

**ELAN MICROELECTRONICS CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2023 and 2022**

Address: No. 12, Innovation 1st Rd., Hsinchu Science Park, Hsinchu 30076, Taiwan
(R.O.C.)
Telephone: (03)563-9977

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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安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel	+ 886 2 8101 6666
傳真 Fax	+ 886 2 8101 6667
網址 Web	kpmg.com/tw

Independent Auditors' Review Report

To the Board of Directors of
ELAN MICROELECTRONICS CORPORATION:

Introduction

We have reviewed the accompanying consolidated balance sheets of ELAN MICROELECTRONICS CORPORATION (the "Company") and its subsidiaries (the "Group") as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 2023 and 2022 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 the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. 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 Standards on Auditing of the Republic of China 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 \$1,076,036 thousand and \$1,482,849 thousand, constituting 7.84% and 7.86% of the consolidated total assets; and the total liabilities amounting to \$287,034 thousand and \$520,587 thousand, constituting 5.40% and 5.01% of the consolidated total liabilities as of June 30, 2023 and 2022, respectively; as well as the total comprehensive loss amounting to \$(85,498) thousand, \$(56,953) thousand, \$(207,841) thousand and \$(113,711) thousand, constituting (19.88%), (8.67%), (27.60)% and (8.27)% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of \$426,221 thousand and \$280,451 thousand as of June 30, 2023 and 2022, respectively, and its equity in net earnings on these investee companies of \$(23,167) thousand, \$(12,689) thousand, \$10,380 thousand and \$(16,973) thousand for the three months and six months ended June 30, 2023 and 2022, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 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 Fang-Yi Lee and Chien-Hui Lu.

KPMG

Taipei, Taiwan (Republic of China)
August 3, 2023

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)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****June 30, 2023, December 31, 2022, and June 30, 2022****(Expressed in Thousands of New Taiwan Dollars)**

		June 30, 2023		December 31, 2022		June 30, 2022						June 30, 2023		December 31, 2022		June 30, 2022	
Assets		Amount	%	Amount	%	Amount	%			Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:										Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 2,533,792	19	2,663,688	20	4,838,432	26	2100	Short-term borrowings (notes 6(l) and 9)	\$ 40,000	-	80,000	1	80,000	-		
1110	Current financial assets at fair value through profit or loss (notes 6(b) and 13)	370,037	3	522,248	4	772,949	4	2170	Accounts payable	1,009,373	7	721,448	6	2,036,087	11		
1136	Current financial assets at amortised cost, net (notes 6(a) and 8)	430,787	3	266,390	2	1,723,260	9	2206	Employee bonus payable (note 6(v))	411,444	3	375,000	3	1,074,969	6		
1170	Notes and accounts receivable, net (note 6(c))	1,123,393	8	719,408	6	1,997,534	11	2216	Dividends payable (note 6(q))	911,641	7	-	-	4,102,385	22		
1200	Other receivables (note 6(c))	880,911	6	760,826	6	1,372,332	7	2230	Current tax liabilities	273,381	2	309,291	2	788,756	4		
1310	Inventories, net (note 6(d))	2,839,448	21	3,730,924	28	3,368,986	18	2280	Current lease liabilities (note 6(n))	25,217	-	29,525	-	25,593	-		
1410	Prepayments and other current assets (note 9)	56,131	-	58,797	-	84,537	-	2325	Current preference share liabilities (note 6(m))	40,000	-	40,000	-	-	-		
		<u>8,234,499</u>	<u>60</u>	<u>8,722,281</u>	<u>66</u>	<u>14,158,030</u>	<u>75</u>	2399	Other current liabilities (note 9)	1,103,293	8	1,063,518	8	1,092,625	6		
										<u>3,814,349</u>	<u>27</u>	<u>2,618,782</u>	<u>20</u>	<u>9,200,415</u>	<u>49</u>		
Non-current assets:										Non-Current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and 13)	1,607,618	12	1,475,757	11	1,229,893	6	2540	Long-term borrowings (note 6(l))	468,640	4	-	-	-	-		
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(e) and 13)	365,945	3	305,591	3	331,451	2	2570	Deferred tax liabilities	3,365	-	3,365	-	1,067	-		
1536	Non-current financial assets at amortized cost (notes 6(a) and 8)	7,400	-	7,400	-	7,400	-	2580	Non-current lease liabilities (note 6(n))	697,029	5	705,770	5	707,587	4		
1551	Investments accounted for using equity method (note 6(f))	426,221	3	246,691	2	280,451	1	2635	Non-current preference share liabilities (note 6(m))	-	-	-	-	40,000	-		
1600	Property, plant and equipment (note 6(i))	1,472,128	11	990,675	7	998,907	5	2640	Net defined benefit liability, non-current	286,279	2	309,479	2	385,639	2		
1755	Right-of-use assets (note 6(j))	834,731	6	860,010	6	866,059	5	2645	Guarantee deposits received	49,912	-	65,212	-	65,281	-		
1780	Intangible assets (notes 6(g) and (k))	675,869	5	604,707	5	506,436	3		Total liabilities	1,505,225	11	1,083,826	7	1,199,574	6		
1840	Deferred tax assets	45,688	-	45,688	-	39,994	-		Equity attributable to owners of parent: (note (q))	5,319,574	38	3,702,608	27	10,399,989	55		
1900	Other non-current assets (note 9)	60,254	-	66,030	-	167,512	1	3100	Capital stock	3,038,804	22	3,038,804	23	3,038,804	16		
1960	Prepayments for investments	-	-	-	-	290,000	2	3200	Capital surplus	876,604	7	838,428	7	631,229	3		
		<u>5,495,854</u>	<u>40</u>	<u>4,602,549</u>	<u>34</u>	<u>4,718,103</u>	<u>25</u>		Retained earnings:								
								3310	Legal reserve	2,902,314	21	2,679,726	20	2,679,725	14		
								3350	Undistributed earnings	2,183,572	16	3,428,146	26	2,784,557	15		
										5,085,886	37	6,107,872	46	5,464,282	29		
								3400	Other equity	70,477	1	11,078	-	36,403	-		
								3500	Treasury shares	(1,106,485)	(8)	(1,106,485)	(8)	(1,106,485)	(5)		
									Total equity attributable to owners of parent:	7,965,286	59	8,889,697	68	8,064,233	43		
								36XX	Non-controlling interests	445,493	3	732,525	5	411,911	2		
									Total equity	8,410,779	62	9,622,222	73	8,476,144	45		
Total assets		<u>\$ 13,730,353</u>	<u>100</u>	<u>13,324,830</u>	<u>100</u>	<u>18,876,133</u>	<u>100</u>		Total liabilities and equity	<u>\$ 13,730,353</u>	<u>100</u>	<u>13,324,830</u>	<u>100</u>	<u>18,876,133</u>	<u>100</u>		

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the three months and six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		For the three months ended June 30				For the six months ended June 30			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Total operating revenue (notes 6(t) and 14)	\$ 3,041,422	100	4,148,548	100	5,446,560	100	8,247,187	100
5000	Total operating costs (notes 6(d), (o) and 12)	1,699,813	56	2,175,028	52	3,124,574	57	4,337,894	53
5900	Gross profit from operations	1,341,609	44	1,973,520	48	2,321,986	43	3,909,293	47
5920	Add: (Unrealized)realized profit from sales	923	-	(437)	-	678	-	-	-
5950	Gross profits	1,342,532	44	1,973,083	48	2,322,664	43	3,909,293	47
6000	Operating expenses: (notes 6(c), (o), (r) and 12)								
6100	Selling expenses	105,250	3	154,957	4	224,899	4	297,565	4
6200	Administrative expenses	126,832	4	125,843	3	240,822	4	239,310	3
6300	Research and development expenses	546,662	18	561,973	14	1,079,154	20	1,129,062	14
6450	Impairment gains determined in accordance with IFRS 9	2,363	-	10,442	-	4,491	-	10,709	-
		781,107	25	853,215	21	1,549,366	28	1,676,646	21
6900	Net Operating income	561,425	19	1,119,868	27	773,298	15	2,232,647	26
7000	Non-operating income and expenses:								
7100	Interest income (note 6(u))	11,937	-	8,367	-	16,880	-	13,902	-
7010	Other income (note 6(u))	31,738	1	66,714	2	40,095	1	71,678	1
7020	Other gains and losses (notes 6(h) and 6(u))	(372)	-	(111,142)	(3)	20,401	-	(213,693)	(3)
7050	Finance costs (notes 6(m) and (n))	(3,987)	-	(3,460)	-	(7,520)	-	(6,549)	-
7770	Shares of gain of associates accounted for using equity method (note 6(f))	(23,167)	(1)	(12,689)	-	10,380	-	(16,973)	-
		16,149	-	(52,210)	(1)	80,236	1	(151,635)	(2)
7900	Profit before income tax	577,574	19	1,067,658	26	853,534	16	2,081,012	24
8110	Less: Income tax expenses (note 6(p))	125,722	4	307,077	7	159,058	3	547,354	7
	Net profit	451,852	15	760,581	19	694,476	13	1,533,658	17
8300	Other comprehensive income (loss): (notes 6(f) and (q))								
8310	Items that may not be reclassified subsequently to profit or loss:								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(20,582)	(1)	(103,616)	(2)	60,354	1	(160,373)	(2)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(20,582)	(1)	(103,616)	(2)	60,354	1	(160,373)	(2)
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of foreign financial statements	(1,305)	-	101	-	(1,822)	-	1,682	-
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	102	-	-	-	102	-	11	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(1,203)	-	101	-	(1,720)	-	1,693	-
8300	Other comprehensive income (loss), net	(21,785)	(1)	(103,515)	(2)	58,634	1	(158,680)	(2)
8500	Comprehensive income	<u>\$ 430,067</u>	<u>14</u>	<u>657,066</u>	<u>17</u>	<u>753,110</u>	<u>14</u>	<u>1,374,978</u>	<u>15</u>
	Net profit (loss) attributable to:								
8610	Owners of parent	\$ 494,810	16	784,000	20	801,296	15	1,582,287	18
8620	Non-controlling interests	(42,958)	(1)	(23,419)	(1)	(106,820)	(2)	(48,629)	(1)
		<u>\$ 451,852</u>	<u>15</u>	<u>760,581</u>	<u>19</u>	<u>694,476</u>	<u>13</u>	<u>1,533,658</u>	<u>17</u>
	Comprehensive income (loss) attributable to:								
8710	Owners of the parent	\$ 473,435	16	680,537	17	860,695	16	1,423,596	16
8720	Non-controlling interests	(43,368)	(1)	(23,471)	-	(107,585)	(2)	(48,618)	(1)
		<u>\$ 430,067</u>	<u>15</u>	<u>657,066</u>	<u>17</u>	<u>753,110</u>	<u>14</u>	<u>1,374,978</u>	<u>15</u>
	Earnings per share (expressed in dollars) (note 6(s))								
9710	Basic earnings per share	<u>\$ 1.74</u>		<u>2.75</u>		<u>2.82</u>		<u>5.56</u>	
9850	Diluted earnings per share	<u>\$ 1.73</u>		<u>2.74</u>		<u>2.79</u>		<u>5.50</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent									
	Ordinary shares	Capital surplus	Retained earnings		Other equity		Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
Balance at January 1, 2022	\$ 3,038,804	631,181	2,159,576	5,824,804	(6,923)	202,017	(1,106,485)	10,742,974	230,894	10,973,868
Net profit (loss)	-	-	-	1,582,287	-	-	-	1,582,287	(48,629)	1,533,658
Other comprehensive income	-	-	-	-	1,682	(160,373)	-	(158,691)	11	(158,680)
Total comprehensive income	-	-	-	1,582,287	1,682	(160,373)	-	1,423,596	(48,618)	1,374,978
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	520,149	(520,149)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(4,102,385)	-	-	-	(4,102,385)	-	(4,102,385)
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	4,890	4,890
Changes in non-controlling interests	-	48	-	-	-	-	-	48	224,745	224,793
Balance at June 30, 2022	\$ 3,038,804	631,229	2,679,725	2,784,557	(5,241)	41,644	(1,106,485)	8,064,233	411,911	8,476,144
Balance at January 1, 2023	\$ 3,038,804	838,428	2,679,726	3,428,146	(4,706)	15,784	(1,106,485)	8,889,697	732,525	9,622,222
Net profit (loss)	-	-	-	801,296	-	-	-	801,296	(106,820)	694,476
Other comprehensive income	-	-	-	-	(955)	60,354	-	59,399	(765)	58,634
Total comprehensive income	-	-	-	801,296	(955)	60,354	-	860,695	(107,585)	753,110
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	222,588	(222,588)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,823,282)	-	-	-	(1,823,282)	-	(1,823,282)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	38,176	-	-	-	-	-	38,176	-	38,176
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(179,447)	(179,447)
Balance at June 30, 2023	\$ 3,038,804	876,604	2,902,314	2,183,572	(5,661)	76,138	(1,106,485)	7,965,286	445,493	8,410,779

