

ELITE SEMICONDUCTOR MICROELECTRONICS
TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Financial Statements and
Independent Auditors' Review Report

September 30, 2021 and 2020

(Stock Code: 3006)

(English Translation of a Report Originally Issued in Chinese)

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Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Review Report for
September 30,2021 and 2020

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Report on Review of Interim Financial Information

(2021)Finance-Audit-Letter No.21001796

To the Board of Directors and Shareholders of Elite Semiconductor Microelectronics Technology Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of Elite Semiconductor Microelectronics Technology Inc. and its subsidiaries (the“ Group”) as at September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the related consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard (IAS) No. 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission (FSC). Our responsibility is to express a conclusion on these interim financial statements based on our reviews and the review reports of other independent accountants.

Scope of Review

Except as explained in the Basis for Qualified Conclusion, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, “Review of Financial Statements”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for under the equity method were not reviewed by independent accountants. Those statements reflect total assets of NT\$829,090 thousand and NT\$526,342 thousand, constituting 4.4% and 4.2% of the consolidated total assets, and total liabilities of NT\$107,104 thousand and NT\$68,994 thousand, constituting 1.5% and 1.5% of the consolidated total liabilities as at September 30, 2021 and 2020, respectively, and total comprehensive income of NT\$42,760 thousand and NT\$(10,140) thousand, constituting 2.2% and (4.1%) of the consolidated total comprehensive income for the three months then ended, respectively, and NT\$44,530 thousand and NT\$(38,091) thousand, constituting 1.1% and (4.4%) of the consolidated total comprehensive income for the nine months then ended, respectively.

Qualified Conclusion

Based on our reviews, except for the possible effects of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021 and 2020, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with the “Rules Governing the Preparation of Financial Reports by Securities Issuers” and IAS No. 34, “Interim Financial Reporting” as endorsed by the FSC.

Cheng, Ya-Huei

Li, Tien-Yi

for and on behalf of PricewaterhouseCoopers, Taiwan

October 28, 2021

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Balance Sheets
September 30, 2021, December 31, 2020 and September 30, 2020
(The Balance Sheets as of September 30, 2021 and 2020 are unaudited)

Unit: NT\$ thousand

	Assets	Note	September 30, 2021		December 31, 2020		September 30, 2020	
			Amount	%	Amount	%	Amount	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 9,216,312	49	\$ 3,597,917	28	\$ 2,265,219	18
	Financial assets at fair value							
1110	through profit or loss -							
	current	6(2)	370,002	2	365,474	3	268,643	2
	Financial assets at							
1136	amortized cost - current		111,400	1	136,704	1	139,680	1
1150	Notes receivable, net		382	-	-	-	232	-
1170	Accounts receivable, net	6(4)	2,160,408	12	1,633,993	12	1,712,482	14
1200	Other receivables		6,435	-	95,830	1	95,556	1
130X	Inventories	6(5)	5,066,840	27	5,969,330	46	6,747,076	54
1410	Prepayments		150,396	1	27,602	-	132,089	1
1470	Other current assets	8	295	-	5,197	-	4,999	-
11XX	Total current assets		<u>17,082,470</u>	<u>92</u>	<u>11,832,047</u>	<u>91</u>	<u>11,365,976</u>	<u>91</u>
Non-current assets								
	Financial assets at fair value							
	through other							
1517	comprehensive income -							
	non-current	6(3)	42,422	-	64,836	-	69,278	1
	Investment accounted for							
1550	under the equity method	6(6)	45,940	-	33,883	-	33,554	-
	Property, plant and							
1600	equipment	6(7)	1,260,013	7	776,598	6	731,206	6
1755	Right-of-use assets	6(8)	76,803	1	80,782	1	82,418	1
1760	Investment property, net	6(9)	16,974	-	17,701	-	17,944	-
1780	Intangible assets	6(10) (11)	70,183	-	111,688	1	110,723	1
1840	Deferred income tax assets		3,502	-	3,813	-	3,762	-
1900	Other non-current assets	8	64,200	-	79,000	1	27,198	-
15XX	Total non-current assets		<u>1,580,037</u>	<u>8</u>	<u>1,168,301</u>	<u>9</u>	<u>1,076,083</u>	<u>9</u>
1XXX	Total assets		<u>\$ 18,662,507</u>	<u>100</u>	<u>\$ 13,000,348</u>	<u>100</u>	<u>\$ 12,442,059</u>	<u>100</u>

