

**ELAN MICROELECTRONICS CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 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 September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, as well as the changes in equity and cash flows for the nine months ended September 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 \$1,543,157 thousand and \$1,009,580 thousand, constituting 10.90% and 6.18% of the consolidated total assets; and the total liabilities amounting to \$620,961 thousand and \$338,648 thousand, constituting 12.25% and 5.16% of the consolidated total liabilities as of September 30, 2022 and 2021, respectively; as well as the total comprehensive loss amounting to \$(76,232) thousand, \$(70,092) thousand, \$(189,943) thousand and \$(162,379) thousand, constituting (17.22)%, (4.40)%, (10.45)% and (4.01)% of the consolidated total comprehensive income (loss) for the three months and nine months ended September 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 \$250,538 thousand and \$356,877 thousand as of September 30, 2022 and 2021, respectively, and its equity in net earnings on these investee companies of \$(29,913) thousand, \$(1,893) thousand, \$(46,886) thousand and \$41,263 thousand for the three months and nine months ended September 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 September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, as well as its consolidated cash flows for the nine months ended September 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)  
November 3, 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 September 30, 2022 and 2021**

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**September 30, 2022, December 31, 2021, and September 30, 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

		September 30, 2022		December 31, 2021		September 30, 2021				September 30, 2022		December 31, 2021		September 30, 2021	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:															
1100	Cash and cash equivalents (notes 6(a) and (w))	\$ 2,786,327	20	4,254,507	25	3,536,424	22	2100	Short-term borrowings (notes 6(l), (w) and 9)	\$ 80,000	1	30,000	-	30,000	-
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (w))	501,446	4	772,628	4	885,474	5	2170	Accounts payable (note 6(w))	1,266,044	9	1,706,452	10	1,846,877	11
1136	Current financial assets at amortised cost, net (notes 6(a), (w) and 8)	389,210	3	1,725,450	10	836,700	5	2206	Employee bonus payable (note 6(v))	913,346	6	821,000	5	1,100,723	7
1170	Notes and accounts receivable, net (notes 6(c) and (w))	1,236,048	9	1,794,193	11	2,321,830	14	2230	Current tax liabilities	361,208	3	1,020,464	6	1,292,289	8
1200	Other receivables (notes 6(c) and (w))	939,300	7	1,176,985	7	2,141,214	13	2280	Current lease liabilities (notes 6(n) and (w))	29,736	-	21,687	-	24,330	-
1310	Inventories, net (note 6(d))	3,646,855	26	2,314,145	14	2,048,518	13	2325	Current preference share liabilities (note 6(m))	40,000	-	-	-	-	-
1470	Other current assets (note 9)	79,320	1	32,053	-	47,492	-	2399	Other current liabilities (note 6(w))	1,216,995	9	1,253,154	8	1,177,769	7
		9,578,506	70	12,069,961	71	11,817,652	72			3,907,329	28	4,852,757	29	5,471,988	33
Non-current assets:															
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and (w))	1,484,620	9	1,577,319	9	1,261,764	8	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))	284,373	2	491,824	3	537,039	3	2580	Non-current lease liabilities (notes 6(n) and (w))	715,729	5	671,682	4	678,469	4
1536	Non-current financial assets at amortized cost (notes 6(a), (w) and 8)	7,400	-	7,200	-	7,200	-	2640	Net defined benefit liability, non-current	384,719	3	396,993	2	375,546	2
1551	Investments accounted for using equity method (note 6(f))	250,538	2	346,697	2	356,877	2	2645	Guarantee deposits received (note 6(w))	59,311	-	36,641	-	36,595	-
1600	Property, plant and equipment (note 6(i))	994,856	7	952,324	6	878,514	6			1,160,826	8	1,106,383	6	1,091,854	6
1755	Right-of-use assets (note 6(j))	871,801	6	838,550	5	849,729	5		Total liabilities	5,068,155	36	5,959,140	35	6,563,842	39
1780	Intangible assets (notes 6(g) and (k))	478,389	3	424,650	3	411,683	3		Equity attributable to owners of parent: (notes 6(f) and (q))						
1840	Deferred tax assets	39,994	-	39,994	-	33,221	-	3100	Capital stock	3,038,804	21	3,038,804	18	3,038,804	19
1900	Other non-current assets (notes 6(w) and 9)	169,580	1	184,489	1	180,260	1	3200	Capital surplus	803,208	6	631,181	4	631,181	4
		4,581,551	30	4,863,047	29	4,516,287	28		Retained earnings:						
								3310	Legal reserve	2,679,725	19	2,159,576	13	2,159,576	13
								3350	Undistributed earnings	3,306,323	23	5,824,804	34	4,495,118	28
										5,986,048	42	7,984,380	47	6,654,694	41
								3400	Other equity	(9,357)	-	195,094	1	239,663	1
								3500	Treasury shares	(1,106,485)	(8)	(1,106,485)	(7)	(1,044,698)	(6)
									Total equity attributable to owners of parent:	8,712,218	61	10,742,974	63	9,519,644	59
								36XX	Non-controlling interests	379,684	3	230,894	2	250,453	2
									Total equity	9,091,902	64	10,973,868	65	9,770,097	61
Total assets		\$ 14,160,057	100	16,933,008	100	16,333,939	100		Total liabilities and equity	\$ 14,160,057	100	16,933,008	100	16,333,939	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 nine months ended September 30, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		For the three months ended September 30				For the nine months ended September 30			
		2022		2021		2022		2021	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	<b>Total operating revenue</b> (notes 6(t) and 14)	\$ 2,819,194	100	4,974,501	100	11,066,381	100	14,166,434	100
5000	<b>Total operating costs</b> (notes 6(d) and (o))	<u>1,507,792</u>	<u>53</u>	<u>2,436,024</u>	<u>49</u>	<u>5,845,686</u>	<u>53</u>	<u>7,106,470</u>	<u>50</u>
5900	<b>Gross profit from operations</b>	1,311,402	47	2,538,477	51	5,220,695	47	7,059,964	50
5920	Add: Realized (unrealized) profit from sales	<u>-</u>	<u>-</u>	<u>141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175</u>	<u>-</u>
5950	<b>Gross profits</b>	<u>1,311,402</u>	<u>47</u>	<u>2,538,618</u>	<u>51</u>	<u>5,220,695</u>	<u>47</u>	<u>7,060,139</u>	<u>50</u>
6000	<b>Operating expenses:</b> (notes 6(c), (o), (r) and 12)								
6100	Selling expenses	148,648	5	147,391	3	446,213	4	465,856	3
6200	Administrative expenses	118,861	4	138,290	3	358,171	4	388,102	3
6300	Research and development expenses	517,412	18	584,104	12	1,646,474	15	1,676,997	12
6450	Impairment gains and losses determined in accordance with IFRS 9	<u>(6,158)</u>	<u>-</u>	<u>(2,856)</u>	<u>-</u>	<u>4,551</u>	<u>-</u>	<u>(2,886)</u>	<u>-</u>
		<u>778,763</u>	<u>27</u>	<u>866,929</u>	<u>18</u>	<u>2,455,409</u>	<u>23</u>	<u>2,528,069</u>	<u>18</u>
6900	<b>Net Operating income</b>	<u>532,639</u>	<u>20</u>	<u>1,671,689</u>	<u>33</u>	<u>2,765,286</u>	<u>24</u>	<u>4,532,070</u>	<u>32</u>
7000	<b>Non-operating income and expenses:</b>								
7100	Interest income (note 6(u))	4,923	-	5,181	-	18,825	-	14,399	-
7010	Other income (notes 6(g) and (u))	41,914	1	21,792	-	113,592	1	46,552	-
7020	Other gains and losses (notes 6(h) and (u))	77,488	3	(13,390)	-	(136,205)	(1)	43,299	-
7050	Finance costs (notes 6(m) and (n))	(3,628)	-	(3,115)	-	(10,177)	-	(6,847)	-
7770	Shares of gain of associates accounted for using equity method (note 6(f))	<u>(29,913)</u>	<u>(1)</u>	<u>(1,893)</u>	<u>-</u>	<u>(46,886)</u>	<u>-</u>	<u>41,263</u>	<u>-</u>
		<u>90,784</u>	<u>3</u>	<u>8,575</u>	<u>-</u>	<u>(60,851)</u>	<u>-</u>	<u>138,666</u>	<u>-</u>
7900	<b>Profit before income tax</b>	623,423	23	1,680,264	33	2,704,435	24	4,670,736	32
8110	Less: Income tax expenses (note 6(p))	<u>134,981</u>	<u>5</u>	<u>342,419</u>	<u>7</u>	<u>682,335</u>	<u>6</u>	<u>948,104</u>	<u>7</u>
	<b>Net profit</b>	<u>488,442</u>	<u>18</u>	<u>1,337,845</u>	<u>26</u>	<u>2,022,100</u>	<u>18</u>	<u>3,722,632</u>	<u>25</u>
8300	<b>Other comprehensive income (loss):</b> (notes 6(f) and (q))								
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(47,078)	(2)	256,037	5	(207,451)	(2)	325,964	2
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>(47,078)</u>	<u>(2)</u>	<u>256,037</u>	<u>5</u>	<u>(207,451)</u>	<u>(2)</u>	<u>325,964</u>	<u>2</u>
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>								
8361	Exchange differences on translation of foreign financial statements	1,411	-	44	-	3,093	-	(133)	-
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>1,411</u>	<u>-</u>	<u>44</u>	<u>-</u>	<u>3,104</u>	<u>-</u>	<u>(133)</u>	<u>-</u>
8300	<b>Other comprehensive income (loss), net</b>	<u>(45,667)</u>	<u>(2)</u>	<u>256,081</u>	<u>5</u>	<u>(204,347)</u>	<u>(2)</u>	<u>325,831</u>	<u>2</u>
8500	<b>Comprehensive income</b>	<u>\$ 442,775</u>	<u>16</u>	<u>1,593,926</u>	<u>31</u>	<u>1,817,753</u>	<u>16</u>	<u>4,048,463</u>	<u>27</u>
	<b>Net profit (loss) attributable to:</b>								
8610	Owners of parent	\$ 521,766	19	1,362,410	26	2,104,053	19	3,782,301	25
8620	Non-controlling interests	<u>(33,324)</u>	<u>(1)</u>	<u>(24,565)</u>	<u>-</u>	<u>(81,953)</u>	<u>(1)</u>	<u>(59,669)</u>	<u>-</u>
		<u>\$ 488,442</u>	<u>18</u>	<u>1,337,845</u>	<u>26</u>	<u>2,022,100</u>	<u>18</u>	<u>3,722,632</u>	<u>25</u>
	<b>Comprehensive income (loss) attributable to:</b>								
8710	Owners of the parent	\$ 476,006	17	1,618,475	31	1,899,602	17	4,108,126	27
8720	Non-controlling interests	<u>(33,231)</u>	<u>(1)</u>	<u>(24,549)</u>	<u>-</u>	<u>(81,849)</u>	<u>(1)</u>	<u>(59,663)</u>	<u>-</u>
		<u>\$ 442,775</u>	<u>16</u>	<u>1,593,926</u>	<u>31</u>	<u>1,817,753</u>	<u>16</u>	<u>4,048,463</u>	<u>27</u>
	<b>Earnings per share (expressed in dollars)</b> (note 6(s))								
9710	Basic earnings per share	<u>\$ 1.83</u>		<u>4.70</u>		<u>7.39</u>		<u>13.00</u>	
9850	Diluted earnings per share	<u>\$ 1.81</u>		<u>4.64</u>		<u>7.27</u>		<u>12.79</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 nine months ended September 30, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Ordinary shares	Capital surplus	Retained earnings		Other equity		Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
<b>Balance at January 1, 2021</b>	\$ 3,038,804	519,638	1,825,597	3,692,218	(6,597)	9,937	(28,975)	9,050,622	222,434	9,273,056
Net profit	-	-	-	3,782,301	-	-	-	3,782,301	(59,669)	3,722,632
Other comprehensive income	-	-	-	-	(139)	325,964	-	325,825	6	325,831
Total comprehensive income	-	-	-	3,782,301	(139)	325,964	-	4,108,126	(59,663)	4,048,463
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	333,979	(333,979)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(2,734,924)	-	-	-	(2,734,924)	-	(2,734,924)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	111,944	-	-	-	-	-	111,944	-	111,944
Purchase of treasury share	-	-	-	-	-	-	(1,015,723)	(1,015,723)	-	(1,015,723)
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	90,096	90,096
Changes in non-controlling interests	-	(401)	-	-	-	-	-	(401)	(2,414)	(2,815)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	89,502	-	(89,502)	-	-	-	-
<b>Balance at September 30, 2021</b>	<u>\$ 3,038,804</u>	<u>631,181</u>	<u>2,159,576</u>	<u>4,495,118</u>	<u>(6,736)</u>	<u>246,399</u>	<u>(1,044,698)</u>	<u>9,519,644</u>	<u>250,453</u>	<u>9,770,097</u>
<b>Balance at January 1, 2022</b>	\$ 3,038,804	631,181	2,159,576	5,824,804	(6,923)	202,017	(1,106,485)	10,742,974	230,894	10,973,868
Net profit	-	-	-	2,104,053	-	-	-	2,104,053	(81,953)	2,022,100
Other comprehensive income	-	-	-	-	3,000	(207,451)	-	(204,451)	104	(204,347)
Total comprehensive income	-	-	-	2,104,053	3,000	(207,451)	-	1,899,602	(81,849)	1,817,753
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)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	171,792	-	-	-	-	-	171,792	-	171,792
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	5,895	5,895
Changes in non-controlling interests	-	235	-	-	-	-	-	235	224,744	224,979
<b>Balance at September 30, 2022</b>	<u>\$ 3,038,804</u>	<u>803,208</u>	<u>2,679,725</u>	<u>3,306,323</u>	<u>(3,923)</u>	<u>(5,434)</u>	<u>(1,106,485)</u>	<u>8,712,218</u>	<u>379,684</u>	<u>9,091,902</u>

