>41,644</u>	<u>36,403</u>
For the six months ended June 30, 2021			
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1	\$ (6,597)	9,937	3,340
Exchange differences on foreign operations:			
The Group	(167)	-	(167)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	69,927	69,927
Balance at June 30	<u>\$ (6,764)</u>	<u>79,864</u>	<u>73,100</u>

(r) Share-based payment

Except for the following disclosure, there were no significant changes in share-based payment for the six months ended June 30, 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 Group recognized share-based payment cost amounting to \$1,051 thousand from January 1 to June 30, 2022, recognized under operation expense.

- (i) On February 5, 2021, the Board of Directors of Eminent resolved to issue 2,310 units of employee stock options to eligible employees of the Company in phases over a period of three years according to the actual needs (hereinafter referred to as the "2021 employee stock options"), with each unit of stock option entitling the holder to subscribe for 1,000 shares of common stock of the Company, and the duration of the stock options is 3 years.

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Eminent 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:

	2021 employee stock options
Fair value at grant date	\$ 1.39
Exercise price	10.00
Expected volatility	38.67%
Duration of stock options	0.003years
Riskfree interest rate	0.37%

Details of the employee stock options were as follows:

	2022	
2021 employee stock options	Number of options	Weighted average exercise price
Outstanding at January 1	-	\$ -
Granted during the year	489	10.00
Forfeited during the year	-	-
Exercised during the year	(489)	10.00
Outstanding at June 30	<u>-</u>	<u>\$ -</u>
Exercisable at June 30	<u>-</u>	

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

- (ii) 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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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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 used Black-Scholes Option Pricing Model method in measuring the fair value of the share-based payment at the grant date, is 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%

Chimei's employee stock options between January 1,2022 and March 31,2022, is 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 June 30	500	\$ 20.00
Exercisable at June 30	250	

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
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(s) Earnings per share

The Group's earnings per share for the three months six months ended June 30, 2022 and 2021 were calculated as follows:

(i) Basic earnings per share:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Net profit attributable to ordinary shareholders of the Company	<u>\$ 784,000</u>	<u>1,320,060</u>	<u>1,582,287</u>	<u>2,419,891</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>284,585</u>	<u>291,442</u>	<u>284,585</u>	<u>291,442</u>
Earnings per share	<u>\$ 2.75</u>	<u>4.53</u>	<u>5.56</u>	<u>8.30</u>

(ii) Diluted earnings per share:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Net profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 784,000</u>	<u>1,320,060</u>	<u>1,582,287</u>	<u>2,419,891</u>
Weighted-average number of ordinary shares outstanding (in thousands)	284,585	291,442	284,585	291,442
Effect of dilutive potential ordinary shares (in thousands)				
— employee share bonus	<u>1,841</u>	<u>1,851</u>	<u>3,204</u>	<u>3,297</u>
Weighted-average number of ordinary shares outstanding (diluted)(in thousands)	<u>\$ 286,426</u>	<u>293,293</u>	<u>287,789</u>	<u>294,739</u>
Diluted earnings per share	<u>\$ 2.74</u>	<u>4.50</u>	<u>5.50</u>	<u>8.21</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Taiwan	\$ 316,550	547,295	676,736	684,877
Mainland China	775,467	651,467	1,454,723	1,369,232
Hong Kong	2,994,208	3,762,664	6,001,314	7,003,414
America	11,402	5,889	18,431	16,045
Europe	7,669	2,666	16,886	4,584
Others	43,252	66,131	79,097	113,781
	<u>\$ 4,148,548</u>	<u>5,036,112</u>	<u>8,247,187</u>	<u>9,191,933</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).

