

**ELAN MICROELECTRONICS CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2020 and 2019**

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

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Independent Auditors' Review Report

To the Board of Directors of
ELAN MICROELECTRONICS CORPORATION:

Introduction

We have reviewed the accompanying consolidated balance sheets of ELAN MICROELECTRONICS CORPORATION (the "Company") and its subsidiaries (the "Group") as of September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, as well as the changes in equity and cash flows for the nine months ended September 30, 2020 and 2019 and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$840,386 thousand and \$312,406 thousand, constituting 6.34% and 2.93% of the consolidated total assets; and the total liabilities amounting to \$260,667 thousand and \$494,170 thousand, constituting 5.02% and 12.27% of the consolidated total liabilities as of September 30, 2020 and 2019, respectively; as well as the total comprehensive loss amounting to \$(45,827) thousand, \$(42,766) thousand, \$(157,332) thousand and \$(135,227) thousand, constituting, (4.42)%, (6.24)%, (8.11)% and (8.92)% of the consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2020 and 2019, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of \$302,673 thousand and \$267,153 thousand as of September 30, 2020 and 2019, respectively, and its equity in net earnings on these investee companies of \$5,181 thousand, \$9,625 thousand, \$6,175 thousand and \$21,808 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019, as well as its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
October 26, 2020

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2020 and 2019

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2020, December 31, 2019, and September 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2020		December 31, 2019		September 30, 2019		Liabilities and Equity		September 30, 2020		December 31, 2019		September 30, 2019			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents (notes 6(a) and (t))	\$	1,817,188	14	1,502,121	13	1,697,119	16	2100	Short-term borrowings (notes 6(k) and (t))	\$	42,010	1	241,000	2	276,000	3
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (t))		1,015,000	8	778,442	7	759,324	7	2170	Accounts payable (notes 6(t))		1,972,172	15	1,169,761	10	1,418,703	13
1170	Notes and accounts receivable, net (notes 6(c), (t) and 7)		2,284,971	17	1,195,296	11	1,418,024	13	2206	Employee bonus payable (notes 6(s) and (t))		567,357	4	382,500	3	478,573	4
1200	Other receivables (notes 6(c), (t))		1,621,698	12	835,141	7	1,033,823	10	2230	Current tax liabilities		755,510	6	278,873	2	457,559	4
1310	Inventories, net (note 6(d))		1,783,988	14	1,386,202	12	1,338,577	13	2280	Current lease liabilities (notes 6(l) and (t))		21,843	-	21,279	-	17,117	-
1410	Prepayments and other current assets		35,068	-	20,323	-	33,308	-	2300	Other current liabilities (note 6(t))		1,229,436	9	964,528	10	799,056	8
1476	Financial assets at amortized cost (notes 6(a) and (t))		1,487,650	11	2,289,450	21	1,589,600	15				4,588,328	35	3,057,941	27	3,447,008	32
			10,045,563	76	8,006,975	71	7,869,775	74	Non-Current liabilities:								
	Non-current assets:							2570	Deferred tax liabilities		2,097	-	2,097	-	2,248	-	
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and (t))		957,830	7	1,360,622	12	1,002,249	9	2580	Non-current lease liabilities (notes 6(l) and (t))		192,774	1	200,563	2	188,044	2
1517	Non-current financial assets at fair value through other comprehensive income (note 6(e) and (t))		352,322	3	191,833	2	281,905	3	2640	Net defined benefit liability, non-current		372,400	3	372,373	3	378,168	4
1551	Investments accounted for using equity method (note 6(f))		302,673	2	330,837	3	267,153	3	2645	Guarantee deposits received (note 6(t))		41,420	-	10,766	-	10,584	-
1600	Property, plant and equipment (notes 6(h) and 7)		854,758	6	760,537	7	770,219	7				608,691	4	585,799	5	579,044	6
1755	Right-of-use assets (note 6(i))		211,724	2	220,483	2	204,271	2	Total liabilities			5,197,019	39	3,643,740	32	4,026,052	38
1780	Intangible assets (note 6(j))		473,218	4	304,219	3	220,701	2	Equity attributable to owners of parent: (notes 6(o) and (p))								
1840	Deferred tax assets		31,862	-	31,862	-	29,821	-	3100	Capital stock		3,038,804	23	3,038,804	27	3,038,804	28
1900	Other non-current assets (note 6(t))		21,065	-	19,524	-	20,857	-	3200	Capital surplus		519,640	4	375,945	3	395,513	4
1960	Prepayments for investments		-	-	20,000	-	-	-		Retained earnings:							
			3,205,452	24	3,239,917	29	2,797,176	26	3310	Legal reserve		1,825,597	14	1,575,923	14	1,575,923	15
									3350	Undistributed earnings		2,439,539	18	2,577,324	24	1,531,612	14
												4,265,136	32	4,153,247	38	3,107,535	29
									3400	Other equity		31,875	-	129,910	1	202,047	2
									3500	Treasury shares		(28,975)	-	(28,975)	-	(28,975)	-
									Total equity attributable to owners of parent:			7,826,480	59	7,668,931	69	6,714,924	63
									36XX	Non-controlling interests		227,516	2	(65,779)	(1)	(74,025)	(1)
									Total equity			8,053,996	61	7,603,152	68	6,640,899	62
									Total liabilities and equity			\$ 13,251,015	100	11,246,892	100	10,666,951	100
	Total assets	\$	13,251,015	100	11,246,892	100	10,666,951	100									

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the three months and nine months ended September 30, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		For the three months ended September 30				For the nine months ended September 30			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (notes 6(q), 7 and 14)	\$ 4,707,167	100	2,712,699	100	10,452,707	100	6,775,002	100
5000	Operating costs (notes 6(d), (m) and 7)	<u>2,563,321</u>	<u>54</u>	<u>1,427,269</u>	<u>53</u>	<u>5,581,940</u>	<u>53</u>	<u>3,631,007</u>	<u>54</u>
5900	Gross profit from operations	2,143,846	46	1,285,430	47	4,870,767	47	3,143,995	46
5920	Add: Realized profit (loss) from sales	<u>37</u>	<u>-</u>	<u>(179)</u>	<u>-</u>	<u>(301)</u>	<u>-</u>	<u>2,585</u>	<u>-</u>
5950	Gross profits	<u>2,143,883</u>	<u>46</u>	<u>1,285,251</u>	<u>47</u>	<u>4,870,466</u>	<u>47</u>	<u>3,146,580</u>	<u>46</u>
6000	Operating expenses: (notes 6(c), (m) and 12)								
6100	Selling expenses	133,873	3	118,951	4	366,085	4	275,584	4
6200	Administrative expenses	127,683	3	90,374	3	298,694	3	253,854	4
6300	Research and development expenses	507,792	11	427,592	16	1,343,692	12	1,168,585	17
6450	Impairment gain and loss determined in accordance with IFRS 9	<u>4,319</u>	<u>-</u>	<u>(3,594)</u>	<u>-</u>	<u>6,075</u>	<u>-</u>	<u>(6,709)</u>	<u>-</u>
		<u>773,667</u>	<u>17</u>	<u>633,323</u>	<u>23</u>	<u>2,014,546</u>	<u>19</u>	<u>1,691,314</u>	<u>25</u>
6900	Operating income	<u>1,370,216</u>	<u>29</u>	<u>651,928</u>	<u>24</u>	<u>2,855,920</u>	<u>28</u>	<u>1,455,266</u>	<u>21</u>
7000	Non-operating income and expenses:								
7100	Interest income (note 6(r))	7,969	-	8,867	-	25,141	-	30,986	1
7010	Other income (note 6(r))	26,756	1	20,077	1	45,625	-	77,129	1
7020	Other gains and losses (notes 6(r) and 7)	(66,718)	(1)	148,482	5	(419,846)	(4)	268,874	4
7050	Finance costs	(1,264)	-	(2,418)	-	(4,508)	-	(6,848)	-
7590	Miscellaneous disbursements	(212)	-	(209)	-	(12,879)	-	(3,126)	-
7770	Share of gain of associates accounted for using equity method (note 6(f))	<u>5,181</u>	<u>-</u>	<u>9,625</u>	<u>-</u>	<u>6,175</u>	<u>-</u>	<u>21,808</u>	<u>-</u>
		<u>(28,288)</u>	<u>-</u>	<u>184,424</u>	<u>6</u>	<u>(360,292)</u>	<u>(4)</u>	<u>388,823</u>	<u>6</u>
7900	Profit before tax	1,341,928	29	836,352	30	2,495,628	24	1,844,089	27
8110	Less: Income tax expenses (note 6(n))	<u>275,153</u>	<u>6</u>	<u>159,385</u>	<u>6</u>	<u>492,176</u>	<u>5</u>	<u>358,761</u>	<u>5</u>
	Net profit	<u>1,066,775</u>	<u>23</u>	<u>676,967</u>	<u>24</u>	<u>2,003,452</u>	<u>19</u>	<u>1,485,328</u>	<u>22</u>
8300	Other comprehensive income (loss):								
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss								
8316	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	(30,114)	(1)	8,528	-	(61,782)	(1)	30,198	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(30,114)</u>	<u>(1)</u>	<u>8,528</u>	<u>-</u>	<u>(61,782)</u>	<u>(1)</u>	<u>30,198</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(89)	-	(621)	-	(833)	-	(155)	-
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	25	-	(31)	-	-	-	(19)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(64)</u>	<u>-</u>	<u>(652)</u>	<u>-</u>	<u>(833)</u>	<u>-</u>	<u>(174)</u>	<u>-</u>
8300	Other comprehensive income (loss), net	<u>(30,178)</u>	<u>(1)</u>	<u>7,876</u>	<u>-</u>	<u>(62,615)</u>	<u>(1)</u>	<u>30,024</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 1,036,597</u>	<u>22</u>	<u>684,843</u>	<u>24</u>	<u>1,940,837</u>	<u>18</u>	<u>1,515,352</u>	<u>22</u>
	Net profit attributable to:								
8610	Owners of parent	\$ 1,079,770	23	685,550	24	2,051,692	19	1,514,931	22
8620	Non-controlling interests	<u>(12,995)</u>	<u>-</u>	<u>(8,583)</u>	<u>-</u>	<u>(48,240)</u>	<u>-</u>	<u>(29,603)</u>	<u>-</u>
		<u>\$ 1,066,775</u>	<u>23</u>	<u>676,967</u>	<u>24</u>	<u>2,003,452</u>	<u>19</u>	<u>1,485,328</u>	<u>22</u>
	Comprehensive income attributable to:								
8710	Owners of the parent	\$ 1,049,592	22	693,426	24	1,989,077	18	1,544,955	22
8720	Non-controlling interests	<u>(12,995)</u>	<u>-</u>	<u>(8,583)</u>	<u>-</u>	<u>(48,240)</u>	<u>-</u>	<u>(29,603)</u>	<u>-</u>
		<u>\$ 1,036,597</u>	<u>22</u>	<u>684,843</u>	<u>24</u>	<u>1,940,837</u>	<u>18</u>	<u>1,515,352</u>	<u>22</u>
	Earnings per share (expressed in dollars) (note 6(p))								
9710	Basic earnings per share	<u>\$ 3.70</u>		<u>2.35</u>		<u>7.04</u>		<u>5.20</u>	
9850	Diluted earnings per share	<u>\$ 3.68</u>		<u>2.33</u>		<u>6.96</u>		<u>5.14</u>	