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2023	2022
Cash flows from operating activities:		
Profit before tax	\$ 853,534	2,081,012
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	85,823	79,880
Amortization expense	113,324	76,163
Expected credit loss	4,491	10,709
Net loss (profit) on financial assets at fair value through profit or loss	(6,152)	361,088
Interest expense	7,520	6,549
Interest income	(16,880)	(13,902)
Dividend income	(20,070)	(61,736)
Share-based payment transactions	-	1,051
Share of loss (profit) of associates accounted for using equity method	(10,380)	16,973
Gain on disposal of property, plant and equipment	(76)	(11)
Impairment loss and disposal loss on inventory	106,750	77,202
Others	-	157
Total adjustments to reconcile profit	264,350	554,123
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(427,205)	(185,701)
Decrease (increase) in inventories	734,486	(995,424)
Increase in prepayments and other current assets	(25,436)	(33,302)
Increase in other receivables	(153,117)	(121,990)
Increase in notes and accounts payable	315,833	308,159
Increase in other current liabilities	130,721	73,194
Decrease in net defined benefit liability	(21,544)	(11,354)
Cash inflow generated from operations	1,671,622	1,668,717
Interest received	16,639	13,612
Interest paid	(13,307)	(6,309)
Income taxes paid	(181,143)	(779,062)
Net cash flows from operating activities	1,493,811	896,958
Cash flows from (used in) investing activities:		
Acquisition of current financial assets at fair value through profit or loss	(90,066)	(32,179)
Proceeds from disposal of current financial assets at fair value through profit or loss	90,382	-
Acquisition of non-current financial assets at fair value through profit or loss	(7,871)	(26,435)
Proceeds from capital reduction and liquidation of financial assets at fair value through profit or loss	34,058	30,095
Decrease (increase) in financial assets at amortized cost	(164,397)	1,990
Increase in prepayments for investments	-	(290,000)
Net cash flow from acquisition of subsidiaries	-	53,108
Decrease in cash from lossing control over subsidiaries	(102,385)	-
Proceeds from capital reduction of investments accounted for using equity method	10,500	-
Acquisition of property, plant and equipment	(601,344)	(95,758)
Proceeds from disposal of property, plant and equipment	398	15
Acquisition of intangible assets	(345,159)	(54,583)
Decrease in refundable deposits	824	5,567
Decrease in other non-current assets	2,800	1,095
Dividends received	20,070	49,636
Net cash flows used in investing activities	(1,152,190)	(357,449)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	10,000	60,000
Decrease in short-term borrowings	(50,000)	(10,000)
Increase in long-term borrowings	468,640	-
Repayments of long-term debt	-	(24,679)
(Decrease) increase in guarantee deposits received	(15,299)	28,639
Payment of lease liabilities	(10,540)	(16,097)
Cash dividends paid	(873,465)	-
Changes in non-controlling interests	-	4,890
Net cash flows (used in) from financing activities	(470,664)	42,753
Effect of exchange rate changes on cash and cash equivalents	(853)	1,663
Net increase (decrease) in cash and cash equivalents	(129,896)	583,925
Cash and cash equivalents at the beginning of period	2,663,688	4,254,507
Cash and cash equivalents at the end of period	\$ 2,533,792	4,838,432

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

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

(1) Company history

Elan Microelectronics Corporation (hereinafter referred to as the “Company”) was incorporated on May 5, 1994, under the approval of Ministry of Economic Affairs, Republic of China (“R.O.C.”). The Company is located at the Hsinchu Science Park. The major business activities of the Company are the manufacture and sale of neural network and fuzzy processors, digital signal processors, 8-bit RISC micro-controllers, and integrated circuits for special use. The Company also offers research and development services with respect to the products presented above. The Company’s common shares were listed on the Taiwan Stock Exchange (TWSE) on September 17, 2001. Pursuant to the resolution of the shareholders’ meeting held on June 13, 2008, the Company acquired Elantech Devices Corp. (Elantech). The Company was the surviving company, and Elantech was dissolved in the merger effective from October 1, 2008. Elantech was incorporated on September 18, 2003 as a company limited by shares under the Company Act of the R.O.C.. Elantech was located at Zhonghe District, New Taipei City. The major business activities of Elantech are the research, manufacture, and sale of wireless and wired communication equipment and electronic modules. Please refer to note 4(b) for related information of the Group entities’ main business activities.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on August 3, 2023.

(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, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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- (b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”

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- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

(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, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(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.

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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

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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
			June 30, 2023	December 31, 2022	June 30, 2022	
The Company	Elan Investment Corp.	Investment holding	100.00 %	100.00 %	100.00 %	-
The Company and Elan Investment Corp.	Metanoia Communications Inc. (Metanoia)	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	- %	47.71 %	51.57 %	note 1,4
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
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 1,2
The Company and Elan Investment Corp.	PiXORD Corporation (PiXORD)	Research, design, develop, manufacture and sale on Webcam and server	97.98 %	97.98 %	98.23 %	note 1,6
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 %	28.11 %	28.11 %	note 1,3
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 %	-
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 %	-

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
Power Asia	Elan Shenzhen	Provide technical support and information service	100.00 %	100.00 %	100.00 %	-
Metanoia	Metanoia EU	Provide technical support and information service	100.00 %	100.00 %	100.00 %	note 1,4
The Company	Chimei Motor Electronics Co., Ltd. (Chimei)	Image recognition, automotive electronic manufacturing and wholesaling business	31.36 %	31.36 %	31.36 %	note 1,5
Chimei	Chimei Motor Electronics (SAMOA) Co., Ltd. (Chimei (SAMOA))	Investment holding	100.00 %	100.00 %	100.00 %	note 5
Chimei (SAMOA)	Gianteye Technology (Shanghai) Co., Ltd.	Develops advanced driver assistance systems and wholesales automotive electronic products.	100.00 %	100.00 %	100.00 %	note 5

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

Note 2: The Company obtained 3 out of 5 Board seats and gained control over JUPU.

Note 3: 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. The Group's ownership decreased to 28.11%.

Note 4: On November 7, 2022, the Group's shareholding percentage was decreased to 47.71% after participating in the capital increase of Metanoia. The Company obtained 3 out of 5 Board seats and gained control over Metanoia and its subsidiaries. However, the Company only obtained 2 out of 5 Board seats following a reshuffle of Metanoia's Board of Directors on June 15, 2023. Since the Company cannot obtain more than half of the total number of directors' seats, it loses control over Metanoia's consolidated entities since then, and Metanoia and its subsidiaries, Metanoia EU, are no longer included in the consolidated financial statements since June 30, 2023. The Company has changed its consolidated financial statements to the "investments accounted for using the equity method" for the purpose of accounting treatment. Please refer to Note 6 (6) for details, and for the loss of control over subsidiaries, please refer to Note 6 (8).

Note 5: 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 6: On September 2, 2022, the Group's shareholding percentage was decreased to 97.98% after participating in the capital increase of PiXORD.

(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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(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, 2022. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

The judgment of whether the investee company has substantial control involves significant judgments on accounting policies and has a significant impact on the amount recognized in this consolidated financial statement, the information is as follows:

The Group holds 47.71% of the voting shares of Metanoia Communications Inc., making it the single largest shareholder, 36.89% of Metanoia Communications Inc. is concentrated in specific shareholders, and the remaining 15.4% is composed of many individuals (employees) and investment companies. Since the specific shareholders are currently in the management of Metanoia and hold more than half of the seats on the Board of Directors, thus having control. And the Group, which cannot obtain more than half of the seats on the Board of Directors of Metanoia, decided to quit the operating team. Therefore, it is determined that the Group has no control over Metanoia but only has significant influence on it.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2022 consolidated financial statements. Please refer to Note 6 of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Petty cash	\$ 1,034	1,099	1,569
Checking and demand deposits	1,477,070	1,965,777	2,689,833
Time deposits	1,493,875	970,602	3,877,690
Less: Restricted deposits (recorded as current and non-current financial assets measured at amortized cost) (Note h)	(7,400)	(99,590)	(96,560)
Time deposits (recorded as financial assets measured at amortized cost) with original maturities of over three months	(430,787)	(174,200)	(1,634,100)
	<u>\$ 2,533,792</u>	<u>2,663,688</u>	<u>4,838,432</u>

(i) The interest rate range of the time deposit of the Group is as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Interest rate range	<u>1.30% ~ 2.83%</u>	<u>0.90% ~ 2.80%</u>	<u>0.50% ~ 1.065%</u>

(ii) For the disclosure of the interest rate risk and sensitivity analysis of the Company's financial assets and liabilities, please refer to Note 6 (w).

(iii) The Group did not recognize impairment loss on current and non-current financial assets at amortized cost for the six months ended June 30, 2023 and 2022. Please refer to note 6(w) for the information on credit risk of the Group.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Current:			
Domestic			
Listed stocks	\$ 5,885	4,298	4,897
Certificates of beneficial interest	364,152	419,241	612,780
Stubtotal	<u>370,037</u>	<u>423,539</u>	<u>617,677</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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	June 30, 2023	December 31, 2022	June 30, 2022
Foreign			
Certificates of beneficial interest	-	25,216	84,176
Short-term commercial papers	-	73,493	71,096
Subtotal	-	98,709	155,272
Total	\$ 370,037	423,539	617,677
Non-current:			
Domestic			
Listed stocks	\$ 319,968	249,210	289,262
Non-publicly traded stocks	1,044,916	993,082	716,615
Subtotal	1,364,884	1,242,292	1,005,877
Foreign			
Certificates of beneficial interest	242,734	233,465	224,016
Total	\$ 1,607,618	1,475,757	1,229,893

(i) The Group invests in certificates of beneficial interests and short term commercial papers issued by City Credit Investment Bank Limited (CCIB) and City Credit Asset Management Co., Ltd. (CCAM). According to the official announcement on their website prior to March 27, 2023, the principal redemptions for all products will be temporarily suspended starting from January 1, 2023. Furthermore, any trading of the ongoing principal redemptions as of January 1, 2023 will be suspended. The Group evaluated both of the above companies' continuity of operations as a going concern, which involved the fair expression of its asset value, resulting in a financial asset loss of NT\$168,774 thousand to be recognized at end of march, 2023.

