Stock Code: 2458

ELAN MICROELECTRONICS CORPORATION

Parent-company-only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

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Independent Auditors' Report

To the Board of Directors
ELAN MICROELECTRONICS CORPORATION:

Opinion

We have audited the financial statements of ELAN MICROELECTRONICS CORPORATION (" the Company"), which comprise the statement of financial position as of December 31, 2020 and 2019, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of Top Taiwan X Venture Capital Co. Ltd which represented investment accounted for using the equity method of the Company. These statement was audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Top Taiwan X Venture Capital Co. Ltd, is based solely on the report of another auditor. The investment in Top Taiwan X Venture Capital Co. Ltd accounted for using the equity method constituted 2.23% and 2.57% of the total assets at December 31, 2020 and 2019, and the related share of profit of associates and joint ventures accounted for using the equity method constituted 0.79% and 1.77% of the total income before tax for the year ended December 31, 2020 and 2019, respectively.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Valuation of inventories

   Please refer to Note 4(g) for accounting policy on inventory, Note 5 for accounting estimations and assumption uncertainty of inventory valuation, and Note 6(d) for the write-down of inventories to net realizable value.

   Description of key audit matter:

   Inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in the economy and the environment, and the production technology update, the cost of inventories is at the risk of exceeding its net realizable value.

   How the matter was addressed in our audit:

   For valuation of the inventories, we reviewed inventory aging reports, analyzed inventory turnovers and changes in its aging inventory for each period to assess the reasonableness of the Company' s inventory provision rate, evaluated reasonableness of the accounting policy, delved into the sales price adopted by management in valuation, and reviewed the sales and valuation which was based on the net realizable value used to assess the appropriateness of management's estimation of inventory provision.

2. Revenue recognition

   Please refer to Note 4(o) and 6(o) for accounting policy of revenue recognition.

   Description of key audit matter:

   The major business activities of the Company are the manufacture and sale of integrated circuits. The Company also offers research and development services with respect to the products presented above. Test of revenue recognition is one of the key audit matters in our audit. Revenue is the key indicator to evaluate the performance by investors and management, and thus, needs significant attention in our audit.

   How the matter was addressed in our audit:

   Our audit procedures in this area included, among others: testing the effectiveness of related controls of revenue recognition, reviewed relevant sales documents to evaluate whether the revenue recognition was consistent with the accounting policy; performing trend analysis of the ten largest customers, so as to assess whether there was material abnormality, if any; testing the sales transactions before and after the end of the year and relevant documents to evaluate the accuracy of the amount and period of revenue recognition.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
February 17, 2021

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the 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 audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent-company-only 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' audit report and parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets:				
1100	Cash and cash equivalents (notes 6(a) and (r))	$ 1,056,566	8	1,020,679	9
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (r))	488,811	4	414,319	4
1172	Notes and accounts receivable, net (notes 6(c) and (r))	2,070,680	15	1,098,287	10
1181	Accounts receivable due from related parties (notes 6(c), (r) and 7)	55,199	-	45,575	-
1200	Other receivables (notes 6(c), (r) and 7)	1,456,679	10	829,461	8
1310	Inventories, net (note 6(d))	1,679,128	12	1,318,609	12
1410	Prepayments and other current assets	8,173	-	13,518	-
1476	Financial assets at amortized cost (notes 6(a) and (r))	2,703,250	20	2,279,650	21
		9,518,486	69	7,020,098	64
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	587,275	4	584,778	5
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(e) and (r))	256,562	2	85,469	1
1551	Investments accounted for using equity method (note 6(f))	2,186,027	16	1,838,378	17
1600	Property, plant and equipment (notes 6(g))	836,016	6	755,686	7
1755	Right-of-use assets (note 6(h))	183,096	1	188,500	2
1780	Intangible assets (note 6(i))	310,651	2	223,170	2
1840	Deferred tax assets (note 6(l))	33,221	-	31,862	-
1900	Other non-current assets (note 6(r))	17,252	-	5,300	-
1960	Prepayments for investments (note 6(f))	-	-	170,000	2
		4,410,100	31	3,883,143	36
	Total assets	$ 13,928,586	100	10,903,241	100

	Liabilities and Equity	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities:				
2170	Accounts payable (notes 6(r) and 7)	1,811,241	13	1,167,628	11
2206	Employee bonus payable (notes 6(q) and (r))	527,000	4	382,500	4
2230	Current tax liabilities	768,135	6	267,864	2
2280	Current lease liabilities (notes 6(j) and (r))	8,335	-	8,667	-
2300	Other current liabilities (notes 6(r) and 7)	1,178,610	8	847,102	8
		4,293,321	31	2,673,761	25
	Non-Current liabilities:				
2570	Deferred tax liabilities (note 6(l))	1,244	-	2,097	-
2580	Non-current lease liabilities (notes 6(j) and (r))	177,421	1	180,969	2
2640	Net defined benefit liability, non-current (note 6(k))	382,275	3	367,155	3
2645	Guarantee deposits received (note 6(r))	10,889	-	10,328	-
2650	Credit balance of investments accounted for using equity method (note 6(f))	12,814	-	-	-
		584,643	4	560,549	5
	Total liabilities	4,877,964	35	3,234,310	30
	Equity attributable to owners of parent: (notes 6(m) and (n))				
3100	Capital stock	3,038,804	22	3,038,804	28
3200	Capital surplus	519,638	4	375,945	3
	Retained earnings:				
3310	Legal reserve	1,825,597	13	1,575,923	14
3350	Undistributed earnings	3,692,218	26	2,577,324	24
		5,517,815	39	4,153,247	38
3400	Other equity	3,340	-	129,910	1
3500	Treasury shares	(28,975)	-	(28,975)	-
	Total equity	9,050,622	65	7,668,931	70
	Total liabilities and equity	$ 13,928,586	100	10,903,241	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue** (notes 6(o) and 7)	$14,678,422	100	9,309,465	100
5000	**Operating costs** (notes 6(d) and 7)	7,789,061	53	4,957,908	53
5900	**Gross profit from operations**	6,889,361	47	4,351,557	47
5920	Add: Realized profit from sales	1,234	-	4,476	-
5950	**Gross profits**	6,890,595	47	4,356,033	47
6000	**Operating expenses:** (notes 6(c), 7, 9 and 12)				
6100	Selling expenses	831,305	6	566,053	6
6200	Administrative expenses	340,840	2	255,447	3
6300	Research and development expenses	1,582,695	11	1,407,080	15
6450	Impairment gain and loss determined in accordance with IFRS 9	7,604	-	(10,002)	-
		2,762,444	19	2,218,578	24
6900	**Operating income**	4,128,151	28	2,137,455	23
7000	**Non-operating income and expenses:**				
7100	Interest income (note 6(p))	26,198	-	40,583	-
7010	Other income (notes 6(p) and 7)	39,511	-	70,114	1
7020	Other gains and losses (note 6(p))	(96,707)	(1)	(12,311)	-
7050	Finance costs	(3,006)	-	(3,070)	-
7070	Share of gain of subsidiaries and associates accounted for using equity method (note 6(f))	(186,668)	(1)	602,411	6
		(220,672)	(2)	697,727	7
7900	**Profit before tax**	3,907,479	26	2,835,182	30
7950	Less: Income tax expenses (note 6(l))	661,668	5	338,438	4
	Net profit	3,245,811	21	2,496,744	26
8300	**Other comprehensive income (loss):**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(15,399)	-	5,431	-
8316	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	(21,116)	-	10,490	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	4,985	-	15,339	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(31,530)	-	31,260	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(1,078)	-	(1,281)	-
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	18	-	(37)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(1,060)	-	(1,318)	-
8300	**Other comprehensive income, net**	(32,590)	-	29,942	-
8500	**Comprehensive income**	$ 3,213,221	21	2,526,686	26
	Earnings per share (expressed in dollars) (note 6(n))				
9710	Basic earnings per share	$	11.14		8.57
9850	Diluted earnings per share	$	10.97		8.44

See accompanying notes to financial statements.

(English Translation of Parent-company-only Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated retained earnings	Total other equity interest: Exchange differences on translation of foreign financial statements	Total other equity interest: Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity
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
Net profit	-	-	-	2,496,744	-	-	-	2,496,744
Other comprehensive income	-	-	-	5,118	(1,318)	26,142	-	29,942
Total comprehensive income	-	-	-	2,501,862	(1,318)	26,142	-	2,526,686
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	155,958	(155,958)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,413,044)	-	-	-	(1,413,044)
Other changes in capital surplus:								
Cash dividends from capital surplus	-	(106,358)	-	-	-	-	-	(106,358)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	57,838	-	-	-	-	4,353	62,191
Changes in ownership interests in subsidiaries	-	(19,568)	-	(8,156)	-	-	-	(27,724)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	66,937	-	(66,937)	-	-
Balance at December 31, 2019	3,038,804	375,945	1,575,923	2,577,324	(5,537)	135,447	(28,975)	7,668,931
Net profit	-	-	-	3,245,811	-	-	-	3,245,811
Other comprehensive income	-	-	-	(16,339)	(1,060)	(15,191)	-	(32,590)
Total comprehensive income	-	-	-	3,229,472	(1,060)	(15,191)	-	3,213,221
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	249,674	(249,674)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,975,223)	-	-	-	(1,975,223)
Other changes in capital surplus:								
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	80,848	-	-	-	-	-	80,848
Changes in ownership interests in subsidiaries	-	62,845	-	-	-	-	-	62,845
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	58,245	-	(58,245)	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income by subsidiaries	-	-	-	52,074	-	(52,074)	-	-
Balance at December 31, 2020	**$ 3,038,804**	**519,638**	**1,825,597**	**3,692,218**	**(6,597)**	**9,937**	**(28,975)**	**9,050,622**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		2020	2019
Cash flows from operating activities:			
Profit before tax	$	3,907,479	2,835,182
Adjustments:			
Adjustments to reconcile profit:			
Depreciation expense		67,178	59,847
Amortization expense		65,683	37,720
Expected credit loss (gain)		7,604	(10,002)
Net gain on financial assets at fair value through profit or loss		(16,838)	(20,142)
Interest expense		3,006	3,070
Interest income		(26,198)	(40,583)
Dividend income		(27,805)	(13,029)
Share of (profit) loss of subsidiaries and associates accounted for using equity method		186,668	(602,411)
Loss (gain) on disposal of property, plant and equipment		(13)	428
Gain on disposal of investment properties		(13,754)	-
Difference between net pension liability and actual appropriations		(278)	749
Impairment loss and disposal loss on inventory		93,969	110,809
Others		(1,233)	(4,489)
Total adjustments to reconcile profit		337,989	(478,033)
Changes in operating assets and liabilities:			
Increase in notes and accounts receivable		(989,621)	(89,030)
Increase in inventories		(454,488)	(355,521)
Increase in other receivables		(634,213)	(167,843)
Decrease (increase) in other current assets		5,345	(2,656)
Increase in notes and accounts payable		643,613	205,632
Increase (decrease) in other current liabilities		479,014	(54,856)
Total adjustments		(612,361)	(942,307)
Cash inflow generated from operations		3,295,118	1,892,875
Interest received		26,351	40,605
Interest paid		(3,006)	(3,070)
Income taxes paid		(163,610)	(329,687)
Net cash flows from operating activities		3,154,853	1,600,723
Cash flows from (used in) investing activities:			
Dividends received		54,077	14,421
Acquisition of financial assets at amortized cost		(423,600)	(554,800)
Acquisition of financial assets at fair value through profit or loss		(1,966,148)	(34,967)
Proceeds from disposal of current financial assets at fair value through profit or loss		1,898,138	14,511
Acquisition of financial assets at fair value through profit or loss — non-current		(29,755)	-
Proceeds from capital reduction of financial assets at fair value through profit or loss		44,456	51,338
Acquisition of financial assets at fair value through other comprehensive income — non-current		(268,800)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income — non-current		76,592	86,015
Acquisition of investments accounted for using equity method		(215,170)	(78,343)
Increase in prepayments for investments		-	(170,000)
Proceeds from disposal of subsidiaries		-	22,908
Acquisition of property, plant and equipment		(136,484)	(50,262)
Proceeds from disposal of property, plant and equipment		60	-
Acquisition of intangible assets		(153,164)	(58,147)
Decrease (increase) in refundable deposits		(11,952)	1,110
Decrease in other non-current assets		-	22,492
Net cash flows used in investing activities		(1,131,750)	(733,724)
Cash flows used in financing activities:			
Increase in guarantee deposits received		561	92
Payment of lease liabilities		(12,554)	(12,160)
Cash dividends paid		(1,975,223)	(1,519,402)
Net cash flows used in financing activities		(1,987,216)	(1,531,470)
Net increase (decrease) in cash and cash equivalents		35,887	(664,471)
Cash and cash equivalents at the beginning of period		1,020,679	1,685,150
Cash and cash equivalents at the end of period	$	**1,056,566**	**1,020,679**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