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
			Retained earnings		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings						
Balance at January 1, 2019	\$ 3,038,804	444,033	1,419,965	1,585,683	(4,219)	176,242	(33,328)	6,627,180	(44,422)	6,582,758
Net profit	-	-	-	1,514,931	-	-	-	1,514,931	(29,603)	1,485,328
Other comprehensive income	-	-	-	-	(174)	30,198	-	30,024	-	30,024
Total comprehensive income	-	-	-	1,514,931	(174)	30,198	-	1,544,955	(29,603)	1,515,352
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	155,958	(155,958)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,413,044)	-	-	-	(1,413,044)	-	(1,413,044)
Cash dividends from capital surplus	-	(106,358)	-	-	-	-	-	(106,358)	-	(106,358)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	57,838	-	-	-	-	4,353	62,191	-	62,191
Balance at September 30, 2019	\$ 3,038,804	395,513	1,575,923	1,531,612	(4,393)	206,440	(28,975)	6,714,924	(74,025)	6,640,899
Balance at January 1, 2020	\$ 3,038,804	375,945	1,575,923	2,577,324	(5,537)	135,447	(28,975)	7,668,931	(65,779)	7,603,152
Net profit	-	-	-	2,051,692	-	-	-	2,051,692	(48,240)	2,003,452
Other comprehensive income	-	-	-	-	(833)	(61,782)	-	(62,615)	-	(62,615)
Total comprehensive income	-	-	-	2,051,692	(833)	(61,782)	-	1,989,077	(48,240)	1,940,837
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	249,674	(249,674)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,975,223)	-	-	-	(1,975,223)	-	(1,975,223)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	80,848	-	-	-	-	-	80,848	-	80,848
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	319,267	319,267
Changes in non-controlling interests	-	62,847	-	-	-	-	-	62,847	22,268	85,115
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	35,420	-	(35,420)	-	-	-	-
Balance at September 30, 2020	\$ 3,038,804	519,640	1,825,597	2,439,539	(6,370)	38,245	(28,975)	7,826,480	227,516	8,053,996

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2020	2019
Cash flows from operating activities:		
Profit before tax	\$ 2,495,628	1,844,089
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	73,197	56,016
Amortization expense	63,904	30,512
Expected credit loss (gain)	6,075	(6,709)
Net loss (gain) on financial assets at fair value through profit or loss	372,184	(263,411)
Interest expense	4,508	6,848
Interest income	(25,141)	(30,986)
Dividend income	(30,745)	(25,688)
Share of gains of associates accounted for using equity method	(6,175)	(21,808)
Loss on disposal of property, plant and equipment	3,065	582
Gain on disposal of investment properties	(13,754)	-
Difference between net pension liability and actual appropriations	27	(651)
Impairment loss and disposal loss on inventory	75,020	81,956
Others	(1,398)	(868)
Total adjustments to reconcile profit	520,767	(174,207)
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(1,048,736)	(306,581)
Increase in inventories	(453,153)	(264,280)
Decrease (increase) in prepayments and other current assets	(14,462)	4,961
Increase in other receivables	(638,213)	(362,896)
Increase in notes and accounts payable	771,765	443,125
Increase in other current liabilities	411,682	106,634
Cash inflow generated from operations	2,045,278	1,290,845
Interest received	25,423	31,132
Interest paid	(4,729)	(6,993)
Income taxes paid	(130,959)	(337,324)
Net cash flows from operating activities	1,935,013	977,660
Cash flows used in investing activities:		
Dividends received	32,417	27,473
Decrease in financial assets at amortized cost	801,800	169,880
Acquisition of current financial assets at fair value through profit or loss	(2,067,502)	(319,123)
Proceeds from disposal of current financial assets at fair value through profit or loss	1,834,938	232,928
Acquisition of non-current financial assets at fair value through profit or loss	(21,843)	-
Proceeds from disposal of non-current financial assets at fair value through profit or loss	4,002	-
Proceeds from capital reduction of financial assets at fair value through profit or loss	11,250	38,350
Acquisition of non-current financial assets at fair value through other comprehensive income	(268,800)	-
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	46,129	-
Net cash inflows from business combination	123,128	-
Acquisition of property, plant and equipment	(107,830)	(40,176)
Proceeds from disposal of property, plant and equipment	1,000	-
Acquisition of intangible assets	(229,762)	(25,894)
Decrease in other non-current assets	38	4,761
Net cash flows from investing activities	158,965	88,199
Cash flows used in financing activities:		
Increase in short-term loans	100,010	496,000
Decrease in short-term loans	(299,000)	(463,000)
Increase (decrease) in guarantee deposits received	15,359	(93)
Payment of lease liabilities	(20,172)	(20,209)
Cash dividends paid	(1,894,375)	(1,457,211)
Change in non-controlling interests	319,267	-
Net cash flows used in financing activities	(1,778,911)	(1,444,513)
Net increase (decrease) in cash and cash equivalents	315,067	(378,654)
Cash and cash equivalents at the beginning of period	1,502,121	2,075,773
Cash and cash equivalents at the end of period	\$ 1,817,188	1,697,119

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2020 and 2019

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

(1) Company history

Elan Microelectronics Corp. (the “Company”) was incorporated on May 5, 1994, under the approval of Ministry of Economic Affairs, Republic of China (“ROC”). The Group is located in the Hsinchu Science-based Industrial Park. The major business activities of the Group 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 Group also offers research and development services with respect to the products presented above. The Group’s common shares were listed on the Taiwan Stock Exchange on September 17, 2001. Pursuant to the resolution of the shareholders’ meeting held on June 13, 2008, the Group acquired Elantech Devices Corp. (Elantech). The Group is the surviving company, and Elantech was dissolved after the acquisition, and the effective date of the acquisition was on October 1, 2008. Elantech was incorporated on September 18, 2003 as a company limited by shares under the laws of Taiwan, the Republic of China (ROC). Elantech was located in Zhonghe District, New Taipei City. The major business activities of Elantech were the research, manufacture, and sale of wireless and wired communication equipment and electronics modules. Please refer to note 4(b) for the main operating activities for Elan Microelectronics Corp. and its subsidiaries (collectively as the “Group”).

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

The consolidated financial statements for the nine months ended September 30, 2020 and 2019 were authorized for issuance by the Board of Directors on October 26, 2020.

(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. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of significant changes are as follows:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the FSC in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(c).

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the three month and nine month ended September 30, 2020 were both \$590 thousand.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2021:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021

The Group assesses that the adoption of the abovementioned amendments would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment— Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts— Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”	January 1, 2021

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.

(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, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2020	December 31, 2019	September 30, 2019	
The Company	Elan Investment Corp.	Investment holding	100.00 %	100.00 %	100.00 %	-
The Company and Elan Investment Corp	Metanoia Communications Inc. (MetaCom)	Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network	51.57 %	67.86 %	67.86 %	note 1 and note 5
The Company and Elan Investment Corp.	Avisonic Technology Corp. (Avisonic)	Research, design, develop, manufacture and sale on digital image-process chips	84.21 %	84.21 %	81.00 %	note 1
The Company	JPUP Electron Co., Ltd. (JPUP)	Wholesale and installation of electronic devices, data storage and equipment process	49.00 %	49.00 %	49.00 %	note 1 and note 2

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2020	December 31, 2019	September 30, 2019	
The Company and Elan Investment Corp.	Pixord Corporation (Pixord)	Research, design, develop, manufacture and sale on Webcam and server	98.23 %	97.27 %	97.27 %	note 1 and note 7
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	43.98 %	- %	- %	note 1 and note 3
The Company	Rising Star Technology Company Limited (Rising Star)	Software information and supply of electronic services	86.96 %	- %	- %	note 1 and note 4
The Company	Bruckewell Technology Co., Ltd. (Bruckewell)	Manufactures and sells electronics devices	61.16 %	- %	- %	note 1 and note 6
The Company	Elan H.K.	Sale and after-sales service	100.00 %	100.00 %	100.00 %	-
The Company	Elan Information	After-sales service and provide new informational skills	100.00 %	100.00 %	100.00 %	note 1
Elan H.K.	Power Asia	Investment holding	100.00 %	100.00 %	100.00 %	-
Power Asia	Elan Shanghai	Provide system design, information on applications expansion	100.00 %	100.00 %	100.00 %	-
Power Asia	Elan Shenzhen	Provide system design, information on applications expansion	100.00 %	100.00 %	100.00 %	-

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

Note 2: The Company obtained 3 out of 5 seats in the board, and gained control interest over JPUP.

Note 3: The Company obtained 3 out of 5 seats in the board on February 19, 2020 and gained control interest over Eminent, thus, the investee was included in the consolidated financial statements.

Note 4: On January 31, 2020, the Company acquired 86.96% equity of Rising Star, thus, it was included in the consolidated financial statements thereafter.

Note 5: In February and March, 2020, the Company's ownership decreased to 51.57% after participating in the capital increase of Metanoia.

Note 6: On May 31, 2020, the Company acquired additional 22.51% equity of Bruckewell and accordingly, the Company's ownership increased from 38.65% to 61.16%. Bruckewell was included in the consolidated financial statements thereafter.

Note 7: On August, 2020, the Company's ownership increased to 98.23% after participating in the capital increase of Pixord.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Leases

As a practical expedient, the Group elects not to assess all rent concessions that meets all the conditions as follows are lease modifications or not:

- (i) the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- (ii) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (iii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (iv) there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(d) 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..

(e) 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 by 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.

(f) Investments in associates

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

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

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The consolidated financial reports include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from the transactions between the Group and an associate are recognized only to the extent of unrelated the Group's interests in the associate.

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

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

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

(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.

Except for the following, 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, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The accounting policies involved significant judgments and the information that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

Judgment of whether the Group has substantive control over its investees

The Group holds 24.69% of the outstanding voting shares of Uniband Electronic Corp. and is the single largest shareholder of the investee. Although the remaining 75.31% of Uniband Electronic Corp.'s shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of Uniband Electronic Corp.'s directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence on Uniband Electronic Corp..