(ii) As of June 30, 2023, December 31 and June 30, 2022, the Group's financial assets at fair value through profit or loss were not pledged as collateral for its loans.

(iii) Please refer to Note 6(w) for the disclosure of the financial asset category and fair value measurement of the Group.

(c) Notes and accounts receivable

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable	\$ 1,365	1,890	9,268
Accounts receivable - fair value through other comprehensive income	775,457	410,234	1,230,385
Accounts receivable - measured at amortized cost	373,148	330,105	797,682
Less: Loss allowance	(26,577)	(22,821)	(39,801)
	\$ 1,123,393	719,408	1,997,534

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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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:

	June 30, 2023		
	Gross carrying amount	Weighted-average loss rate	Expected credit loss
Current	\$ 1,118,517	0.55%	6,117
1 to 30 days past due	10,875	1.53%	166
61 to 90 days past due	304	51.32%	156
More than 90 days past due	20,274	50%~100%	20,138
	\$ 1,149,970		26,577
	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Expected credit loss
Current	\$ 678,875	0.33%	2,252
1 to 30 days past due	42,562	1.62%	690
31 to 60 days past due	234	10.68%	25
61 to 90 days past due	1,062	75.99%	807
More than 90 days past due	19,496	50%~100%	19,047
	\$ 742,229		22,821
	June 30, 2022		
	Gross carrying amount	Weighted-average loss rate	Expected credit loss
Current	\$ 1,848,019	0.39%	7,237
1 to 30 days past due	123,556	1.75%	2,158
31 to 60 days past due	31,826	11.46%	3,648
61 to 90 days past due	8,047	56.29%	4,530
More than 90 days past due	25,887	50%~100%	22,228
	\$ 2,037,335		39,801

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

	For the six months ended June 30	
	2023	2022
Balance at January 1	\$ 22,821	28,481
Impairment loss recognized (reversed)	-	1,046
Impairment Loss	4,491	10,709
Effect of changes in exchange rates	(735)	(435)
Balance at December 31	<u><u>\$ 26,577</u></u>	<u><u>39,801</u></u>

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

June 30, 2023						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Far Eastern International Bank Co., Ltd. KGI Bank Entie Commercial Bank, Ltd.	<u><u>\$ 799,185</u></u>	<u><u>2,895,600</u></u>	<u><u>-</u></u>	<u><u>799,185</u></u>	<u><u>0.05%~0.10%</u></u>	None

December 31, 2022						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Far Eastern International Bank Co., Ltd. KGI Bank Entie Commercial Bank, Ltd.	<u><u>\$ 586,619</u></u>	<u><u>2,929,200</u></u>	<u><u>-</u></u>	<u><u>586,619</u></u>	<u><u>0.05%~0.10%</u></u>	None

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June 30, 2022						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Far Eastern International Bank Co., Ltd. KGI Bank Entie Commercial Bank, Ltd. Taishin International Bank Co., Ltd.	\$ <u>1,181,920</u>	<u>2,948,240</u>	<u>-</u>	<u>1,181,920</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 June 30, 2023, December 31 and June 30, 2022. The remaining amount has been reclassified into other receivables. The Group did not recognize impairment loss on other receivables for the six months ended June 30, 2023 and 2022. Please refer to note 6(w) for the information on credit risk of the Group.

The Group's notes receivable, accounts receivable, and other receivables have not been pledged as guarantees on June 30, 2023, December 31 and June 30, 2022.

(d) Inventories

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	\$ 1,173,792	1,710,468	1,341,304
Work in progress	1,268,669	1,653,579	1,577,030
Finished goods	<u>396,987</u>	<u>366,877</u>	<u>450,652</u>
	<u>\$ 2,839,448</u>	<u>3,730,924</u>	<u>3,368,986</u>

The details of the cost of sales were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Inventory that has been sold	\$ 1,686,901	2,132,539	3,014,229	4,260,592
Write-down of inventories	12,129	42,162	106,750	77,202
Others	<u>783</u>	<u>327</u>	<u>3,595</u>	<u>100</u>
	<u>\$ 1,699,813</u>	<u>2,175,028</u>	<u>3,124,574</u>	<u>4,337,894</u>

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any inventories as collateral for its loans.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Equity investments at fair value through other comprehensive income:			
Emerging stocks	\$ 18,255	13,096	18,761
Listed stocks	<u>347,690</u>	<u>292,495</u>	<u>312,690</u>
	<u>\$ 365,945</u>	<u>305,591</u>	<u>331,451</u>

- (i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.
- (ii) There were no disposals of strategic investments and transfers of any accumulative gain or loss within equity relating to these investments as of June 30, 2023 and 2022.
- (iii) For market risk, please refer to note 6(w).
- (iv) As of June 30, 2023, December 31 and June 30, 2022, 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:

	June 30, 2023	December 31, 2022	June 30, 2022
Associates	<u>\$ 426,221</u>	<u>246,691</u>	<u>280,451</u>

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

		Main operating location / Registered Country of the Company	June 30, 2023		December 31, 2022		June 30, 2022	
	Nature of the relationship with the Group		Amount	Share- holding (%)	Amount	Share- holding (%)	Amount	Share- holding (%)
Metanoia Communications Inc. (Metanoia)	Research, design, develop, manufacture and sale on client chipss	R.O.C.	\$ 179,651	47.71	-	-	-	-
Tong Fu Investment Corporation	Investment holding	R.O.C.	-	46.73	-	46.73	-	46.73
Lighting Device Technologies Corp.	Research, design, develop, manufacture and sale on LED chipss	R.O.C.	-	45.07	-	45.07	-	45.07
Top Taiwan X Venture Capital Co., Ltd.	Venture capital	R.O.C.	239,207	30.00	237,907	30.00	270,724	30.00
Uniband Electronic Corp.	Manufactures and sells electronic devices	R.O.C.	7,363	24.69	8,784	24.69	9,727	24.69
Finger Pro. Incorporation	Manufactures and sells electronic device	R.O.C.	-	23.08	-	23.08	-	23.08
RONG CHENG Technology	Manufactures and sells electronic devices, computers and its related products, manufactures optical instruments	R.O.C.	-	38.46	-	38.46	-	38.46
			<u>\$ 426,221</u>		<u>246,691</u>		<u>280,451</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 June 30		For the six months ended June 30	
	2023	2022	2023	2022
Attributable to the Group:				
Profit (Loss) from continuing operations	\$ (23,167)	(1,893)	10,380	(16,973)
Other comprehensive income (loss)	102	-	102	11
Comprehensive income	<u>\$ (23,065)</u>	<u>(1,893)</u>	<u>10,482</u>	<u>41,263</u>

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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. From January 1, 2023 to June 30, 2023, the Group did not have the transactions mentioned above.
- 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.

	December 31, 2022	June 30, 2022
Consideration paid by cash	\$ 199,200	-
Fair value of pre-existing interest in Chimei	22,800	202,067
Non-controlling interest in the acquisition	<u>351,727</u>	<u>223,742</u>
	<u>\$ 573,727</u>	<u>425,809</u>
	<u>Practical</u>	<u>Tentative</u>
Current assets		
Cash and cash equivalents	\$ 252,308	252,308
Accounts receivables (note 6(c))	28,349	28,349
Other receivables	14	14
Inventories	136,619	136,619
Prepayments	7,130	7,130
Non-current assets		
Property, plant and equipment (note 6(i))	10,669	10,669
Intangible assets (note 6(k))	187,515	1,204
Guarantee deposits	1,685	1,685
Current liabilities		
Accounts payables	(21,476)	(21,476)
Other payables	(25,858)	(25,858)

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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	<u>Practical</u>	<u>Tentative</u>
Non-current liabilities		
Long-term borrowing	(24,679)	(24,679)
reference share liabilities non-current	<u>(40,000)</u>	<u>(40,000)</u>
Total identifiable net assets acquired	<u>\$ 512,276</u>	<u>325,965</u>
Goodwill (note 6(k))	<u>\$ 61,451</u>	<u>99,844</u>

3) Net cash flows from acquisition of a subsidiary

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

- 4) Chimei contributed the sales and net profits \$39,466 thousand and \$9,395 thousand respectively from the acquisition date to June 30, 2023. If the acquisition happened on January 1, 2022, the management estimated that the Group of sales and net income will be \$8,265,906 thousand and \$1,530,610 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.
- 5) The original accounting treatment of Chimei's merger has yet to be completed before March 31, 2022. Therefore, the Group recognized the incomplete accounting treatment items based on the provisional amount, and recognized them as additional assets on December 31, 2022, with the additional assets being included to reflect the new information obtained during the measurement period about the facts and circumstances that existed at the acquisition date.

(h) Loss control of subsidiaries

The Group lost control of Metanoia Communications Inc. (Metanoia) and its subsidiary (Metanoia EU) on June 15, 2023, due to a reshuffle of the Board of Directors of Metanoia. On June 30, 2023 the carrying amounts of assets and liabilities of Metanoia and its subsidiaries are as follows:

Cash and cash equivalents	\$ 102,385
Accounts receivables	18,729
Other receivables	19,448
Inventories	50,557
Prepayments and other current assets	29,102
Property, plant and equipment (note 6(i))	56,783
Intangible assets (note 6(k))	143,911
Right-of-use asset (note 6(j))	6,506
Guarantee deposits	992

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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Accounts payables	(27,908)
Other current liabilities	<u>(57,328)</u>
Carrying amount of net assets	<u>\$ 343,177</u>
Goodwill (note 6(k))	<u>\$ 16,238</u>

- (i) Since the valuation of the assets is yet to be completed, the Group recognized the accounting treatment for the loss of control of Metanoia at the carrying amount of net assets. If new information about the facts and circumstances that existed at the date of the loss of control is obtained in the future during the measurement period (one year), the accounting treatment will be modified.
- (ii) The Group has withdrawn from the operating team of Metanoia, so it plans to completely abandon Metanoia's capital increase in 2023. It is expected that the Company's and Elan Investment's combined shareholding ratio will drop to 39.83%.