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

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

The financial statements were authorized for issue by the Board of Directors on February 17, 2021.

(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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

ELAN MICROELECTRONICS CORPORATION
Notes to the Financial Statements

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform－Phase 2”

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment－Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts－Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized bellows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the presented periods in the consolidated financial statements.

(a) Statement of Compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Fair value through other comprehensive income are measured at fair value; and

3) The defined benefit liabilities are recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

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(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan dollars, which is the Company' s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's functional currency at average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

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(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

(e) Cash and cash equivalents

Cash comprise cash balances and call deposits. Cash equivalents are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

A time deposit is qualified as cash equivalent and must be held for the purpose of short-term cash commitments rather than for investment or other purposes.

(f) Financial instruments

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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On initial recognition, a financial asset is classified as measured at amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company; therefore, those receivables are measured at FVOCI. However, they are included in the ‘accounts receivables’ line item.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

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Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

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The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 360 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

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5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise short-term loans and borrowings, accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized as finance cost under non-operating revenue and expenses. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The costs of inventories weighted-average principle include expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs incurred upon completion and selling expenses.

(h) Investments in associates

Associates are those entities in which the Company 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.

The consolidated financial reports include the Company' 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 Company 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 Company and an associate are recognized only to the extent of unrelated the Company's interests in the associate.

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When the Company'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 Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company 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 Company's proportionate interest in the net assets of the associate. The Company 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 Company'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.

(i) Investment in subsidiaries

In preparing the separate financial statement of the Company, investee companies controlled by the Company are accounted for using the equity method. Under the equity method, the Company's profit or loss and other comprehensive income are the same as the profit or loss and other comprehensive income attributable to the owners in the consolidated financial statements. The equity balance in the separate financial statements is the same as the equity balance in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings: 2~50 years

2) Machineries and equipment: 2~6 years

3) Transportation and office equipment: 1~6 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Company has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  — the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  — the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

5) there are any lease modifications

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When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery office and transportation that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

The depreciable amount is the cost of an asset, less its residual value.

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Patents	1~3 years
Computer software cost	1~3 years

Amortization method, amortization period, and residual value for an intangible asset are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment – non derivative financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company outsources its manufacturing process and subsequently sells its Integrated Circuits to customers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company recognizes accounts receivables upon the delivery of products, because the Company has unconditional rights to recovery of the consideration at that point in time.

(ii) Services

The Company provides product design and development services to its customers, and recognizes revenue during the reporting period when services are rendered. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is based on the percentage of actual cost incurred over the total costs.

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(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Government grants

The Company recognizes an unconditional government grant as other income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(q) Employee benefits

(i) Defined contribution plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

The Company that belongs to domestic firms should comply with the Labor Pension Act (hereinafter as "the Act"), which took effect on July 1, 2005. In accordance with the Act, the pension benefits of employees who elect to follow the Act and employees who are retired after the effective date of the Act adopt a defined contribution scheme, whereby the Company makes monthly contributions to the employees' individual pension accounts of no less than 6% of the employees' monthly wages. The amounts contributed are recognized as expense in the current period.

(ii) Defined benefit plan

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related services are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(Continued)

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(ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Business acquisition

The Company measured the acquisition cost of acquiring Elantech in accordance with the Statement of Financial Accounting Standards No. 25 "Business Combinations" and the Accounting Research and Development Foundation Interpretations 97 (075) and 91 (187). The stock issued by the Company is traded in an active market; therefore, the fair value of the stock issued by the Company should be used to determine the fair value of the net assets of the acquired corporation. The acquisition cost was measured in two ways. For stock acquired from non-affiliated companies, accounting was determined by using the purchase method; for stock acquired from affiliated companies, the purchase price was determined by the book value of the affiliated companies' investment in Elantech. The Company recognized the difference between the acquisition cost and the fair value of tangible assets and identifiable intangible assets, less, the liabilities, and recorded it as goodwill.

(t) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock options and convertible bonds settled using shares that have yet to be approved by the shareholders' meeting.

(u) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statement. Hence no segmental information was disclosed in the separate financial statements.

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

The preparation of the financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the sales price. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Petty cash	$ 74	74
Checking and demand deposits	765,992	630,645
Time deposits with maturities of three months or less	290,500	389,960
	$ 1,056,566	**1,020,679**

Please refer to Note 6(r) for the interest rate risk and fair value sensitivity analysis of the financial assets and liabilities of the Company.

As of December 31, 2020 and 2019, time deposits with maturities of more than three months held by the Company amounted to $2,703,250 thousand and $2,279,650 thousand, respectively, and were recorded as financial assets measured at amortized cost. The Company did not recognize impairment loss on financial assets measured at amortized cost for the years ended December 31, 2020 and 2019. Other information relating to credit risk is provided in Note 6(r).

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

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:		
Current:		
Listed stocks	$ 4,310	6,680
Open-end certificates of beneficial interest	424,047	253,557
Short-term commercial papers	60,454	154,082
Subtotal	488,811	414,319
Non-current:		
Listed stocks	528,108	554,626
Unlisted funds	59,167	30,152
Subtotal	587,275	584,778
Total	**$ 1,076,086**	**999,097**

(c) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	$ -	403
Accounts receivable - fair value through other comprehensive income	759,277	489,034
Accounts receivable - measured at amortized cost	1,401,406	681,625
Less: Loss allowance	(34,804)	(27,200)
	$ 2,125,879	**1,143,862**

The Company 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 Company 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:

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	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Expected credit loss
Current	$ 2,033,264	0.46%	9,355
1 to 30 days past due	90,162	1.85%	1,668
31 to 60 days past due	8,840	10.34%	914
61 to 90 days past due	7,491	28.54%	2,138
More than 90 days past due	20,926	50%~100%	20,729
	$ 2,160,683		34,804

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Expected credit loss
Current	$ 1,102,117	0.44%	5,872
1 to 30 days past due	44,123	2.31%	-
31 to 60 days past due	4,015	12.98%	521
More than 90 days past due	20,807	50%~100%	20,807
	$ 1,171,062		27,200

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

	2020	2019
Balance at January 1, 2020 and 2019	$ 27,200	37,202
Impairment loss recognized (reversed)	7,604	(10,002)
Balance at December 31, 2020 and 2019	$ 34,804	27,200

The Company entered into non-recourse factoring agreements with different financial institutions to sell its accounts receivables. Under the agreements, the Company does not have the responsibility to assume the default risk of the transferred accounts receivables. The Company 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.

December 31, 2020						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial Institution	$ 1,376,747	2,823,800	-	1,376,747	0.05%~0.10%	None

(Continued)

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

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

(d) Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 648,872	372,923
Work in progress	808,884	694,738
Finished goods	221,372	250,948
	$ 1,679,128	1,318,609

The details of the cost of sales are as follows:

	2020	2019
Inventory that has been sold	$ 7,695,349	4,847,138
Write-down of inventories	93,969	110,809
Others	(257)	(39)
	$ 7,789,061	4,957,908

As of December 31, 2020 and 2019, the Company had not provided any inventories as collateral for its loans.

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income:		
Quoted shares	$ -	73,545
Over-the-counter stocks	242,830	-
Emerging stocks	13,732	11,924
	$ 256,562	85,469

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(i) The Company 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) In 2020 and 2019, the Company has sold parts of the acquired shares at the amount of $76,592 and $86,015 thousand, resulting in the Company to realize a gain of $58,245 and $66,937 thousand, which was recognized as other comprehensive income, then reclassified to retained earnings.

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

(iv) As of December 31, 2020 and 2019, the Company had not provided any financial assets as collateral for its loans.

(f) Investments accounted for using equity method

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

	December 31, 2020	December 31, 2019
Subsidiaries	$ 1,866,405	1,524,803
Associates	319,622	313,575
Investments accounted for using equity method	**$ 2,186,027**	**1,838,378**
Credit balance of investments accounted for using equity method	**$ 12,814**	**-**

(i) Subsidiaries

A summary of the Company's financial information for equity-accounted investees at the reporting date is as follows:

	2020	2019
The Company's share of gain of subsidiaries accounted for using equity method	**$ (211,977)**	**556,865**

Please refer to the consolidated financial statements for the year ended December 31, 2020 for further details.