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to Note 6 of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

	September 30, 2020	December 31, 2019	September 30, 2019
Petty cash	\$ 423	353	463
Checking and demand deposits	1,671,565	1,101,958	1,243,016
Time deposits with maturities of three months or less	<u>145,200</u>	<u>399,810</u>	<u>453,640</u>
	<u>\$ 1,817,188</u>	<u>1,502,121</u>	<u>1,697,119</u>

As of September 30, 2020, December 31 and September 30, 2019, time deposits with maturities of more than three months held by the Group amounted to \$1,487,650 thousand, \$2,289,450 thousand, and \$1,589,600 thousand, respectively, and were recorded as financial assets measured at fair value. The Group did not recognize impairment loss on Financial assets at amortized cost for the nine months ended September 30, 2020 and 2019. Other information relating to credit risk is provided in Note 6(t).

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	September 30, 2020	December 31, 2019	September 30, 2019
Mandatorily measured at fair value through profit or loss:			
Current:			
Listed stocks	\$ 4,925	6,680	10,124
Open-end certificates of beneficial interest	947,413	617,680	589,241
Short-term commercial papers	<u>62,662</u>	<u>154,082</u>	<u>159,959</u>
Subtotal	<u>1,015,000</u>	<u>778,442</u>	<u>759,324</u>
Non-current:			
Non-publicly traded stocks	909,044	1,330,470	988,914
Unlisted funds	<u>48,786</u>	<u>30,152</u>	<u>13,335</u>
Subtotal	<u>957,830</u>	<u>1,360,622</u>	<u>1,002,249</u>
Total	<u><u>\$ 1,972,830</u></u>	<u><u>2,139,064</u></u>	<u><u>1,761,573</u></u>

(c) Notes and accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 9,476	167,777	16,330
Accounts receivable - fair value through other comprehensive income	846,463	489,034	659,950
Accounts receivable - measured at amortized cost	1,463,476	566,854	773,661
Less: Loss allowance	<u>(34,444)</u>	<u>(28,369)</u>	<u>(31,917)</u>
	<u><u>\$ 2,284,971</u></u>	<u><u>1,195,296</u></u>	<u><u>1,418,024</u></u>

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

The 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 receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The allowance for doubtful accounts were determined as follows:

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	September 30, 2020		
	Gross carrying amount	Weighted- average loss rate	Expected credit loss
Current	\$ 2,255,867	0.43%	9,670
1 to 30 days past due	22,929	2.05%	469
31 to 60 days past due	16,636	13.57%	2,257
61 to 90 days past due	2,961	34.65%	1,026
More than 90 days past due	21,022	50%~100%	21,022
	\$ 2,319,415		34,444

	December 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Expected credit loss
Current	\$ 1,135,366	0.14%	1,590
1 to 30 days past due	56,883	2.31%	1,314
31 to 60 days past due	6,830	12.98%	887
More than 90 days past due	24,586	50%~100%	24,578
	\$ 1,223,665		28,369

	September 30, 2019		
	Gross carrying amount	Weighted- average loss rate	Expected credit loss
Current	\$ 1,382,187	0.32%	4,477
1 to 30 days past due	30,415	2.65%	806
31 to 60 days past due	12,891	16.96%	2,186
More than 90 days past due	24,448	50%~100%	24,448
	\$ 1,449,941		31,917

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

	For the nine months ended September 30	
	2020	2019
Balance at January 1, 2019 and 2018	\$ 28,369	43,208
Impairment loss recognized (reversed)	6,075	(6,709)
Amounts written off	-	(4,582)
Balance at September 30, 2020 and 2019	\$ 34,444	31,917

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

September 30, 2020						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial Institution	<u>\$ 1,379,062</u>	<u>2,781,600</u>	<u>-</u>	<u>1,379,062</u>	<u>0.05%~0.10%</u>	None

December 31, 2019						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial Institution	<u>\$ 777,245</u>	<u>2,801,600</u>	<u>-</u>	<u>777,245</u>	<u>0.05%~0.10%</u>	None

September 30, 2019						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial Institution	<u>\$ 722,475</u>	<u>3,040,400</u>	<u>-</u>	<u>722,475</u>	<u>0.05%~0.10%</u>	None

The Group has deducted the advanced amount from the accounts receivable in accordance with the condition of derecognition as of September 30, 2020, December 31 and September 30, 2019. The remaining amount has been reclassified into other receivables. The Group did not recognize impairment loss on other receivables for the nine months ended September 30, 2020 and 2019, and other information on credit risk is disclosed in Note 6(t).

(d) Inventories

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials	<u>\$ 685,251</u>	<u>384,562</u>	<u>414,994</u>
Work in progress	<u>874,089</u>	<u>717,574</u>	<u>702,235</u>
Finished goods	<u>224,648</u>	<u>284,066</u>	<u>221,348</u>
	<u>\$ 1,783,988</u>	<u>1,386,202</u>	<u>1,338,577</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The details of the cost of sales are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Inventory that has been sold	\$ 2,550,030	1,395,729	5,507,278	3,549,440
Write-down of inventories	13,326	31,567	75,020	81,956
Others	(35)	(27)	(358)	(389)
	<u>\$ 2,563,321</u>	<u>1,427,269</u>	<u>5,581,940</u>	<u>3,631,007</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Equity investments at fair value through other comprehensive income:			
Emerging stocks	\$ 17,028	11,924	11,385
Quoted shares	335,294	179,909	270,520
	<u>\$ 352,322</u>	<u>191,833</u>	<u>281,905</u>

(i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities were held for long-term strategic purposes instead of for trading.

(ii) The Group sold its shares for the nine months ended September 30, 2020. The shares sold had a fair value of \$46,129 thousand and the Group realized a gain of \$35,420 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of September 30, 2019.

(iii) For market risk, please refer to note 6(t).

(f) Investments accounted for using equity method

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

	September 30, 2020	December 31, 2019	September 30, 2019
Associates	<u>\$ 302,673</u>	<u>330,837</u>	<u>267,153</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	Nature of the relationship	Principal country	September 30, 2020		December 31, 2019		September 30, 2019	
			Amount	Share-holding (%)	Amount	Share-holding (%)	Amount	Share-holding (%)
Tong Fu Investment Corporation	Investment holding	R.O.C.	\$ 30,000	46.73	30,000	46.73	30,000	46.73
Lighting Device Technologies Crop.	Research, design, develop, manufacture and sale on LED chips	R.O.C.	11,712	45.07	19,520	45.07	19,520	45.07
Eminent Electronic Technology Corp. Ltd. (note 1)	Manufactures and sells electronic devices, computer and its related products, and manufactures optical instruments	R.O.C.	-	-	90,582	43.98	38,381	29.89
Top Taiwan X Venture Capital Co. Ltd	Venture capital	R.O.C.	240,000	30.00	240,000	30.00	240,000	30.00
Uniband Electronic Corp	Manufactures and sells electronic devices	R.O.C.	50,000	24.69	50,000	24.69	80,000	23.12
Finger Pro. Incorporation	Manufactures and sells electronic devices	R.O.C.	6,000	23.08	6,000	23.08	6,000	23.08
RONG CHENG Technology	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	R.O.C.	77,706	38.46	77,706	38.46	77,706	38.46
			<u>\$ 415,418</u>		<u>513,808</u>		<u>491,607</u>	

Note 1: On February 19, 2020, the Company obtained 3 out of 5 seats in the board, and gained control over the investee, thus, the investee was included in its consolidated financial statements.

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

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Attributable to the Group:				
Loss from continuing operations	\$ 5,181	9,625	6,175	21,808
Other comprehensive income (loss)	25	(31)	-	(19)
Comprehensive income	<u>\$ 5,206</u>	<u>9,594</u>	<u>6,175</u>	<u>21,789</u>

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investments were accounted for by 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) The Group expects to improve its management synergy. Therefore, on February 29, 2020, the Company gained control over Eminent. The Group's equity interest in Eminent is 43.98%. The main business activities of Eminent are the manufacturing and sales of optical instruments, electronic devices, computer and related products.
- 2) The following table summarized the consideration paid for Eminent and the fair values 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:

	109.2.19
Fair value of pre-existing interest in Eminent	\$ 54,466
Non-controlling interest in the acquire, if any	69,376
	<u>\$ 123,842</u>
Current assets	
Cash and cash equivalents	\$ 105,009
Accounts receivables	70,642
Inventories	17,064
Prepayments	2,538
Non-current assets	
Property, plant and equipment (note 6(h))	29,697
Intangible assets (note 6(j))	247
Other non-current assets	36
Guarantee deposits	5
Current liabilities	
Accounts payables	(27,695)
Other payables	(719)
Other current liabilities	(30,631)
Guarantee deposits	(42,351)
Total identifiable net assets acquired	<u>\$ 123,842</u>

- 3) After the business combinations, the Group's equity interest in Eminent did not change. The Group recognized its profit based on the fair value remeasurement amounting to \$15,000 thousand; please refer to note 6(r).

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- (ii) 1) The Group expects to enhance its AI's business development and operational efficiency, therefore, on January 31, 2020, the Group participated in Rising Star's capital increased by cash contribution. The Group acquired 86.96% shares of Rising Star at an investment cost of \$20,000 thousands and gained control over it.
- 2) The following table summarized the consideration paid for Rising Star and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<u>109.2.19</u>
Consideration paid by cash	<u>\$ 20,000</u>
Current assets	
Cash and cash equivalents	\$ 18,119
Prepayments	169
Non-current assets	
Property, plant and equipment (note 6(h))	280
Intangible assets (note 6(j))	2,857
Guarantee deposits	78
Current liabilities	
Other current liabilities	<u>(1,503)</u>
Total identifiable net assets acquired	<u>\$ 20,000</u>

- (iii) 1) On May 31, 2020, the Company participated in Bruckewell's capital increased by cash contribution. The Company's ownership increased from 38.65% to 61.16% and had control over the investee.
- 2) The following table summarizes the acquisition-date fair value of major class of consideration transferred.

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

- 3) The following table summarized the consideration paid for Bruckewell and the fair value of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

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Current assets

Cash and cash equivalents	\$ 11,542
Accounts receivables	3,428
Inventories	2,589
Other current assets	2,158

Non-current assets

Property, plant and equipment (note 6(h))	10,008
Intangible assets (note 6(j))	37
Guarantee deposits	5

Current liabilities

Other current liabilities	<u>(4,985)</u>
Total identifiable net assets acquired	<u><u>\$ 24,782</u></u>

- 4) The Group re-measured the fair value of its existing equity interest in Bruckewell 38.65% before the business combination, and the resulting loss of \$1,246 thousand; please refer to note 6(r).