(Continue)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Balance Sheets
September 30, 2021, December 31, 2020 and September 30, 2020
(The Balance Sheets as of September 30, 2021 and 2020 are unaudited)

Unit: NT\$ thousand

	Liabilities and equity	Note	September 30, 2021		December 31, 2020		September 30, 2020	
			Amount	%	Amount	%	Amount	%
Current liabilities								
2100	Short-term borrowings	6(12)	\$ 1,950,000	11	\$ 1,340,000	10	\$ 1,094,000	9
2110	Short-term notes and bills payable		-	-	149,756	1	99,870	1
2130	Contract liabilities - current	6(19)	76,020	1	5,346	-	7,383	-
2150	Notes payable		4,005	-	2,115	-	3,938	-
2170	Accounts payable		2,851,896	15	2,396,158	19	2,521,962	20
2200	Other payables	6(13)	1,570,092	8	694,001	5	577,512	5
2230	Current income tax liabilities		578,301	3	147,948	1	124,809	1
2280	Lease liabilities - current		12,502	-	10,356	-	10,998	-
2300	Other current liabilities		8,111	-	10,478	-	6,010	-
21XX	Total current liabilities		<u>7,050,927</u>	<u>38</u>	<u>4,756,158</u>	<u>36</u>	<u>4,446,482</u>	<u>36</u>
Non-current liabilities								
2550	Provisions - non-current		17,654	-	16,495	-	16,142	-
2570	Deferred income tax liabilities		17,470	-	12,442	-	3,933	-
2580	Lease liabilities – non-current		65,470	-	71,281	1	72,167	1
2600	Other non-current liabilities		11,851	-	14,689	-	17,519	-
25XX	Total non-current liabilities		<u>112,445</u>	<u>-</u>	<u>114,907</u>	<u>1</u>	<u>109,761</u>	<u>1</u>
2XXX	Total liabilities		<u>7,163,372</u>	<u>38</u>	<u>4,871,065</u>	<u>37</u>	<u>4,556,243</u>	<u>37</u>
Equity attributable to owners of the parent								
Share capital								
3110	Common stock	6(16)	2,861,570	15	2,857,589	22	2,857,589	23
Capital surplus								
3200	Capital surplus	6(17)	167,450	1	109,677	1	109,709	1
Retained earnings								
3310	Legal reserve	6(18)	1,516,762	8	1,409,039	11	1,409,039	11
3320	Special reserve		-	-	8,524	-	8,524	-
3350	Unappropriated retained earnings		7,191,497	39	4,019,327	31	3,771,249	30
Other equity interest								
3400	Other equity interest		(16,878)	-	5,536	-	9,978	-
3500	Treasury shares	6(16)	(140,586)	(1)	(145,649)	(1)	(145,649)	(1)
31XX	Total equity attributable to owners of the parent		<u>11,579,815</u>	<u>62</u>	<u>8,264,043</u>	<u>64</u>	<u>8,020,439</u>	<u>64</u>
36XX	Non-controlling interest		<u>(80,680)</u>	<u>-</u>	<u>(134,760)</u>	<u>(1)</u>	<u>(134,623)</u>	<u>(1)</u>
3XXX	Total equity		<u>11,499,135</u>	<u>62</u>	<u>8,129,283</u>	<u>63</u>	<u>7,885,816</u>	<u>63</u>
3X2X	Total liabilities and equity		<u>\$ 18,662,507</u>	<u>100</u>	<u>\$ 13,000,348</u>	<u>100</u>	<u>\$ 12,442,059</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Unit: NT\$ thousand
(Except earnings per share)