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(ii) Associates

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

			December 31, 2020		December 31, 2019	
	Nature of the relationship	Principal country	Amount	Share-holding (%)	Amount	Share-holding (%)
Tong Fu Investment Corporation	Investment holding	R.O.C.	$ 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	11,712	45.07
Eminent Electronic Technology Corp. Ltd. (Note)	Manufactures and sells electronic devices, computer and its related products, and manufactures optical instruments	R.O.C.	-	-	52,100	28.94
Top Taiwan X Venture Capital Co. Ltd	Venture capital	R.O.C.	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
Finger Pro. Incorporation	Manufactures and sells electronic devices	R.O.C.	6,000	23.08	6,000	23.08
			$ 337,712		389,812	

Note: The Company obtained 3 out of 5 Board seats on February 19, 2020 and gained control over the investee, thus, the investee has become one of the Company's subsidiaries since then. The Company recognized its profit based on the fair value remeasurement amounting to $15,000 thousand; please refer to note 6(p).

A summary of the Company's financial information on investment accounted for using equity method at the reporting date is as follows:

	2020	2019
The Company's share of gain (loss) of associates accounted for using equity method	$ 25,309	45,546

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

	2020	2019
Attributable to the Company:		
Gain from continuing operations	$ 25,309	45,546
Other comprehensive income (loss)	18	(37)
Comprehensive income (loss)	$ 25,327	45,509

The Company recognized $150,000 thousand and $20,000 thousand for prepayments for investments in Metanoia Communications Inc. and RisingStar Technology Company Limited as of December 31, 2019, respectively. The Company obtained equity in Metanoia Communications Inc. and RisingStar Technology Company Limited on February 13 and January 31, 2020, respectively.

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The Company acquired 38.65% and 22.51% equity in Bruckewell Technology Co., Ltd (Bruckewell) on February 24 and May 31, 2020, respectively. The Company's ownership interest in Bruckewell increased from 38.65% to 61.16%. The Company remeasured the fair value of its existing equity before the business combination, resulting in a loss of $1,246 thousand; please refer to note 6(p).

(iii) Pledges

As of December 31, 2020 and 2019, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

(g) Property, plant and equipment

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

		Land	Buildings	Machinery and equipment	Office and transportation equipment	Equipment awaiting examination	Total
Cost:							
Balance as of January 1, 2020	$	230,790	1,089,827	479,649	112,518	8,567	1,921,351
Additions		-	68,184	33,853	8,067	26,380	136,484
Derecognized		-	-	(11,312)	(1,363)	-	(12,675)
Reclassification		-	4,374	1,033	-	(5,407)	-
Balance as of December 31, 2020	$	**230,790**	**1,162,385**	**503,223**	**119,222**	**29,540**	**2,045,160**
Balance as of January 1, 2019	$	230,790	1,084,414	433,532	103,019	33,067	1,884,822
Additions		-	5,308	24,991	11,308	8,655	50,262
Derecognized		-	-	(5,061)	(1,809)	-	(6,870)
Reclassification		-	105	26,187	-	(33,155)	(6,863)
Balance as of December 31, 2019	$	**230,790**	**1,089,827**	**479,649**	**112,518**	**8,567**	**1,921,351**
Accumulated depreciation:							
Balance as of January 1, 2020	$	-	677,667	390,794	97,204	-	1,165,665
Depreciation		-	16,818	32,552	6,737	-	56,107
		-	-	(11,312)	(1,316)	-	(12,628)
Balance as of December 31, 2020	$	**-**	**694,485**	**412,034**	**102,625**	**-**	**1,209,144**
Balance as of January 1, 2019	$	-	660,712	368,272	93,901	-	1,122,885
Depreciation		-	16,955	27,568	5,087	-	49,610
Derecognized		-	-	(5,046)	(1,784)	-	(6,830)
Balance as of December 31, 2019	$	**-**	**677,667**	**390,794**	**97,204**	**-**	**1,165,665**
Carrying value:							
Balance as of December 31, 2020	$	**230,790**	**467,900**	**91,189**	**16,597**	**29,540**	**836,016**
Balance as of December 31, 2019	$	**230,790**	**412,160**	**88,855**	**15,314**	**8,567**	**755,686**

As of December 31, 2020 and 2019, the Company had not provided any property, plant and equipment as collateral for its loans.

(Continued)

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(h) Right-of-use assets

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

	Land	Buildings	Machinery and equipment	Office equipment	Total
Cost:					
Balance as of January 1, 2020	$ 186,140	4,271	375	7,002	197,788
Purchases	742	-	948	3,977	5,667
Derecognized	-	(4,271)	(375)	(645)	(5,291)
Balance as of December 31, 2020	**$ 186,882**	**-**	**948**	**10,334**	**198,164**
Balance as of January 1, 2019	$ -	-	-	-	-
Effects of retrospective application	186,140	8,445	-	-	194,585
Balance at January 1, 2019 after adjustment	186,140	8,445	-	-	194,585
Purchases	-	-	375	7,002	7,377
Derecognized	-	(4,174)	-	-	(4,174)
Balance as of December 31, 2019	**$ 186,140**	**4,271**	**375**	**7,002**	**197,788**
Accumulated depreciation and impairment losses:					
Balance at January 1, 2020	$ 5,570	2,329	237	1,152	9,288
Depreciation for the year	5,594	1,942	270	3,265	11,071
Derecognized	-	(4,271)	(375)	(645)	(5,291)
Balance as of December 31, 2020	**$ 11,164**	**-**	**132**	**3,772**	**15,068**
Balance at January 1, 2019	$ -	-	-	-	-
Effects of retrospective application	-	-	-	-	-
Balance at January 1, 2019	-	-	-	-	-
Depreciation for the year	5,570	3,278	237	1,152	10,237
Derecognized	-	(949)	-	-	(949)
Balance as of December 31, 2019	**$ 5,570**	**2,329**	**237**	**1,152**	**9,288**
Book value:					
Balance as of December 31, 2020	**$ 175,718**	**-**	**816**	**6,562**	**183,096**
Balance as of December 31, 2019	**$ 180,570**	**1,942**	**138**	**5,850**	**188,500**

(Continued)

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(i) Intangible assets

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

		Goodwill	Technical Know-how	Computer software	Total
Cost:					
Balance as of January 1, 2020	$	160,600	89,997	142,883	393,480
Additions		-	5,099	148,065	153,164
Derecognized		-	(3,167)	(76,065)	(79,232)
Balance as of December 31, 2020	$	**160,600**	**91,929**	**214,883**	**467,412**
Balance as of January 1, 2019	$	160,600	89,841	123,329	373,770
Additions		-	34,767	23,380	58,147
Derecognized		-	(34,611)	(3,826)	(38,437)
Balance as of December 31, 2019	$	**160,600**	**89,997**	**142,883**	**393,480**
Accumulated amortization:					
Balance as of January 1, 2020	$	-	54,411	115,899	170,310
Additions		-	15,836	49,847	65,683
Derecognized		-	(3,167)	(76,065)	(79,232)
Balance as of December 31, 2020	$	**-**	**67,080**	**89,681**	**156,761**
Balance as of January 1, 2019	$	-	81,196	89,831	171,027
Additions		-	7,826	29,894	37,720
Derecognized		-	(34,611)	(3,826)	(38,437)
Balance as of December 31, 2019	$	**-**	**54,411**	**115,899**	**170,310**
Book value:					
Balance as of December 31, 2020	$	**160,600**	**24,849**	**125,202**	**310,651**
Balance as of December 31, 2019	$	**160,600**	**35,586**	**26,984**	**223,170**

(i) The amortization expenses of intangible assets recognized under operation costs and operating expenses for the years ended 2020 and 2019 were $65,683 thousand and $37,720 thousand, respectively.

(ii) Impairment testing for goodwill

1) For the Company' s impairment testing purposes, goodwill has been allocated to the operating units testing purpose. The units are the minimum level for the Company ' s goodwill, which should not be higher than the Company's operating divisions.

The carrying amounts of goodwill were as follow:

		December 31, 2020	December 31, 2019
Laptop input device business cash-generating units	$	**160,600**	**160,600**

2) The recoverable amounts of laptop input device business and network communication business cash-generating unit (CGU) were based on their value-in-use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The key assumptions used in the estimation of the value-in-use were as follows:

	December 31, 2020	December 31, 2019
Revenue growth rate	4.4 %	5.0 %
After-tax discount rate	9.30 %	9.88 %

The key assumptions represents the management's valuation of the future industry trends, wherein the external, internal and also historical information, were considered. There were no impairment losses incurred as of December 31, 2020 and 2019.

(j) Lease liabilities

The lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	$ 8,335	8,667
Non-current	$ 177,421	180,969

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

The amounts recognized in profit or loss was as follows:

	2020	2019
Interest on lease liabilities	$ 3,006	3,070
Expenses relating to short-term leases	$ 7,485	3,242
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 1,270	34

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

	2020	2019
Total cash outflow for leases	$ 24,315	18,506

(i) Real estate leases

As of December 31, 2020, the Company 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.

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(ii) Other leases

The Company leases machinery and equipment, with lease terms of 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 Company 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 Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(k) Employee benefits

(i) Defined benefit plans

Reconciliations of defined benefit obligation at present value and plan assets at fair value were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	$ 468,361	444,492
Fair value of plan assets	(86,086)	(77,337)
Net defined benefit liabilities	**$ 382,275**	**367,155**

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company’s Bank of Taiwan labor pension reserve account balance amounted to $86,086 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company were as follows:

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		2020	2019
Defined benefit obligations at January 1	$	444,492	447,890
Current service cost and interest cost		6,228	7,528
Net remeasurements of defined benefit liability (asset)			
—Actuarial gains and losses arising from financial assumptions		21,491	14,628
—Actuarial gains and losses arising from experience adjustments		(3,850)	(17,410)
Benefits paid		-	(8,144)
Defined benefit obligations at December 31	$	**468,361**	**444,492**

3) Movements of plan assets

The movements in the fair value of plan assets of the Company were as follows:

		2020	2019
Fair value of plan assets, January 1	$	77,337	74,650
Interests revenue		878	1,040
Net remeasurements of defined benefit liability (asset)			
—Return on plan assets (interest income for the year not included)		2,242	2,649
Contributions		5,629	5,739
Benefits paid		-	(6,741)
Fair value of plan assets at December 31	$	**86,086**	**77,337**

4) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for the years ended December 31, 2020 and 2019, were as follows:

		2020	2019
Current service costs	$	1,252	1,395
Curtailment or settlement gains		4,099	5,093
	$	**5,351**	**6,488**

		2020	2019
Operating cost	$	456	570
Selling expenses		374	447
Administration expenses		444	572
Research and development expenses		4,077	4,899
	$	**5,351**	**6,488**

(Continued)

5) Remeasurement values of net defined benefit liabilities (assets) recognized in other comprehensive income

The Company' s remeasurement values of net defined benefit liabilities (assets) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

		2020	2019
Accumulated amount at January 1	$	(8,541)	(3,110)
Recognized during the period		15,399	(5,431)
Accumulated amount at December 31	**$**	**6,858**	**(8,541)**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.750%	1.125%
Future salary increase rate	5.000%	5.000%

The expected allocation payment to be made by the Company to the defined benefit plans for one-year period after the reporting date was $5,595 thousand.