See accompanying notes to financial statements.

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

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the nine months ended September 30, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the nine months ended September 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 2,704,435	4,670,736
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expense	123,227	89,322
Amortization expense	116,134	93,804
Expected credit loss (gain)	4,551	(2,886)
Net loss (profit) on financial assets at fair value through profit or loss	397,852	(84,097)
Interest expense	10,177	6,847
Interest income	(18,825)	(14,399)
Dividend income	(90,102)	(33,674)
Share-based payment transactions	1,237	-
Share of profit of associates accounted for using equity method	46,886	(41,263)
(Gain) loss on disposal of property, plant and equipment	(8)	345
Gain on disposal of investments	-	(1,343)
Gain on a bargain purchase	-	(1,201)
Impairment loss and disposal loss on inventory	117,092	83,215
Reversal of impairment loss	-	(3,930)
Gain on adjustments to lease	(161)	-
<b>Total adjustments to reconcile profit</b>	<b>708,060</b>	<b>90,740</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in notes and accounts receivable	581,943	(165,159)
Increase in inventories	(1,313,183)	(349,080)
Increase in prepayments and other current assets	(31,083)	(24,304)
Decrease (increase) in other receivables	228,110	(322,039)
(Decrease) increase in notes and accounts payable	(461,884)	20,210
Increase in other current liabilities	38,868	412,662
Decrease in net defined benefit liability	(12,274)	(13,910)
Cash inflow generated from operations	2,442,992	4,319,856
Interest received	18,861	14,664
Interest paid	(9,787)	(6,847)
Income taxes paid	(1,341,591)	(785,397)
<b>Net cash flows from operating activities</b>	<b>1,110,475</b>	<b>3,542,276</b>
<b>Cash flows from (used in) investing activities:</b>		
Dividends received	110,502	37,682
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	-	75,843
Acquisition of current financial assets at fair value through profit or loss	(25,599)	(168,318)
Proceeds from disposal of current financial assets at fair value through profit or loss	285,256	261,234
Acquisition of non-current financial assets at fair value through profit or loss	(328,706)	(178,203)
Proceeds from capital reduction and liquidation of financial assets at fair value through profit or loss	40,648	15,803
Decrease in financial assets at amortized cost	1,336,040	1,898,950
Net cash flow from acquisition of subsidiaries	53,108	2,337
Proceeds from disposal of subsidiaries	-	9,166
Proceeds from capital reduction of investments accounted for using equity method	30,000	3,930
Acquisition of property, plant and equipment	(122,650)	(70,940)
Proceeds from disposal of property, plant and equipment	27	-
Acquisition of intangible assets	(66,507)	(56,915)
Decrease (increase) in refundable deposits	6,720	(124,122)
Decrease in other non-current assets	874	665
<b>Net cash flows from (used in) investing activities</b>	<b>1,319,713</b>	<b>1,707,112</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	60,000	10,000
Decrease in short-term borrowings	(10,000)	(20,000)
Repayments of long-term debt	(24,679)	-
Increase (decrease) in guarantee deposits received	22,668	(2,823)
Payment of lease liabilities	(24,709)	(181,746)
Cash dividends paid	(3,930,593)	(2,622,980)
Payments to acquire treasury shares	-	(1,015,723)
Change in non-controlling interests	5,895	90,096
<b>Net cash flows from (used in) financing activities</b>	<b>(3,901,418)</b>	<b>(3,743,176)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>3,050</b>	<b>(129)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,468,180)</b>	<b>1,506,083</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>4,254,507</b>	<b>2,030,341</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 2,786,327</b>	<b>3,536,424</b>

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**

**September 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 November 3, 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”

- (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:

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(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:

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

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

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

##### **(a) Statement of Compliance**

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

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

##### **(b) Basis of consolidation**

###### **(i) Principles of preparation of the consolidated financial statements**

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

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

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

#### (ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2022	December 31, 2021	September 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 %	87.91 %	note 1, 2
The Company	JUPU ELECTRONIC Co., Ltd. (JUPU)	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	97.98 %	98.23 %	98.23 %	note 1, 8
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 %	28.74 %	note 1, 4

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	Bruckewell Technology Co., Ltd. (Bruckewell)	Manufactures and sells electronics devices	- %	- %	61.16 %	note 1, 5
The Company	Elan (H.K.)	Sale and after-sales service	100.00 %	100.00 %	100.00 %	-
The Company	Elan Information	After-sales service and provide new informational skills	100.00 %	100.00 %	100.00 %	note 1
Elan (H.K.)	Power Asia	Investment holding	100.00 %	100.00 %	100.00 %	-
Power Asia	Elan Shanghai	Provide technical support and information service	100.00 %	100.00 %	100.00 %	-
Power Asia	Elan Shenzhen	Provide technical support and information service	100.00 %	100.00 %	100.00 %	-
MetaCom	Metanoia EU	Provide technical support and information service	100.00 %	100.00 %	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 JUPU.