(h) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office and transportation equipment</u>	<u>Equipment awaiting examination and prepayments on construction</u>	<u>Total</u>
Cost:						
Balance as of January 1, 2020	\$ 230,790	1,089,827	518,632	151,594	8,567	1,999,410
Acquisitions	-	-	32,960	4,345	2,680	39,985
Additions	-	7,637	28,713	9,144	62,336	107,830
Derecognized	-	-	(19,420)	(4,921)	-	(24,341)
Reclassification	-	4,374	6,148	-	(5,945)	4,577
Effect of exchange rate changes	-	-	(85)	(87)	-	(172)
Balance as of September 30, 2020	<u>\$ 230,790</u>	<u>1,101,838</u>	<u>566,948</u>	<u>160,075</u>	<u>67,638</u>	<u>2,127,289</u>
Balance as of January 1, 2019	\$ 230,790	1,084,414	473,062	145,534	33,067	1,966,867
Additions	-	3,478	20,741	8,119	7,838	40,176
Derecognized	-	-	(5,414)	(4,217)	-	(9,631)
Reclassification	-	17	26,275	(61)	(26,293)	(62)
Effect of exchange rate changes	-	-	(219)	(220)	-	(439)
Balance as of September 30, 2019	<u>\$ 230,790</u>	<u>1,087,909</u>	<u>514,445</u>	<u>149,155</u>	<u>14,612</u>	<u>1,996,911</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office and transportation equipment</u>	<u>Equipment awaiting examination and prepayments on construction</u>	<u>Total</u>
Accumulated depreciation:						
Balance as of January 1, 2020	\$ -	677,667	427,276	133,930	-	1,238,873
Depreciation	-	12,317	35,574	6,191	-	54,082
Derecognized	-	-	(15,449)	(4,827)	-	(20,276)
Effect of exchange rate changes	-	-	(76)	(72)	-	(148)
Balance as of September 30, 2020	<u>\$ -</u>	<u>689,984</u>	<u>447,325</u>	<u>135,222</u>	<u>-</u>	<u>1,272,531</u>
Balance as of January 1, 2019	\$ -	660,712	405,140	133,141	-	1,198,993
Depreciation	-	12,851	20,059	4,526	-	37,436
Derecognized	-	-	(5,359)	(3,995)	-	(9,354)
Effect of exchange rate changes	-	-	(195)	(188)	-	(383)
Balance as of September 30, 2019	<u>\$ -</u>	<u>673,563</u>	<u>419,645</u>	<u>133,484</u>	<u>-</u>	<u>1,226,692</u>
Carrying value:						
Balance as of January 1, 2020	<u>\$ 230,790</u>	<u>412,160</u>	<u>91,356</u>	<u>17,664</u>	<u>8,567</u>	<u>760,537</u>
Balance as of September 30, 2020	<u>\$ 230,790</u>	<u>411,854</u>	<u>119,623</u>	<u>24,853</u>	<u>67,638</u>	<u>854,758</u>
Balance as of September 30, 2019	<u>\$ 230,790</u>	<u>414,346</u>	<u>94,800</u>	<u>15,671</u>	<u>14,612</u>	<u>770,219</u>

(i) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance as of January 1, 2020	\$ 186,140	40,667	375	8,847	236,029
Purchases	743	4,892	948	3,977	10,560
Derecognized	-	(3,654)	(375)	(645)	(4,674)
Effect of changes in foreign exchange rates	-	(194)	-	-	(194)
Balance as of September 30, 2020	<u>\$ 186,883</u>	<u>41,711</u>	<u>948</u>	<u>12,179</u>	<u>241,721</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	<u>186,140</u>	<u>22,186</u>	<u>-</u>	<u>-</u>	<u>208,326</u>
Balance at January 1, 2019 after adjustment	186,140	22,186	-	-	208,326
Purchases	-	8,552	375	8,847	17,774
Derecognized	-	(5,073)	-	-	(5,073)
Effect of changes in foreign exchange rates	<u>-</u>	<u>(289)</u>	<u>-</u>	<u>-</u>	<u>(289)</u>
Balance as of September 30, 2019	<u><u>\$ 186,140</u></u>	<u><u>25,376</u></u>	<u><u>375</u></u>	<u><u>8,847</u></u>	<u><u>220,738</u></u>
Accumulated depreciation:					
Balance at January 1, 2020	\$ 5,570	8,024	237	1,715	15,546
Depreciation for the year	4,193	11,904	191	2,827	19,115
Derecognized	-	(3,654)	(375)	(645)	(4,674)
Effect of changes in foreign exchange rates	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
Balance as of September 30, 2020	<u><u>\$ 9,763</u></u>	<u><u>16,284</u></u>	<u><u>53</u></u>	<u><u>3,897</u></u>	<u><u>29,997</u></u>
Balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2019 after adjustment	-	-	-	-	-
Depreciation for the year	4,178	13,354	178	870	18,580
Derecognized	-	(1,847)	-	-	(1,847)
Effect of changes in foreign exchange rates	<u>-</u>	<u>(266)</u>	<u>-</u>	<u>-</u>	<u>(266)</u>
Balance as of September 30, 2019	<u><u>\$ 4,178</u></u>	<u><u>11,241</u></u>	<u><u>178</u></u>	<u><u>870</u></u>	<u><u>16,467</u></u>
Book value:					
Balance as of January 1, 2020	<u><u>\$ 180,570</u></u>	<u><u>32,643</u></u>	<u><u>138</u></u>	<u><u>7,132</u></u>	<u><u>220,483</u></u>
Balance as of September 30, 2020	<u><u>\$ 177,120</u></u>	<u><u>25,427</u></u>	<u><u>895</u></u>	<u><u>8,282</u></u>	<u><u>211,724</u></u>
Balance as of September 30, 2019	<u><u>\$ 181,962</u></u>	<u><u>14,135</u></u>	<u><u>197</u></u>	<u><u>7,977</u></u>	<u><u>204,271</u></u>

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(j) Intangible assets

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

	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance as of January 1, 2020	\$ 176,838	153,837	161,364	492,039
Additions	-	78,454	151,308	229,762
Acquisitions	-	-	3,141	3,141
Derecognized	-	(886)	(72,493)	(73,379)
Balance as of September 30, 2020	<u>\$ 176,838</u>	<u>231,405</u>	<u>243,320</u>	<u>651,563</u>
Balance as of January 1, 2019	\$ 176,838	91,504	146,195	414,537
Additions	-	9,335	16,559	25,894
Derecognized	-	(34,191)	(6,435)	(40,626)
Effects of exchange rate changes	-	-	10	10
Balance as of September 30, 2019	<u>\$ 176,838</u>	<u>66,648</u>	<u>156,329</u>	<u>399,815</u>
Accumulated amortization:				
Balance as of January 1, 2020	\$ -	58,927	128,893	187,820
Additions	-	24,934	38,970	63,904
Derecognized	-	(886)	(72,493)	(73,379)
Balance as of September 30, 2020	<u>\$ -</u>	<u>82,975</u>	<u>95,370</u>	<u>178,345</u>
Balance as of January 1, 2019	\$ -	82,862	106,356	189,218
Additions	-	5,116	25,396	30,512
Derecognized	-	(34,191)	(6,435)	(40,626)
Effects of exchange rate changes	-	-	10	10
Balance as of September 30, 2019	<u>\$ -</u>	<u>53,787</u>	<u>125,327</u>	<u>179,114</u>
Book value:				
Balance as of January 1, 2020	<u>\$ 176,838</u>	<u>94,910</u>	<u>32,471</u>	<u>304,219</u>
Balance as of September 30, 2020	<u>\$ 176,838</u>	<u>148,430</u>	<u>147,950</u>	<u>473,218</u>
Balance as of September 30, 2019	<u>\$ 176,838</u>	<u>12,861</u>	<u>31,002</u>	<u>220,701</u>

(k) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Unsecured bank loans	<u>\$ 42,010</u>	<u>241,000</u>	<u>276,000</u>
Range of interest rate	<u>1.50%~2.045%</u>	<u>1.69%~2.60%</u>	<u>1.69%~2.60%</u>
Unused short-term credit lines	<u>\$ 425,000</u>	<u>497,000</u>	<u>410,000</u>

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(l) Lease liabilities

The lease liabilities was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Current	\$ <u>21,843</u>	<u>21,279</u>	<u>17,117</u>
Non-current	\$ <u>192,774</u>	<u>200,563</u>	<u>188,044</u>

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

The amounts recognized in profit or loss was as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest on lease liabilities	\$ <u>1,054</u>	<u>945</u>	<u>3,179</u>	<u>2,805</u>
Expenses relating to short-term leases	\$ <u>1,957</u>	<u>705</u>	<u>10,020</u>	<u>2,539</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>475</u>	<u>9</u>	<u>588</u>	<u>26</u>
Covid-19-related rent concessions	\$ <u>-</u>	<u>-</u>	<u>(590)</u>	<u>-</u>

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

	For the nine months ended September 30, 2020	
	2020	2019
Total cash outflow for leases	\$ <u>33,369</u>	<u>25,579</u>

(i) Real estate leases

As of September 30, 2020 and 2019, the Group leases land and buildings for its office space. The lease of land typically run for a period of 20 years, and of buildings for 2-3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. Some leases provide for additional rent payments that are based on changes in local price indices.

(ii) Other leases

The Group leases machinery and equipment, with lease terms for 1-3 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 and transportation equipment, with lease terms ranging from one to three years. 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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(m) 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, 2019 and 2018. The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Operating cost	\$ 114	142	342	427
Selling expenses	146	174	440	501
Administration expenses	94	153	320	494
Research and development expenses	1,080	1,247	3,199	3,725
	\$ 1,434	1,716	4,301	5,147

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months and nine months ended September 30, 2020 and 2019 were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Operating cost	\$ 2,271	1,820	6,338	5,485
Selling expenses	1,465	1,258	4,119	3,784
Administration expenses	1,273	2,332	4,441	6,121
Research and development expenses	10,766	10,672	32,468	32,867
	\$ 15,775	16,082	47,366	48,257

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(n) Income taxes

- (i) The Group is able to avail itself of tax exemptions from its committed capital for expansion in the following years through the proceeds from common stock issuance that conform to the prescribed criteria under the “Statute for Upgrading Industries” as follows:

<u>Group</u>	<u>Year</u>	<u>Tax exemption products</u>	<u>Tax exemption period</u>
Parent Group-the Company	2009	to produce and sell high-level integrated circuits	The Company was granted approval from the Industrial Development Bureau, MOEA, on December 16, 2009. The Company had obtained the certification of completion of the expansion project. The tax exemption period is from January 1, 2016, to December 31, 2020.
Subsidiary-MetaCom	2009	to produce and sell high-level integrated circuits	MetaCom was granted approval from the Industrial Development Bureau, MOEA, on October 5, 2009. MetaCom had obtained the certification of completion of the expansion project. The tax exemption period is from January 1, 2016, to December 31, 2020.
Subsidiary-Avisonic	2009	to produce and sell high-level integrated circuits	Avisonic was granted approval from the Industrial Development Bureau, MOEA, on December 17, 2009. Avisonic had obtained the certification of completion of the expansion project. The tax exemption period is from January 1, 2016, to December 31, 2020.