As of December 31, 2020 and 2019, the weighted-average lifetime of the defined benefits plans were 15.55 and 16.39 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Defined benefit obligation	
		Increase by 0.25%	Decrease by 0.25%
December 31, 2020			
Discount rate	$	(14,483)	15,091
Future salary increasing rate		14,143	(13,671)
December 31, 2019			
Discount rate		(14,628)	15,249
Future salary increasing rate		14,367	(13,855)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(Continued)

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(ii) Defined contribution plans

The Company's expenses under the pension plan cost to the Bureau of Labor Insurance for the and years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Operating cost	$ 7,698	6,839
Selling expenses	4,509	4,261
Administration expenses	4,285	4,059
Research and development expenses	37,570	35,986
	$ 54,062	**51,145**

(l) Income taxes

(i) The Company 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:

Year	Tax exemption products	Tax exemption period
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.

(ii) The Company's income tax expenses were as follow:

	2020	2019
Current income tax expense	$ 663,880	340,630
Deferred income tax expense	(2,212)	(2,192)
Income tax expense	**$ 661,668**	**338,438**

The reconciliation of the differences between the income tax computed at the statutory income tax rate and the income tax expense for the years ended December 31, 2020 and 2019 is summarized as follows:

	2020	2019
Income before income tax	**$ 3,907,479**	**2,835,182**
Income tax computed at statutory tax rate	$ 781,496	567,036
Tax-exempt income	(77,792)	-
Suspension of tax-exempt gain on disposal of domestic securities	481	(1,875)
Prior year's income tax adjustment	8,843	5,015
Investment tax credit	(34,149)	(47,597)
Change in unrecognized temporary differences	(82,000)	(79,600)
Investment income from domestic securities	61,377	(97,307)
Tax on undistributed profit	13,609	-
Others	(10,197)	(7,234)
Total	**$ 661,668**	**338,438**

(Continued)

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(iii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

The Company's unrecognized deferred income tax assets were composed of the following items:

	December 31, 2020	December 31, 2019
Realized valuation losses on long-term investment	$ 228,400	312,300
Tax-deductible loss	94,600	96,500
Provision for decline in value of inventories	31,100	26,700
Others	3,000	3,600
	$ 357,100	**439,100**

Regarding the deductible temporary differences from investment tax credit, the deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable gain on disposal of securities will be available against which the Company can utilize the benefits therefrom.

2) Recognized deferred income tax assets and liabilities

Movements of recognized deferred income tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

Deferred Tax Liabilities:

	Fair Value Gains
Balance at January 1, 2020	$ (2,097)
Recognized in profit or loss	853
Balance at December 31, 2020	**$ (1,244)**
Balance at January 1, 2019	$ (2,248)
Recognized in profit or loss	151
Balance at December 31, 2019	**$ (2,097)**

Deferred Tax Assets:

	Decline in Value of Inventories	Others	Total
Balance at January 1, 2020	$ 26,705	5,157	31,862
Recognized in profit or loss	4,338	(2,979)	1,359
Balance at December 31, 2020	**$ 31,043**	**2,178**	**33,221**
Balance at January 1, 2019	$ 24,113	5,708	29,821
Recognized in profit or loss	2,592	(551)	2,041
Balance at December 31, 2019	**$ 26,705**	**5,157**	**31,862**

(Continued)

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(iv) The tax authorities have examined the Company's income tax returns as of the year 2018.

(m) Capital and other equity

As of December 31, 2020 and 2019, the authorized capital of the Company amounted to $4,800,000 thousand divided into $303,880 thousand ordinary shares, with a par value of $10 per share. The issued shares were composed of common stocks only and have been fully paid up.

(i) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Additional paid-in capital	$ 231,051	231,051
Treasury share transactions	225,742	144,894
Difference arising from subsidiary's share price and its carrying value	62,845	-
	$ 519,638	**375,945**

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.

(ii) 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

In accordance with the Companies Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. 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.

(Continued)

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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.

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.

There was no difference between the actual distribution and the estimation in the financial statements of 2019 and 2018.

(iii) Treasury stock

	December 31, 2020		December 31, 2019	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
The Company's shares held by subsidiaries	12,438	$ 28,975	12,438	28,975

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 years ended December 31, 2020 and 2019, the information on the Company's stock held by Elan Investment Corp. was as follows:

	For the years ended December 31					
	2020			2019		
	Shares (in thousands)	Acquisition cost	Total market value	Shares (in thousands)	Acquisition cost	Total market value
Opening balance	12,438	$ 28,975	1,134,364	12,438	33,328	935,353
Effects of valuation change	-	-	526,136	-	-	199,011
Cash dividend from capital surplus	-	-	-	-	(4,353)	-
Ending balance	12,438	$ 28,975	1,660,500	12,438	28,975	1,134,364

The Company transferred cash dividend revenue received by Elan Investment Corp. amounting to $80,848 thousand and $57,838 thousand to capital surplus-treasury stock in 2020 and 2019, respectively.

(Continued)

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Notes to the Financial Statements

(iv) Other equity

The movements of other equity were as follows:

	For the years ended December 31, 2020		
	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	$ (5,537)	135,447	129,910
Foreign exchange differences:			
The Company	(1,144)	-	(1,144)
Subsidiaries	66	-	66
Associates	18	-	18
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Company	-	(21,116)	(21,116)
The Company-disposal	-	(58,245)	(58,245)
Subsidiaries	-	5,925	5,925
Subsidiaries-disposal	-	(52,074)	(52,074)
Balance as of December 31	**$ (6,597)**	**9,937**	**3,340**

	For the years ended December 31, 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 Company	(362)	-	(362)
Subsidiaries	(919)	-	(919)
Associates	(37)	-	(37)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Company	-	10,490	10,490
The Company-disposal	-	(66,937)	(66,937)
Subsidiaries	-	15,652	15,652
Balance as of December 31	**$ (5,537)**	**135,447**	**129,910**

(n) Earnings per share

Basic and diluted earnings per share for the years ended December 31, 2020 and 2019 were calculated as follows:

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(i) Basic earnings per share:

		2020	2019
Net income	$	**3,245,811**	**2,496,744**
Weighted-average number of shares outstanding (thousands)		**291,442**	**291,442**
Earnings per share	$	**11.14**	**8.57**

(ii) Diluted earnings per share:

		2020	2019
Net income (used to calculate diluted earnings per share)	$	**3,245,811**	**2,496,744**
Weighted-average number of shares outstanding (thousands)		291,442	291,442
Effect of dilutive potential common stock (thousands)			
－employee emoluments		4,478	4,366
Weighted-average number of shares outstanding (thousands) used to calculate diluted earnings per share		**295,920**	**295,808**
Diluted earnings per share	$	**10.97**	**8.44**

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

		2020	2019
Taiwan	$	864,416	849,106
Mainland China		2,275,945	1,818,440
Hong Kong		11,326,654	6,603,789
America		9,599	6,478
Europe		4,586	2,874
Other		197,222	28,778
	$	**14,678,422**	**9,309,465**
Main products:			
Consumer Touch Control Integrated Circuit	$	5,083,611	3,055,192
Laptop Input Device		9,553,272	6,224,411
Development and other income		41,539	29,862
	$	**14,678,422**	**9,309,465**

(ii) Contract balances

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

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(p) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

		2020	2019
Interest income from bank deposits	$	**26,198**	**40,583**

(ii) Other income

		2020	2019
Rental income	$	8,413	8,458
Dividend income		27,805	13,029
Government grant		-	29,400
Others		3,293	19,227
Total	$	**39,511**	**70,114**

(iii) Other gains and losses

		2020	2019
Foreign exchange losses	$	(122,803)	(28,952)
Gains on financial asset at fair value through profit or loss		16,838	20,141
Gains (loss) on disposal of property, plant and equipment		13	(428)
Gains on disposal of investment		13,754	-
Miscellaneous disbursement		(4,509)	(3,083)
Others		-	11
Total	$	**(96,707)**	**(12,311)**

(q) Compensation to employees, directors and supervisors

According to the Company's Articles of Incorporation, should the Company net a profit for the year, it shall allocate no less than 10% of the profit as employees' compensation and not more than 2% of the profit as compensation to employees, directors and supervisors. Should the Company have accumulated losses, it shall first allocate its earnings to offset these losses.

For the years ended December 31, 2020 and 2019, the amounts of employees' bonuses were estimated at $467,000 thousand and $339,000 thousand, respectively. The amounts of compensation to directors and supervisors were estimated at $60,000 thousand and $43,500 thousand, respectively. The estimation basis shall be calculated as the amounts of net income before tax deducted by the bonuses of employees, directors and supervisors, multiplied by the distribution percentage of employee bonuses, compensation to directors and supervisors based on the Corporation's Articles of Incorporation. These bonuses and compensation were expensed under operating costs or expenses

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for 2020 and 2019. However, there were no differences between the distribution amounts of bonuses and compensation decided by the Board mentioned above and the estimated amounts of the Company's Financial Statements for 2020 and 2019.

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

As of December 31, 2020 and 2019, 89% and 78%, respectively, of accounts receivable were due from the ten largest customers. Thus, credit risk was significantly concentrated.

3) Receivables and debt securities

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

Other financial assets at amortized cost, including time deposits with maturities 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(f). There was no loss allowance provision for the years ended December 31, 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 years	2-5 years	More than 5 years
December 31, 2020							
Non-derivative financial liabilities							
Notes and accounts payable	$ 1,811,241	1,811,241	1,811,241	-	-	-	-
Other payable	818,504	818,504	818,504	-	-	-	-
Lease liabilities	185,756	236,269	5,621	5,625	9,880	22,645	192,498
	$ 2,815,501	**2,866,014**	**2,635,366**	**5,625**	**9,880**	**22,645**	**192,498**

(Continued)

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	Carrying amount	Con-tractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2019							
Non-derivative financial liabilities							
Notes and accounts payable	$ 1,167,628	1,167,628	1,167,628	-	-	-	-
Other payables	507,138	507,138	507,138	-	-	-	-
Lease liabilities	189,636	241,118	6,120	5,514	9,367	22,852	197,265
	$ 1,864,402	1,915,884	1,680,886	5,514	9,367	22,852	197,265

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets:						
Monetary item						
US dollar	$ 142,663	28.10	4,008,830	77,679	30.04	2,333,477
Financial liabilities:						
Monetary item						
US dollar	78,097	28.10	2,194,526	45,721	30.04	1,373,459

2) Sensitivity analysis

The Company'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 December 31, 2020 and 2019 would have increased (decreased) the equity by $70,445 thousand and $38,401 thousand, respectively, for the years ended December 31, 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 Company. The foreign exchange losses (including realized and unrealized) amounted to $122,803 thousand and $28,952 thousand for the years ended December 31, 2020 and 2019, respectively.