(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, 2023	\$ 230,790	1,165,013	740,526	204,762	79,310	2,420,401
Additions	-	-	12,580	5,953	582,811	601,344
Effect of losing control of subsidiaries (note 6(h))	-	-	(82,606)	(19,042)	-	(101,648)
Derecognized	-	-	(2,610)	(1,366)	-	(3,976)
Reclassification	-	-	7,714	163	(7,818)	59
Effect of movements in exchange rates	-	-	(101)	(254)	-	(355)
Balance at June 30, 2023	<u>\$ 230,790</u>	<u>1,165,013</u>	<u>675,503</u>	<u>190,216</u>	<u>654,303</u>	<u>2,915,825</u>
Balance at January 1, 2022	\$ 230,790	1,178,182	671,578	164,413	33,979	2,278,942
Acquisitions	-	-	1,322	8,868	479	10,669
Additions	-	1,169	22,834	26,496	45,259	95,758
Derecognized	-	-	(4,319)	(1,250)	-	(5,569)
Reclassification	-	2,541	2,486	1,422	(8,819)	(2,370)
Effect of movements in exchange rates	-	-	111	178	-	289
Balance at June 30, 2022	<u>\$ 230,790</u>	<u>1,181,892</u>	<u>694,012</u>	<u>200,127</u>	<u>70,898</u>	<u>2,377,719</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<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>
Balance at January 1, 2023	\$ -	734,930	547,108	147,688	-	1,429,726
Depreciation	-	10,123	41,164	11,308	-	62,595
Effect of losing control of subsidiaries (note 6(h))	-	-	(37,980)	(6,885)	-	(44,865)
Derecognized	-	-	(2,410)	(1,244)	-	(3,654)
Reclassification	-	-	185	-	-	185
Effect of disposal of subsidiaries	-	-	(91)	(199)	-	(290)
Balance at June 30, 2023	<u>\$ -</u>	<u>745,053</u>	<u>547,976</u>	<u>150,668</u>	<u>-</u>	<u>1,443,697</u>
Balance at January 1, 2022	\$ -	714,779	474,786	137,053	-	1,326,618
Depreciation	-	11,185	38,770	7,558	-	57,513
Derecognized	-	-	(4,316)	(1,249)	-	(5,565)
Effect of movements in exchange rates	-	-	102	144	-	246
Balance at June 30, 2022	<u>\$ -</u>	<u>725,964</u>	<u>509,342</u>	<u>143,506</u>	<u>-</u>	<u>1,378,812</u>
Carrying amount:						
Balance at June 30, 2023	<u>\$ 230,790</u>	<u>419,960</u>	<u>127,527</u>	<u>39,548</u>	<u>654,303</u>	<u>1,472,128</u>
Balance at January 1, 2023	<u>\$ 230,790</u>	<u>430,083</u>	<u>193,418</u>	<u>57,074</u>	<u>79,310</u>	<u>990,675</u>
Balance at June 30, 2022	<u>\$ 230,790</u>	<u>455,928</u>	<u>184,670</u>	<u>56,621</u>	<u>70,898</u>	<u>998,907</u>

(i) Due to the needs of future operations of the Group, the construction prepayments of the new building in 2023 amounted to \$557,905 thousand.

(ii) As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any property, plant and equipment as collateral for its loan.

(j) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 842,737	77,690	948	10,062	931,437
Effect of losing control of subsidiaries (note 6(h))	-	(10,183)	-	-	(10,183)
Additions	-	-	-	4,748	4,748
Effect of movements in exchange rates	-	(474)	-	-	(474)
Balance at June 30, 2023	<u>\$ 842,737</u>	<u>67,033</u>	<u>948</u>	<u>14,810</u>	<u>925,528</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>
Balance at January 1, 2022	\$ 842,737	42,070	948	19,179	904,934
Additions	-	50,801	-	-	50,801
Derecognized	-	(12,966)	-	(9,117)	(22,083)
Effect of movements in exchange rates	-	542	-	-	542
Balance at June 30, 2022	<u><u>\$ 842,737</u></u>	<u><u>80,447</u></u>	<u><u>948</u></u>	<u><u>10,062</u></u>	<u><u>934,194</u></u>
Accumulated depreciation:					
Balance at January 1, 2023	\$ 49,713	14,643	764	6,307	71,427
Depreciation	11,003	10,390	158	1,677	23,228
Effect of losing control of subsidiaries (note 6(h))	-	(3,677)	-	-	(3,677)
Effect of movements in exchange rates	-	(181)	-	-	(181)
Balance at June 30, 2023	<u><u>\$ 60,716</u></u>	<u><u>21,175</u></u>	<u><u>922</u></u>	<u><u>7,984</u></u>	<u><u>90,797</u></u>
Balance at January 1, 2022	\$ 27,706	27,446	448	10,784	66,384
Depreciation	11,004	9,352	158	1,853	22,367
Derecognized	-	(12,966)	-	(8,006)	(20,972)
Effect of movements in exchange rates	-	356	-	-	356
Balance at June 30, 2022	<u><u>\$ 38,710</u></u>	<u><u>24,188</u></u>	<u><u>606</u></u>	<u><u>4,631</u></u>	<u><u>68,135</u></u>
Carrying amount:					
Balance at June 30, 2023	<u><u>\$ 782,021</u></u>	<u><u>45,858</u></u>	<u><u>26</u></u>	<u><u>6,826</u></u>	<u><u>834,731</u></u>
Balance at January 1, 2023	<u><u>\$ 793,024</u></u>	<u><u>63,047</u></u>	<u><u>184</u></u>	<u><u>3,755</u></u>	<u><u>860,010</u></u>
Balance at June 30, 2022	<u><u>\$ 804,027</u></u>	<u><u>56,259</u></u>	<u><u>342</u></u>	<u><u>5,431</u></u>	<u><u>866,059</u></u>

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any Right-of-use assets as collateral for its loans.

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(k) Intangible assets

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

	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 238,289	447,368	306,789	992,446
Additions	-	122,376	222,783	345,159
Effect of lossing control of subsidiaries (note 6(h))	(16,238)	(268,065)	-	(284,303)
Derecognized	-	(8,070)	(177,011)	(185,081)
Reclassifications	-	-	286	286
Balance at June 30, 2023	<u>\$ 222,051</u>	<u>293,609</u>	<u>352,847</u>	<u>868,507</u>
Balance at January 1, 2022	\$ 176,838	281,058	265,155	723,051
Additions	-	1,724	52,859	54,583
Acquisitions (tentative) (Note 6 (g))	99,844	833	371	101,048
Reclassifications	-	-	2,318	2,318
Derecognized	-	(6,261)	(22,630)	(28,891)
Balance at June 30, 2022	<u>\$ 276,682</u>	<u>277,354</u>	<u>298,073</u>	<u>852,109</u>
Accumulated amortization:				
Balance at January 1, 2023	\$ -	160,431	227,308	387,739
Additions	-	46,541	66,783	113,324
Effect of lossing control of subsidiaries (note 6(h))	-	(124,154)	-	(124,154)
Derecognized	-	(7,260)	(177,011)	(184,271)
Balance at June 30, 2023	<u>\$ -</u>	<u>75,558</u>	<u>117,080</u>	<u>192,638</u>
Balance at January 1, 2022	\$ -	134,420	163,981	298,401
Additions	-	31,710	44,453	76,163
Derecognized	-	(6,261)	(22,630)	(28,891)
Balance at June 30, 2022	<u>\$ -</u>	<u>159,869</u>	<u>185,804</u>	<u>345,673</u>
Carrying amount:				
Balance at June 30, 2023	<u>\$ 222,051</u>	<u>218,051</u>	<u>235,767</u>	<u>675,869</u>
Balance at January 1, 2023	<u>\$ 238,289</u>	<u>286,937</u>	<u>79,481</u>	<u>604,707</u>
Balance at June 30, 2022	<u>\$ 276,682</u>	<u>117,485</u>	<u>112,269</u>	<u>506,436</u>

The additional intangible assets of the Group from January 1 to June 30, 2023 were all purchased from non-related parties and it's mainly for the development of Electronic Design Automation (EDA).

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(l) Long-term and short-term borrowings

(i) Short-term borrowings

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured bank loans	\$ <u>40,000</u>	<u>80,000</u>	<u>80,000</u>
Range of interest rate	<u>2.15%~2.70%</u>	<u>1.98%~ 2.70%</u>	<u>1.85%~ 2.18%</u>
Unused short-term credit lines	\$ <u>3,035,000</u>	<u>2,935,000</u>	<u>2,835,000</u>

(ii) Long-term borrowings

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured bank loans	\$ <u>468,640</u>	<u>-</u>	<u>-</u>
Range of interest rate	<u>1.20</u>	<u>-</u>	<u>- %~-%</u>
Unused long-term credit lines	\$ <u>6,265,360</u>	<u>6,734,000</u>	<u>4,947,504</u>

Refer to note 6(w) for the type of the financial assets and liabilities of the Group.

(m) Preference share liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Cumulative redeemable preferred shares(Current and non-current)	\$ <u>40,000</u>	<u>40,000</u>	<u>40,000</u>

The rights and obligations of Chimei's issuance of preference shares are as follows:

- (i) These preference shares do not entitle a shareholder any voting rights (including the right to vote for directors and supervisors). However, these preference shares allow a shareholder to have the right to vote in the preference stockholders' meeting and matters related to the rights of shareholders of these preference shares.
- (ii) Except for dividends, these preference shares cannot be included in the distribution of earnings and capital surplus of common shares, as well as other form of preference shares.
- (iii) The dividends of these preference shares are set at an annual interest rate of 1.5%, calculated based on the total amount of subscription, and paid out in cash annually, with the approval of the shareholders after they have examined the financial report and accounting books. Thereafter, the Board of Directors shall determine the ex-dividend base date for the distribution of dividends for these preference shares, and make a payment for the payable and accumulated undistributed dividends. The dividends for each year shall be calculated starting from the date of issuance and distributed based on the actual number of issuance days of the year, wherein the issuance date shall be defined as the base date for the capital increase of preference shares. If the Group incurred profit for the year, the profit shall first be used to pay taxes, then offset the previous years' deficit; thereafter, set aside 10% of the remaining profit as legal reserve. The remainder, if any, together with any undistributed retained earnings, shall

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be distributed as cash dividends according to the distribution plan proposed by the Board of Directors in the shareholders' meeting for approval. However, if there are no earnings in the year or the surplus is insufficient to distribute the full dividends of these preference shares, the preference shareholders shall be prioritized for the appropriation of the distributable portion; then any remainder shall be used to cover for the insufficient portion of the dividends, or distributed according to the provisions below:

The issuance period of these preference shares is three years(2020.7.13-2023.7.13). Upon maturity, the invested enterprise shall calculate the unobtained dividends based on the original total amount of subscription of these preference shares, plus an issuance period of three years, wherein the entire preference shares shall be withdrawn in cash in a lump sum. Furthermore, the investee corporation may withdraw the preference shares in advance based on the original total amount of subscription of the preference shares, plus the unobtained dividends calculated in proportion to the three-year issuance period.

- (iv) The preference shareholders should be prioritized during the distribution of the remaining property of the invested enterprise for these preference shares, to be followed by the ordinary shareholders, and lastly, the other preference shareholders, with an amount not exceeding the total subscription amount of the investor, plus the unobtained dividends calculated based on the issuance period of three years.
- (v) Agreed conversion: The preference shares cannot be converted into ordinary shares.
- (vi) If the investee enterprise falls under any of the following circumstances during the issuance period of the preference shares, it shall withdraw the preference shares in advance in accordance with the above provisions.
 - 1) Public offering
 - 2) The rights and obligations of the preference shares recorded in the articles of association of the invested enterprise being inconsistent with all the rights and obligations of the preference shares stipulated above, resulting in the investor to request the invested enterprise to make corrections within a certain time limit.
 - 3) The possibility of the invested enterprise violating the provisions of the subscription agreement, such as: the use of investment funds, the guarantee of continued operation, the rights and obligations of the preference shares other than those stipulated above (including, but not limited to, the invested enterprise, the undistributed dividends of the preference shares, the dividends in arrears, the conditions for early withdrawal are met but have been refused by the investor) , interested party transactions, notification obligations, obligation on providing business and financial information, and failure to promptly comply accordingly with the investor's request by making the necessary corrections.
 - 4) Money laundering prevention and combating terrorism.

The Group recognized interest expenses amounting to \$300 and \$200 thousand for the three months ended June 30, 2023 and 2022.