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Interest income from bank deposits	\$ <u>8,367</u>	<u>1,963</u>	<u>13,902</u>	<u>9,218</u>

(ii) Other income

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Dividend income	\$ 58,852	15,252	61,736	15,252
Government grants	4,148	4,983	4,148	5,518
Gain on a bargain purchase	-	1,201	-	1,201
Others	3,714	1,814	5,794	2,789
Total	<u>\$ 66,714</u>	<u>23,250</u>	<u>71,678</u>	<u>24,760</u>

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(iii) Other gains and losses

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Foreign exchange gains (losses)	\$ 64,016	(46,813)	148,882	(57,195)
Lease modification loss	-	-	(157)	-
Gains (losses) on financial asset at fair value through profit or loss	(173,835)	(3,040)	(361,088)	113,278
Gains (Losses) on disposals of property, plant and equipment	11	1	11	(340)
Gains (Losses) on disposals of investment property	-	-	-	1,343
Miscellaneous disbursements	(1,334)	40	(1,341)	(397)
Total	<u>\$ (111,142)</u>	<u>(49,812)</u>	<u>(213,693)</u>	<u>56,689</u>

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

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

For the six months ended June 30, 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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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The estimated employee compensation and directors' and supervisors' remuneration were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Employee compensation	\$ 132,704	201,506	256,779	359,949
Directors' and supervisors' remuneration	17,013	25,834	32,920	46,147
	\$ 149,717	227,340	289,699	406,096

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.

(w) 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 June 30, 2022 and 2021, 85% and 92%, respectively, of accounts receivables were due from the ten largest customers. Thus, credit risk was significantly concentrated.

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3) Receivables and debt securities

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

Other financial assets at amortized cost, including time deposits with maturities more than three months and other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g). There was no loss allowance provision for the six months ended June 30, 2022 and 2021, respectively.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 months	2-5 years	Over 5 years
June 30, 2022							
Non-derivative financial liabilities							
Short-term borrowings	\$ 80,000	81,194	786	80,408	-	-	-
Notes and accounts payable	2,036,087	2,036,087	2,036,087	-	-	-	-
Other payables	542,526	542,526	542,526	-	-	-	-
Dividends payable	4,102,385	4,102,385	4,102,385	-	-	-	-
Lease liabilities	733,180	948,103	20,996	12,334	26,887	56,975	830,911
Redeemable preferred stock	40,000	40,650	300	300	40,050	-	-
	\$ 7,534,178	7,750,945	6,703,080	93,042	66,937	56,975	830,911
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
	\$ 2,995,677	3,218,936	2,316,358	14,923	2,954,648	3,006,334	829,831
June 30, 2021							
Non-derivative financial liabilities							
Short-term loans	\$ 50,000	50,776	452	50,324	-	-	-
Notes and accounts payable	2,008,175	2,008,175	2,008,175	-	-	-	-
Other payables	766,924	766,924	766,924	-	-	-	-
Dividends payable	2,734,924	2,734,924	2,734,924	-	-	-	-
Lease liabilities	698,226	927,118	18,607	12,737	18,945	37,956	838,873
	\$ 6,258,249	6,487,917	5,529,082	63,061	18,945	37,956	838,873

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

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(iii) Currency risk

1) Exposure to foreign currency risk

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

	June 30, 2022			December 31, 2021			June 30, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets:									
<u>Monetary item</u>									
USD	\$ 165,246	29.72	4,911,104	167,292	27.68	4,630,629	173,442	27.86	4,832,104
Financial liabilities:									
<u>Monetary item</u>									
USD	73,964	29.72	2,198,197	67,676	27.68	1,873,275	85,480	27.86	2,381,483

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 June 30, 2022 and 2021 would have increased (decreased) the net profit after tax by \$108,516 thousand and \$98,025 thousand for the six months ended June 30, 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 \$148,882 thousand and \$(57,195) thousand for the six months ended June 30, 2022 and 2021, respectively.