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 from 5% to 31.36% in Chimei Motor Electronics Co., Ltd. by participating in a cash capital increase and obtained four of the seven seats on the Board of Directors. Therefore, Chimei Motor Electronics Co., Ltd. and its subsidiaries are considered to be subsidiaries over which the Company has control and are included in the consolidated financial statements since then.

Note 8: On September 2, 2022, the Group's shareholding percentage was decreased to 97.98% after participating in the capital increase of PiXORD.

(Continued)

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

(c) Employee benefits

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

(d) Income taxes

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

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

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

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

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

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

**(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.

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

(a) Cash and cash equivalents

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Petty cash	\$ 1,149	755	466
Checking and demand deposits	2,437,888	2,477,962	2,286,208
Time deposits	743,900	3,508,440	2,093,650
Less: Restricted deposits (recorded as current and non-current financial assets measured at amortized cost) (Note h)	(102,710)	(7,200)	(7,200)
Time deposits (recorded as financial assets measured at amortized cost) with original maturities of over three months	(293,900)	(1,725,450)	(836,700)
	<b><u>\$ 2,786,327</u></b>	<b><u>4,254,507</u></b>	<b><u>3,536,424</u></b>

The Group did not recognize impairment loss on current and non-current financial assets at amortized cost for the nine months ended September 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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Mandatorily measured at fair value through profit or loss:			
Current:			
Listed stocks	\$ 3,944	6,691	5,909
Certificates of beneficial interest	421,330	706,368	819,494
Short-term commercial papers	76,172	59,569	60,071
Subtotal	<u>501,446</u>	<u>772,628</u>	<u>885,474</u>
Non-current:			
Listed stocks	264,341	523,342	333,764
Non-publicly traded stocks	956,566	876,923	783,750
Unlisted funds	263,713	177,054	144,250
Subtotal	<u>1,484,620</u>	<u>1,577,319</u>	<u>1,261,764</u>
Total	<b><u>\$ 1,986,066</u></b>	<b><u>2,349,947</u></b>	<b><u>2,147,238</u></b>

(Continued)

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

(c) Notes and accounts receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable	\$ 4,205	5,550	4,256
Accounts receivable - fair value through other comprehensive income	849,630	1,125,227	700,682
Accounts receivable - measured at amortized cost	416,095	691,897	1,649,260
Less: Loss allowance	(33,882)	(28,481)	(32,368)
	<u><u>\$ 1,236,048</u></u>	<u><u>1,794,193</u></u>	<u><u>2,321,830</u></u>

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

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

<b>September 30, 2022</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Expected credit loss</b>
Current	\$ 1,144,753	0.63%	7,182
1 to 30 days past due	59,584	1.68%	1,002
31 to 60 days past due	42,037	11.03%	4,635
61 to 90 days past due	-	54.7%	-
More than 90 days past due	23,556	50%~100%	21,063
	<u><u>\$ 1,269,930</u></u>		<u><u>33,882</u></u>

  

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

(Continued)



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

	<b>September 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Expected credit loss</b>
Current	\$ 2,166,412	0.05%	1,042
1 to 30 days past due	91,195	1.86%	1,693
31 to 60 days past due	75,694	11.74%	8,887
61 to 90 days past due	364	58.52%	213
More than 90 days past due	<u>20,533</u>	50%~100%	<u>20,533</u>
	<b><u>\$ 2,354,198</u></b>		<b><u>32,368</u></b>

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

	<b>For the nine months ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 28,481	35,254
Acquisitions	1,046	-
Impairment loss recognized (reversed)	4,551	(2,886)
Effect of changes in exchange rates	<u>(196)</u>	<u>-</u>
Balance at December 31	<b><u>\$ 33,882</u></b>	<b><u>32,368</u></b>

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.

<b>September 30, 2022</b>						
<b>Purchaser</b>	<b>Accounts derecognized</b>	<b>Factoring Line</b>	<b>Advanced Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Interest Rate</b>	<b>Collateral</b>
Financial Institution	<u>\$ 812,953</u>	<u>2,970,800</u>	<u>-</u>	<u>812,953</u>	<u>0.05%~0.10%</u>	None

  

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

(Continued)

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

September 30, 2021						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial Institution	\$ <u>1,695,191</u>	<u>2,869,700</u>	<u>-</u>	<u>1,695,191</u>	<u>0.05%~0.10%</u>	None

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

(d) Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 1,410,976	750,079	724,636
Work in progress	1,824,130	1,260,834	1,071,334
Finished goods	411,749	303,232	252,548
	<u>\$ 3,646,855</u>	<u>2,314,145</u>	<u>2,048,518</u>

The details of the cost of sales were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Inventory that has been sold	\$ 1,468,737	2,399,393	5,729,329	7,021,881
Write-down of inventories	39,890	34,462	117,092	83,215
Others	(835)	2,169	(735)	1,374
	<u>\$ 1,507,792</u>	<u>2,436,024</u>	<u>5,845,686</u>	<u>7,106,470</u>

As of September 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

	September 30, 2022	December 31, 2021	September 30, 2021
Equity investments at fair value through other comprehensive income:			
Emerging stocks	\$ 16,553	20,969	22,660
Listed stocks	267,820	470,855	514,379
	<u>\$ 284,373</u>	<u>491,824</u>	<u>537,039</u>

(Continued)

# ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- (i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.
- (ii) There were no disposals of strategic investments and transfers of any accumulative gain or loss within equity relating to these investments as of September 30, 2022 and 2021. The Group sold its shares from January 1 to September 30, 2021. The shares sold had a fair value of \$93,277 thousand, wherein the Group realized a gain of \$89,502 thousand, which was reclassified from other comprehensive income to retained earnings.
- (iii) For market risk, please refer to note 6(w).
- (iv) As of September 30, 2022, December 31 and September 30, 2021, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral for its loans.
- (f) Investments accounted for using equity method

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

	September 30, 2022	December 31, 2021	September 30, 2021
Associates	\$ <u>250,538</u>	<u>346,697</u>	<u>356,877</u>

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

			September 30, 2022		December 31, 2021		September 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	26,070	46.73
Lighting Device Technologies Corp.	Research, design, develop, manufacture and sale on LED chips	R.O.C.	11,712	45.07	11,712	45.07	11,712	45.07
Top Taiwan X Venture Capital Co., Ltd.	Venture capital	R.O.C.	240,000	30.00	240,000	30.00	240,000	30.00
Uniband Electronic Corp.	Manufactures and sells electronic devices	R.O.C.	50,000	24.69	50,000	24.69	50,000	24.69
Finger Pro. Incorporation	Manufactures and sells electronic devices	R.O.C.	6,000	23.08	6,000	23.08	6,000	23.08

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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			September 30, 2022		December 31, 2021		September 30, 2021	
			Amount	Share- holding (%)	Amount	Share- holding (%)	Amount	Share- holding (%)
RONG CHENG Technology	Manufactures and sells electronic devices, computers and its related products, manufactures optical instruments	Main operating location / Registered Country of the Company R.O.C.	77,706	38.46	77,706	38.46	77,706	38.46
			<u>\$ 411,488</u>		<u>411,488</u>		<u>411,488</u>	

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 September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Attributable to the Group:				
Profit (Loss) from continuing operations	\$ (29,913)	(1,893)	(46,886)	41,263
Other comprehensive income (loss)	-	-	11	-
Comprehensive income	<u>\$ (29,913)</u>	<u>(1,893)</u>	<u>(46,875)</u>	<u>41,263</u>

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

(g) Business combinations

- (i) 1) On March 1, 2022, the Group obtained control over Chimei Motor Electronics Co., Ltd. and began to incorporate it into the consolidated financial statements. The Group holds the equity in the Company from 5% to 31.36%, which is mainly engaged in the manufacturing and wholesale of image recognition and automotive electronics products. The Group expects to improve its management synergy after the acquisition.
- 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.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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	<b><u>March 1, 2022</u></b>
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>
	<b><u>\$ 425,809</u></b>
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	<u>(40,000)</u>
Total identifiable net assets acquired	<b><u>\$ 325,965</u></b>
Goodwill	<b><u>\$ 99,844</u></b>

3) Note cash flows from acquisition of a subsidiary

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

- 4) Chimei contributed the sales and net losses \$69,767 thousand and \$12,982 thousand respectively from the acquisition date to September 30, 2022. If the acquisition happened on January 1, 2022, the management estimated that the Group of sales and net income will be \$11,085,100 thousand and \$2,019,051 thousand 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 acquisition date.