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

The Group’s income tax expenses were as follow:

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current income tax expense	<u>\$ 275,153</u>	<u>159,385</u>	<u>492,176</u>	<u>358,761</u>

- (iii) The tax authorities have examined the Company’s income tax return for the year 2018.

(o) Capital and other equity

- (i) Ordinary share

As of September 30, 2020, December 31 and September 30, 2019, the authorized capital of the Company amounted to \$4,800,000 thousand, which was divided into 303,880 thousand shares, each at a par value of \$10 on common stock. The issued capital was composed of common stocks only and have been fully paid-up.

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(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Additional paid-in capital	\$ 231,051	231,051	231,051
Treasury share transactions	225,742	144,894	144,895
Difference arising from subsidiary's share price and its carrying value	62,847	-	19,567
	<u>\$ 519,640</u>	<u>375,945</u>	<u>395,513</u>

In accordance with the Companies Act, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting against losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

In pursuant to the resolution of annual shareholders meeting held on June 10, 2019, the Company declared a cash dividend of \$0.35 per share, amounting to \$106,358 thousand from capital surplus, distributed via \$106,358 thousand from additional paid-in capital.

(iii) Retained earnings

According to the Company's articles of incorporation, annual earnings after income tax shall be first used to offset any deficit, then be appropriated 10% as legal reserve, and subsequently appropriate for special reserve. The surplus to be distributed for the current year shall not be lower than 50% of accumulated attributable retained earnings. Cash dividends shall not be lower than 10% of total dividends.

1) Legal reserve

If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve, either by new shares or by cash of up to 25 percent of the actual capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net reduction of other shareholders' equity. Such special reserve will be available for dividend distribution only after the related shareholders' equity reduction has been reversed by the approval of the shareholders' meeting.

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3) Earnings distribution

On May 27, 2020 and June 10, 2019, the shareholder's meetings resolved to distribute the 2019 and 2018 earnings via cash dividend. The Company declared a cash dividend of \$6.50 and \$4.65 per share, amounting to \$1,975,223 thousand and \$1,413,044 thousand, respectively, for the year 2019 and 2018.

(iv) Treasury stock

	<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</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>
The Company's shares held by subsidiaries	<u>12,438</u>	<u>\$ 28,975</u>	<u>12,438</u>	<u>28,975</u>	<u>12,438</u>	<u>28,975</u>

Elan Investment Corp., a subsidiary of the Company, invested in Elantech before the Company acquired Elantech, and held the Company's stock after the Company's acquisition of Elantech. For the nine months ended September 30, 2020 and 2019, the information on the Company's stock held by Elan Investment Corp. was as follows:

	<u>For the nine months ended September 30</u>					
	<u>2020</u>			<u>2019</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	1,134,364	12,438	33,328	935,353
Effects of valuation change	-	-	675,394	-	-	130,601
Cash dividend from capital surplus	-	-	-	-	(4,353)	-
Ending balance	<u>12,438</u>	<u>\$ 28,975</u>	<u>1,809,758</u>	<u>12,438</u>	<u>28,975</u>	<u>1,065,954</u>

(v) Other equity

The movements of other equity were as follows:

	<u>For the nine months ended September 30, 2020</u>		
	<u>Foreign exchange differences arising from foreign operation</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance as of January 1	\$ (5,537)	135,447	129,910
Foreign exchange differences:			
The Group	(833)	-	(833)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Group	-	(61,782)	(61,782)
The Group – disposal	-	(35,420)	(35,420)
Balance as of September 30	<u>\$ (6,370)</u>	<u>38,245</u>	<u>31,875</u>

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	For the nine months ended September 30, 2019		
	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1	\$ (4,219)	176,242	172,023
Foreign exchange differences:			
The Group	(155)	-	(155)
Associates	(19)	-	(19)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Group	-	30,198	30,198
Balance as of September 30	<u>\$ (4,393)</u>	<u>206,440</u>	<u>202,047</u>

(p) Earnings per share

Basic and diluted earnings per share for the three months and nine months ended September 30, 2020 and 2019 were calculated as follows:

(i) Basic earnings per share:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Net income	<u>\$ 1,079,770</u>	<u>685,550</u>	<u>2,051,692</u>	<u>1,514,931</u>
Weighted-average number of shares outstanding (thousands)	<u>291,442</u>	<u>291,442</u>	<u>291,442</u>	<u>291,442</u>
Earnings per share	<u>\$ 3.70</u>	<u>2.35</u>	<u>7.04</u>	<u>5.20</u>

(ii) Diluted earnings per share:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Net income (used to calculate diluted earnings per share)	<u>\$ 1,079,770</u>	<u>685,550</u>	<u>2,051,692</u>	<u>1,514,931</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Weighted-average number of shares outstanding (thousands)	291,442	291,442	291,442	291,442
Effect of dilutive potential common stock (thousands)				
— employee emoluments	2,081	2,611	3,387	3,477
Weighted-average number of shares outstanding (thousands) used to calculate diluted earnings per share	<u>\$ 293,523</u>	<u>294,053</u>	<u>294,829</u>	<u>294,919</u>
Diluted earnings per share	<u>\$ 3.68</u>	<u>2.33</u>	<u>6.96</u>	<u>5.14</u>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Taiwan	\$ 256,306	268,299	665,373	735,015
Mainland China	724,326	523,377	1,888,551	1,293,789
Hong Kong	3,652,847	1,905,895	7,736,506	4,709,026
America	5,872	7,859	19,036	14,706
Europe	864	3,022	4,688	5,110
Other	66,952	4,247	138,553	17,356
	<u>\$ 4,707,167</u>	<u>2,712,699</u>	<u>10,452,707</u>	<u>6,775,002</u>

For details on revenue for the three months ended September 30, 2020 and the nine months ended September 30, 2020 and 2019, 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
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(r) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest income from bank deposits	\$ <u>7,969</u>	<u>8,867</u>	<u>25,141</u>	<u>30,986</u>

(ii) Other income

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Rental income	\$ -	476	953	1,474
Dividend income	19,407	18,436	30,745	25,688
Government grant	-	-	-	29,400
Others	<u>7,349</u>	<u>1,165</u>	<u>13,927</u>	<u>20,567</u>
Total	\$ <u>26,756</u>	<u>20,077</u>	<u>45,625</u>	<u>77,129</u>

(iii) Other gains and losses

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Foreign exchange gains	\$ (35,282)	(3,186)	(58,351)	6,034
Gains (losses) on financial asset at fair value through profit or loss	(30,383)	151,777	(372,184)	263,411
Loss on disposal of property, plant and equipment	(83)	(109)	(3,065)	(582)
Gains (losses) on disposal of investment	(970)	-	13,754	-
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>
Total	\$ <u>(66,718)</u>	<u>148,482</u>	<u>(419,846)</u>	<u>268,874</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Employees' compensation and directors' and supervisors' remuneration

According to the Company's Articles of Incorporation, should the Company net a profit for the year, it shall allocate not less than 10% of the profit as employees' compensation and not more than 2% of the profit as directors' and supervisor's remuneration. Should the Company have accumulated losses, it shall first allocate its earnings to offset these losses.

For the nine months ended September 30, 2020 and 2019, 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 shareholder' 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 employees' 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 employees' compensation and directors' and supervisors' remuneration are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	.2019
Employees' remuneration	\$ 160,352	101,223	302,784	223,768
Directors' and supervisors' remuneration	20,538	13,046	38,843	28,805
	\$ 180,890	114,269	341,627	252,573

For the year ended December 31, 2019 and 2018, the amounts of employees' compensation were estimated at \$339,000 thousand and \$226,000 thousand respectively, whereas, the amount of remuneration to directors and supervisors were estimated at \$43,500 thousand and \$29,000 thousand respectively. The estimated amounts mentioned above is consistent with the content as per the Board of Directors minutes of meetings, to which information can be found on the Market Observation Post System website.

(t) 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 the related information, please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2019.

(i) Credit risk

1) Credit risk exposure

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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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 Consolidated Company monitors and reviews the recoverable amount of the accounts receivables to ensure the uncollectible amount is recognized appropriately as impairment loss.

As of September 30, 2020 and 2019, 89% and 81%, respectively, of accounts receivable were composed by ten major customers. Thus, credit risk is significantly centralized.

3) Receivables and debt securities

For credit risk exposure of note and accounts receivables, please refer to note 6(c).

Other financial assets at amortized cost, including time deposits with maturities of more than three months and other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2019. There was no loss allowance provision for the nine months ended September 30, 2020 and 2019, respectively.

(ii) Liquidity risk

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

	Carrying amount	Con- tractual cash flows	Within 6 months	6-12 months	1-2 months	2-5 years	More than 5 years
September 30, 2020							
Non-derivative financial liabilities							
Short-term borrowings	\$ 42,010	42,500	383	42,117	-	-	-
Notes and accounts payable	1,972,172	1,972,172	1,972,172	-	-	-	-
Other payables	871,072	871,072	871,072	-	-	-	-
Lease liabilities	214,617	264,591	13,025	12,620	22,681	24,384	191,881
	\$ 3,099,871	3,150,335	2,856,652	54,737	22,681	24,384	191,881
December 31, 2019							
Non derivative financial liabilities							
Short-term borrowing	\$ 241,000	243,878	106,924	136,954	-	-	-
Notes and accounts payable	1,169,761	1,169,761	1,169,761	-	-	-	-
Other payable	537,940	537,940	537,940	-	-	-	-
Lease liabilities	221,842	275,195	13,649	11,707	20,956	31,618	197,265
	\$ 2,170,543	2,226,774	1,828,274	148,661	20,956	31,618	197,265

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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	<u>Carrying amount</u>	<u>Con- tractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 months</u>	<u>2-5 years</u>	<u>More than 5 years</u>
September 30, 2019							
Non-derivative financial liabilities							
Short-term loans	\$ 276,000	278,627	176,956	101,671	-	-	-
Notes and accounts payable	1,418,703	1,418,703	1,418,703	-	-	-	-
Other payables	449,158	449,158	449,158	-	-	-	-
Lease liabilities	205,161	263,353	11,611	8,875	13,144	25,263	204,460
	<u>\$ 2,349,022</u>	<u>2,409,841</u>	<u>2,056,428</u>	<u>110,546</u>	<u>13,144</u>	<u>25,263</u>	<u>204,460</u>

The Group is not expecting the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>September 30, 2020</u>			<u>December 31, 2019</u>			<u>September 30, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets:</u>									
<u>Monetary item</u>									
US dollar	\$ 161,345	29.04	4,685,459	89,403	30.04	2,685,660	94,574	31.01	2,932,740
<u>Financial liabilities:</u>									
<u>Monetary item</u>									
US dollar	84,922	29.04	2,466,135	48,543	30.04	1,458,234	44,440	31.01	1,378,084

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 5% of appreciation (depreciation) of the TWD against the USD as of September 30, 2020 and 2019 would have increased (decreased) the equity by \$88,773 thousand and \$62,186 thousand, respectively, for the nine months ended September 30, 2020 and 2019, assuming all other factors remained constant. The analysis is performed on the same basis in 2020 and 2019.