(iv) Other market price risk

For the six months ended June 30, 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 six months ended June 30		For the six months ended June 30	
	2022		2021	
Prices of securities at the reporting date	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increase 5%	\$ 13,258	39,483	14,971	43,448
Decrease 5%	\$ (13,258)	(39,483)	(14,971)	(43,448)

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(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments which has no quoted market prices and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	June 30, 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)	\$ 2,002,842	906,939	155,272	940,631	2,002,842
Financial assets at fair value through other comprehensive income					
Stocks	331,451	-	312,690	18,761	331,451
Accounts receivable	1,230,385	-	-	-	-
Subtotal	1,561,836	-	312,690	18,761	331,451
Financial assets measured at amortized cost					
Cash and cash equivalents	4,838,432	-	-	-	-
Notes and accounts receivable	806,950	-	-	-	-
Other receivables	1,372,332	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	1,730,660	-	-	-	-
Guarantee deposits	178,816	-	-	-	-
Prepaid investments	290,000	-	-	-	-
Subtotal	9,217,190	-	-	-	-
Total	<u>\$ 12,781,868</u>	<u>906,939</u>	<u>467,962</u>	<u>959,392</u>	<u>2,334,293</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 80,000	-	-	-	-
Notes and accounts payable	2,036,087	-	-	-	-
Other payables	542,526	-	-	-	-
Lease liabilities (current and non-current)	733,180	-	-	-	-
Redeemable preferred stock	40,000	-	-	-	-
Guarantee deposits received	65,281	-	-	-	-
Total	<u>\$ 3,497,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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December 31, 2021					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss (current and non-current)	\$ 2,349,947	1,166,190	129,780	1,053,977	2,349,947
Financial assets at fair value through other comprehensive income					
Stocks	491,824	-	470,855	20,969	491,824
Accounts receivable	1,125,227	-	-	-	-
Subtotal	1,617,051	-	470,855	20,969	491,824
Financial assets measured at amortized cost					
Cash and cash equivalents	4,254,507	-	-	-	-
Notes and accounts receivable	697,447	-	-	-	-
Other receivables	1,176,985	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	1,732,650	-	-	-	-
Guarantee deposits	182,698	-	-	-	-
Subtotal	8,044,287	-	-	-	-
Total	\$ 12,011,285	1,166,190	600,635	1,074,946	2,841,771
Financial liabilities measured at amortized cost					
Bank loans	\$ 30,000	-	-	-	-
Notes and accounts payable	1,706,452	-	-	-	-
Other payables	565,857	-	-	-	-
Lease liabilities (current and non-current)	693,368	-	-	-	-
Guarantee deposits received	36,641	-	-	-	-
Total	\$ 3,032,318	-	-	-	-
June 30, 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)	\$ 2,176,942	1,313,569	77,887	785,486	2,176,942
Financial assets at fair value through other comprehensive income					
Stocks	374,279	47,967	301,035	25,277	374,279
Accounts receivable	1,126,700	-	-	-	-
Subtotal	1,500,979	47,967	301,035	25,277	374,279
Financial assets measured at amortized cost					
Cash and cash equivalents	3,772,960	-	-	-	-
Notes and accounts receivable	1,168,211	-	-	-	-
Other receivables	1,528,972	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	3,176,350	-	-	-	-
Guarantee deposits	45,085	-	-	-	-
Subtotal	9,691,578	-	-	-	-
Total	\$ 13,369,499	1,361,536	378,922	810,763	2,551,221