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(n) Lease liabilities

The lease liabilities were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Current	\$ <u>25,217</u>	<u>29,525</u>	<u>25,593</u>
Non-current	\$ <u>697,029</u>	<u>705,770</u>	<u>707,587</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interest on lease liabilities	\$ <u>2,990</u>	<u>2,960</u>	<u>6,016</u>	<u>5,852</u>
Expenses relating to short-term leases	\$ <u>4,046</u>	<u>4,288</u>	<u>8,348</u>	<u>8,825</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>392</u>	<u>266</u>	<u>735</u>	<u>477</u>

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

	For the six months ended June 30	
	2023	2022
Total cash outflow for leases	\$ <u>25,639</u>	<u>31,251</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 19 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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(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, 2022 and 2021. The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Operating cost	\$ 116	67	231	135
Selling expenses	80	71	172	129
Administration expenses	121	69	243	137
Research and development expenses	1,127	649	2,282	1,273
	\$ 1,444	856	2,928	1,674

(ii) Defined contribution plans

The Group's expenses incurred from the contributions to the Bureau of Labor Insurance for the three months and six months ended June 30, 2023 and 2022 were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Operating cost	\$ 2,354	2,277	4,686	4,510
Selling expenses	1,586	1,636	3,247	3,255
Administration expenses	2,809	2,241	5,628	4,821
Research and development expenses	13,845	13,972	27,528	27,038
	\$ 20,594	20,126	41,089	39,624

(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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The Group's income tax expenses were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Current period	\$ 120,432	246,964	153,768	487,241
Additional tax on undistributed earnings	5,290	60,113	5,290	60,113
Current tax expense	<u>\$ 125,722</u>	<u>307,077</u>	<u>159,058</u>	<u>547,354</u>

(ii) The Company's tax returns for the year through 2020 were assessed by the tax authorities.

(q) Capital and other equity

(i) Ordinary share

As of June 30, 2023, December 31 and June 30, 2022, the authorized capital of the Company amounted to \$4,800,000 thousand, divided into 303,880 thousand ordinary shares, with par value of \$10 per share. The issued shares were composed of common stocks only and have been fully paid up.

(ii) Capital surplus

The balances of capital surplus were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Additional paid-in capital	\$ 231,051	231,051	231,051
Treasury share transactions	547,654	509,478	337,686
Difference arising from subsidiary's share price and its carrying value	97,899	97,899	62,492
	<u>\$ 876,604</u>	<u>838,428</u>	<u>631,229</u>

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

(iii) Retained earnings

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

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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. The issuance of new shares have first to be decided during the board meeting, and thereafter, submitted to the shareholders' meeting for approval. According to the Company Act ,the distribution of earnings or legal reserve and capital surplus, distributed by way of cash, shall be decided during the board meeting, approved by more than half of the directors, with two thirds of directors in attendance; thereafter, to be submitted in the shareholders' meeting of the Company. 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. The company amended the Articles of Association on May 31, 2023, and the profit distribution can be done after the end of each half of the fiscal year

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 Company's profit distribution plan for the first half of 2023, 2022, 2021 and the cash dividend per share have been resolved by the Board of Directors as follows:

	For the six month ended		
	June 30	2022	2021
	August 3, 2023	February 22, 2023	February 22, 2022
Board resolution date			
Cash dividend	\$ <u>607,761</u>	<u>1,823,282</u>	<u>4,102,385</u>
Cash dividend per share	\$ <u>2.00</u>	<u>6.00</u>	<u>13.81</u>

Relevant information on the above-mentioned distribution can be inquired at the Market Observation Post System.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(iv) Treasury shares

	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</u>	
	<u>Shares (in thousands)</u>	<u>Amounts</u>	<u>Shares (in thousands)</u>	<u>Amounts</u>	<u>Shares (in thousands)</u>	<u>Amounts</u>
Shares transferred to employees	6,857	\$ 1,077,510	6,857	1,077,510	6,857	1,077,510
Shares held by subsidiaries	12,438	28,975	12,438	28,975	12,438	28,975
	<u>19,295</u>	<u>\$ 1,106,485</u>	<u>19,295</u>	<u>1,106,485</u>	<u>19,295</u>	<u>1,106,485</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 follows:

	<u>For the six months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>Shares (in thousands)</u>	<u>Amounts</u>	<u>Shares (in thousands)</u>	<u>Amounts</u>
Ending balance(beginning balance)	<u>6,857</u>	<u>\$ 1,077,510</u>	<u>6,857</u>	<u>1,077,510</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 six months ended June 30, 2023 and 2022, the information on the Company's stock held by Elan Investment Corp. was as follows:

	<u>For the six months ended June 30</u>					
	<u>2023</u>			<u>2022</u>		
	<u>Shares (in thousands)</u>	<u>Acquisition cost</u>	<u>Total market value</u>	<u>Shares (in thousands)</u>	<u>Acquisition cost</u>	<u>Total market value</u>
Opening balance	12,438	\$ 28,975	1,069,685	12,438	28,975	2,114,494
Effects of valuation change	-	-	192,792	-	-	(379,365)
Ending balance	<u>12,438</u>	<u>\$ 28,975</u>	<u>1,262,477</u>	<u>12,438</u>	<u>28,975</u>	<u>1,735,129</u>

The Company transferred cash dividend revenue received by Elan Investment Corp. amounting to \$38,176 thousand and \$0 thousand to capital surplus-treasury stock in 2023 and 2022, respectively.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Other equity

The movements of other equity were as follows:

For the six months ended June 30, 2023			
	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	\$ (4,706)	15,784	11,078
Exchange differences on foreign operations:			
The Group	(1,057)	-	(1,057)
Associates	102	-	102
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	60,354	60,354
Balance at June 30	<u>\$ (5,661)</u>	<u>76,138</u>	<u>70,477</u>
For the six months ended June 30, 2022			
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1	\$ (6,923)	202,017	195,094
Exchange differences on foreign operations:			
The Group	1,671	-	1,671
Associates	11	-	11
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	(160,373)	(160,373)
Balance at June 30	<u>\$ (5,241)</u>	<u>41,644</u>	<u>36,403</u>

(vi) Non-controlling interests

	2023	2022
Balance at January 1	\$ 732,525	230,894
Net profit (loss) attributable to Non-controlling interests :		
Net loss	(106,820)	(48,629)
Acquisitions	-	223,742
Capital surplus, employee share options	-	1,052
Effect of lossing control of subsidiaries	(179,447)	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(49)
Capital increase	-	4,890
Exchange differences on translation of foreign financial statements	(765)	11
Balance at June 30	<u>\$ 445,493</u>	<u>411,911</u>

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Share-based payment

Except for the following disclosure, there were no significant changes in share-based payment for the nine months ended June 30, 2023 and 2022. For the related information, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2022.

- (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:

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

Details of the employee stock options for six months ended June 30, 2023, were as follows:

	For the six months ended June 30, 2023		For the six months ended June 30, 2022	
2021 employee stock options	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	-	\$ -	-	-
Granted during the year	-	-	489	10.00
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	(489)	10.00
Outstanding at June 30	-	\$ -	-	-
Exercisable at June 30	-	-	-	-

Eminent adopted the 500 option pricing 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.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) The Board of Directors' meeting on November 29, 2019, Chimei Motor Electronics decided to award 500,000 units of employee stock options, using the fair value method to estimate the remuneration cost, and using the Black-Scholes Model to estimate the fair value of the stock option on the date of grant. Each unit of stock option can be subscribed one thousand stocks of common stock and the exercise price is 20 dollars. Information on acquired conditions and various assumptions are listed below:

2019 employee stock options					
Prerequisites	Exercisable percentage	Expected volatility	Riskfree interest rate	Expected duration of stock options(years)	Weighted average fair value(dollars)
Period of one year	20%	40.64%	0.5834%	2.04	3.89
Period of two year	50%	39.80%	0.5505%	2.54	4.29
Period of three year	100%	40.28%	0.5433%	3.04	4.80

- (iii) Chimei's employees had applied for 500,000 shares in December 2022, at a price of 20 dollars per share. The capital increase reference date for the new shares was July 2, 2023, and the change registration was completed on July 21, 2023.
- (iv) The Group recognized share-based payment cost amounting to \$0 and \$296 thousand for the three months ended June 30, 2023 and 2022 recognized under operation expense.
- (s) Earnings per share

The Group's earnings per share for the three months six months ended June 30, 2023 and 2022 were calculated as follows:

- (i) Basic earnings per share:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Net profit attributable to ordinary shareholders of the Company	\$ <u>494,810</u>	<u>784,000</u>	<u>801,296</u>	<u>1,582,287</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>284,585</u>	<u>284,585</u>	<u>284,585</u>	<u>284,585</u>
Earnings per share (in dollars)	\$ <u>1.74</u>	<u>2.75</u>	<u>2.82</u>	<u>5.56</u>

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Diluted earnings per share:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Net profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 494,810</u>	<u>784,000</u>	<u>801,296</u>	<u>1,582,287</u>
Weighted-average number of ordinary shares outstanding (in thousands)	284,585	284,585	284,585	284,585
Effect of dilutive potential ordinary shares (in thousands) — employee share bonus	<u>1,405</u>	<u>1,841</u>	<u>2,436</u>	<u>3,204</u>
Weighted-average number of ordinary shares outstanding (diluted)(in thousands)	<u>\$ 285,990</u>	<u>286,426</u>	<u>287,021</u>	<u>287,789</u>
Diluted earnings per share (in dollars)	<u>\$ 1.73</u>	<u>2.74</u>	<u>2.79</u>	<u>5.50</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Taiwan	\$ 206,310	316,550	378,537	676,736
Mainland China	402,371	775,467	760,736	1,454,723
Hong Kong	2,369,174	2,994,208	4,200,069	6,001,314
America	12,267	11,402	13,832	18,431
Europe	22,448	7,669	36,246	16,886
Others	<u>28,852</u>	<u>43,252</u>	<u>57,140</u>	<u>79,097</u>
	<u>\$ 3,041,422</u>	<u>4,148,548</u>	<u>5,446,560</u>	<u>8,247,187</u>

For details on revenue, please refer to note 14.

(ii) Contract balances

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interest income from bank deposits	\$ <u>11,937</u>	<u>8,367</u>	<u>16,880</u>	<u>13,902</u>

(ii) Other income

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Dividend income	\$ 20,070	58,852	20,070	61,736
Government grants	4,430	4,148	10,125	4,148
Others	<u>7,238</u>	<u>3,714</u>	<u>9,900</u>	<u>5,794</u>
Total	\$ <u>31,738</u>	<u>66,714</u>	<u>40,095</u>	<u>71,678</u>

(iii) Other gains and losses

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Foreign exchange gains	\$ 28,536	64,016	14,260	148,882
Lease modification losses	-	-	-	(157)
Gains (losses) on financial asset valuation at fair value through profit or loss	(29,157)	(173,835)	174,926	(361,088)
Loss of financial asset at fair value through profit or loss	-	-	(168,774)	-
Gains (Losses) on disposals of property, plant and equipment	318	11	76	11
Miscellaneous disbursements	<u>(69)</u>	<u>(1,334)</u>	<u>(87)</u>	<u>(1,341)</u>
Total	\$ <u>(372)</u>	<u>(111,142)</u>	<u>20,401</u>	<u>(213,693)</u>

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

For the six months ended June 30, 2023 and 2022, the remunerations to employees and directors were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employee remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Employee compensation	\$ 90,741	132,704	142,644	256,779
Directors' and supervisors' remuneration	9,145	17,013	14,263	32,920
	\$ 99,886	149,717	156,907	289,699

For the years ended December 31, 2022 and 2021, the Company estimated its employee compensation amounting to \$334,000 thousand and \$728,000 thousand, and directors' and supervisors' remuneration amounting to \$41,000 thousand and \$93,000 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(w) of the consolidated financial statements for the year ended December 31, 2022.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

Furthermore, the Group monitors and reviews the recoverable amount of the accounts receivables to ensure the uncollectible amount is recognized appropriately as impairment loss.