(Continued)

(iv) Interest rate analysis

The Company's exposure to interest rate risk of financial assets and liabilities was disclosed in the "Liquidity Risk" section of the note.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on reporting date. For variable rates on assets and liabilities, the sensitivity analysis assumes the variable rates on assets and liabilities are outstanding for the whole year on the reporting date. The Company's internal department reported the increases/decreases in the interest rates and the exposure to changes in interest rates on 0.5% on behalf of the Company's key management so as to allow the key management to assess the reasonableness of the changes in the interest rates.

If the interest rate increases/decreases by 0.5%, the Company' s net income will increase/decrease by $78 thousand and $1,600 thousand for the years ended December 31, 2020 and 2019, respectively, with all other variable factors remaining unchanged. This was mainly due to the Company's time deposits and borrowings at variable rates.

(v) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses of the changes in the securities price at the reporting date were performed on the same basis for the profit and loss as illustrated below:

	2020		2019	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increase 5%	**$ 10,262**	**21,297**	**3,419**	**22,452**
Decrease 5%	**$ (10,262)**	**(21,297)**	**(3,419)**	**(22,452)**

(vi) 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 Company'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 lease liabilities, disclosure of fair value information is not required:

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	December 31, 2020				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	total
Financial assets measured at fair value through profit or loss (current and non-current)	$ 1,076,086	410,665	78,146	587,275	1,076,086
Financial assets measured at fair value through other comprehensive income					
Stocks	256,562	-	242,830	13,732	256,562
Accounts receivable	759,277	-	-	-	-
Subtotal	1,015,839	-	242,830	13,732	256,562
Financial assets measured at amortized cost					
Cash and cash equivalents	1,056,566	-	-	-	-
Notes and accounts receivables	1,401,406	-	-	-	-
Other receivables	1,456,679	-	-	-	-
Financial assets at amortized cost	2,703,250	-	-	-	-
Guarantee deposits	17,252	-	-	-	-
Subtotal	6,635,153	-	-	-	-
Total	$ 8,727,078	410,665	320,976	601,007	1,332,648
Financial liabilities measured at amortized cost					
Notes and accounts payables	$ 1,811,241	-	-	-	-
Other payables	803,959	-	-	-	-
Lease liabilities (current and non-current)	185,756	-	-	-	-
Guarantee deposits	10,889	-	-	-	-
Total	$ 2,811,845	-	-	-	-

	December 31, 2019				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	total
Financial assets measured at fair value through profit or loss (current and non-current)	$ 999,097	249,325	164,994	584,778	999,097
Financial assets measured at fair value through other comprehensive income					
Stocks	85,469	73,545	-	11,924	85,469
Accounts receivable	489,034	-	-	-	-
Subtotal	574,503	73,545	-	11,924	85,469
Financial assets measured at amortized cost					
Cash and cash equivalents	1,020,679	-	-	-	-
Notes and accounts receivables	682,028	-	-	-	-
Other receivables	829,461	-	-	-	-
Financial assets at amortized cost	2,279,650	-	-	-	-
Guarantee deposits	5,300	-	-	-	-
Subtotal	4,817,118	-	-	-	-
Total	$ 6,390,718	322,870	164,994	596,702	1,084,566

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	December 31, 2019				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	total
Financial liabilities measured at amortized cost					
Notes and accounts payables	$ 1,167,628	-	-	-	-
Other payables	507,138	-	-	-	-
Lease liabilities (current and non-current)	189,636	-	-	-	-
Guarantee deposits	10,328	-	-	-	-
Total	**$ 1,874,730**	**-**	**-**	**-**	**-**

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 Company' 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 years ended December 31, 2020 and 2019.

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4) Reconciliation of Level 3 fair values

	Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)	Financial assets at fair value through other comprehensive income	Total
Opening balance, January 1, 2020	$ 584,778	11,924	596,702
Total gains and losses recognized:			
In profit or loss	17,198	-	17,198
In other comprehensive income	-	2,263	2,263
Purchased	29,755	-	29,755
Disposal	-	(455)	(455)
Capital reduction for redistribution to shareholders	(44,456)	-	(44,456)
Ending Balance, December 31, 2020	$ **587,275**	**13,732**	**601,007**
Opening balance, January 1, 2019	$ 583,592	11,033	594,625
Total gains and losses recognized:			
In profit or loss	17,557	-	17,557
In other comprehensive income	-	891	891
Purchased	34,967	-	34,967
Capital reduction for redistribution to shareholders	(51,338)	-	(51,338)
Ending Balance, December 31, 2019	$ **584,778**	**11,924**	**596,702**

For the years ended December 31, 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:

	2020	2019
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	$ 17,198	17,557
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	2,263	891

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

The Company’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”.

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Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income - equity investments without an active market	Market Comparison Method	· Price to book ratio (December 31, 2020 and December 31, 2019: 1.37% to 1.91% and 1.22% to 2.35%) · Non-liquid discount (December 31, 2020 and December 31, 2019: 10% and 7% to 10%) · Price to earnings ratio (December 31, 2020 and December 31, 2019: 0.64% to 2.52% and 1.01% to 2.63%) · Price to book assets ratio (December 31, 2020 and December 31, 2019: 0.66% to 1.28% and 0.53% to 1.32%)	The estimated fair value would increase (decrease) if: · the price to book ratio were higher (lower); · the non-liquid discount were lower (higher).
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:

	Input	Increase or decrease	Profit or loss	
			Favorable	Unfavorable
December 31, 2020				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	10%	798	(798)
	Non-liquid discount	10%	101	(101)
December 31, 2019				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	10%	7,951	(7,951)
	Non-liquid discount	10%	3,473	(3,473)

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(s) Financial risk management

(i) Overview

The Company has exposure to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to respective notes in the report.

(ii) Risk Management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Company's finance department provides business services to meet other departments' requests and negotiate all necessary transactions on financial markets. In addition, all significant financial activities have to be examined and approved by the Board of Directors. The Company' s financial activities must be in accordance with the overall financial risk management, segregation of duties, and other related policies of the Company. The Company' s audit committee continues to review the amount of the risk exposure in accordance with the Company's policy and the risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company' s review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the finance department. Customers that fail to meet the Company' s benchmark creditworthiness may transact with the Company only on a prepayment basis.

Trade and other receivables mainly relate to a wide range of customers from different industries and geographic regions. To minimize the credit risk, the Company continues to assess the financial condition and credit risk of its customers. Allowance for doubtful accounts is recognized if necessary.

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The account of allowance for doubtful receivables was created by the Company in order to reflect the estimate of the losses had been incurred on accounts receivable and other receivables. The abovementioned account mainly consists of specific losses, relating to significant risk, which were measured individually and other unidentified losses which were measured by grouping similar assets together. The measurement of losses by grouping similar assets together was based on the statistical data of payment history of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with the banks and other external parties with good credit standing financial institutions, the management believes that the Company do not have any compliance issues, and therefore, there is no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

1) Currency risk

The Company is exposed to currency risk on sales and purchase that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily US Dollars (USD). Natural hedge was adopted to minimize the Company's currency risk. The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

Interest risk is the risk that changes in market interest rates will affect the fair value of the Company's financial instruments. For detailed information of interest rate risk exposure, please refer to the liquidity risk management of the note.

(Continued)

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3) Other market price risk

The Company is exposed to other market price risk due to investments of stocks from listed entities. These investments are classified as long-term strategic investment other than held-for-trading investments. The Company was not actively involved in trading these investments.

(t) Capital management

The Company meets its objectives to manage its capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders and interest of other related parties and to maintain an optimal capital structure to reduce the cost of capital.

The Board’s policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

After being approved by the Board of Directors, the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under the Company’s share option program. Buy-and-sell decisions are made on a specific transaction basis by the Board of Directors; the Company does not have a defined share buy-back plan.

The Company’s debt to equity ratios at the end of the reporting period as at December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	$ 4,877,964	3,234,310
Less: cash and cash equivalents	(1,056,566)	(1,020,679)
Net debt	**$ 3,821,398**	**2,213,631**
Total equity	**$ 9,050,622**	**7,668,931**
Debt-to-equity ratio	**42.22 %**	**28.86 %**

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

			Non-cash changes			
	January 1, 2019	Cash flows	Foreign exchange movement	Fair value changes	Others	December 31, 2020
Lease liabilities	$ 189,636	(12,554)	-	-	8,674	185,756
Total liabilities from financial activities	**$ 189,636**	**(12,554)**	**-**	**-**	**8,674**	**185,756**

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	January 1, 2018	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	Non-cash changes: Others	December 31, 2020
Lease liabilities	$ 194,585	(12,160)	-	-	7,211	189,636
Total liabilities from financial activities	**$ 194,585**	**(12,160)**	**-**	**-**	**7,211**	**189,636**

(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.

Name of related party	Relationship with the Company
Elan H.K. Microelectronics Corporation	A subsidiary
Elan Investment Corp.	A subsidiary
Metanoia Communications Inc.	A subsidiary
Avisonic Technology Corp.	A subsidiary
Eminent Electronic Technology Corp. Ltd	Eminent was originally an associate of the Company. However, the Company gained control over Eminent on February 19, 2020; hence, it became one of the Company's subsidiaries.
PiXORD Corporation	A subsidiary
JPUP Electron Co., Ltd.	A subsidiary
Bruckewell Technology Co., Ltd.	A subsidiary

(b) Significant transactions with related parties

(i) Sale of goods to related parties

The amounts of significant sales by the Company to related parties were as follows:

	2020	2019
Subsidiaries-Elan H.K.	$ 523,296	561,936

The prices for sales to related parties were similar to those for general customers. The terms of collection were approximately 30-60 days.