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	June 30, 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	2,008,175	-	-	-	-
Other payables	766,924	-	-	-	-
Lease liabilities (current and non-current)	698,226	-	-	-	-
Guarantee deposits received	39,534	-	-	-	-
Total	<u>\$ 3,562,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 six months ended June 30, 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	(95,150)	-	(95,150)
In other comprehensive income	-	(2,208)	(2,208)
Purchased	26,435	-	26,435
Capital reduction and liquidation for redistribution to shareholders	(30,095)	-	(30,095)
Receivables from Capital reduction for redistribution to shareholders	(10,553)	-	(10,553)
Disposal	(3,983)	-	(3,983)
Ending Balance, June 30, 2022	<u>\$ 940,631</u>	<u>18,761</u>	<u>959,392</u>
Opening balance, January 1, 2021	\$ 630,007	13,732	643,739
Total gains and losses recognized:			
In profit or loss	123,078	-	123,078
In other comprehensive income	-	11,545	11,545
Purchased	48,022	-	48,022
Capital reduction for redistribution to shareholders	(7,473)	-	(7,473)
Receivables from Capital reduction for redistribution to shareholders	(8,148)	-	(8,148)
Ending Balance, June 30, 2021	<u>\$ 785,486</u>	<u>25,277</u>	<u>810,763</u>

For the six months ended June 30, 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:

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	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Total gains and losses recognized:				
In profit or loss, and presented in “other gains and losses”	\$ (49,202)	77,051	(95,150)	123,078
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	(2,186)	(2,531)	(2,208)	11,545
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”.

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 (June 30, 2022, December 31, 2021 and June 30, 2021: 1.12 to 1.22, 1.28 to 1.47 and 1.32 to 1.77) Liquidity discount (June 30, 2022, December 31, 2021 and June 30, 2021: 18.35% to 30%, 30% and 28.63% to 30%) Price-to-earnings ratio (June 30, 2022 and December 31, 2021: 1.43 and 2.46) 	<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
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).

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- 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
June 30, 2022				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	1,112	(1,112)
	Liquidity discount	10%	337	(337)
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)
June 30, 2021				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	1,601	(1,601)
	Liquidity discount	10%	657	(657)

- (x) Financial risk management

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

- (y) 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(w) of the consolidated financial statements for the year ended December 31, 2021, for further details.

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

The Group's investing and financing activities which did not affect the current cash flow in the years ended June 30, 2022 and 2021, were as follows:

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

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

	January 1, 2022	Cash flows	Non-cash changes			June 30, 2022
			Foreign exchange movement	Interest expense	Others	
Short-term borrowings	\$ 30,000	50,000	-	-	-	80,000
Long-term borrowings	-	(24,679)	-	-	24,679	-
Lease liabilities	693,369	(16,097)	209	5,852	49,847	733,180
Preferred stock liabilities	-	-	-	-	40,000	40,000
Guarantee deposits received	36,641	28,639	1	-	-	65,281
Total liabilities from financing activities	<u>\$ 760,010</u>	<u>37,863</u>	<u>210</u>	<u>5,852</u>	<u>114,526</u>	<u>918,461</u>

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

(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.

Name of related party	Relationship with the Group
All directors, supervisors, president and vice president of the Group's key management personnel	

(b) Key management personnel compensation

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 32,498	41,864	63,698	79,183
Post-employment benefits	145	293	276	293
	<u>\$ 32,643</u>	<u>42,157</u>	<u>63,974</u>	<u>79,476</u>

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledge assets	Pledged to secure	June 30, 2022	December 31, 2021	June 30, 2021
Current financial assets at amortized cost (Certificate Deposit)	Guarantee of the creditors of the purchase transactions	\$ 89,160	-	-
Non-current financial assets at amortized cost (Certificate Deposit)	Use land guarantee for Hsinchu Science Park Bureau	7,400	7,200	7,200
		<u>\$ 96,560</u>	<u>7,200</u>	<u>7,200</u>

(9) Commitments and contingencies:

- (a) The Company entered into performance guarantee agreements with financial institutions for the Company's obligation to pay for the goods purchased and the tax payable on bonded raw materials, commodities, fuel, and semi-finished products shipped outside the bond areas for domestic sales, demonstration, repair or testing. As of June 30, 2022, December 31 and June 30, 2021, the financial institutions had issued performance guarantees amounting to \$3,000 thousand, \$6,000 thousand, and \$6,000 thousand, respectively.
- (b) As of June 30, 2022, December 31 and June 30, 2021, the refundable notes payable for short-term borrowings amounted to \$2,918,000 thousand, \$2,780,000 thousand, and \$2,410,000 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 \$134,452 thousand in accordance with the contract, which was recognized under 「prepayments and other current assets」 and 「other non-current assets」.
- (e) As of June 30, 2022, December 31 and June 30, 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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