- (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><b>April 28, 2021</b></u>
Consideration paid by cash	<u><b>\$ 34</b></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><b>\$ 1,235</b></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><b>\$ 21,583</b></u>

- (ii) Gain on disposal of a subsidiary

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

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(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>
	<b><u>\$ 9,166</u></b>

(i) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office and transportation equipment</u>	<u>Equipment awaiting examination and prepayments on construction</u>	<u>Total</u>
Cost:						
Balance at January 1, 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	41,700	29,663	50,118	122,650
Derecognized	-	-	(4,898)	(3,486)	-	(8,384)
Reclassification	-	2,541	15,141	1,421	(21,475)	(2,372)
Effect of movements in exchange rates	-	-	160	259	-	419
Balance at September 30, 2022	<b><u>\$ 230,790</u></b>	<b><u>1,181,892</u></b>	<b><u>725,003</u></b>	<b><u>201,138</u></b>	<b><u>63,101</u></b>	<b><u>2,401,924</u></b>
Balance at January 1, 2021	\$ 230,790	1,162,385	575,934	160,230	30,451	2,159,790
Acquisitions	-	-	250	-	-	250
Additions	-	3,098	48,827	9,937	9,078	70,940
Effect of disposal of subsidiaries	-	-	-	(365)	-	(365)
Derecognized	-	-	(12,964)	(4,052)	-	(17,016)
Reclassification	-	5,333	13,740	214	(20,187)	(900)
Effect of movements in exchange rates	-	-	(22)	(18)	-	(40)
Balance at September 30, 2021	<b><u>\$ 230,790</u></b>	<b><u>1,170,816</u></b>	<b><u>625,765</u></b>	<b><u>165,946</u></b>	<b><u>19,342</u></b>	<b><u>2,212,659</u></b>
Depreciation:						
Balance at January 1, 2022	\$ -	714,779	474,786	137,053	-	1,326,618
Depreciation	-	16,708	58,854	12,903	-	88,465
Derecognized	-	-	(4,894)	(3,471)	-	(8,365)
Effect of disposal of subsidiaries	-	-	143	207	-	350
Balance at September 30, 2022	<b><u>\$ -</u></b>	<b><u>731,487</u></b>	<b><u>528,889</u></b>	<b><u>146,692</u></b>	<b><u>-</u></b>	<b><u>1,407,068</u></b>

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	<b>Land</b>	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Office and transportation equipment</b>	<b>Equipment awaiting examination and prepayments on construction</b>	<b>Total</b>
Balance at January 1, 2021	\$ -	694,485	456,020	136,504	-	1,287,009
Depreciation	-	14,959	41,879	7,114	-	63,952
Effect of disposal of subsidiaries	-	-	-	(120)	-	(120)
Derecognized	-	-	(12,697)	(3,974)	-	(16,671)
Reclassification	-	-	(171)	171	-	-
Effect of movements in exchange rates	-	-	(11)	(14)	-	(25)
Balance at September 30, 2021	<u>\$ -</u>	<u>709,444</u>	<u>485,020</u>	<u>139,681</u>	<u>-</u>	<u>1,334,145</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 September 30, 2022	<u>\$ 230,790</u>	<u>450,405</u>	<u>196,114</u>	<u>54,446</u>	<u>63,101</u>	<u>994,856</u>
Balance at September 30, 2021	<u>\$ 230,790</u>	<u>461,372</u>	<u>140,745</u>	<u>26,265</u>	<u>19,342</u>	<u>878,514</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:

	<b>Land</b>	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Total</b>
Cost:					
Balance at January 1, 2022	\$ 842,737	42,070	948	19,179	904,934
Additions	-	70,656	-	-	70,656
Derecognized	-	(35,722)	-	(9,118)	(44,840)
Effect of movements in exchange rates	-	165	-	-	165
Balance at September 30, 2022	<u>\$ 842,737</u>	<u>77,169</u>	<u>948</u>	<u>10,061</u>	<u>930,915</u>
Balance at January 1, 2021	\$ 186,883	36,203	948	12,179	236,213
Additions	655,854	6,347	-	7,000	669,201
Effect of movements in exchange rates	-	(65)	-	-	(65)
Balance at September 30, 2021	<u>\$ 842,737</u>	<u>42,485</u>	<u>948</u>	<u>19,179</u>	<u>905,349</u>

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Accumulated depreciation:					
Balance at January 1, 2022	\$ 27,706	27,446	448	10,784	66,384
Depreciation	16,505	15,328	237	2,692	34,762
Derecognized	-	(33,867)	-	(8,007)	(41,874)
Effect of movements in exchange rates	-	(158)	-	-	(158)
Balance at September 30, 2022	<u>\$ 44,211</u>	<u>8,749</u>	<u>685</u>	<u>5,469</u>	<u>59,114</u>
Balance at January 1, 2021	\$ 11,165	14,045	132	4,950	30,292
Depreciation	11,040	9,896	237	4,197	25,370
Effect of movements in exchange rates	-	(42)	-	-	(42)
Balance at September 30, 2021	<u>\$ 22,205</u>	<u>23,899</u>	<u>369</u>	<u>9,147</u>	<u>55,620</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 September 30, 2022	<u>\$ 798,526</u>	<u>68,420</u>	<u>263</u>	<u>4,592</u>	<u>871,801</u>
Balance at September 30, 2021	<u>\$ 820,532</u>	<u>18,586</u>	<u>579</u>	<u>10,032</u>	<u>849,729</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	-	3,926	62,581	66,507
Derecognized	-	(12,731)	(25,388)	(38,119)
Reclassifications	-	-	2,318	2,318
Balance at September 30, 2022	<u>\$ 276,682</u>	<u>273,086</u>	<u>305,037</u>	<u>854,805</u>
Balance at January 1, 2021	\$ 176,838	230,769	233,204	640,811
Additions	-	12,062	44,853	56,915
Effect of disposal of subsidiaries	-	-	(3,007)	(3,007)
Reclassifications	-	(25)	900	875
Derecognized	-	(7,124)	(10,243)	(17,367)
Balance at September 30, 2021	<u>\$ 176,838</u>	<u>235,682</u>	<u>265,707</u>	<u>678,227</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	-	46,633	69,501	116,134
Derecognized	-	(12,731)	(25,388)	(38,119)
Balance at September 30, 2022	<u>\$ -</u>	<u>168,322</u>	<u>208,094</u>	<u>376,416</u>
Balance at January 1, 2021	\$ -	92,014	99,240	191,254
Additions	-	34,477	59,327	93,804
Effect of disposal of subsidiaries	-	-	(1,147)	(1,147)
Derecognized	-	(7,124)	(10,243)	(17,367)
Balance at September 30, 2021	<u>\$ -</u>	<u>119,367</u>	<u>147,177</u>	<u>266,544</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 September 30, 2022	<u>\$ 276,682</u>	<u>104,764</u>	<u>96,943</u>	<u>478,389</u>
Balance at September 30, 2021	<u>\$ 176,838</u>	<u>116,315</u>	<u>118,530</u>	<u>411,683</u>

(l) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unsecured bank loans	<u>\$ 80,000</u>	<u>30,000</u>	<u>30,000</u>
Range of interest rate	<u>1.98%~2.301%</u>	<u>1.78%~ 1.80%</u>	<u>1.78%~ 1.80%</u>
Unused short-term credit lines	<u>\$ 2,935,000</u>	<u>2,750,000</u>	<u>2,430,000</u>

(m) Preference share liabilities

	<u>September 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 \$350 thousand for the nine months ended September 30, 2022.