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(ii) Raw materials purchasing services and other operating income

	2020	2019
Subsidiaries-Metanoia	$ 335	798
Subsidiaries-Avisonic	153	311
Subsidiaries-Eminent	9,004	10,381
Subsidiaries-Bruckewell	153	-
	$ 9,645	**11,490**

(iii) Rental income

	2020	2019
Subsidiaries-PiXORD	$ 1,629	1,629
Subsidiaries-Avisonic	1,363	1,363
Subsidiaries-Metanoia	3,515	3,515
Subsidiaries-Eminent	1,906	1,906
	$ 8,413	**8,413**

(iv) Purchase and Research expenses

The amounts of purchases by the Company from related parties and development expense paid by related parties on behalf of the Company were as follows:

	2020	2019
Subsidiaries-JPUP	$ 5,760	5,028
Subsidiaries	78	1,625
	$ 5,838	**6,653**

The price of purchases from the related parties mentioned above are not significantly different than the purchase terms with other third-party suppliers. The payment terms are approximately 15~45 days, and this is not significantly different than the payment terms with other third-party suppliers, either.

(v) Commission expenses

The Company’s related parties provide overseas marketing and aftersales services to their customers, and thus the Company makes commission payments based on the amount of sales made. The amounts of commission expenses recognized in the line item of operating expenses (marketing expenses) during 2020 and 2019 were as follows:

	2020	2019
Subsidiaries-H.K.	**$ 391,056**	**240,494**

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(vi) Receivable from related parties

The receivables from related parties are as follows:

Accounts	Types of related parties	December 31, 2020	December 31, 2019
Accounts receivable	Subsidiaries-Elan H.K.	$ 53,824	44,949
Accounts receivable	Subsidiaries-Eminent	1,375	626
Other receivables	Subsidiaries-Metanoia	1,620	2,468
Other receivables	Subsidiaries-Avisonic	3,127	3,432
Other receivables	Subsidiaries-PiXORD	413	424
Other receivables	Subsidiaries-Eminent	27,837	12,812
		$ 88,196	**64,711**

(vii) Payables to related parties

The payables to related parties were as follows:

Accounts	Types of related parties	December 31, 2020	December 31, 2019
Accounts payable	Subsidiaries JPUP	$ 1,217	1,066
Accounts payable	Subsidiaries Elan H.K.	41,796	18,695
Other payable	Subsidiaries	161	217
		$ 43,174	**19,978**

(viii) 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. All the unrealized loss had been realized in 2019.

(c) Key management personnel compensation

	2020	2019
Short-term employee benefits	$ 103,664	79,073
Post-employment benefits	491	572
	$ 104,155	**79,645**

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

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(8) Pledged assets: None.

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2020	December 31, 2019
Financial assets at amortized cost (Certificate Deposit)	Guarantee of the creditors of the purchase transactions	$ 2,400	-
Financial assets at amortized cost (Certificate Deposit)	Use land guarantee for Hsinchu Science Park Bureau	7,200	7,200
		$ 9,600	7,200

(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 December 31, 2020 and 2019, the financial institutions had issued performance guarantees amounting to $3,000 thousand and $4,000 thousand, respectively.

(b) As of December 31, 2020 and 2019, the refundable notes payable for short-term loans amounted to $210,000 thousand and $330,000 thousand, respectively.

(c) As of December 31, 2020 and 2019, the refundable notes payable for lease amounted to $600 thousand and $0 thousand, respectively.

(d) The Company entered into non-infringement guarantee agreements with some customers (guarantees) to provide a guarantee regarding the selling of touchpad module products.

(e) 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 year ended December 31, 2019, the Company recognized income from government grant amounting to $0 thousand within other gains and losses income.

To implement the project "Elan Electronic Smart Supply Chain AI Application" under the guidance from the Ministry of Economics Affairs, the Company entered into a program contract with the Taiwan Small and Medium Enterprise Counseling Foundation, in order to receive a grant amounting to $9,000 thousand. The project runs between April 1, 2020 and March 31, 2022. The Company recognizes income based on the progress of the projects. On December 31, 2020 the subsidy received but not recognized, amounting to $4,000 thousand

(Continued)

was classified as other current liabilities. As of December 31, 2020, the Company had entrusted financial institutions to guarantee that the Company would fulfill its obligations specified in the project contract. The financial institutions have issued performance guarantee amounting to $4,000 thousand.

(f) Royalty fee

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

(g) Litigation and actions

On December 2, 2020, the Company filed an appeal with the Beijing Intellectual Property Court against Shenzhen Goodix Technology Co., Ltd. (hereinafter referred to as Goodix) and Beijing Xingyitongda Technology Co., Ltd. for an infringement of the Company’ s PRC Patent No. ZL03158451.9. The Company appealed to the court to prohibit the defendant from using, manufacturing and selling the product, and requested for damage compensation amounting to CNY25 million. Since the Company is the plaintiff in this case, no significant influence on the Company is expected.

On December 23, 2020, the Company filed an appeal with Taiwan Intellectual Property Court against Goodix and Shouhon Technology Co., Ltd. for an infringement of the Company’ s ROC Patent #I556033. The Company appealed to the court to prohibit the defendant from using, manufacturing and selling the product. Since the Company is the plaintiff in this case, no significant influence on the Company is expected.

(10) Losses due to major disasters: None.

(11) Subsequent events:

(a) On February 9, 2021, the Group sold 86.96% equity in RisingStar Technology Company Limited for $20,147 thousand.

(b) In order to improve the efficiency of the Company’ s R&D and operation, the Board of Directors approved the “Hsinchu County International AI Smart Park Industrial Zone” bid for the superficies rights thereof on November 12, 2020. The Company’ s investment plan, "Hsinchu County International AI Smart Park Industrial Zone (1)-3", was approved by the Vendor Selection Committee of Hsinchu County Government on December 24, 2020, subsequent to which the superficies were set up based on the Handbook for Establishing Rights of Superficies for the Hsinchu County International AI Smart Park Industrial Zone (1), with a duration of 20 years and royalties totaling $316,000 thousand. If there is no major breach of contract at the end of the contract item, the contract can be renewed for another 20 years, and the leased land will be calculated and adjusted based on the announced land price during the contract period.

(c) The appropriation of earnings for 2020 was approved at the Board meeting on February 17, 2021. The cash dividend of $9.00 per share, totaling $2,734,924 thousand, will be submitted to the shareholders’ meeting to be held in June 2021 for approval.

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(12) Others:

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

	For the years ended December 31					
	2020			2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee expenses						
Salaries and wages	$ 309,556	1,476,381	1,785,937	255,907	1,310,847	1,566,754
Labor and health insurance	26,417	80,765	107,182	21,026	75,567	96,593
Pension expenses	8,154	51,259	59,413	7,409	50,224	57,633
Remuneration of directors	-	62,580	62,580	-	45,050	45,050
Others	22,329	38,649	60,978	16,361	34,014	50,375
Depreciation expenses	26,506	40,672	67,178	24,261	35,586	59,847
Amortization expenses	1,279	64,404	65,683	173	37,547	37,720

For the years ended December 31, 2020 and 2019, the total numbers of employees and employee benefits were as follows:

	2020	2019
Number of employees	1,005	947
Number of directors who were not employees	5	5
The average employee benefit	$ 2,014	1,880
The average salaries and wages	$ 1,786	1,663
The adjustment rate of average employee salaries	7.40 %	6.95 %
Supervisors' remuneration	$ -	-

The Company's compensation policy for directors, supervisors, executive officers, and employees, is as follows:

(a) Directors and manergers: Compensation to directors and executives, pursuant to the Company's Articles of Incorporation, shall be determined with reference to industry peers, individual performance, accomplishment, and contribution. The payment shall be reviewed by the Compensation Committee and approved by the Board of Directors.

(b) Employee Salary: The salary and wage of employees, pursuant to the Company's Articles of Incorporation, shall be determined with reference to the Company's overall operating performance, seniority, capability, and performance.

(c) Performance and holiday bonuses of employees: Employee bonuses shall be determined based on individual performance and the Company's overall operating performance.

(d) Annual employee salary adjustment: Annual adjustment to employee salary shall be determined with reference to the Company's overall operating performance, domestic economic growth rate, price index, the annual salary adjustment standards, and individual performance.

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(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 Company for the nine months ended December 31, 2020:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 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	244	4,310	-	4,310	
Elan Microelectronics Corporation	Fubon China Money Market Fund-TWD	-	Current financial assets at fair value through profit or loss	1,867	20,113	-	20,113	
Elan Microelectronics Corporation	Fubon Chi-Hsiang Money Market Fund	-	Current financial assets at fair value through profit or loss	2,540	40,141	-	40,141	
Elan Microelectronics Corporation	Pine Bridge Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,209	30,403	-	30,403	
Elan Microelectronics Corporation	Cathay Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	7,224	90,542	-	90,542	
Elan Microelectronics Corporation	Nomura Global Short Duration Bond Fund-TWD	-	Current financial assets at fair value through profit or loss	3,282	35,091	-	35,091	
Elan Microelectronics Corporation	Nomura Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	1,887	31,031	-	31,031	
Elan Microelectronics Corporation	KGI Victory Money Market Fund	-	Current financial assets at fair value through profit or loss	6,855	80,008	-	80,008	
Elan Microelectronics Corporation	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	2,900	39,573	-	39,573	
Elan Microelectronics Corporation	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	2,400	39,453	-	39,453	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	190	17,692	-	17,692	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	71	19,951	-	19,951	
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	12,403	-	12,403	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (USD)(SERIES II)	-	Current financial assets at fair value through profit or loss	100	28,100	-	28,100	
Elan Microelectronics Corporation	Through Tek Co.,Ltd.	-	Current financial assets at fair value through profit or loss	1,077	13,732	4.14%	13,732	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Current financial assets at fair value through profit or loss	3,500	242,830	7.87%	242,830	
Elan Microelectronics Corporation	Chino-Excel Technology Corporation	-	Non-current financial assets at fair value through other comprehensive income	823	-	1.48%	-	
Elan Microelectronics Corporation	Panther technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	340	4,832	0.94%	4,832	

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	XINCE Co., Ltd	-	Non-current financial assets at fair value through other comprehensive income	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 IV 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 VI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	552	5,732	2.17%	5,732	
Elan Microelectronics Corporation	TOP TAIWAN VII VENTURE CAPITAL CO.,LTD.	-	Non-current financial assets at fair value through profit or loss	2,265	27,582	6.12%	27,582	
Elan Microelectronics Corporation	TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	2,708	24,501	4.17%	24,501	
Elan Microelectronics Corporation	Midatouch Research Corporation	-	Non-current financial assets at fair value through profit or loss	2,500	7,625	9.43%	7,625	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO.,LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	72,829	6.25%	72,829	
Elan Microelectronics Corporation	Inno Bridge 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	41,823	10.00%	41,823	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO.,LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	48,137	6.25%	48,137	
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	279,834	18.52%	279,834	
Elan Microelectronics Corporation	Chimei Motor Electronics Co.,Ltd.	-	Non-current financial assets at fair value through profit or loss	950	5,139	4.13%	5,139	
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through profit or loss	200	1,424	1.63%	1,424	
Elan Microelectronics Corporation	Vertex Growth (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	59,167	-	59,167	
Elan Investment Corp.	FSITC Money Market Fund	-	Non-current financial assets at fair value through profit or loss	131	23,479	-	23,479	