The foreign exchange gains or losses were disclosed on an aggregate basis as there were various types of functional currencies in the Group. The foreign exchange gains and losses (including realized and unrealized) amounted to \$(58,351) thousand and \$6,034 thousand for the nine months ended September 30, 2020 and 2019, respectively.

(iv) Other market price risk

For the nine months ended September 30, 2020 and 2019, the sensitivity analyses for the changes in the securities prices at the reporting date were performed using the same basis for the profit and loss as illustrated below:

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	For the nine months ended September 30			
	2020		2019	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increase 5%	<u>\$ 14,093</u>	<u>36,559</u>	<u>15,576</u>	<u>39,911</u>
Decrease 5%	<u>\$ (14,093)</u>	<u>(36,559)</u>	<u>(15,576)</u>	<u>(39,911)</u>

(v) Fair value of financial instruments

1) Fair value hierarchy

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

	September 30, 2020				
	Book value	Level 1	Level 2	Level 3	total
Financial assets measured at fair value through profit or loss (current and non-current)	\$ 1,972,830	1,325,088	62,662	585,080	1,972,830
Financial assets measured at fair value through other comprehensive income					
Stocks	352,322	335,294	-	17,028	352,322
Accounts receivable	846,463	-	-	-	-
Subtotal	1,198,785	335,294	-	17,028	352,322
Financial assets measured at amortized cost					
Cash and cash equivalents	1,817,188	-	-	-	-
Notes and accounts receivables	1,472,952	-	-	-	-
Other receivables	1,621,698	-	-	-	-
Financial assets measured at amortized cost	1,487,650	-	-	-	-
Guarantee deposits	15,261	-	-	-	-
Subtotal	6,414,749	-	-	-	-
Total	<u>\$ 9,586,364</u>	<u>1,660,382</u>	<u>62,662</u>	<u>602,108</u>	<u>2,325,152</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 42,010	-	-	-	-
Notes and accounts payables	1,972,172	-	-	-	-
Other payables	871,072	-	-	-	-
Lease liabilities (current and non-current)	214,617	-	-	-	-
Guarantee deposits	41,420	-	-	-	-
Total	<u>\$ 3,141,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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December 31, 2019					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL (current and non-current)	\$ 2,139,064	1,345,556	154,082	639,426	2,139,064
Financial assets at FVOCI					
Stocks	191,833	179,909	-	11,924	191,833
Accounts receivable	489,034	-	-	-	-
Subtotal	680,867	179,909	-	11,924	191,833
Financial assets measured at amortized cost					
Cash and cash equivalents	1,502,121	-	-	-	-
Notes and trade receivables	734,631	-	-	-	-
Other receivables	835,141	-	-	-	-
Financial assets measured at amortized cost	2,289,450	-	-	-	-
Guarantee deposits	10,770	-	-	-	-
Subtotal	5,372,113	-	-	-	-
Total	\$ 8,192,044	1,525,465	154,082	651,350	2,330,897
Financial assets measured at amortized cost					
Bank loans	\$ 241,000	-	-	-	-
Notes and accounts payables	1,169,761	-	-	-	-
Other payables	537,940	-	-	-	-
Lease liabilities (current and non-current)	221,842	-	-	-	-
Guarantee deposits	10,766	-	-	-	-
Total	\$ 2,181,309	-	-	-	-
September 30, 2019					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL (current and non-current)	\$ 1,761,573	599,365	159,959	1,002,249	1,761,573
Financial assets at FVOCI					
Stocks	281,905	270,520	-	11,385	281,905
Accounts receivable	659,950	-	-	-	-
Subtotal	941,855	270,520	-	11,385	281,905
Financial assets measured at amortized cost					
Cash and cash equivalents	1,697,119	-	-	-	-
Notes and trade receivables	789,991	-	-	-	-
Other receivables	1,033,823	-	-	-	-
Financial assets measured at amortized cost	1,589,600	-	-	-	-
Guarantee deposits	10,962	-	-	-	-
Subtotal	5,121,495	-	-	-	-
Total	\$ 7,824,923	869,885	159,959	1,013,634	2,043,478
Financial assets measured at amortized cost					
Bank loans	276,000	-	-	-	-
Note and trade payable	1,418,703	-	-	-	-
Other payables	449,158	-	-	-	-
Lease liabilities (current and non-current)	205,161	-	-	-	-
Guarantee deposits	10,584	-	-	-	-
Total	\$ 2,359,606	-	-	-	-

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2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date. (For example, over the counter yield curve and Reuters Primary CP Rate average prices.)

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 levels for the nine months ended September 30, 2020 and 2019.

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, 2020	\$ 639,426	11,924	651,350
Total gains and losses recognized:			
In profit or loss	(26,470)	-	(26,470)
In other comprehensive income	-	5,559	5,559
Purchased	21,843	-	21,843
Issued	(5,263)	(455)	(5,718)
Reduce the capital for redistribution to share holders	(44,456)	-	(44,456)
Ending Balance, September 30, 2020	<u>\$ 585,080</u>	<u>17,028</u>	<u>602,108</u>

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	Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)	Financial assets at fair value through other comprehensive income	Total
Opening balance, January 1, 2019	\$ 808,068	11,033	819,101
Total gains and losses recognized:			
In profit or loss	227,586	-	227,586
In other comprehensive income	-	352	352
Purchased	17,933	-	17,933
Reduce the capital for redistribution to share holders	(51,338)	-	(51,338)
Ending Balance, September 30, 2019	<u>\$ 1,002,249</u>	<u>11,385</u>	<u>1,013,634</u>

For the nine months ended September 30, 2020 and 2019, total gains and losses that were included in “other gains and losses” from financial assets at fair value through other comprehensive income” were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Total gains and losses recognized:				
In profit or loss, and presented in “other gains and losses “unrealized gains and losses from financial assets at fair value through other comprehensive income”	\$ 4,025	169,851	(26,470)	227,586
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	400	187	5,559	352

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Notes to the Consolidated Financial Statements

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

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – debt 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 other comprehensive income - equity investments without an active market	Market Comparison Method	<ul style="list-style-type: none"> Price to book ratio (September 30, 2020, December 31, 2019 and September 30, 2019: 1.08% to 3.62%, 1.22% to 2.35% and 1.10% to 2.33%) Non-liquid discount (September 30, 2020: 10%, December 31, 2019 and September 30, 2019: 7% to 10%) Price to earnings ratio (September 30, 2020, December 31, 2019 and September 30, 2019: 0.49% to 2.36%, 0.75% to 2.63% and 0.80% to 4.57%) Price to book assets ratio (September 30, 2020, December 31, 2019 and September 30, 2019: 0.50% to 1.39%, 0.53% to 1.32% and 0.49% to 1.69%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the price to book ratio were higher (lower); the non-liquid discount were lower (higher). liquidity discount for weighted market were lower (higher) the long-term revenue growth rate and long-term pre-tax operating were higher (lower)
Financial assets at fair value through profit or loss - equity investments without an active market	Net Asset Value Method	Net Asset Value	Not applicable

- 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
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	<u>Input</u>	<u>Increase or decrease</u>	<u>Profit or loss</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
September 30, 2020				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	10%	2,560	(2,560)
	Non-liquid discount	10%	249	(249)
December 31, 2019				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	10%	9,280	(9,280)
	Non-liquid discount	10%	3,336	(3,336)
September 30, 2019				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	10%	34,584	(34,584)
	Non-liquid discount	10%	4,016	(4,016)

(u) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(t) of the consolidated financial statements for the year ended December 31, 2019.

(v) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. Please refer to Note 6(u) of the consolidated financial statements for the year ended December 31, 2019 for further details.

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

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>September 30, 2020</u>
			<u>Foreign exchange movement</u>	<u>Fair value changes</u>	<u>Others</u>	
Short-term borrowings	\$ 241,000	(198,990)	-	-	-	42,010
Lease liabilities	221,842	(20,172)	(203)	-	13,150	214,617
Total liabilities from financial activities	<u>\$ 462,842</u>	<u>(219,162)</u>	<u>(203)</u>	<u>-</u>	<u>13,150</u>	<u>256,627</u>

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	January 1, 2019	Cash flows	Non-cash changes				September 30, 2019
			Capital reduction	Foreign exchange movement	Fair value changes	Others	
Short-term borrowings	\$ 243,000	33,000	-	-	-	-	276,000
Lease liabilities	208,326	(20,209)	-	(299)	-	17,343	205,161
Total liabilities from financial activities	<u>\$ 451,326</u>	<u>12,791</u>	<u>-</u>	<u>(299)</u>	<u>-</u>	<u>17,343</u>	<u>481,161</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

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

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

(b) Significant transactions with related parties

(i) Raw materials purchasing services and other operating income

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Associates-Eminent	<u>\$ -</u>	<u>2,031</u>	<u>1,821</u>	<u>6,772</u>

(ii) Rental income

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Associates-Eminent	<u>\$ -</u>	<u>477</u>	<u>262</u>	<u>1,429</u>

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(iii) Purchase

The amounts of purchase by the Group from related parties were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Associates-Eminent	<u>\$ -</u>	<u>6</u>	<u>-</u>	<u>26</u>

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment term was days by monthly closed, which were no different from the payment terms given by other vendors.

(iv) Receivable from related parties

The receivables from related parties are as follows:

Accounts	Types of related parties	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivables	Associates-Eminent	\$ -	626	3,511
Other receivables	Associates-Eminent	-	12,812	83,548
		<u>\$ -</u>	<u>13,438</u>	<u>87,059</u>

(v) Property transaction

In January 2015, the Company sold its fixed assets to the associate-Eminent, with the selling price and the fixed asset cost amounting to \$4,856 thousand and \$9,154 thousand, respectively. The loss on disposal amounting to \$4,298 thousand, including the unrealized loss of \$1,942 thousand, is to be recognized over its benefit years of 5 years. As of September 30, 2019, the realized loss and deferred loss on disposal amounted to \$4,201 thousand and \$97 thousand, respectively. All the unrealized loss had been realized in 2019.

(c) Key management personnel compensation

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 34,754	24,949	71,304	57,106
Post-employment benefits	125	198	452	553
	<u>\$ 34,879</u>	<u>25,147</u>	<u>71,756</u>	<u>57,659</u>

The short-term employee benefits include emoluments to directors and employees. Please refer to Note 6(s) for estimation methods.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets: None.