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**Notes to the Consolidated Financial Statements**

(n) Lease liabilities

The lease liabilities were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Current	\$ <u>29,736</u>	<u>21,687</u>	<u>24,330</u>
Non-current	\$ <u>715,729</u>	<u>671,682</u>	<u>678,469</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 September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Interest on lease liabilities	\$ <u>3,077</u>	<u>2,896</u>	<u>8,929</u>	<u>6,150</u>
Expenses relating to short-term leases	\$ <u>3,820</u>	<u>4,708</u>	<u>12,645</u>	<u>13,364</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>242</u>	<u>227</u>	<u>719</u>	<u>788</u>

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

	For the nine months ended September 30	
	2022	2021
Total cash outflow for leases	\$ <u>47,002</u>	<u>202,048</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**  
**Notes to the Consolidated Financial Statements**

(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:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Operating cost	\$ 68	83	203	249
Selling expenses	44	100	173	254
Administration expenses	68	84	205	251
Research and development expenses	625	774	1,898	2,320
	<b>\$ 805</b>	<b>1,041</b>	<b>2,479</b>	<b>3,074</b>

(ii) Defined contribution plans

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Operating cost	\$ 2,299	2,130	6,809	6,285
Selling expenses	1,674	1,609	4,929	4,808
Administration expenses	2,947	2,487	7,768	7,031
Research and development expenses	13,475	12,097	40,513	36,369
	<b>\$ 20,395</b>	<b>18,323</b>	<b>60,019</b>	<b>54,493</b>

(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.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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The Group's income tax expenses were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current period	\$ 134,981	342,419	622,222	916,938
Additional tax on undistributed earnings	-	-	60,113	31,166
Current tax expense	<b>\$ 134,981</b>	<b>342,419</b>	<b>682,335</b>	<b>948,104</b>

(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 September 30, 2022, December 31 and September 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:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Additional paid-in capital	\$ 231,051	231,051	231,051
Treasury share transactions	509,478	337,686	337,686
Difference arising from subsidiary's share price and its carrying value	62,679	62,444	62,444
	<b>\$ 803,208</b>	<b>631,181</b>	<b>631,181</b>

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

(iii) Retained earnings

The Company's Article of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. Aside from the aforesaid legal reserve, the Company may appropriate another sum as a special reserve according to operation needs and

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## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

(iv) Treasury shares

	September 30, 2022		December 31, 2021		September 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	6,433	1,015,723
Shares held by subsidiaries	12,438	28,975	12,438	28,975	12,438	28,975
	<u>19,295</u>	<u>\$ 1,106,485</u>	<u>19,295</u>	<u>1,106,485</u>	<u>18,871</u>	<u>1,044,698</u>

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

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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	For the nine months ended September 30		For the nine months ended September 30	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
Beginning balance	6,857	\$ 1,077,510	-	-
Increase	-	-	6,433	1,015,723
Ending balance	<u>6,857</u>	<u>\$ 1,077,510</u>	<u>6,433</u>	<u>1,015,723</u>

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

- 2) Elan Investment Corp., a subsidiary of the Company, invested in Elantech before the Company acquired Elantech, and held the Company's stock after the Company's acquisition of Elantech. For the nine months ended September 30, 2022 and 2021, the information on the Company's stock held by Elan Investment Corp. was as follows:

	For the nine months ended September 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	-	-	(1,079,636)	-	-	161,696
Ending balance	<u>12,438</u>	<u>\$ 28,975</u>	<u>1,034,858</u>	<u>12,438</u>	<u>28,975</u>	<u>1,822,196</u>

(v) Other equity

The movements of other equity were as follows:

	For the nine months ended September 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	2,989	-	2,989
Associates	11	-	11
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	(207,451)	(207,451)
Balance at September 30	<u>\$ (3,923)</u>	<u>(5,434)</u>	<u>(9,357)</u>

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

	For the nine months ended September 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	(139)	-	(139)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	325,964	325,964
The Group—disposal	-	(89,502)	(89,502)
Balance at September 30	<u>\$ (6,736)</u>	<u>246,399</u>	<u>239,663</u>

(r) **Share-based payment**

Except for the following disclosure, there were no significant changes in share-based payment for the nine months ended September 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.

- (i) The Board of Directors' meeting on February 5, 2021, Eminent decided to award 2,310 units of employee stock options which would issue within three years depending on the actual situation (hereinafter referred to as 2021 employee stock options) to those fulltime employees who meet the specific requirements. Each unit of stock option can be subscribed one thousand stocks of common stock. During the period when the subscriber is granted the employee stock option, the stock options can be exercised and the duration is three years.

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:

	<b>2021 employee stock options</b>
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%

(Continued)



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

Details of the employee stock options were as follows:

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

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.

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

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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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:

	<b>2019 employee stock options</b>
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 September 30, 2022, is as follows:

	<b>2022</b>	
<b>Stock option in 2019</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding at January 1	500	\$ 20.00
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	-	-
Outstanding at September 30	<u>500</u>	<u>\$ 20.00</u>
Exercisable at September 30	<u>250</u>	

Chimei adopted the Black-Scholes model to measure the fair value of employee stock options granted in 2019. Since the shares of Chimei were not listed on an exchange, Chimei used price-to-book ratios of listed companies in similar industries as a multiplier and took liquidity discounts into account to evaluate share price at grant date.

The Group recognized share-based payment cost amounting to \$1,237 thousand from January 1 to September 30, 2022 recognized under operation expense.

(s) Earnings per share

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

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

(i) Basic earnings per share:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Net profit attributable to ordinary shareholders of the Company	\$ <u>521,766</u>	<u>1,362,410</u>	<u>2,104,053</u>	<u>3,782,301</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>284,585</u>	<u>289,752</u>	<u>284,585</u>	<u>290,879</u>
Earnings per share	\$ <u>1.83</u>	<u>4.70</u>	<u>7.39</u>	<u>13.00</u>

(ii) Diluted earnings per share:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Net profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>521,766</u>	<u>1,362,410</u>	<u>2,104,053</u>	<u>3,782,301</u>
Weighted-average number of ordinary shares outstanding (in thousands)	284,585	289,752	284,585	290,879
Effect of dilutive potential ordinary shares (in thousands)				
— employee share bonus	<u>4,009</u>	<u>3,834</u>	<u>4,918</u>	<u>4,798</u>
Weighted-average number of ordinary shares outstanding (diluted)(in thousands)	\$ <u>288,594</u>	<u>293,586</u>	<u>289,503</u>	<u>295,677</u>
Diluted earnings per share	\$ <u>1.81</u>	<u>4.64</u>	<u>7.27</u>	<u>12.79</u>

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

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Taiwan	\$ 198,925	484,844	875,661	1,169,721
Mainland China	545,094	575,167	1,999,817	1,944,399
Hong Kong	2,032,630	3,827,329	8,033,944	10,830,743
America	7,354	6,859	25,785	22,904
Europe	13,805	3,261	30,691	7,845
Others	21,386	77,041	100,483	190,822
	<u>\$ 2,819,194</u>	<u>4,974,501</u>	<u>11,066,381</u>	<u>14,166,434</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 September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Interest income from bank deposits	\$ <u>4,923</u>	<u>5,181</u>	<u>18,825</u>	<u>14,399</u>

(ii) Other income

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Dividend income	\$ 28,366	18,422	90,102	33,674
Government grants	1,258	-	5,406	5,518
Gain on a bargain purchase	-	-	-	1,201
Others	12,290	3,370	18,084	6,159
Total	<u>\$ 41,914</u>	<u>21,792</u>	<u>113,592</u>	<u>46,552</u>

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(iii) Other gains and losses

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Foreign exchange gains (losses)	\$ 115,450	13,962	264,332	(43,233)
Lease modification gains	318	-	161	-
Gains (losses) on financial asset at fair value through profit or loss	(36,765)	(29,181)	(397,853)	84,097
Gains (Losses) on disposals of property, plant and equipment	(3)	(5)	8	(345)
Gains on disposals of investment property	-	-	-	1,343
Reversal of impairment loss	-	3,930	-	3,930
Miscellaneous disbursements	<u>(1,512)</u>	<u>(2,096)</u>	<u>(2,853)</u>	<u>(2,493)</u>
Total	<u><b>\$ 77,488</b></u>	<u><b>(13,390)</b></u>	<u><b>(136,205)</b></u>	<u><b>43,299</b></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 nine months ended September 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:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Employee compensation	\$ 76,734	201,760	333,513	561,709
Directors' and supervisors' remuneration	8,016	25,867	40,936	72,014
	<b>\$ 84,750</b>	<b>227,627</b>	<b>374,449</b>	<b>633,723</b>