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Investment Corp.	FSITC US Top 100 Bond Fund Acc TWD	-	Non-current financial assets at fair value through profit or loss	1,500	15,327	-	15,327	
Elan Investment Corp.	FSITC Global Wealthy Nations Bond Fund Acc TWD	-	Non-current financial assets at fair value through profit or loss	2,629	26,785	-	26,785	
Elan Investment Corp.	FSITC Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,271	35,043	-	35,043	
Elan Investment Corp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	5,320	-	5,320	
Elan Investment Corp.	FSITC Global Health & Weight Loss Fund	-	Current financial assets at fair value through profit or loss	500	5,360	-	5,360	
Elan Investment Corp.	Nomura Global Financial Bond Fund-N Accumulate TWD	-	Current financial assets at fair value through profit or loss	4,783	51,140	-	51,140	
Elan Investment Corp.	Nomura Global Financial Bond Fund	-	Current financial assets at fair value through profit or loss	3,589	40,055	-	40,055	
Elan Investment Corp.	Taishin Global Multi-asset Fund of Funds-TWD-A	-	Current financial assets at fair value through profit or loss	1,000	11,610	-	11,610	
Elan Investment Corp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	23,310	-	23,310	
Elan Investment Corp.	Taishin 1699 Money Market Fund		Current financial assets at fair value through profit or loss	5,556	75,821	-	75,821	
Elan Investment Corp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	44,818	-	44,818	
Elan Investment Corp.	Taishin Ta-Chong Money Market Fund	-	Current financial assets at fair value through profit or loss	2,097	30,032	-	30,032	
Elan Investment Corp.	Taishin Short Duration Emerging High Yield Bond Fund	-	Current financial assets at fair value through profit or loss	4,200	43,253	-	43,253	
Elan Investment Corp.	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	534	49,644	-	49,644	
Elan Investment Corp.	Elan Microelectronics Corporation	Sbusidiary	Current financial assets at fair value through profit or loss	12,438	1,660,500	4.09%	1,660,500	
Elan Investment Corp.	Rafael Microelectronics, Inc.	-	Current financial assets at fair value through profit or loss	354	47,790	1.38%	47,790	
Elan Investment Corp.	Panther Technology Co., Ltd.	-	Current financial assets at fair value through profit or loss	1,396	19,827	3.88%	19,827	
Elan Investment Corp.	RISE Technology Com	-	Non-current financial assets at fair value through other comprehensive income	769	-	3.23%	-	
Elan Investment Corp.	Finemat Applied Materials Co., Ltd	-	Non-current financial assets at fair value through other comprehensive income	8,900	393,842	13.41%	393,842	
Elan Investment Corp.	Linkinwave-Preferred shares	-	Non-current financial assets at fair value through other comprehensive income	-	-	-	-	
Elan Investment Corp.	Pica 8-Preferred shares	-	Non-current financial assets at fair value through other comprehensive income	342	-	2.25%	-	
Elan Investment Corp.	Arplanet Digital Technology Co., Ltd	-	Non-current financial assets at fair value through profit or loss	75	1,155	2.57%	1,155	

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Investment Corp.	INNOJOY TECHNOLOGY INC.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	143	-	7.62%	-	
Elan Investment Corp.	ZQAM Communications Corporation-Preferred shares	-	Non-current financial assets at fair value through profit or loss	250	2,672	1.44%	2,672	
Elan Investment Corp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	11,687	3.03%	11,687	
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	5,384	1.13%	5,384	
Elan Investment Corp.	Cognito Health International Inc.	-	Non-current financial assets at fair value through profit or loss	1,010	-	1.13%	-	
Elan Investment Corp.	Taiwan Intelligent Connect Co., Ltd.-Preferred shares	-	Non-current financial assets at fair value through profit or loss	10,000	2,007	14.29%	2,007	
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 NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(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	523,296	3.57 %	Open Account 45 Days	-		53,824	2.49%	

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

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

(b) Information on investees:

The followings are the information on investees for the years ended December 31, 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 December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 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 %	494,563	201,463	201,463	Note
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	1,087,994	(306,883)	(306,883)	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 %	17,275	2,217	2,217	Note
Elan Microelectronics Corporation	SHENZHEN JPUP Electron Co., Ltd	New Taipei City, Taiwan	Wholesale and installation of electronic devices, data storage and equipment process	7,840	7,840	784	49.00 %	223	(2,180)	(1,068)	Note

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2020	Original investment amount December 31, 2019	Balance as of December 31, 2020 Shares (thousands)	Balance as of December 31, 2020 Percentage of ownership	Balance as of December 31, 2020 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	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 %	138,756	(99,113)	(49,372)	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 %	(12,814)	(28,117)	(22,917)	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	11,712	1,805	45.07 %	-	-	-	
Elan Microelectronics Corporation	PiXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	163,599	376,024	15,427	97.95 %	63,846	(30,283)	(29,432)	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 %	33,091	2,783	806	Note
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	240,000	240,000	24,000	30.00 %	310,435	103,450	31,035	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	5,000	24.69 %	9,187	(18,056)	(4,459)	
Elan Microelectronics Corporation	Finger Pro. Incorporation	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	6,000	6,000	600	23.08 %	-	(2,039)	(1,267)	
Elan Microelectronics Corporation	RisingStar Technology Company Limited	Taipei, Taiwan	Software information and supply of electronic services	20,000	-	2,000	86.96 %	18,089	(881)	(605)	Note
Elan Microelectronics Corporation	Bruckewell Technology Co., Ltd	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	20,000	-	2,000	61.16 %	12,568	(12,070)	(6,186)	Note
Elan Investment Corp.	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	6,463	6,463	646	4.13 %	(649)	(28,117)	(1,181)	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 %	180	(30,283)	(127)	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 %	19,797	(99,113)	(1,314)	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 %	17,681	2,783	419	Note
Elan H.K.	Power Asia Investment Corporation	Republic of Mauritius	Investment business	89,572	89,572	2,861	100.00 %	25,698	617	617	Note

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

(c) Information on investment in mainland China:

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

(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 Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) recognized	Carrying value as of December 31, 2020	Accumulated inward remittance of earnings as of December 31, 2020
Elan Shanghai	Provide system design, information on applications expansion	52,095	(2)	52,095	-	-	52,095	1,126	100.00%	1,126	16,887	-
Elan Shenzhen	Provide system design, information on applications expansion	34,670	(2)	34,670	-	-	34,670	(479)	100.00%	(479)	8,370	-

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

ELAN MICROELECTRONICS CORPORATION
Notes to Consolidated Financial Statements

(ii) Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
86,765	98,333	5,430,373

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 owned more than 5% equity interest in the Company.

(14) Segment information:

Please refer to the consolidated financial report of 2020.

ELAN MICROELECTRONICS CORPORATION

Statement of cash and cash equivalents

December 31, 2020

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

Item	Description	Amount
Petty cash		$ 74
Demand deposits		250,537
Checking deposits		37,963
Foreign currency deposits	USD12,191,186.14	342,572
	RMB27,677,359.05	119,566
	JPY56,364,535	15,354
Time deposits		150,000
Foreign currency deposits	USD5,000,000	140,500
		$ 1,056,566

Note：The exchange rate of foreign currencies to NTD as of December 31, 2020 were as follows:

USD: 28.10

JPY: 0.2724

CNY: 4.32

ELAN MICROELECTRONICS CORPORATION

Statement of financial assets measured at fair value through profit or loss - current

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units (thousand)	Acquisition cost	Fair value: Unit price	Fair value: Total amount	Fair value changes is attributable to the changes in credit risk
－Listed stocks	Harvatek Corporation	244	$ 9,019	17.65	4,310	None
－Beneficiary certificate	Fubon China Money Market FUND-TWD	1,867	20,000	10.77	20,113	〃
－Beneficiary certificate	Fubon Chi-Hsiang Money Market Fund	2,540	40,067	15.80	40,141	〃
－Beneficiary certificate	PineBridge Taiwan Money Market Fund	2,209	30,000	13.77	30,403	〃
－Beneficiary certificate	Cathay Taiwan Money Market Fund	7,224	90,000	12.53	90,542	〃
－Beneficiary certificate	Nomura Global Short Duration Bond Fund-TWD	3,282	35,000	10.69	35,091	〃
－Beneficiary certificate	Nomura Taiwan Money Market Fund	1,887	30,991	16.44	31,031	〃
－Beneficiary certificate	KGI Victory Money Market Fund	6,855	80,000	11.67	80,008	〃
－Beneficiary certificate	Taishin 1699 Money Market Fund	2,900	39,528	13.65	39,573	〃
－Beneficiary certificate	Yuanta De-Li Money Market Fund	2,400	39,400	16.44	39,453	〃
－Beneficiary certificate	Diversified FX Trading segregated Portfolio	190	17,836	93.01	17,692	〃
－Short-term notes and bills	Global Strategic FX Arbitrage Note	71	22,963	281.00	19,951	〃
－Short-term notes and bills	Multi-Manager FX Trading Note (M2)	44	12,795	281.00	12,403	〃
－Short-term notes and bills	Global Strategic FX Arbitrage Note (USD) (SERIES II)	100	29,080	281.00	28,100	〃
			$ 496,679		**488,811**	

ELAN MICROELECTRONICS CORPORATION

Statement of trade receivables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Client name	Description	Amount
ULTRA SOURCE TECHNOLOGY CORP.	Operating revenue	$ 840,288
PIIN-JIA TECHNOLOGY CORPORATION	〃	353,774
ULTRA SOURCE TRADING HONG KONG LTD.	〃	239,426
Others (Note)	〃	727,195
Subtotal		2,160,683
Less: Allowance for doubtful accounts		(34,804)
		$ 2,125,879

Note：The amount of individual vendor in others does not exceed 5% of the account balance.

Statement of other receivables

Item	Amount
Receivable amount from factored trade debtors	$ 1,376,747
Other receivable due from related parties	32,998
Others (Note)	46,934
Total	**$ 1,456,679**

Note：The amount of individual vendor in others does not exceed 5% of the account balance.