(9) Commitments and contingencies:

- (a) The Company entered into performance guarantee agreements with financial institutions for the Company's obligation to pay for the goods purchased and the tax payable on bonded raw materials, commodities, fuel, and semi-finished products shipped outside the bond areas for domestic sales, demonstration, repair or testing. As of September 30, 2020, December 31 and September 30, 2019, the financial institutions had issued performance guarantees amounting to \$8,000 thousand, \$4,000 thousand, and \$4,000 thousand, respectively.
- (b) As of September 30, 2020, December 31 and September 30, 2019, the refundable notes payable for short-term loans amounted to \$467,010 thousand, \$713,000 thousand, and \$668,000 thousand, respectively.
- (c) The Company entered into non-infringement guarantee agreements with some customers (guarantees) to provide a guarantee regarding the selling of touchpad module products.
- (d) Government grant

To develop "Battery-less And Contactless Fingerprint Smart Card Solution", the Company has signed a technology program contract with the Institute for Information Industry in order to receive a grant amounting to \$42,000 thousand. The period of this research plan is from January 1, 2017 to December 31, 2018. The Company is the exclusive owner of all of the know-how, technical skills and intellectual property derived from this development project. Nevertheless, the Company cannot use the intellectual property to manufacture products in a foreign country without a written consent from the Ministry of Economic Affairs within the two-year period starting from the date that this development project is finished. The Company recognizes income based on the progress made on the planned research and development projects. The development plan was completed on December 31, 2019. For the nine months ended September 30, 2019, the Company recognized income from government grant amounting to \$29,400 thousand within other gains and losses income.

- (e) Royalty fee

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

- (f) Contract signed but not yet recognized

The Group entered into construction contract for Tsu-yuan Building with National Chiao Tung University and Linklinear Development Co., Ltd.. As of September 30, 2020, the construction contract amounted to \$59,080 thousand and the portion of the contract not yet recognized was \$5,908 thousand.

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(g) Litigation and actions

On September 8, 2020, Bruckewell Technology Co., Ltd. received Taiwan HsinChu District Court's issuance of the payment order applied by Sooner Power Semiconductor Co., Ltd.. Sooner Power Semiconductor Co., Ltd. requested Bruckewell Technology Co., Ltd. to return the payment and claim compensation amounting to \$32,687 thousand. Bruckewell Technology Co., Ltd. filed an objection to the payment order within the peremptory period. Without learning about the evidence and defense presented by Sooner Power Semiconductor Co., Ltd., Bruckewell Technology Co., Ltd. cannot assess the legal proceeding and probable outcome or risk.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

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

	For the three months ended September 30					
	2020			2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee expenses						
Salaries and wages	\$ 87,522	506,633	594,155	70,823	423,217	494,040
Labor and health insurance	7,027	24,798	31,825	4,900	20,599	25,499
Pension expenses	2,385	14,824	17,209	1,962	15,836	17,798
Others	6,415	11,816	18,231	4,973	12,403	17,376
Depreciation expenses	7,771	17,003	24,774	6,693	13,191	19,884
Amortization expenses	1,247	26,893	28,140	1,055	9,387	10,442

	For the nine months ended September 30					
	2020			2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee expenses						
Salaries and wages	\$ 245,519	1,311,204	1,556,723	184,667	1,153,281	1,337,948
Labor and health insurance	20,293	69,487	89,780	15,712	63,624	79,336
Pension expenses	6,680	44,987	51,667	5,912	47,492	53,404
Others	15,845	32,872	48,717	12,285	31,212	43,497
Depreciation expenses	24,984	48,213	73,197	18,530	37,486	56,016
Amortization expenses	2,548	61,356	63,904	3,154	27,358	30,512

(b) Seasonality of operations

Due to the increase in market demand during peak season, working from home and online learning, the sales in the third quarter turned out to be higher than those in the second quarter. The product lines, including touch screen chips, touch screen and stylus chips, touchpad modules, and fingerprint sensor chips for laptop, continued quarterly growth. Furthermore, the Group experienced growth in its quarterly sales.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine month ended September 30, 2020:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of September 30, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	Harvatek Corporation	-	Current financial assets at fair value through profit or loss	336	4,925	-%	4,925	
Elan Microelectronics Corporation	Fubon Chi-Hsiang Money Market FUND-TWD	-	Current financial assets at fair value through profit or loss	2,540	40,113	-%	40,113	
Elan Microelectronics Corporation	PineBridge Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,209	30,388	-%	30,388	
Elan Microelectronics Corporation	Cathay Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	7,224	90,476	-%	90,476	
Elan Microelectronics Corporation	Nomura Global Short Duration Bond Fund-TWD	-	Current financial assets at fair value through profit or loss	1,960	20,693	-%	20,693	
Elan Microelectronics Corporation	Nomura Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	4,874	80,083	-%	80,083	
Elan Microelectronics Corporation	Taishin 1699 Money Market Fund		Current financial assets at fair value through profit or loss	7,337	100,026	-%	100,026	
Elan Microelectronics Corporation	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	6,090	100,041	-%	100,041	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	117	11,093	-%	11,093	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	71	20,619	-%	20,619	
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	13,003	-%	13,003	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (USD)(SERIES II)	-	Current financial assets at fair value through profit or loss	100	29,040	-%	29,040	
Elan Microelectronics Corporation	Fitipower Integrated Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	910	31,622	0.55%	31,622	
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,077	17,028	4.14%	17,028	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,500	222,845	7.87%	222,845	
Elan Microelectronics Corporation	Chino-Excel Technology Corporation	-	Non-current financial assets at fair value through profit or loss	823	-	1.48%	-	
Elan Microelectronics Corporation	Panther technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	340	4,792	0.94%	4,792	

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	XINCE Co., Ltd	-	Non-current financial assets at fair value through profit or loss	2,866	-	9.24%	-	
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,391	1,867	17.39%	1,867	
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	490	2,002	7.00%	2,002	
Elan Microelectronics Corporation	TOP TAIWAN V VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,138	1,554	8.13%	1,554	
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	552	4,042	2.17%	4,042	
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	2,265	19,612	6.12%	19,612	
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	2,708	26,154	4.17%	26,154	
Elan Microelectronics Corporation	Midatouch Research Corporation	-	Non-current financial assets at fair value through profit or loss	2,500	7,300	10.24%	7,300	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	60,551	6.25%	60,551	
Elan Microelectronics Corporation	InnoBridge Venture Capital	-	Non-current financial assets at fair value through profit or loss	800	3,227	11.35%	3,227	
Elan Microelectronics Corporation	Startek Engineering Inc.	-	Non-current financial assets at fair value through profit or loss	189	-	0.53%	-	
Elan Microelectronics Corporation	North Star Venture Capital	-	Non-current financial assets at fair value through profit or loss	3,000	37,360	10.00%	37,360	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	50,435	6.25%	50,435	
Elan Microelectronics Corporation	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	495	-	6.56%	-	
Elan Microelectronics Corporation	Lyra Semiconductor Incorporated	-	Non-current financial assets at fair value through profit or loss	1,440	-	5.87%	-	
Elan Microelectronics Corporation	TOP TAIWAN XII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	25,000	265,623	18.52%	265,623	
Elan Microelectronics Corporation	Chimei Motor Electronics Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	950	5,140	5.00%	5,140	
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through profit or loss	500	1,335	3.41%	1,335	
Elan Microelectronics Corporation	Vertex Growth (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	48,786	-%	48,786	
Elan Investment Corp.	FSITC Money Market Fund	-	Current financial assets at fair value through profit or loss	131	23,460	-%	23,460	

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Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Investment Corp.	FSITC US Top 100 Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	1,500	15,170	-%	15,170	
Elan Investment Corp.	FSITC Global Wealthy Nations Bond Fund Acc TWD		Current financial assets at fair value through profit or loss	2,629	26,242	-%	26,242	
Elan Investment Corp.	FSITC Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,271	35,011	-%	35,011	
Elan Investment Corp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	5,005	-%	5,005	
Elan Investment Corp.	FSITC Global Health & Weight Loss Fund		Current financial assets at fair value through profit or loss	500	5,000	-%	5,000	
Elan Investment Corp.	Nomura Global Short Duration Bond Fund	-	Current financial assets at fair value through profit or loss	4,783	50,493	-%	50,493	
Elan Investment Corp.	Nomura Global Financial Bond Fund	-	Current financial assets at fair value through profit or loss	3,589	39,068	-%	39,068	
Elan Investment Corp.	Taishin Short Duration Emerging High Yield Bond Fund		Current financial assets at fair value through profit or loss	4,200	42,140	-%	42,140	
Elan Investment Corp.	Taishin Global Multi-asset Fund of Funds-TWD-A	-	Current financial assets at fair value through profit or loss	1,000	10,870	-%	10,870	
Elan Investment Corp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	20,820	-%	20,820	
Elan Investment Corp.	Taishin 1699 Money Market Fund		Current financial assets at fair value through profit or loss	5,556	75,754	-%	75,754	
Elan Investment Corp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	44,954	-%	44,954	
Elan Investment Corp.	Taishin Ta-Chong Money Market Fund	-	Current financial assets at fair value through profit or loss	2,097	30,009	-%	30,009	
Elan Investment Corp.	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	534	50,504	-%	50,504	
Elan Investment Corp.	Elan Microelectronics Corporation	Subsidiary	Non-current financial assets at fair value through other comprehensive income	12,438	1,809,758	4.09%	1,809,758	
Elan Investment Corp.	Fitipower Integrated Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	941	32,683	0.58%	32,683	
Elan Investment Corp.	Rafael Microelectronics, Inc.	-	Non-current financial assets at fair value through other comprehensive income	354	48,144	1.39%	48,144	
Elan Investment Corp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	19,664	3.88%	19,664	
Elan Investment Corp.	RISE Technology Com	-	Non-current financial assets at fair value through profit or loss	769	-	3.23%	-	
Elan Investment Corp.	Finemat Applied Materials Co., Ltd	-	Non-current financial assets at fair value through profit or loss	8,900	372,750	13.41%	372,750	
Elan Investment Corp.	Linkinwave-Preferred shares	-	Non-current financial assets at fair value through profit or loss	296	-	-%	-	
Elan Investment Corp.	Pica 8-Preferred shares	-	Non-current financial assets at fair value through profit or loss	342	1,515	2.25%	1,515	
Elan Investment Corp.	Arplanet Digital Technology Co., Ltd	-	Non-current financial assets at fair value through profit or loss	75	1,149	3.08%	1,149	