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 September 30, 2022 and 2021, 85% and 91%, respectively, of accounts receivables were due from the ten largest customers. Thus, credit risk was significantly concentrated.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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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 nine months ended September 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.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 months</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>September 30, 2022</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 80,000	80,832	50,696	30,136	-	-	-
Notes and accounts payable	1,266,044	1,266,044	1,266,044	-	-	-	-
Other payables	544,941	544,941	544,941	-	-	-	-
Lease liabilities	<u>745,465</u>	<u>958,053</u>	<u>21,450</u>	<u>16,317</u>	<u>32,833</u>	<u>59,294</u>	<u>828,159</u>
	<u><b>\$ 2,636,450</b></u>	<u><b>2,849,870</b></u>	<u><b>1,883,131</b></u>	<u><b>46,453</b></u>	<u><b>32,833</b></u>	<u><b>59,294</b></u>	<u><b>828,159</b></u>
<b>December 31, 2021</b>							
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	<u>693,368</u>	<u>916,411</u>	<u>13,833</u>	<u>14,923</u>	<u>16,891</u>	<u>40,933</u>	<u>829,831</u>
	<u><b>\$ 2,995,677</b></u>	<u><b>3,218,936</b></u>	<u><b>2,316,358</b></u>	<u><b>14,923</b></u>	<u><b>2,954,648</b></u>	<u><b>3,006,334</b></u>	<u><b>829,831</b></u>
<b>September 30, 2021</b>							
Non-derivative financial liabilities							
Short-term loans	\$ 30,000	30,351	267	30,084	-	-	-
Notes and accounts payable	1,846,877	1,846,877	1,846,877	-	-	-	-
Other payables	650,214	650,214	650,214	-	-	-	-
Lease liabilities	<u>702,799</u>	<u>923,683</u>	<u>19,530</u>	<u>12,004</u>	<u>18,646</u>	<u>41,861</u>	<u>831,642</u>
	<u><b>\$ 3,229,890</b></u>	<u><b>3,451,125</b></u>	<u><b>2,516,888</b></u>	<u><b>42,088</b></u>	<u><b>18,646</b></u>	<u><b>41,861</b></u>	<u><b>831,642</b></u>

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:

	September 30, 2022			December 31, 2021			September 30, 2021			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets:</u>										
<u>Monetary item</u>										
USD	\$	117,590	31.77	3,735,846	167,292	27.68	4,630,629	188,240	27.85	5,242,474
<u>Financial liabilities:</u>										
<u>Monetary item</u>										
USD		51,099	31.77	1,623,408	67,676	27.68	1,873,275	73,976	27.85	2,060,241

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 September 30, 2022 and 2021 would have increased (decreased) the net profit after tax by \$84,498 thousand and \$127,289 thousand for the nine months ended September 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 \$264,332 thousand and \$(43,233) thousand for the nine months ended September 30, 2022 and 2021, respectively.

(iv) Other market price risk

For the nine months ended September 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 nine months ended September 30 2022		For the nine months ended September 30 2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
<b>Prices of securities at the reporting date</b>				
<b>Increase 5%</b>	\$ <u>11,375</u>	<u>48,994</u>	<u>21,482</u>	<u>44,937</u>
<b>Decrease 5%</b>	\$ <u>(11,375)</u>	<u>(48,994)</u>	<u>(21,482)</u>	<u>(44,937)</u>

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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:

	September 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)	\$ 1,986,066	594,794	170,993	1,220,279	1,986,066
Financial assets at fair value through other comprehensive income					
Stocks	284,373	-	267,820	16,553	284,373
Accounts receivable	849,630	-	-	-	-
Subtotal	1,134,003	-	267,820	16,553	284,373
Financial assets measured at amortized cost					
Cash and cash equivalents	2,786,327	-	-	-	-
Notes and accounts receivable	420,300	-	-	-	-
Other receivables	939,300	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	396,610	-	-	-	-
Guarantee deposits (current and non-current)	170,663	-	-	-	-
Subtotal	4,713,200	-	-	-	-
Total	<u>\$ 7,833,269</u>	<u>594,794</u>	<u>438,813</u>	<u>1,236,832</u>	<u>2,270,439</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 80,000	-	-	-	-
Notes and accounts payable	1,266,044	-	-	-	-
Other payables	544,941	-	-	-	-
Lease liabilities (current and non-current)	745,465	-	-	-	-
Guarantee deposits received	59,311	-	-	-	-
Total	<u>\$ 2,695,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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<b>December 31, 2021</b>					
	<b>Book value</b>	<b>Fair Value</b>			<b>total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss (current and non-current)	\$ 2,349,947	1,166,190	129,780	1,053,977	2,349,947
Financial assets at fair value through other comprehensive income					
Stocks	491,824	-	470,855	20,969	491,824
Accounts receivable	1,125,227	-	-	-	-
Subtotal	1,617,051	-	470,855	20,969	491,824
Financial assets measured at amortized cost					
Cash and cash equivalents	4,254,507	-	-	-	-
Notes and accounts receivable	697,447	-	-	-	-
Other receivables	1,176,985	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	1,732,650	-	-	-	-
Guarantee deposits	182,698	-	-	-	-
Subtotal	8,044,287	-	-	-	-
Total	<u>\$ 12,011,285</u>	<u>1,166,190</u>	<u>600,635</u>	<u>1,074,946</u>	<u>2,841,771</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 30,000	-	-	-	-
Notes and accounts payable	1,706,452	-	-	-	-
Other payables	565,857	-	-	-	-
Lease liabilities (current and non-current)	693,368	-	-	-	-
Guarantee deposits received	36,641	-	-	-	-
Total	<u>\$ 3,032,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>September 30, 2021</b>					
	<b>Book value</b>	<b>Fair Value</b>			<b>total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss (current and non-current)	\$ 2,147,238	1,089,675	129,563	928,000	2,147,238
Financial assets at fair value through other comprehensive income					
Stocks	537,039	46,324	468,055	22,660	537,039
Accounts receivable	700,682	-	-	-	-
Subtotal	1,237,721	46,324	468,055	22,660	537,039

(Continued)

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

	September 30, 2021				
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	3,536,424	-	-	-	-
Notes and accounts receivable	1,653,516	-	-	-	-
Other receivables	2,141,214	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	843,900	-	-	-	-
Guarantee deposits	148,783	-	-	-	-
Subtotal	8,323,837	-	-	-	-
Total	<u>\$ 11,708,796</u>	<u>1,135,999</u>	<u>597,618</u>	<u>950,660</u>	<u>2,684,277</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	30,000	-	-	-	-
Notes and accounts payable	1,846,877	-	-	-	-
Other payables	650,214	-	-	-	-
Lease liabilities (current and non-current)	702,799	-	-	-	-
Guarantee deposits received	36,595	-	-	-	-
Total	<u>\$ 3,266,485</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.

(Continued)

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

3) Transfers between Level 1 and Level 2

There were no transfers of financial instruments made between any level for the nine months ended September 30, 2022 and 2021.

4) Reconciliation of Level 3 fair values

	<b>Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Total</b>
Opening balance, January 1, 2022	\$ 1,053,977	20,969	1,074,946
Total gains and losses recognized:			
In profit or loss	(117,773)	-	(117,773)
In other comprehensive income	-	(4,416)	(4,416)
Purchased	328,706	-	328,706
Capital reduction and liquidation for redistribution to shareholders	(40,648)	-	(40,648)
Disposal	(3,983)	-	(3,983)
Ending Balance, September 30, 2022	<u>\$ 1,220,279</u>	<u>16,553</u>	<u>1,236,832</u>
Opening balance, January 1, 2021	\$ 630,007	13,732	643,739
Total gains and losses recognized:			
In profit or loss	135,593	-	135,593
In other comprehensive income	-	8,928	8,928
Purchased	178,203	-	178,203
Capital reduction for redistribution to shareholders	(15,803)	-	(15,803)
Ending Balance, September 30, 2021	<u>\$ 928,000</u>	<u>22,660</u>	<u>950,660</u>

For the nine months ended September 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:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Total gains and losses recognized:				
In profit or loss, and presented in “other gains and losses”	\$ (22,623)	12,515	(117,773)	135,593
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	(2,208)	(2,617)	(4,416)	8,928

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

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

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – 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"> <li>Price-to-book ratio (September 30, 2022, December 31, 2021 and September 30, 2021: 1.13 to 1.23, 1.28 to 1.47 and 1.20 to 1.86)</li> <li>Liquidity discount (September 30, 2022, December 31, 2021 and September 30, 2021: 25.31% to 30%, 30% and 25.58% to 30%)</li> <li>Price-to-earnings ratio (September 30, 2022 and December 31, 2021: 1.68 and 2.46)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>the price-to-book ratio were higher (lower);</li> <li>the liquidity discount were lower (higher);</li> <li>the price-to-earnings ratio were higher (lower); or</li> </ul>
Financial assets at fair value through profit or loss - equity investments without an active market	Net Asset Value Method	Net Asset Value	The estimated fair value would increase (decrease) if net asset value were higher (lower).