As of June 30, 2023 and 2022, 86% and 85%, respectively, of accounts receivables were due from the ten largest customers. Thus, credit risk was significantly concentrated.

3) Receivables and debt securities

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

Other financial assets at amortized cost, including time deposits with maturities more than three months and other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g). There was no loss allowance provision for the six months ended June 30, 2023 and 2022, 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.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<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>
June 30, 2023							
Non-derivative financial liabilities							
Short-term borrowings	\$ 40,000	40,447	20,265	20,182	-	-	-
Notes and accounts payable	1,009,373	1,009,373	1,009,373	-	-	-	-
Other payables	719,855	719,855	719,855	-	-	-	-
Dividends payable	722,246	925,810	19,703	13,025	23,283	54,916	814,883
Lease liabilities	911,641	911,641	911,641	-	-	-	-
Long-term borrowings	468,640	501,679	2,812	2,812	5,624	192,633	297,798
Redeemable preferred stock	40,000	40,050	40,050	-	-	-	-
Deposits Received	<u>49,912</u>	<u>49,912</u>	<u>49,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,961,667</u>	<u>4,198,767</u>	<u>2,773,611</u>	<u>36,019</u>	<u>28,907</u>	<u>247,549</u>	<u>1,112,681</u>
December 31, 2022							
Non derivative financial liabilities							
Short-term borrowing	\$ 80,000	80,492	60,485	20,007	-	-	-
Short-term borrowing	721,448	721,448	721,448	-	-	-	-
Notes and accounts payable	588,047	588,047	588,047	-	-	-	-
Lease liabilities	735,295	944,884	16,583	20,852	30,490	56,573	820,386
Redeemable preferred stock	40,000	40,350	300	40,050	-	-	-
Deposits Received	<u>65,212</u>	<u>65,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,212</u>
	<u>\$ 2,230,002</u>	<u>2,440,433</u>	<u>1,386,863</u>	<u>80,909</u>	<u>30,490</u>	<u>56,573</u>	<u>885,598</u>
June 30, 2022							
Non-derivative financial liabilities							
Short-term borrowings	\$ 80,000	81,194	786	80,408	-	-	-
Short-term borrowings	2,036,087	2,036,087	2,036,087	-	-	-	-
Notes and accounts payable	542,526	542,526	542,526	-	-	-	-
Other payables	4,102,385	4,102,385	4,102,385	-	-	-	-
Dividends payable	733,180	918,015	20,996	12,334	26,887	26,887	830,911
Redeemable preferred stock	40,000	40,650	300	300	40,050	-	-
Deposits Received	<u>65,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,599,459</u>	<u>7,720,857</u>	<u>6,703,080</u>	<u>93,042</u>	<u>66,937</u>	<u>26,887</u>	<u>830,911</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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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

	June 30, 2023				December 31, 2022			June 30, 2022		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets:										
<u>Monetary item</u>										
USD	\$	94,181	31.14	2,932,803	76,938	30.73	2,364,298	165,246	29.72	4,911,104
Financial liabilities:										
<u>Monetary item</u>										
USD		41,689	31.14	1,298,195	34,183	30.73	1,050,446	73,964	29.72	2,198,197

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the retranslation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD as of June 30, 2023 and 2022 would have increased (decreased) the net profit after tax by \$65,384 thousand and \$108,516 thousand for the six months ended June 30, 2023 and 2022, respectively, with all other variables remaining constant. The analysis is performed on the same basis in 2023 and 2022.

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 (including realized and unrealized portions) amounted to \$(14,260) thousand and \$148,882 thousand for the six months ended June 30, 2023 and 2022, respectively.

(iv) Other market price risk

For the six months ended June 30, 2023 and 2022, the sensitivity analysis of the changes in the securities prices at the reporting date were performed on the same basis for profit or loss as illustrated below:

	For the six months ended June 30		For the six months ended June 30	
	2023		2022	
Prices of securities at the reporting date	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increase 5%	\$ 14,638	54,831	13,258	39,483
Decrease 5%	\$ (14,638)	(54,831)	(13,258)	(39,483)

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value of financial instruments

1) Fair value hierarchy

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

	June 30, 2023				
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss (current and non-current)	\$ 1,977,655	690,005	-	1,287,650	1,977,655
Financial assets at fair value through other comprehensive income					
Stocks	365,945	-	347,690	18,255	365,945
Accounts receivable	775,457	-	-	-	-
Subtotal	1,141,402	-	347,690	18,255	365,945
Financial assets measured at amortized cost					
Cash and cash equivalents	2,533,792	-	-	-	-
Notes and accounts receivable	374,513	-	-	-	-
Other receivables	880,911	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	438,187	-	-	-	-
Guarantee deposits (current and non-current)	71,332	-	-	-	-
Subtotal	4,298,735	-	-	-	-
Total	\$ 7,417,792	690,005	347,690	1,305,905	2,343,600
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 40,000	-	-	-	-
Notes and accounts payable	1,009,373	-	-	-	-
Other payables	719,855	-	-	-	-
Lease liabilities (current and non-current)	722,246	-	-	-	-
Dividends Payable	911,641	-	-	-	-
Long-term borrowings	468,640	-	-	-	-
Guarantee deposits received	40,000	-	-	-	-
Guarantee deposits received	49,912	-	-	-	-
Total	\$ 3,961,667	-	-	-	-

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2022					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss (current and non-current)	\$ 1,998,005	672,750	98,708	1,226,547	1,998,005
Financial assets at fair value through other comprehensive income					
Stocks	305,591	-	292,495	13,096	305,591
Accounts receivable	410,234	-	-	-	-
Subtotal	715,825	-	292,495	13,096	305,591
Financial assets measured at amortized cost					
Cash and cash equivalents	2,663,688	-	-	-	-
Notes and accounts receivable	331,995	-	-	-	-
Other receivables	760,826	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	273,790	-	-	-	-
Guarantee deposits (current and non-current)	73,148	-	-	-	-
Subtotal	4,103,447	-	-	-	-
Total	<u>\$ 6,817,277</u>	<u>672,750</u>	<u>391,203</u>	<u>1,239,643</u>	<u>2,303,596</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 80,000	-	-	-	-
Notes and accounts payable	721,448	-	-	-	-
Other payables	588,047	-	-	-	-
Lease liabilities (current and non-current)	735,295	-	-	-	-
Redeemable preferred stock	40,000	-	-	-	-
Guarantee deposits received	65,212	-	-	-	-
Total	<u>\$ 2,230,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2022					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss (current and non-current)	\$ 2,002,842	906,939	155,272	940,631	2,002,842
Financial assets at fair value through other comprehensive income					
Stocks	331,451	-	312,690	18,761	331,451
Accounts receivable	1,230,385	-	-	-	-
Subtotal	1,561,836	-	312,690	18,761	331,451

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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	June 30, 2022				
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	4,838,432	-	-	-	-
Notes and accounts receivable	806,950	-	-	-	-
Other receivables	1,372,332	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	1,730,660	-	-	-	-
Guarantee deposits(current and non-current)	178,816	-	-	-	-
Prepayments for investments	290,000	-	-	-	-
Subtotal	9,217,190	-	-	-	-
Total	<u><u>\$ 12,781,868</u></u>	<u><u>906,939</u></u>	<u><u>467,962</u></u>	<u><u>959,392</u></u>	<u><u>2,334,293</u></u>
Financial liabilities measured at amortized cost					
Short-term borrowings	80,000	-	-	-	-
Notes and accounts receivables	2,036,087	-	-	-	-
Other payables	542,526	-	-	-	-
Lease liabilities (current and non-current)	733,180	-	-	-	-
Dividends payable	4,102,385	-	-	-	-
Redeemable preferred stock	40,000	-	-	-	-
Lease liabilities (current and non-current)	65,281	-	-	-	-
Total	<u><u>\$ 7,599,459</u></u>	<u><u>-</u></u>	<u><u>-</u></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.

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

3) Transfers between Level 1 and Level 2

There were no transfers of financial instruments made between any level for the six months ended June 30, 2023 and 2022.

4) Reconciliation of Level 3 fair values

	Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)	Financial assets at fair value through other comprehensive income	Total
Opening balance, January 1, 2023	\$ 1,226,547	13,096	1,239,643
Total gains and losses recognized:			
In profit or loss	87,290	-	87,290
In other comprehensive income	-	5,159	5,159
Purchased	7,871	-	7,871
Capital reduction for redistribution to shareholders	(34,058)	-	(34,058)
Ending Balance, June 30, 2023	<u>\$ 1,287,650</u>	<u>18,255</u>	<u>1,305,905</u>
Opening balance, January 1, 2022	\$ 1,053,977	20,969	1,074,946
Total gains and losses recognized:			
In profit or loss	(95,150)	-	(95,150)
In other comprehensive income	-	(2,208)	(2,208)
Purchased	26,435	-	26,435
Receivables from Capital reduction for redistribution to shareholders	(30,095)	-	(30,095)
Receivables from Capital reduction for redistribution to shareholders disposal	(10,553)	-	(10,553)
	(3,983)	-	(3,983)
Ending Balance, June 30, 2022	<u>\$ 940,631</u>	<u>18,761</u>	<u>959,392</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2023 and 2022, the total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Total gains and losses recognized:				
In profit or loss, and presented in “other gains and losses”	\$ (13,694)	(49,202)	87,290	(95,150)
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	4,372	(2,186)	5,159	(2,208)

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss - equity investments without an active market	Market Comparison Method	<ul style="list-style-type: none"> Price-to-book ratio (June 30, 2023, December 31, 2022 and June 30, 2022: 1.63 to 2.25, 1.09 to 1.31 and 1.12, 1.22) Liquidity discount (June 30, 2023, December 31, 2022 and June 30, 2022: 29.20% to 30.00%, 28.62% to 30% and 18.35%, 30%) Enterprise-Value-to-Revenue Multiple (June 30, 2023, December 31, 2022 and June 30, 2022: 2.41, 1.85 and 1.43) 	<ul style="list-style-type: none"> The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> the price-to-book ratio were higher (lower); the liquidity discount were lower (higher); the enterprise-value-to-revenue multiple were higher (lower); or
Financial assets at fair value through profit or loss - equity investments without an active market	Net Asset Value Method	Net Asset Value	The estimated fair value would increase (decrease) if net asset value were higher (lower).

- 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:

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		Increase or decrease	Profit or loss	
	Inputs		Favorable	Unfavorable
June 30, 2023				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	\$ 1,370	(1,370)
	Liquidity discount	10%	599	(599)
	Net Asset Value	10%	127,391	(127,391)
December 31, 2022				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	\$ 951	(951)
	Liquidity discount	10%	369	(369)
	Net Asset Value	10%	121,710	(121,710)
June 30, 2022				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	\$ 1,112	(1,112)
	Liquidity discount	10%	337	(337)
	Net Asset Value	10%	92,955	(92,955)

(x) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(x) of the consolidated financial statements for the year ended December 31, 2022.