ELAN MICROELECTRONICS CORPORATION

Statement of inventories

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount: Cost	Amount: Net realizable value	Note
Finished goods	$ 371,122	383,203	Market price is measured at net realizable value
Work in progress	926,587	2,454,300	〃
Raw materials	692,134	664,311	〃
Subtotal	$ 1,989,843	**3,501,814**	
Less: Allowance for inventory write-downs and obsolescence	(310,715)		
Total	**$ 1,679,128**		

Statement of financial assets measured at fair value through other comprehensive income - non-current

For the year ended December 31, 2020

Name of financial instrument	Beginning Balance: Shares or units	Beginning Balance: Fair value	Addition: Shares or units	Addition: Amount	Decrease: Shares or units	Decrease: Amount	Ending Balance: Shares or units	Ending Balance: Fair value	Collateral
Fitipower Integrated Technology Inc.	1,956	$ 73,545	-	2,591	1,956	76,136	-	-	None
Macroblock, Inc.	1,100	11,924	-	2,263	23	455	1,077	13,732	〃
	-	-	3,500	268,800	-	25,970	3,500	242,830	
		$ 85,469		**273,654**		**102,561**		**256,562**	

ELAN MICROELECTRONICS CORPORATION

Statement of changes in financial liabilities at fair value through profit or loss - non-current

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Addition		Decrease		Others(Note)		Ending Balance			
Name of financial instrument	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Fair value	Collateral
North Star Venture Capital	3,000	$ 39,783	-	-	-	-	-	2,040	3,000	10.00	41,823	None
TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	5,000	42,983	-	-	-	-	-	5,154	5,000	6.25	48,137	〃
Panther technology Co., Ltd.	340	4,746	-	-	-	-	-	86	340	0.94	4,832	〃
TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	1,391	1,916	-	-	-	-	-	(49)	1,391	17.39	1,867	〃
Vertex Growth (SG) LP	-	30,152	-	29,755	-	-	-	(740)	-	-	59,167	〃
TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	490	1,992	-	-	-	-	-	10	490	7.00	2,002	〃
Waltop International Corporation	500	4,540	-	-	300	-	-	(3,116)	200	1.63	1,424	〃
TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	1,138	1,556	-	-	-	-	-	(2)	1,138	8.13	1,554	〃
TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	717	6,451	-	-	165	1,650	-	931	552	2.17	5,732	〃
TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	2,878	30,177	-	-	613	6,123	-	3,528	2,265	6.12	27,582	〃
TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	5,417	51,099	-	-	2,709	27,083	-	485	2,708	4.17	24,501	〃
Mida touch photoelectric Co., Ltd.	2,500	8,525	-	-	-	-	-	(900)	2,500	9.43	7,625	〃
InnoBridge Venture Capital	800	3,645	-	-	-	-	-	(418)	800	11.35	3,227	〃
TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	5,000	58,058	-	-	-	-	-	14,771	5,000	6.25	72,829	〃
Startech Engineering Corporation	189	-	-	-	-	-	-	-	189	0.53	-	〃
Genius Digital Vision Inc.	495	-	-	-	-	-	-	-	495	6.56	-	〃
Lyra Semiconductor Co., Ltd.	2,400	21,720	-	-	960	9,600	-	(12,120)	1,440	5.87	-	〃
TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	25,000	269,550	-	-	-	-	-	10,284	25,000	18.52	279,834	〃
Chimei Motor Co., Ltd	950	7,885	-	-	-	-	-	(2,746)	950	4.13	5,139	〃
Chino-Excel Technology Co., Ltd.	823	-	-	-	-	-	-	-	823	1.48	-	〃
XINCE Co., Ltd	2,866	-	-	-	-	-	-	-	2,866	9.24	-	〃
Total		$ 584,778		29,755		44,456		17,198			587,275	

Note: Other changes are due to gain and loss on financial assets measured at FVTPL.

ELAN MICROELECTRONICS CORPORATION

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Others		Ending Balance			Market Value or Net Assets Value	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount		
Elan Information Technology Group	65	$ 16,202	-	-	-	-	-	1,073	65	100.00	17,275	17,275	None
Elan H.K. Microelectronics Corp.	29,328	290,768	-	-	-	-	-	203,795	29,328	100.00	494,563	496,399	〃
Elan Investment Corp.	50,000	1,320,922	-	-	-	-	-	(232,928)	50,000	100.00	1,087,994	2,748,494	〃
JPUP Electron Co., Ltd	784	1,291	-	-	-	-	-	(1,068)	784	49.00	223	223	〃
Metanoia Communications Inc.	9,730	(139,089)	22,965	275,577	-	-	-	2,268	32,695	50.29	138,756	140,012	〃
Avisonic Technology Corp.	12,542	10,065	-	-	-	-	-	(22,879)	12,542	80.08	(12,814)	(12,194)	〃
Tong fu Investment Corp.	3,000	-	-	-	-	-	-	-	3,000	46.73	-	10,808	〃
Lighting Device Technologies Corp.	1,805	-	-	-	-	-	-	-	1,805	45.07	-	-	〃
PiXORD Corporation	33,871	24,644	6,959	69,593	25,403	-	-	(30,391)	66,233	97.95	63,846	63,846	〃
EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.	4,113	18,008	-	-	-	-	-	15,083	4,113	28.94	33,091	34,020	〃
TOP TAIWAN X VENTURE CAPITAL CO., LTD.	24,000	280,672	-	-	-	-	-	29,763	24,000	30.00	310,435	310,435	〃
Uniband Electronic Corp.	5,000	13,628	-	-	-	-	-	(4,441)	5,000	24.69	9,187	9,187	〃
Finger Pro. Incorporation	600	1,267	-	-	-	-	-	(1,267)	600	23.08	-	797	〃
RisingStar Technology Company Limited	-	-	2,000	20,000	-	-	-	(1,911)	2,000	86.96	18,089	18,089	〃
Bruckewell Technology Co., Ltd	-	-	2,000	20,000	-	-	-	(7,432)	2,000	61.16	12,568	12,568	〃
		$ 1,838,378		385,170		-		(50,335)			2,173,213	3,849,959	

Note 1: "Others" include gains and losses of equity-accounted investees, movements in translation adjustment, difference in recognized net value of new issued shares without proportionate subscription, changes in equity interests in investees, and unrealized profits from intercompany sales.

Note 2: Market prices or information on net assets are calculated based on audited financial statements and unaudited financial statements of investees.

ELAN MICROELECTRONICS CORPORATION

Statement of changes in property, plant and equipment

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(g) for further information on Property, Plant and Equipment.

Statement of changes in accumulated depreciation of property, plant and equipment

Please refer to note 6(g) for further information on accumulates depreciation of Property, Plant and Equipment.

ELAN MICROELECTRONICS CORPORATION

Statement of changes in right-of-use assets

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(h) for further information on right-of-use assets.

Statement of changes in accumulated depreciation of right-of-use assets

Please refer to note 6(h) for further information on accumulated depreciation of right-of-use assets.

Statement of changes in intangible assets

Please refer to note 6(i) for further information on intangible assets.

ELAN MICROELECTRONICS CORPORATION

Statement of trade payables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Vendor Name	Description		Amount
UNITED MICROELECTRONICS CORPORATION	Operating cost	$	299,390
TAIWAN PRINTED CIRCUIT BOARD TECHVEST CO., LTD.	〃		141,362
PIOTEK COMPUTER (SUZHOU) CO., LTD.	〃		137,273
HUIZHOU GLORYSKY ELECTRONICS CO., LTD.	〃		124,311
Others (Note)	〃		1,108,905
		$	**1,811,241**

Note：The amount of individual vendor included within “Others” does not exceed 5% of the account balance.

Statement of other current liabilities

Item	Description		Amount
Business promotion payables		$	538,233
Salaries, bonuses and incentives payable			279,066
Software acquisition payables			94,376
Commissions payable			72,192
Others (Note)			194,742
		$	**1,178,609**

Note：The amount of individual item included within “Others” that does not exceed 5% of the account balance, and is not presented separately.

ELAN MICROELECTRONICS CORPORATION

Statement of lease liabilities

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Lease term	Weighted-average rate		Amount
Land	2007.01~2039.01	1.60 %	$	178,326
Machinery and equipment	2018.08~2023.07	1.60 %		819
Office equipment	2019.08~2023.09	1.60 %		6,611
Total				185,756
Less: lease liabilities - current				(8,335)
Lease liabilities - non-current			$	**177,421**

Statement of operating revenue

Item	Quantity (in thousand units/pieces)	'erage unit pri		Amount
Consumer Touch Control Business Unit	431,836	11.87	$	5,124,266
Laptop Input Device Business Unit	152,418	62.77		9,567,376
Subtotal				14,691,642
Less: Sales return				(6,330)
Sales discounts and allowances				(48,429)
Net sales				14,636,883
Research and development revenue				11,084
Other operating revenue				30,455
Total			$	**14,678,422**

Note: The amount of an individual item not exceeding 10% of the account balance is not presented separately.

ELAN MICROELECTRONICS CORPORATION

Statement of operating costs

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials used	
Balance, beginning of year	$ 408,264
Add：Raw material purchased	5,623,527
Less：Transferred to research expense, write-off and purchases on behalf of subsidiaries	(245,828)
Balance, ending of year	(692,134)
Subtotal	5,093,829
Direct labor	176,058
Manufacturing expenses	2,539,377
Manufacturing cost	7,809,264
Add：Work in process, beginning of year	798,215
Work in process purchased	11,735
Less：Transferred to research expense, and write-offs	(7,127)
Work in process, end of year	(926,587)
Cost of finished goods	7,685,500
Add：Finished goods, beginning of year	379,154
Finished goods purchased	44,591
Less：Transferred to samples, research expense and write-offs	(42,774)
Finished goods, end of year	(371,122)
Cost of goods sold	7,695,349
Other costs：	
Allowance for inventory write-downs and obsolescence	93,969
Net gain and loss on inventory count	(257)
	93,712
Operating costs	**$ 7,789,061**

ELAN MICROELECTRONICS CORPORATION

Statement of selling expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Commission expense		$ 594,269
Salaries expense		161,656
Professional service fees		13,945
Import and export expense		13,027
Shipping expense		11,561
Bank expense		10,108
Others (Note)		26,739
Total		**$ 831,305**

Note: The amount of an individual item not exceeding 6 million is not presented separately.

Statement of administrative expenses

Item	Description	Amount
Salaries expense		$ 223,961
Professional service fees		51,891
Depreciation expense and various amortization		20,576
Repair fees		8,769
Entertainment expense		7,625
Others (Note)		28,018
Total		**$ 340,840**

Note: The amount of an individual item not exceeding 6 million is not presented separately.

ELAN MICROELECTRONICS CORPORATION

Statement of research and development expense

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Salaries expense		$ 1,324,017
Depreciation expense and various amortization		82,989
Research and development expenses	Electronic wafer, photomask, and consumables	71,768
Others (Note)		103,921
Total		**$ 1,582,695**

Note：The amount of an individual item not exceeding 15 million is not presented separately.