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

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

		<u>Increase or decrease</u>	<u>Profit or loss</u>	
	<u>Inputs</u>		<u>Favorable</u>	<u>Unfavorable</u>
<b>September 30, 2022</b>				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	974	(974)
	Liquidity discount	10%	369	(369)
<b>December 31, 2021</b>				
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)
<b>September 30, 2021</b>				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	1,666	(1,666)
	Liquidity discount	10%	610	(610)

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

(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 nine months ended September 30, 2022 and 2021, were as follows:

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

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

	Non-cash changes					
	January 1, 2022	Cash flows	Foreign exchange movement	Interest expense	Others	September 30, 2022
Short-term borrowings	\$ 30,000	50,000	-	-	-	80,000
Long-term borrowings	-	(24,679)	-	-	24,679	-
Lease liabilities	693,369	(24,709)	347	8,929	67,529	745,465
Guarantee deposits received	36,641	22,668	2	-	-	59,311
Total liabilities from financing activities	<u>\$ 760,010</u>	<u>23,280</u>	<u>349</u>	<u>8,929</u>	<u>92,208</u>	<u>884,776</u>
	Non-cash changes					
	January 1, 2021	Cash flows	Foreign exchange movement	Interest expense	Others	September 30, 2021
Short-term borrowings	\$ 40,000	(10,000)	-	-	-	30,000
Lease liabilities	209,219	(181,746)	(25)	6,150	669,201	702,799
Guarantee deposits received	39,427	(2,823)	(9)	-	-	36,595
Total liabilities from financing activities	<u>\$ 288,646</u>	<u>(194,569)</u>	<u>(34)</u>	<u>6,150</u>	<u>669,201</u>	<u>769,394</u>

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

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

- (a) Names and relationships with related parties

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

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

- (b) Key management personnel compensation

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 20,397	35,878	84,095	115,061
Post-employment benefits	149	81	425	374
	<u>\$ 20,546</u>	<u>35,959</u>	<u>84,520</u>	<u>115,435</u>

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

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledge assets</u>	<u>Pledged to secure</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current financial assets at amortized cost (Certificate Deposit)	Guarantee of the creditors of the purchase transactions	\$ 95,310	-	-
Non-current financial assets at amortized cost (Certificate Deposit)	Use land guarantee for Hsinchu Science Park Bureau	7,400	7,200	7,200
		<u>\$ 102,710</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 September 30, 2022, December 31 and September 30, 2021, the financial institutions had issued performance guarantees amounting to \$3,000 thousand, \$6,000 thousand, and \$3,000 thousand, respectively.
- (b) As of September 30, 2022, December 31 and September 30, 2021, the refundable notes payable for short-term borrowings amounted to \$3,015,000 thousand, \$2,780,000 thousand, and \$2,460,000 thousand, respectively.

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## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (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 \$131,452 thousand in accordance with the contract, which was recognized under 「prepayments and other current assets」 and 「other non-current assets」.
- (e) As of September 30, 2022, December 31 and September 30, 2021, the refundable notes payable for lease amounted to \$600 thousand.
- (f) As of September 30, 2022, the Group signed long-term borrowing contracts with several financial institution, with credit lines totaling \$8,944,000 thousand.
- (g) 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. As of 2022 and January 1 to September 30, 2021, the subsidy recognized, amounting to \$5,000 thousand and \$3,993 thousand respectively, was classified as other income. As of September 30, 2022, December 31, 2021 and September 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 \$0 thousand, \$4,000 thousand, and \$4,000 thousand, respectively.

- (h) 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.

- (i) Litigation and actions

As of September 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.

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

- (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. The proceeding will continue on November 15, 2022. 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 don't infringe the patent right and expects no significant influence on its finance and business as the case is still on trial.
- (j) As of September 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 \$19,054 thousand.

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

**(11) Subsequent events:**

In the fourth quarter of 2022, the Group plans to terminate a capacity guarantee contract with its supplier before the expiration date, and the default penalty fee (that has yet to be determined) will be paid concurrently.

**(12) Others:**

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

	For the three months ended September 30					
	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salaries and wages	\$ 75,276	471,032	546,308	86,763	578,849	665,612
Labor and health insurance	7,498	31,095	38,593	6,896	26,279	33,175
Pension	2,367	18,833	21,200	2,213	17,151	19,364
Others	5,203	11,614	16,817	7,403	12,377	19,780
Depreciation	15,671	27,676	43,347	10,632	21,755	32,387
Amortization	1,866	38,105	39,971	1,227	30,711	31,938

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

	For the nine months ended September 30					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	\$ 242,111	1,493,816	1,735,927	265,177	1,649,814	1,914,991
Labor and health insurance	22,067	89,685	111,752	21,629	78,106	99,735
Pension	7,012	55,486	62,498	6,534	51,033	57,567
Others	17,289	36,284	53,573	20,101	35,222	55,323
Depreciation	44,315	78,912	123,227	29,666	59,656	89,322
Amortization	5,147	110,987	116,134	3,265	90,539	93,804

(b) Seasonality of operations

The Group's products in the third quarter of 2022 have been affected by the global inflation, interest rate hikes, tightening of monetary policy, capital outflows from emerging markets, currency devaluation, and global economic downturn. The above-mentioned factors are also the drivers that weakened the demand for global consumer electronics market, and the notebook market is no exception. Simultaneously, various companies were actively purchasing goods in the previous periods, resulting in higher inventory levels than usual. Under the impact of the above-mentioned factors, destocking the terminal's inventory has become the primary consideration. Therefore, this has led to a significant decrease in demand for the Company's products such as touchpad module, touchscreen chip, fingerprint chip and microcontroller, resulting in the Group's sales, gross profit margin and profit after income tax in the third quarter of 2022 to be lower than the second 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 nine months ended September 30, 2022:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of September 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	3,944	0.12%	3,944	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	218	25,585	-	25,585	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	95	30,182	-	30,182	
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	14,220	-	14,220	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (SERIES II)	-	Current financial assets at fair value through profit or loss	100	31,770	-	31,770	
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,077	16,553	4.14%	16,553	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,500	267,820	7.87%	267,820	
Elan Microelectronics Corporation	Chino-Excel Technology Corporation	-	Non-current financial assets at fair value through other comprehensive income	823	-	1.48%	-	
Elan Microelectronics Corporation	Panther technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	340	6,522	0.94%	6,522	
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	1,378	2.17%	1,378	
Elan Microelectronics Corporation	TOP TAIWAN VII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	888	12,254	6.12%	12,254	
Elan Microelectronics Corporation	TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	1,811	23,910	4.17%	23,910	
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	62,166	6.25%	62,166	
Elan Microelectronics Corporation	Inno Bridge Venture Capital	-	Non-current financial assets at fair value through other comprehensive income	800	2,406	11.35%	2,406	

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
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	36,958	10.00%	36,958	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	4,063	67,436	6.25%	67,436	
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	259,348	18.52%	259,348	
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	-	232,768	-	232,768	
Elan Microelectronics Corporation	Vertex Growth II (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	7,534	-	7,534	
Elan Microelectronics Corporation	Taiwania Capital Buffalo Fund V, LP.	-	Non-current financial assets at fair value through profit or loss	-	23,411	3.19%	23,411	
Elan Microelectronics Corporation	TOP TAIWAN XIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	15,000	145,409	17.44%	145,409	
Elan Microelectronics Corporation	WELTRONICS CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,300	-	11.15%	-	
Elan Microelectronics Corporation	TOP TAIWAN XIV VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	29,000	288,277	14.50%	288,277	
Elan Microelectronics Corporation	Cruise 10 Co., Ltd	-	Non-current financial assets at fair value through profit or loss	625	4,782	5.26%	4,782	
Elan InvestmentCorp.	FSITC US Top 100 Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	1,500	13,500	-	13,500	
Elan InvestmentCorp.	FSITC Global Wealthy Nations Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	2,629	22,907	-	22,907	
Elan InvestmentCorp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	4,355	-	4,355	
Elan InvestmentCorp.	FSITC Global Health & Weight Loss Fund	-	Current financial assets at fair value through profit or loss	500	3,940	-	3,940	
Elan InvestmentCorp.	FSITC Taiwan Core Strategic Construction Fund	-	Current financial assets at fair value through profit or loss	1,000	8,880	-	8,880	
Elan InvestmentCorp.	Nomura Global Short Duration Bond Fund TWD	-	Current financial assets at fair value through profit or loss	9,484	97,498	-	97,498	

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan InvestmentCorp.	Nomura Global Financial Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	3,589	33,729	-	33,729	
Elan InvestmentCorp.	Taishin Global Multi-asset Fund of Funds A TWD	-	Current financial assets at fair value through profit or loss	1,000	10,560	-	10,560	
Elan InvestmentCorp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	16,845	-	16,845	
Elan InvestmentCorp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	50,005	-	50,005	
Elan InvestmentCorp.	Taishin ESG Emerging Markets Bond Fund A TWD	-	Current financial assets at fair value through profit or loss	3,003	24,262	-	24,262	
Elan InvestmentCorp.	Taishin Short Duration Emerging High Yield Bond Fund A-TWD	-	Current financial assets at fair value through profit or loss	4,200	40,028	-	40,028	
Elan InvestmentCorp.	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	589	69,236	-	69,236	
Elan Investment Corp.	Elan Microelectronics Corporation	Subsidiary	Non-current financial assets at fair value through other comprehensive income	12,438	1,034,858	4.09%	1,034,858	
Elan InvestmentCorp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	26,763	3.88%	26,763	
Elan InvestmentCorp.	RISE Technology Com	-	Non-current financial assets at fair value through profit or loss	769	-	3.23%	-	
Elan InvestmentCorp.	Finemat Applied Materials Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	8,900	264,341	13.41%	264,341	
Elan InvestmentCorp.	Pica 8 - Preferred shares	-	Non-current financial assets at fair value through profit or loss	342	-	1.75%	-	
Elan InvestmentCorp.	Arplanet Digital Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	128	1,318	2.70%	1,318	
Elan InvestmentCorp.	ZQAM Communications Corporation - Preferred shares	-	Non-current financial assets at fair value through profit or loss	250	885	1.07%	885	
Elan InvestmentCorp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	5,341	2.53%	5,341	
Elan InvestmentCorp.	ALGOLREALITY CO., LTD. - Preferred shares	-	Non-current financial assets at fair value through profit or loss	100	-	13.04%	-	
Elan InvestmentCorp.	Vita Genomics, Inc.	-	Non-current financial assets at fair value through profit or loss	677	6,405	1.13%	6,405	
Elan InvestmentCorp.	Cognito Health International Inc.	-	Non-current financial assets at fair value through profit or loss	1,010	-	1.13%	-	
Elan InvestmentCorp.	Taiwan Intelligent Connect Co., Ltd. - Preferred shares	-	Non-current financial assets at fair value through profit or loss	10,000	1,533	14.29%	1,533	
Elan InvestmentCorp.	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.