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For the six months ended June 30, 2022, 2021, income of \$4,000 thousand and \$3,993 thousand respectively, were recognized under other income. As of June 30, 2022, December 31, 2021 and June 30, 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 \$5,000 thousand, \$4,000 thousand and \$4,000 thousand, respectively.

(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 June 30, 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.
- (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. and requested for damage compensation amounting to CNY\$30.5 million. The Company had appointed a lawyer to make an objection against jurisdiction to the Court within the defense period, but the Court dismissed the action on July 22, 2021. The Company and Elan Shenzhen had appealed to the Supreme People's Court within the defense period. However, on January 28, 2022, the Supreme People's Court denied the appeal. The case was on trial in Hohhot Intermediate People's Court on July 8, 2022. The Court inquired and listened to the opinions of both sides based on the evidence provided by Goodix. The subsequent court session will be notified later. After the evaluation, the Company judges that the products do not infringe the patent right and expects no significant adverse influence on its finance and business as the case is still on trial.
- (i) As of June 30, 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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(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 June 30					
	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salaries and wages	\$ 82,147	510,340	592,487	90,235	559,552	649,787
Labor and health insurance	7,336	31,335	38,671	7,215	26,170	33,385
Pension	2,344	18,638	20,982	2,126	16,880	19,006
Others	6,140	12,119	18,259	6,911	11,370	18,281
Depreciation	14,913	26,004	40,917	9,698	20,744	30,442
Amortization	1,807	37,951	39,758	953	30,192	31,145

	For the six months ended June 30					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	\$ 166,835	1,022,784	1,189,619	178,414	1,070,965	1,249,379
Labor and health insurance	14,569	58,590	73,159	14,733	51,827	66,560
Pension	4,645	36,653	41,298	4,321	33,882	38,203
Others	12,086	24,670	36,756	12,698	22,845	35,543
Depreciation	28,644	51,236	79,880	19,034	37,901	56,935
Amortization	3,281	72,882	76,163	2,038	59,828	61,866

(b) Seasonality of operations

Due to the global economic recession, the rise of inflation and the war between Ukraine and Russia, the growth of sales in the overall consumer electronics terminal market is not as expected, which affects the demand for notebook industry in the second quarter of 2022. However, the sales of the Group's touchpad, touchscreen chips and fingerprint identification products increased quarter-on-quarter by 3%, 9% and 3%, respectively. Overall, the Group's revenue, gross margin, operating income and net profit before taxes increased in the second quarter of 2022 compared to the first quarter of 2022.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2022:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of June 30, 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	4,897	0.12%	4,897	
Elan Microelectronics Corporation	Fubon China Money Market Fund-TWD	-	Current financial assets at fair value through profit or loss	2,751	31,036	-	31,036	
Elan Microelectronics Corporation	PineBridge Quantitative Diversified Income Fund-A	-	Current financial assets at fair value through profit or loss	2,001	17,709	-	17,709	
Elan Microelectronics Corporation	Nomura Global Short Duration Bond Fund-TWD	-	Current financial assets at fair value through profit or loss	3,282	33,347	-	33,347	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	190	20,552	-	20,552	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	95	28,234	-	28,234	
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	13,142	-	13,142	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (SERIES II)	-	Current financial assets at fair value through profit or loss	100	29,720	-	29,720	
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,077	18,761	4.14%	18,761	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,500	312,690	7.87%	312,690	
Elan Microelectronics Corporation	Chino-ExcelTechnology 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	6,646	0.94%	6,646	
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	168	1,394	2.17%	1,394	
Elan Microelectronics Corporation	TOP TAIWAN VII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	888	12,143	6.12%	12,143	
Elan Microelectronics Corporation	TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	1,811	24,782	4.17%	24,782	