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

The Group's investing and financing activities which did not affect the current cash flow in the three months ended June 30, 2023 and 2022, 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:

	January 1, 2023	Cash flows	Non-cash changes		June 30, 2023
			Foreign exchange movement	Others	
Short-term borrowings	\$ 80,000	(40,000)	-	-	40,000
Long-term borrowings	-	468,640	-	-	468,640
Lease liabilities	735,295	(10,540)	(301)	(2,208)	722,246
Preferred stock liabilities	40,000	-	-	-	40,000
Guarantee deposits received	65,212	(15,299)	(1)	-	49,912
Total liabilities from financing activities	<u>\$ 920,507</u>	<u>402,801</u>	<u>(302)</u>	<u>(2,208)</u>	<u>1,320,798</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	January 1, 2022	Cash flows	Non-cash changes		June 30, 2022
			Foreign exchange movement	Others	
Short-term borrowings	\$ 30,000	50,000	-	-	80,000
Long-term borrowings	-	(24,679)	-	24,679	-
Preferred stock liabilities	-	-	-	40,000	40,000
Lease liabilities	693,369	(10,245)	209	49,847	733,180
Guarantee deposits received	36,641	28,639	1	-	65,281
Total liabilities from financing activities	<u>\$ 760,010</u>	<u>43,715</u>	<u>210</u>	<u>114,526</u>	<u>918,461</u>

(7) Related-party transactions:

(a) Names and relationships with related parties

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

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

(b) Key management personnel compensation

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 23,730	32,498	41,852	63,698
Post-employment benefits	168	145	338	276
	<u>\$ 23,898</u>	<u>32,643</u>	<u>42,190</u>	<u>63,974</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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current financial assets at amortized cost (Certificate Deposit)	Guarantee of the creditors of the purchase transactions	\$ -	92,190	89,160
Non-current financial assets at amortized cost (Certificate Deposit)	Use land guarantee for Hsinchu Science Park Bureau	7,400	7,400	7,400
		<u>\$ 7,400</u>	<u>99,590</u>	<u>96,560</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

- (a) The Group entered into performance guarantee agreements with financial institutions for the Group's obligation to pay for the goods purchased and the tax payable on bonded raw materials, commodities, fuel, and semi-finished products shipped outside the bond areas for domestic sales, demonstration, repair or testing. As of June 30, 2023, December 31 and June 30, 2022, the financial institutions had issued performance guarantees amounting to \$3,000 thousand, \$6,000 thousand, and \$3,000 thousand, respectively.
- (b) As of June 30, 2023, December 31 and June 30, 2022, the refundable notes payable for short-term borrowings amounted to \$3,075,000 thousand, \$3,015,000 thousand, and \$2,918,000 thousand, respectively.
- (c) As of June 30, 2023, December 31 and June 30, 2022, the refundable notes payable for lease amounted to \$600 thousand.
- (d) The Group signed capacity guarantee contracts with a supplier, stipulating the minimum quantity to be purchased by the Group. As of June 30, 2023, December 31 and June 30, 2022, the Group paid the security deposit of \$27,000 thousand, \$27,000 thousand, and \$134,452 thousand, respectively in accordance with the contract, which was recognized under 「other current assets」 and 「other non-current assets」.

In addition, the Group evaluated the refundable deposit paid in the capacity guarantee contracts in 2022, wherein a portion of it was written off and recognized as cost of goods sold due to having the probability of not being recovered.

- (e) Government grant

To implement the project "Elan Electronic Smart Supply Chain AI Application" under the guidance from the Ministry of Economic Affairs, the Group 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 Group recognizes income based on the progress of the project. As of January 1 to December 31, 2022, the subsidy recognized, amounting to \$5,000 thousand respectively, was classified as other income. As of June 30, 2023, December 31, 2021 and June 30, 2022, the Group had entrusted financial institutions to guarantee that the Group would fulfill its obligations specified in the project contract. The financial institutions have issued performance guarantee amounting to \$0 thousand, \$0 thousand, and \$5,000 thousand respectively.

Based on the implementation of "Advanced AI Driver Assistance System (ADAS) and Smart Cockpit System Development Plan" by the Ministry of Economic Affairs, the Group entered into a project agreement with Taipei Computer Business Association and obtained the subsidy of \$91,730 thousand. According to the agreement, the Group will recognize the income based on the progress of the project, which runs between December 1, 2022 and May 31, 2025. As of June 30, 2023 and December 31, 2022, the subsidy of \$23,620 thousand, which had been received by the Group was recognized as "Other Current Liabilities". The financial institutions have issued performance guarantee amounting to \$0 thousand.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Royalty fee

The Group signed a software authorization contract with a software company. The contract can be terminated anytime upon the request of either party. The contract period is from November 30, 2022 to November 30, 2025. According to the contract, an annual royalty of US\$400,000 is required to be paid to the software company.

(g) Litigation and actions

As of June 30, 2023, the pending litigation of the Group was as follows:

On May 11 and 13, 2021, the Group 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 Group and Elan Shenzhen for patent infringement, and requested for damage compensation amounting to CNY\$30.5 million. The Group 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 Group 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 Group had been notified on March 23, 2023 that it had won the case. None of the parties appealed, the judgment took effect and the case was concluded

- (h) As of June 30, 2023, the total amount of the building contract signed by the Group was \$43,000 thousand and the payable amount in the following years will amount to \$19,054 thousand.
- (i) The Group signed a project contract at April 28, 2023 (including civil, mechanical and electrical engineering) with Leeming Construction Co., Ltd., a non related party, to build a factory and office building in the International AI Smart Park in Hsinchu County, at the total contract amount of \$5,858,000 thousand. (tax included), as of June 30, 2023, the unrecognized contract commitment amount is \$5,272,200 thousand.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

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(12) Others:

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

	For the three months ended June 30					
	2023			2022		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salaries and wages	\$ 66,608	477,339	543,947	82,147	510,340	592,487
Labor and health insurance	6,098	31,039	37,137	7,336	31,335	38,671
Pension	2,470	19,568	22,038	2,344	18,638	20,982
Others	4,908	11,970	16,878	6,140	12,119	18,259
Depreciation	15,071	27,658	42,729	14,913	26,004	40,917
Amortization	2,721	56,741	59,462	1,807	37,951	39,758

	For the six months ended June 30					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	\$ 132,543	921,993	1,054,536	166,835	1,022,784	1,189,619
Labor and health insurance	12,957	59,902	72,859	14,569	58,590	73,159
Pension	4,917	39,100	44,017	4,645	36,653	41,298
Others	9,535	23,682	33,217	12,086	24,670	36,756
Depreciation	30,640	55,183	85,823	28,644	51,236	79,880
Amortization	5,686	107,638	113,324	3,281	72,882	76,163

- (b) Seasonality of operations

Affected by the overall economic downturn and inflation, the buying momentum in the overall consumer electronics terminal market was weak, resulting in a large increase in inventory in the electronic supply chain. After nearly a year of inventory depletion, the market has gradually returned to normal. Also, the increase in orders made the demand for the laptop industry significantly improve in the second quarter of 2023. The Company's touch pad, touch screen chips, fingerprint recognition chips, pointing devices and microcontrollers and other products generated better revenue than in the first quarter. Overall, the Group's revenue, gross profit margin, operating net profit, and pre-tax net profit in the second quarter of 2023 all increased as compared to the first quarter.

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Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2023:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of June 30, 2023 (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	Stock: Harvatek Corporation	-	Current financial assets at fair value through profit or loss	244	\$ 5,885	0.12	\$ 5,885	
Elan InvestmentCorp.	Finemat Applied Materials Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	8,900	319,968	13.41	319,968	
Elan Investment Corp.	Elan Microelectronics Corporation	Subsidiary	Non-current financial assets at fair value through other comprehensive income	12,438	1,262,477	4.09	1,262,477	
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,077	18,255	4.14	18,255	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,500	347,690	7.87	347,690	
					<u>1,954,275</u>		<u>1,954,275</u>	
Elan Microelectronics Corporation	Certificates of beneficial interest: Fubon Chi-Hsiang Money Market Fund	-	Current financial assets at fair value through profit or loss	1,252	20,038	-	20,038	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	218	-	-	-	Note1
Elan Microelectronics Corporation	Vertex Growth (SG) LP	-	Non-current financial assets at fair value through other comprehensive income	-	233,322	-	233,322	
Elan Microelectronics Corporation	Vertex Growth II (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	9,412	-	9,412	
Elan InvestmentCorp.	FSITC US Top 100 Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	1,500	13,979	-	13,979	
Elan InvestmentCorp.	FSITC Global Wealthy Nations Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	2,629	23,892	-	23,892	
Elan InvestmentCorp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	5,920	-	5,920	
Elan InvestmentCorp.	FSITC Global Health & Weight Loss Fund	-	Current financial assets at fair value through profit or loss	500	4,685	-	4,685	
Elan InvestmentCorp.	FSITC Taiwan Core Strategic Construction Fund	-	Current financial assets at fair value through profit or loss	1,000	11,800	-	11,800	
Elan InvestmentCorp.	Nomura Global Short Duration Bond Fund TWD	-	Current financial assets at fair value through profit or loss	9,484	98,587	-	98,587	
Elan InvestmentCorp.	Nomura Global Financial Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	3,589	35,397	-	35,397	

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan InvestmentCorp.	Taishin Global Multi-asset Fund of Funds A TWD	-	Current financial assets at fair value through profit or loss	1,000	\$ 11,520	-	\$ 11,520	
Elan InvestmentCorp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	20,430	-	20,430	
Elan InvestmentCorp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	51,618	-	51,618	
Elan InvestmentCorp.	Taishin ESG Emerging Markets Bond Fund A TWD	-	Current financial assets at fair value through profit or loss	3,003	25,116	-	25,116	
Elan InvestmentCorp.	Taishin Short Duration Emerging High Yield Bond Fund A-TWD	-	Current financial assets at fair value through profit or loss	4,200	41,170	-	41,170	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	589	-	-	-	Note1
					606,886		606,886	
	Short-term commercial papers:							
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	195	-	-	-	Note1
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	-	-	-	Note1
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (SERIES II)	-	Current financial assets at fair value through profit or loss	100	-	-	-	Note1
					-		-	
	Non-publicly traded stocks:							
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	5,900	0.94	5,900	
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	84	170	2.17	170	
Elan Microelectronics Corporation	TOP TAIWAN VII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	178	4,191	6.12	4,191	
Elan Microelectronics Corporation	TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	725	11,888	4.17	11,888	
Elan Microelectronics Corporation	Midastouch Research Corporation	-	Non-current financial assets at fair value through other comprehensive income	2,500	5,075	8.16	5,075	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	2,625	57,832	6.25	57,832	
Elan Microelectronics Corporation	Inno Bridge Venture Capital	-	Non-current financial assets at fair value through other comprehensive income	800	2,397	11.35	2,397	