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Investment Corp.	INNOJOY TECHNOLOGY INC.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	143	-	10.00%	-	
Elan Investment Corp.	ZQAM Communications Corporation-Preferred shares	-	Non-current financial assets at fair value through profit or loss	1,000	4,510	4.63%	4,510	
Elan Investment Corp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	10,720	3.03%	10,720	
Elan Investment Corp.	ALGOLREALITY CO., LTD.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	100	-	13.04%	-	
Elan Investment Corp.	Vita Genomics, Inc.	-	Non-current financial assets at fair value through profit or loss	677	5,385	1.13%	5,385	
Elan Investment Corp.	MedicusTek International Inc.	-	Non-current financial assets at fair value through profit or loss	1,010	-	1.47%	-	
Elan Investment Corp.	Taiwan Intelligent Connect Co., Ltd.-Preferred shares	-	Non-current financial assets at fair value through profit or loss	10,000	2,357	14.29%	2,357	
Elan Investment Corp.	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	370	-	4.91%	-	

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

(In Thousands of New Taiwan Dollars)

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	380,163	3.64 %	Open Account 45 Days	-		52,400	2.26%	

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 TWD\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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:

(In Thousands of New Taiwan Dollars)

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	380,163	Open Account 45 Days	3.64%
0	Elan Microelectronics Corporation	Elan H.K.	1	Accounts receivables	52,400	Open Account 45 Days	0.40%
1	Elan H.K.	Elan Microelectronics Corporation	2	Commission revenue	273,472	Monthly settlement	2.62%

(b) Information on investees:

The followings are the information on investees for the nine months ended September 30, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
Elan Microelectronics Corporation	Elan H.K. Microelectronics Corp. Ltd.	Hong kong, China	Sale and after-sales service	123,272	123,272	29,328	100.00 %	423,030	133,859	133,859	Note
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	1,021,783	(349,322)	(349,322)	Note
Elan Microelectronics Corporation	Elan Information Technology Group	California, USA	Sale, after-sales service and provide new informational skills	22,822	22,822	65	100.00 %	15,144	(531)	(531)	Note
Elan Microelectronics Corporation	JPUP Electron Co., Ltd	New Taipei City, Taiwan	Wholesale and installation of electronic devices, data storage and equipment process	7,840	7,840	784	49.00 %	345	(1,931)	(946)	Note
Elan Microelectronics Corporation	Metanoia Communications Inc.	Hsin-Chu, Taiwan	Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network	460,516	184,939	32,695	50.29 %	153,972	(69,897)	(34,680)	Note
Elan Microelectronics Corporation	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	134,523	134,523	12,542	80.08 %	(6,450)	(20,217)	(16,648)	Note
Elan Microelectronics Corporation	Tong fu Investment Corp.	Hsin-Chu, Taiwan	Investment holding	30,000	30,000	3,000	46.73 %	-	-	-	
Elan Microelectronics Corporation	Lighting Device Technologies Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on LED chips	11,712	19,520	1,083	45.07 %	-	-	-	
Elan Microelectronics Corporation	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	163,599	376,024	15,427	97.95 %	71,471	(22,498)	(21,811)	Note
Elan Microelectronics Corporation	EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	52,100	52,100	4,113	28.94 %	24,980	(24,419)	(7,068)	Note
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	240,000	240,000	24,000	30.00 %	290,705	37,683	11,305	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	5,000	24.69 %	10,851	(11,245)	(2,776)	
Elan Microelectronics Corporation	Finger Pro. Incorporation	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	6,000	6,000	600	23.08 %	1,117	(650)	(150)	
Elan Microelectronics Corporation	Rising Star Technology Company Limited	Taipei, Taiwan	Software information and supply of electronic services	20,000	-	2,000	86.96 %	16,775	(2,391)	(1,918)	Note
Elan Microelectronics Corporation	Bruckewell Technology Co., Ltd	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	20,000	-	2,000	61.16 %	19,284	(995)	588	Note

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
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	4.13 %	(298)	(20,217)	(834)	Note
Elan Investment Corp.	RONG CHENG Technology	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	77,706	77,706	8,000	38.46 %	-	-	-	
Elan Investment Corp.	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	665	2,659	43	0.28 %	201	(22,498)	(104)	Note
Elan Investment Corp.	Metanoia Communications Inc.	Hsin-Chu, Taiwan	Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network	10,211	8,068	831	1.28 %	3,954	(69,897)	(940)	Note
Elan Investment Corp.	EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	38,481	38,481	2,138	15.04 %	13,589	(24,419)	(3,673)	
Elan (H.K.)	Power Asia Investment Corporation	Republic of Mauritius	Investment business	89,572	89,572	2,861	100.00 %	15,699	(9,010)	(9,010)	Note

Note: Investments are subsidiaries whereby the Company has control over has been eliminated at the Group level from long term investment.

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) recognized	Carrying value as of September 30, 2020	Accumulated inward remittance of earnings as of September 30, 2020
					Outflow	Inflow						
Elan Shanghai	Provide system design, information on applications expansion	52,095	(2)	52,095	-	-	52,095	(575)	100.00%	(575)	14,952	-
Elan Shenzhen	Provide system design, information on applications expansion	34,670	(2)	34,670	-	-	34,670	(8,425)	100.00%	(8,425)	293	-

Note 1: Method of investment:

- (1) Direct investment in Mainland China.
- (2) Indirect investment in Mainland China through a holding company established in other countries (Power Asia Investment Corporation).
- (3) Others.

Note 2: The investment income (losses) from Elan Shanghai and Elan Shenzhen are calculated on the reviewed financial statements in the same period.

(ii) Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
86,765	98,333	4,695,888

Note: The investment limit was calculated on the official document 09704604680 announced by the MOEAIC on August 29, 2008.

(iii) Significant transactions:

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

(d) Major shareholders:

No shareholders hold more than 5%.

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(14) Segment information:

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

For the three months ended September 30, 2020											
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communica tion Business Unit	Image Processing Design Business Unit	Security Monitoring Business Unit	Sensor business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliati on and elimination	Total
Revenue											
Revenue from external customers	\$ 1,318,398	3,148,129	17,535	8,218	4,682	61,903	-	138,355	10,988	(1,041)	4,707,167
Net revenue from sales among intersegments	137,486	-	-	-	3	-	-	127,537	14,867	(279,893)	-
Total revenue	<u>\$ 1,455,884</u>	<u>3,148,129</u>	<u>17,535</u>	<u>8,218</u>	<u>4,685</u>	<u>61,903</u>	<u>-</u>	<u>265,892</u>	<u>25,855</u>	<u>(280,934)</u>	<u>4,707,167</u>
Reportable segment profit or loss	<u>\$ 372,255</u>	<u>1,062,272</u>	<u>(23,708)</u>	<u>(7,591)</u>	<u>(7,317)</u>	<u>(7,133)</u>	<u>(283)</u>	<u>88,389</u>	<u>2,929</u>	<u>(109,597)</u>	<u>1,370,216</u>
For the three months ended September 30, 2019											
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Image Processing Design Business Unit	Security Monitoring Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total	
Revenue											
Revenue from external customers	\$ 698,843	1,784,891	18,354	12,741	9,244	-	186,879	-	-	1,747	2,712,699
Net revenue from sales among intersegments	189,345	-	-	-	1,392	-	72,094	5,889	(268,720)	-	-
Total revenue	<u>\$ 888,188</u>	<u>1,784,891</u>	<u>18,354</u>	<u>12,741</u>	<u>10,636</u>	<u>-</u>	<u>258,973</u>	<u>5,889</u>	<u>(266,973)</u>	<u>2,712,699</u>	
Reportable segment profit or loss	<u>\$ 110,727</u>	<u>622,816</u>	<u>(15,968)</u>	<u>(11,435)</u>	<u>(7,943)</u>	<u>(178)</u>	<u>(31,648)</u>	<u>(2,003)</u>	<u>(12,440)</u>	<u>651,928</u>	
For the nine month ended September 30, 2020											
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communica tion Business Unit	Image Processing Design Business Unit	Security Monitoring Business Unit	Sensor Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliati on and elimination	Total
Revenue											
Revenue from external customers	\$ 3,086,016	6,729,137	55,300	28,792	5,719	153,005	-	378,404	16,334	-	10,452,707
Intersegment revenues	386,578	-	-	-	71	-	-	273,472	26,144	(686,265)	-
Total revenue	<u>\$ 3,472,594</u>	<u>6,729,137</u>	<u>55,300</u>	<u>28,792</u>	<u>5,790</u>	<u>153,005</u>	<u>-</u>	<u>651,876</u>	<u>42,478</u>	<u>(686,265)</u>	<u>10,452,707</u>
Reportable segment profit or loss	<u>\$ 796,765</u>	<u>2,278,656</u>	<u>(72,568)</u>	<u>(22,128)</u>	<u>(23,420)</u>	<u>(9,093)</u>	<u>(621)</u>	<u>162,052</u>	<u>771</u>	<u>(254,494)</u>	<u>2,855,920</u>
Equity-accounted investees	\$ 2,042,832	-	-	-	-	-	33,685	-	-	(1,773,844)	302,673
Non-current assets capital expenditure	237,330	19,844	75,289	2,820	977	10,510	-	5,099	859	-	352,728
Reportable segment assets	<u>\$ 8,659,827</u>	<u>4,044,103</u>	<u>438,252</u>	<u>45,466</u>	<u>82,110</u>	<u>189,465</u>	<u>2,857,462</u>	<u>582,821</u>	<u>73,362</u>	<u>(3,721,853)</u>	<u>13,251,015</u>

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	For the nine month ended September 30, 2019									
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communica tion Business Unit	Image Processing Design Business Unit	Security Monitoring Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliati on and elimination	Total
Revenue										
Revenue from external customers	\$ 1,867,393	4,356,604	46,416	41,346	34,447	-	427,813	-	983	6,775,002
Intersegment revenues	425,721	-	576	-	1,392	-	176,670	17,368	(621,727)	-
Total revenue	<u>\$ 2,293,114</u>	<u>4,356,604</u>	<u>46,992</u>	<u>41,346</u>	<u>35,839</u>	<u>-</u>	<u>604,483</u>	<u>17,368</u>	<u>(620,744)</u>	<u>6,775,002</u>
Reportable segment profit or loss	<u>\$ 288,069</u>	<u>1,430,794</u>	<u>(60,997)</u>	<u>(32,230)</u>	<u>(18,591)</u>	<u>(519)</u>	<u>50,118</u>	<u>(5,465)</u>	<u>(195,913)</u>	<u>1,455,266</u>
Equity- accounted investees	\$ 1,417,194	-	-	-	-	5,098	-	-	(1,155,139)	267,153
Non-current assets capital expenditure	44,794	24,687	28	2,583	1,210	1,844	8,698	-	-	83,844
Reportable segment assets	<u>\$ 7,363,967</u>	<u>3,002,806</u>	<u>160,614</u>	<u>51,241</u>	<u>68,142</u>	<u>2,037,920</u>	<u>402,627</u>	<u>17,603</u>	<u>(2,437,969)</u>	<u>10,666,951</u>