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (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	338,622	3.06 %	Open Account 45 Days	-		28,473	2.24%	

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	338,622	Open Account 45 Days	3.06%
0	Elan Microelectronics Corporation	Elan (H.K.)	1	Accounts receivable	28,473	Open Account 45 Days	0.20%
1	Elan (H.K.)	Elan Microelectronics Corporation	2	Commission revenue	250,291	Monthly settlement	2.26%

- (b) Information on investees:

The followings are the information on investees for the nine months ended September 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 September 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 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 %	422,861	116,849	116,849	Note
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	936,086	(294,793)	(294,793)	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 %	16,658	(1,111)	(1,111)	Note
Elan Microelectronics Corporation	JUPU Electronic Co., Ltd.	New Taipei City, Taiwan	Wholesale and installation of electronic devices, data storage and equipment process	7,840	7,840	784	49.00 %	(2,554)	(2,823)	(1,383)	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 %	2,843	(115,730)	(58,199)	Note
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 %	3,417	(18,302)	(16,117)	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	117,062	163,599	11,240	94.65 %	38,055	(29,897)	(29,165)	Note

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
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 %	36,140	(17,758)	(3,320)	Note
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	210,000	240,000	21,000	30.00 %	241,203	(153,321)	(45,890)	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	5,000	24.69 %	9,335	528	130	
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 %	198,051	(17,185)	(5,198)	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 %	166	(18,302)	(595)	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	4,065	665	395	3.33 %	1,339	(29,897)	(193)	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 %	97	(115,730)	(1,480)	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 %	19,780	(17,758)	(1,725)	Note
Elan (H.K.)	Power Asia Investment Corporation	Republic of Mauritius	Investment holding	89,572	89,572	2,861	100.00 %	19,813	(5,763)	(5,763)	Note
Metanoia Communications Inc.	Metanoia Communication Europe	France	Provide technical support and information service	9,908	9,908	301	100.00 %	2,028	(3,501)	(3,501)	Note
Chimei Motor Electronic CO., LTD.	CHIMEI MOTOR ELECTRONICS (SAMOA) CO., LTD.	Somoa	Investment holding	37,145	22,336	1,250	100.00 %	14,877	(2,922)	(2,484)	Note

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

(c) Information on investment in mainland China:

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

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 September 30, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) recognized	Carrying value as of September 30, 2022	Accumulated inward remittance of earnings as of September 30, 2022
					Outflow	Inflow						
Elan Micro-electronics (Shanghai) Co., Ltd.	Provide technical support and information service	52,095	( 2 )	52,095	-	-	52,095	(3,414)	100.00%	(3,414)	15,552	-
Elan Micro-electronics (Shenzhen) Co., Ltd.	Provide technical support and information service	34,670	( 2 )	34,670	-	-	34,670	(2,397)	100.00%	(2,397)	3,762	-
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	(2,484)	100.00%	(2,484)	14,752	-

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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 September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Elan Microelectroni cs Corporation	86,765 (USD2,500,000)	98,333 (USD2,500,000)	5,227,331
Chimei Motor Electronic CO., LTD.	37,145 (USD1,250,000)	37,427 (USD1,250,000)	188,230

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

(iii) Significant transactions:

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

(d) Major shareholders:

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

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## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (14) Segment information:

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

For the three months ended September 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	\$ 409,758	2,179,103	22,027	-	107,191	101,115	-	2,819,194
Intersegment revenues	98,794	-	-	-	63,684	5,798	(168,276)	-
Interest income	4,866	-	-	1	20	36	-	4,923
Total revenue	<u>\$ 513,418</u>	<u>2,179,103</u>	<u>22,027</u>	<u>1</u>	<u>170,895</u>	<u>106,949</u>	<u>(168,276)</u>	<u>2,824,117</u>
Reportable segment profit or loss	<u>\$ (211,869)</u>	<u>861,785</u>	<u>(48,635)</u>	<u>(24,007)</u>	<u>35,983</u>	<u>(30,293)</u>	<u>40,459</u>	<u>623,423</u>

	For the three months ended September 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	\$ 1,630,496	3,096,796	17,997	-	134,803	94,409	-	4,974,501
Intersegment revenues	130,689	-	-	-	110,814	6,104	(247,607)	-
Interest income	5,132	-	-	2	15	32	-	5,181
Total revenue	<u>\$ 1,766,317</u>	<u>3,096,796</u>	<u>17,997</u>	<u>2</u>	<u>245,632</u>	<u>100,545</u>	<u>(247,607)</u>	<u>4,979,682</u>
Reportable segment profit or loss	<u>\$ 433,542</u>	<u>1,259,567</u>	<u>(50,381)</u>	<u>(32,837)</u>	<u>51,068</u>	<u>(18,090)</u>	<u>37,395</u>	<u>1,680,264</u>

	For the nine months ended September 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	\$ 2,403,317	7,880,578	82,559	-	328,792	371,135	-	11,066,381
Intersegment revenues	349,592	-	-	-	250,291	15,795	(615,678)	-
Interest income	18,327	129	42	6	80	241	-	18,825
Total revenue	<u>\$ 2,771,236</u>	<u>7,880,707</u>	<u>82,601</u>	<u>6</u>	<u>579,163</u>	<u>387,171</u>	<u>(615,678)</u>	<u>11,085,206</u>
Reportable segment profit or loss	<u>\$ (232,555)</u>	<u>2,991,945</u>	<u>(119,231)</u>	<u>(294,682)</u>	<u>132,162</u>	<u>(87,017)</u>	<u>313,813</u>	<u>2,704,435</u>
Assets:								
Investments accounted for using equity method	<u>\$ 1,908,381</u>	<u>-</u>	<u>-</u>	<u>37,597</u>	<u>-</u>	<u>-</u>	<u>(1,695,440)</u>	<u>250,538</u>
Capital expenditure	<u>\$ 135,684</u>	<u>54,352</u>	<u>26,005</u>	<u>-</u>	<u>20,706</u>	<u>24,024</u>	<u>-</u>	<u>260,771</u>
Reportable segment assets	<u>\$ 10,685,852</u>	<u>2,952,629</u>	<u>564,125</u>	<u>1,970,945</u>	<u>581,835</u>	<u>886,114</u>	<u>(3,481,443)</u>	<u>14,160,057</u>

	For the nine months ended September 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	\$ 4,334,859	9,010,220	61,706	-	418,307	341,342	-	14,166,434
Intersegment revenues	427,648	-	-	-	308,053	20,044	(755,745)	-
Interest income	18,763	60	34	(4,678)	77	143	-	14,399
Total revenue	<u>\$ 4,781,270</u>	<u>9,010,280</u>	<u>61,740</u>	<u>(4,678)</u>	<u>726,437</u>	<u>361,529</u>	<u>(755,745)</u>	<u>14,180,833</u>
Reportable segment profit or loss	<u>\$ 1,181,647</u>	<u>3,514,917</u>	<u>(117,247)</u>	<u>(51,355)</u>	<u>143,176</u>	<u>(42,522)</u>	<u>42,120</u>	<u>4,670,736</u>
Assets:								
Investments accounted for using equity method	<u>\$ 2,331,084</u>	<u>-</u>	<u>-</u>	<u>40,084</u>	<u>-</u>	<u>-</u>	<u>(2,014,291)</u>	<u>356,877</u>
Capital expenditure	<u>\$ 755,993</u>	<u>19,747</u>	<u>10,435</u>	<u>-</u>	<u>217</u>	<u>10,664</u>	<u>-</u>	<u>797,056</u>
Reportable segment assets	<u>\$ 11,359,547</u>	<u>4,301,685</u>	<u>547,142</u>	<u>2,928,061</u>	<u>832,150</u>	<u>455,099</u>	<u>(4,089,745)</u>	<u>16,333,939</u>