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	Startek Engineering Inc.	-	Non-current financial assets at fair value through other comprehensive income	189	\$ -	0.53	\$ -	
Elan Microelectronics Corporation	North Star Venture Capital	-	Non-current financial assets at fair value through other comprehensive income	3,000	37,474	10.00%	37,474	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	3,413	69,871	6.25%	69,871	
Elan Microelectronics Corporation	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through other comprehensive income	495	-	1.54%	-	
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	309,775	18.52%	309,775	
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through other comprehensive income	7	-	0.24%	-	
Elan Microelectronics Corporation	Taiwania Capital Buffalo Fund V, LP.	-	Non-current financial assets at fair value through profit or loss	-	47,634	3.19%	47,634	
Elan Microelectronics Corporation	TOP TAIWAN XIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	15,000	155,438	17.44%	155,438	
Elan Microelectronics Corporation	TOP TAIWAN XIV VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	29,000	291,705	13.30%	291,705	
Elan Microelectronics Corporation	Cruise 10 Co., Ltd	-	Non-current financial assets at fair value through profit or loss	625	3,807	5.26%	3,807	
Elan InvestmentCorp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	24,208	3.88%	24,208	
Elan InvestmentCorp.	RISE Technology Com	-	Non-current financial assets at fair value through profit or loss	769	-	3.23%	-	
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	650	2.70%	650	
Elan InvestmentCorp.	ZQAM Communications Corporation - Preferred shares	-	Non-current financial assets at fair value through profit or loss	250	732	1.07%	732	
Elan InvestmentCorp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	7,936	2.53%	7,936	
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	6,811	1.13%	6,811	
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	1,422	14.29%	1,422	
Elan InvestmentCorp.	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	370	-	1.16%	-	
					1,044,916		1,044,916	

Note 1: In the first quarter of 2023, 168,774 thousand of financial asset impairment has been provided.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Elan Microelectronics Corporation	New factory in Zhubei AI Park	2023.4.28	5,858,000 (Tax included)	5,858,000 (Tax included)	LeeMing Construction CO., LTD.	none				-	Not applicable due to commissioned construction of leased land	To meet the needs of future operations	none

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Elan Microelectronics Corporation	Elan (H.K.)	Subsidiary	Sale	\$ 140,503	2.58 %	Open Account 45 Days	-		\$ 42,024	3.65%	

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	\$ 140,503	Open Account 45 Days	2.58%
1	Elan (H.K.)	Elan Microelectronics Corporation	2	Commission revenue	\$ 110,607	Monthly settlement	2.03%

Note1: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

Note2: The way to fill in the serial number is as follows:

- (1) 0 represents the parent company.
- (2) Subsidiaries are numbered sequentially starting from the number 1 according to the company

Note3: The relationship with the trader is as follows:

- (1) parent company to subsidiary.
- (2) subsidiary to parent company

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investees:

The followings are the information on investees for the six months ended June 30, 2023 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2023	December 31, 2022	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 %	\$ 354,454	\$ 34,406	\$ 34,406	Note 1
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	974,960	15,471	15,471	Note 1
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 %	14,660	(942)	(942)	Note 1
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 %	(4,736)	(3,040)	(1,490)	Note 1
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	\$ 665,865	\$ 665,865	47,363	46.89 %	\$ 160,599	\$ (124,280)	\$ (58,275)	Note 3
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 %	(15,962)	(15,297)	(13,356)	Note 1
Elan Microelectronics Corporation	Tong fu Investment Corp.	Hsin-Chu, Taiwan	Investment holding	26,070	26,070	3,000	46.73 %	-	-	-	Note 2
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 %	-	-	-	Note 2
Elan Microelectronics Corporation	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	117,062	117,062	11,240	94.65 %	14,644	(15,962)	(15,109)	Note 1
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 %	29,354	(10,727)	(1,985)	Note 1
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	199,500	210,000	19,950	30.00 %	239,207	39,336	11,801	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	5,000	24.69 %	7,363	(5,755)	(1,421)	
Elan Microelectronics Corporation	Finger Pro. Incorporation	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	6,000	6,000	600	23.08 %	-	-	-	Note 2
Elan Microelectronics Corporation	Chimei Motor Electronic CO., LTD.	Taipei, Taiwan	Image recognition, automotive electronic manufacturing and wholesaling business	228,650	228,650	9,250	31.36 %	206,277	(27,126)	(11,428)	Note 1
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 %	(576)	(15,297)	(493)	Note 1
Elan Investment Corp.	RONG CHENG Technology	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	77,706	77,706	8,000	38.46 %	-	-	-	Note 2
Elan Investment Corp.	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	4,065	4,065	395	3.33 %	515	(15,962)	(532)	Note 1
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	0.82 %	19,052	(124,280)	(1,019)	Note 3
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 %	15,501	(10,727)	(1,031)	Note 1
Elan (H.K.)	Power Asia Investment Corporation	Republic of Mauritius	Investment holding	89,572	89,572	2,861	100.00 %	28,032	863	863	Note 1
Metanoia Communications Inc.	Metanoia Communication Europe	France	Provide technical support and information service	18,410	18,410	571	100.00 %	6,108	(3,197)	(3,197)	Note 3

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
Chimei Motor Electronic CO., LTD.	CHIMEI MOTOR ELECTRONICS (SAMOA) CO., LTD.	Somoa	Investment holding	52,555	37,145	1,750	100.00 %	26,102	(2,387)	(2,387)	Note 1

Note1: Investments in subsidiaries the Company has control over have been eliminated at the Group level from long-term investment.

Note2: The full amount has been included in impairment loss.

Note3: Investee companies that lose control on June 30, 2023.

(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, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) recognized	Carrying value as of June 30, 2023	Accumulated inward remittance of earnings as of June 30, 2023
					Outflow	Inflow						
Elan Micro-electronics (Shanghai) Co., Ltd.	Provide technical support and information service	\$ 52,095	(2)	\$ 52,095	-	-	\$ 52,095	\$ 558	100.00%	\$ 558	\$ 19,225	-
Elan Micro-electronics (Shenzhen) Co., Ltd.	Provide technical support and information service	34,670	(2)	34,670	-	-	34,670	285	100.00%	285	8,316	-
Gianteye Technology (Shanghai) CO., LTD.	Development of advanced driver assistance systems and wholesale of automotive electronic products	52,555	(2)	37,145	15,410	-	52,555	(2,496)	100.00%	(2,496)	26,070	-

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.

Note3: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

	Accumulated Investment in Mainland China as of June 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Elan Microelectronics Corporation	\$ 86,765 (USD2,500,000)	\$ 98,333 (USD2,500,000)	\$ 4,779,172
Chimei Motor Electronic CO., LTD.	52,555 (USD1,250,000)	68,103 (USD1,250,000)	180,629

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

(iii) Significant transactions:

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Major shareholders:

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

(14) Segment information:

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

For the three months ended June 30, 2023								
	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	\$ 548,817	2,123,849	55,921	-	82,236	230,599	-	3,041,422
Intersegment revenues	81,560	-	-	-	62,654	4,997	(149,211)	-
Interest income	8,092	-	442	461	1,075	1,868	(1)	11,937
Total revenue	<u>\$ 638,469</u>	<u>2,123,849</u>	<u>56,363</u>	<u>461</u>	<u>145,965</u>	<u>237,464</u>	<u>(149,212)</u>	<u>3,053,359</u>
Reportable segment profit or loss	<u>\$ (187,668)</u>	<u>803,511</u>	<u>(41,263)</u>	<u>(13,074)</u>	<u>32,191</u>	<u>(35,975)</u>	<u>19,852</u>	<u>577,574</u>
For the three months ended June 30, 2022								
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue								
Revenue from external customers	\$ 1,025,885	2,843,566	30,056	-	109,444	139,597	-	4,148,548
Intersegment revenues	125,458	-	-	-	95,056	5,052	(225,566)	-
Interest income	7,966	129	42	4	53	173	-	8,367
Total revenue	<u>\$ 1,159,309</u>	<u>2,843,695</u>	<u>30,098</u>	<u>4</u>	<u>204,553</u>	<u>144,822</u>	<u>(225,566)</u>	<u>4,156,915</u>
Reportable segment profit or loss	<u>\$ 1,645,334</u>	<u>4,446,020</u>	<u>(158,925)</u>	<u>143,323</u>	<u>238,825</u>	<u>(55,768)</u>	<u>(197,660)</u>	<u>6,061,149</u>
Assets								
Investments accounted for using equity method	\$ 2,492,260	-	-	40,134	-	-	(2,185,697)	346,697
Capital expenditure	783,890	40,142	85,232	-	521	18,670	-	928,455
Reportable segment assets	<u>\$ 17,695</u>	<u>1,062,724</u>	<u>(34,103)</u>	<u>(125,909)</u>	<u>41,902</u>	<u>(24,960)</u>	<u>130,309</u>	<u>1,067,658</u>
For the six months ended June 30, 2023								
	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	\$ 960,048	3,888,993	84,444	-	143,431	369,644	-	5,446,560
Intersegment revenues	144,627	-	-	-	110,607	10,472	(265,706)	-
Interest income	12,809	-	444	461	1,100	2,066	-	16,880
Total revenue	<u>\$ 1,117,484</u>	<u>3,888,993</u>	<u>84,888</u>	<u>461</u>	<u>255,138</u>	<u>382,182</u>	<u>(265,706)</u>	<u>5,463,440</u>
Reportable segment profit or loss	<u>\$ (430,020)</u>	<u>1,384,018</u>	<u>(124,280)</u>	<u>15,471</u>	<u>42,452</u>	<u>(73,080)</u>	<u>38,973</u>	<u>853,534</u>
Assets:								
Investments accounted for using equity method	<u>\$ 1,980,820</u>	<u>-</u>	<u>-</u>	<u>34,493</u>	<u>-</u>	<u>-</u>	<u>(1,589,092)</u>	<u>426,221</u>
Capital expenditure	<u>\$ 846,979</u>	<u>9,505</u>	<u>77,575</u>	<u>-</u>	<u>142</u>	<u>17,050</u>	<u>-</u>	<u>951,251</u>
Reportable segment assets	<u>\$ 10,184,086</u>	<u>2,811,147</u>	<u>-</u>	<u>2,237,438</u>	<u>451,997</u>	<u>876,208</u>	<u>(2,830,523)</u>	<u>13,730,353</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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For the six months ended June 30, 2022								
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue								
Revenue from external customers	\$ 1,993,559	5,701,475	60,532	-	221,601	270,020	-	8,247,187
Intersegment revenues	250,798	-	-	-	186,607	9,997	(447,402)	-
Interest income	13,461	129	42	5	60	205	-	13,902
Total revenue	<u>\$ 2,257,818</u>	<u>5,701,604</u>	<u>60,574</u>	<u>5</u>	<u>408,268</u>	<u>280,222</u>	<u>(447,402)</u>	<u>8,261,089</u>
Reportable segment profit or loss	<u>\$ (20,686)</u>	<u>2,130,160</u>	<u>(70,596)</u>	<u>(270,675)</u>	<u>96,179</u>	<u>(56,724)</u>	<u>273,354</u>	<u>2,081,012</u>
Assets:								
Investments accounted for using equity method	<u>\$ 2,359,057</u>	<u>-</u>	<u>-</u>	<u>37,961</u>	<u>-</u>	<u>-</u>	<u>(2,116,567)</u>	<u>280,451</u>
Capital expenditure	<u>\$ 118,229</u>	<u>39,840</u>	<u>10,933</u>	<u>-</u>	<u>10,876</u>	<u>21,264</u>	<u>-</u>	<u>201,142</u>
Reportable segment assets	<u>\$ 13,882,722</u>	<u>3,994,403</u>	<u>491,255</u>	<u>2,748,554</u>	<u>936,377</u>	<u>900,437</u>	<u>(4,077,615)</u>	<u>18,876,133</u>