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Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	Midastouch Research Corporation	-	Non-current financial assets at fair value through other comprehensive income	2,500	3,475	8.16%	3,475	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	3,500	67,489	6.25%	67,489	
Elan Microelectronics Corporation	InnoBridge Venture Capital	-	Non-current financial assets at fair value through other comprehensive income	800	2,406	11.35%	2,406	
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	37,408	10.00%	37,408	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	4,063	64,154	6.25%	64,154	
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	281,078	18.52%	281,078	
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	-	216,702	-	216,702	
Elan Microelectronics Corporation	Vertex Growth II (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	7,314	-	7,314	
Elan Microelectronics Corporation	Taiwania Capital Buffalo Fund V, LP.	-	Non-current financial assets at fair value through profit or loss	-	23,695	3.19%	23,695	
Elan Microelectronics Corporation	TOP TAIWAN XIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	15,000	147,875	17.44%	147,875	
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	23,560	-	23,560	
Elan Investment Corp.	FSITC US Top 100 Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	1,500	13,557	-	13,557	
Elan Investment Corp.	FSITC Global Wealthy Nations Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	2,629	22,767	-	22,767	
Elan Investment Corp.	FSITC Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,271	35,186	-	35,186	
Elan Investment Corp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	4,590	-	4,590	
Elan Investment Corp.	FSITC Global Health & Weight Loss Fund	-	Current financial assets at fair value through profit or loss	500	4,075	-	4,075	

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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 Investment Corp.	FSITC Taiwan Core Strategic Construction Fund	-	Current financial assets at fair value through profit or loss	1,000	9,760	-	9,760	
Elan Investment Corp.	Nomura Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	4,134	68,214	-	68,214	
Elan Investment Corp.	Nomura Global Short Duration Bond Fund TWD	-	Current financial assets at fair value through profit or loss	9,484	96,367	-	96,367	
Elan Investment Corp.	Nomura Global Financial Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	3,589	34,594	-	34,594	
Elan Investment Corp.	Taishin Global Multi-asset Fund of Funds A TWD	-	Current financial assets at fair value through profit or loss	1,000	10,320	-	10,320	
Elan Investment Corp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	17,055	-	17,055	
Elan Investment Corp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	50,782	-	50,782	
Elan Investment Corp.	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	5,556	76,129	-	76,129	
Elan Investment Corp.	Taishin ESG Emerging Markets Bond Fund A TWD	-	Current financial assets at fair value through profit or loss	3,003	24,300	-	24,300	
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	39,432	-	39,432	
Elan Investment Corp.	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	589	63,624	-	63,624	
Elan Investment Corp.	Elan Microelectronics Corporation	Subsidiary	Non-current financial assets at fair value through other comprehensive income	12,438	1,735,129	4.09%	1,735,129	
Elan Investment Corp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	27,273	3.88%	27,273	
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	289,262	13.41%	289,262	
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	1,370	2.70%	1,370	
Elan Investment Corp.	ZQAM Communications Corporation - Preferred shares	-	Non-current financial assets at fair value through profit or loss	250	803	1.07%	803	
Elan Investment Corp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	6,804	2.53%	6,804	
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	6,177	1.13%	6,177	
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	1,643	14.29%	1,643	

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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	241,177	2.92 %	Open Account 45 Days	-		42,581	2.09%	

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	241,177	Open Account 45 Days	2.92%
0	Elan Microelectronics Corporation	Elan (H.K.)	1	Accounts receivable	42,581	Open Account 45 Days	0.23%
1	Elan (H.K.)	Elan Microelectronics Corporation	2	Commission revenue	186,607	Monthly settlement	2.26%

(b) Information on investees:

The followings are the information on investees for the six months ended June 30, 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 June 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 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 %	769,134	94,552	94,552	Note
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	1,013,335	(270,786)	(270,786)	Note
Elan Microelectronics Corporation	Elan Information Technology Group	California, USA	Sale, after-sales service and provide new informational skills	22,822	22,822	65	100.00 %	16,231	(459)	(459)	Note
Elan Microelectronics Corporation	SHENZHEN JPUP Electron Co., Ltd.	New Taipei City, Taiwan	Wholesale and installation of electronic devices, data storage and equipment process	7,840	7,840	784	49.00 %	(2,030)	(1,754)	(859)	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 %	26,431	(68,821)	(34,610)	Note

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Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 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 %	8,034	(13,176)	(11,500)	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 %	10,462	(19,423)	(19,025)	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	18.50 %	37,876	(8,374)	(1,584)	Note
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	210,000	240,000	21,000	30.00 %	270,724	(54,565)	(16,369)	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	5,000	24.69 %	9,727	2,117	523	
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 %	199,133	(12,988)	(4,073)	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 %	315	(13,176)	(423)	Note
Elan Investment Corp.	RONG CHENG Technology	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	77,706	77,706	8,000	38.46 %	-	-	-	
Elan Investment Corp.	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	665	665	43	0.28 %	29	(19,423)	(54)	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 %	16,935	(68,821)	(880)	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	9.61 %	20,681	(8,374)	(823)	Note
Elan (H.K.)	Power Asia Investment Corporation	Republic of Mauritius	Investment holding	89,572	89,572	2,861	100.00 %	16,175	(9,205)	(9,205)	Note
Metanoia Communications Inc.	Metanoia Communication Europe	France	Provide technical support and information service	9,908	9,908	301	100.00 %	3,752	(1,774)	(1,774)	Note
Chimei Motor Electronic CO., LTD.	CHIMEI MOTOR ELECTRONICS (SAMOA) CO., LTD.	Somoa	Investment holding	37,145	22,336	1,250	100.00 %	15,559	(1,634)	(1,634)	Note

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

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) recognized	Carrying value as of June 30, 2022	Accumulated inward remittance of earnings as of June 30, 2022
					Outflow	Inflow						
Elan Micro-electronics (Shanghai) Co., Ltd.	Provide technical support and information service	52,095	(2)	52,095	-	-	52,095	(7,269)	100.00%	(7,269)	11,541	-
Elan Micro-electronics (Shenzhen) Co., Ltd.	Provide technical support and information service	34,670	(2)	34,670	-	-	34,670	(1,956)	100.00%	(1,956)	4,168	-
Gianteye Technology (Shanghai) CO., LTD.	Development of advanced driver assistance systems and wholesale of automotive electronic products	37,145	(2)	22,336	14,809	-	37,145	(1,634)	100.00%	(1,634)	15,469	-

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 June 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Elan Microelectronics Corporation	86,765 (USD2,500,000)	98,333 (USD2,500,000)	4,838,540
Chimei Motor Electronic CO., LTD.	37,145 (USD1,250,000)	37,427 (USD1,250,000)	190,190

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.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information:

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

For the three months ended June 30, 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	\$ 1,025,885	2,843,566	30,056	-	109,444	139,597	-	4,148,548
Intersegment revenues	125,458	-	-	-	95,056	5,052	(225,566)	-
Interest income	7,966	129	42	4	53	173	-	8,367
Total revenue	<u>\$ 1,159,309</u>	<u>2,843,695</u>	<u>30,098</u>	<u>4</u>	<u>204,553</u>	<u>144,822</u>	<u>(225,566)</u>	<u>4,156,915</u>
Reportable segment profit or loss	<u>\$ 17,695</u>	<u>1,062,724</u>	<u>(34,103)</u>	<u>(125,909)</u>	<u>41,902</u>	<u>(24,960)</u>	<u>130,309</u>	<u>1,067,658</u>
For the three months ended June 30, 2021								
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue								
Revenue from external customers	\$ 1,470,977	3,282,985	20,258	-	131,767	130,125	-	5,036,112
Intersegment revenues	141,193	-	-	-	111,076	7,856	(260,125)	-
Interest income	7,150	60	34	(5,389)	44	64	-	1,963
Total revenue	<u>\$ 1,619,320</u>	<u>3,283,045</u>	<u>20,292</u>	<u>(5,389)</u>	<u>242,887</u>	<u>138,045</u>	<u>(260,125)</u>	<u>5,038,075</u>
Reportable segment profit or loss	<u>\$ 272,154</u>	<u>1,298,638</u>	<u>(41,095)</u>	<u>(92,048)</u>	<u>73,492</u>	<u>(7,134)</u>	<u>164,620</u>	<u>1,668,627</u>
For the six months ended June 30, 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	\$ 1,993,559	5,701,475	60,532	-	221,601	270,020	-	8,247,187
Intersegment revenues	250,798	-	-	-	186,607	9,997	(447,402)	-
Interest income	13,461	129	42	5	60	205	-	13,902
Total revenue	<u>\$ 2,257,818</u>	<u>5,701,604</u>	<u>60,574</u>	<u>5</u>	<u>408,268</u>	<u>280,222</u>	<u>(447,402)</u>	<u>8,261,089</u>
Reportable segment profit or loss	<u>\$ (20,686)</u>	<u>2,130,160</u>	<u>(70,596)</u>	<u>(270,675)</u>	<u>96,179</u>	<u>(56,724)</u>	<u>273,354</u>	<u>2,081,012</u>
Assets:								
Investments accounted for using equity method	<u>\$ 2,359,057</u>	<u>-</u>	<u>-</u>	<u>37,961</u>	<u>-</u>	<u>-</u>	<u>(2,116,567)</u>	<u>280,451</u>
Capital expenditure	<u>\$ 118,229</u>	<u>39,840</u>	<u>10,933</u>	<u>-</u>	<u>10,876</u>	<u>21,264</u>	<u>-</u>	<u>201,142</u>
Reportable segment assets	<u>\$ 13,882,722</u>	<u>3,994,403</u>	<u>491,255</u>	<u>2,748,554</u>	<u>936,377</u>	<u>900,437</u>	<u>(4,077,615)</u>	<u>18,876,133</u>
For the six months ended June 30, 2021								
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue								
Revenue from external customers	\$ 2,704,363	5,913,424	43,709	-	283,504	246,933	-	9,191,933
Intersegment revenues	296,959	-	-	-	197,239	13,940	(508,138)	-
Interest income	13,631	60	34	(4,680)	62	111	-	9,218
Total revenue	<u>\$ 3,014,953</u>	<u>5,913,484</u>	<u>43,743</u>	<u>(4,680)</u>	<u>480,805</u>	<u>260,984</u>	<u>(508,138)</u>	<u>9,201,151</u>
Reportable segment profit or loss	<u>\$ 748,105</u>	<u>2,255,350</u>	<u>(66,866)</u>	<u>(18,518)</u>	<u>92,108</u>	<u>(24,432)</u>	<u>4,725</u>	<u>2,990,472</u>
Assets:								
Investments accounted for using equity method	<u>\$ 2,213,174</u>	<u>-</u>	<u>-</u>	<u>36,097</u>	<u>-</u>	<u>-</u>	<u>(1,890,501)</u>	<u>358,770</u>
Capital expenditure	<u>\$ 718,333</u>	<u>4,896</u>	<u>7,872</u>	<u>-</u>	<u>167</u>	<u>5,436</u>	<u>-</u>	<u>736,704</u>
Reportable segment assets	<u>\$ 13,354,445</u>	<u>4,024,383</u>	<u>550,909</u>	<u>3,488,653</u>	<u>751,938</u>	<u>354,559</u>	<u>(4,581,107)</u>	<u>17,943,780</u>