Item	Notes	Three months ended September 30,2021		Three months ended September 30,2020		Nine months ended September 30,2021		Nine months ended September 30,2020	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	6(19)	\$ 6,843,255	100	\$ 3,999,177	100	\$ 17,989,858	100	\$ 10,873,535	100
5000 Operating costs	6(5) (24) (25)	(3,813,678)	(56)	(3,367,716)	(85)	(11,552,371)	(64)	(8,828,409)	(81)
5950 Gross profit		<u>3,029,577</u>	<u>44</u>	<u>631,461</u>	<u>15</u>	<u>6,437,487</u>	<u>36</u>	<u>2,045,126</u>	<u>19</u>
Operating expenses	6(24) (25)								
6100 Selling expenses		(153,833)	(2)	(71,123)	(2)	(354,651)	(2)	(197,544)	(2)
6200 Administrative expenses		(175,970)	(3)	(64,782)	(1)	(409,944)	(2)	(222,625)	(2)
6300 Research and development expenses		(540,034)	(8)	(234,198)	(6)	(1,261,821)	(7)	(690,354)	(6)
6450 Expected credit impairment gain (loss)	12(2)	-	-	1,839	-	5,713	-	1,839	-
6000 Total operating expenses		(869,837)	(13)	(368,264)	(9)	(2,020,703)	(11)	(1,108,684)	(10)
6900 Operating profit		<u>2,159,740</u>	<u>31</u>	<u>263,197</u>	<u>6</u>	<u>4,416,784</u>	<u>25</u>	<u>936,442</u>	<u>9</u>
Non-operating income and expenses									
7100 Interest income	6(20)	8,786	-	3,987	-	21,934	-	22,572	-
7010 Other income	6(21)	20,634	1	16,917	1	32,634	-	24,497	-
7020 Other gains or losses	6(22)	79,183	1	5,274	-	33,095	-	4,629	-
7050 Financial costs	6(23)	(5,084)	-	(3,256)	-	(14,849)	-	(7,463)	-
7060 Share of profit (loss) of associates and joint ventures accounted for under equity method	6(6)	6,551	-	2,008	-	12,057	-	344	-
7000 Total non-operating income and expenses		<u>110,070</u>	<u>2</u>	<u>24,930</u>	<u>1</u>	<u>84,871</u>	<u>-</u>	<u>35,321</u>	<u>-</u>
7900 Profit before income tax		<u>2,269,810</u>	<u>33</u>	<u>288,127</u>	<u>7</u>	<u>4,501,655</u>	<u>25</u>	<u>971,763</u>	<u>9</u>
7950 Income tax expenses	6(26)	(312,450)	(4)	(42,088)	(1)	(608,585)	(3)	(134,452)	(1)
8200 Profit for the period		<u>\$ 1,957,360</u>	<u>29</u>	<u>\$ 246,039</u>	<u>6</u>	<u>\$ 3,893,070</u>	<u>22</u>	<u>\$ 837,311</u>	<u>8</u>
Other comprehensive income (loss) - net									
Items not reclassified to profit or loss									
8316 Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6(3)	(\$ 4,860)	-	(\$ 471)	-	(\$ 22,414)	-	\$ 18,502	-
8300 Other comprehensive income (loss) - net		<u>(\$ 4,860)</u>	<u>-</u>	<u>(\$ 471)</u>	<u>-</u>	<u>(\$ 22,414)</u>	<u>-</u>	<u>\$ 18,502</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 1,952,500</u>	<u>29</u>	<u>\$ 245,568</u>	<u>6</u>	<u>\$ 3,870,656</u>	<u>22</u>	<u>\$ 855,813</u>	<u>8</u>
Profit (loss) attributable to:									
8610 Owners of the parent		<u>\$ 1,904,745</u>	<u>28</u>	<u>\$ 237,813</u>	<u>6</u>	<u>\$ 3,843,683</u>	<u>22</u>	<u>\$ 829,160</u>	<u>8</u>
8620 Non-controlling interest		<u>\$ 52,615</u>	<u>1</u>	<u>\$ 8,226</u>	<u>-</u>	<u>\$ 49,387</u>	<u>-</u>	<u>\$ 8,151</u>	<u>-</u>
Comprehensive income (loss) attributable to:									
8710 Owners of the parent		<u>\$ 1,899,885</u>	<u>28</u>	<u>\$ 237,342</u>	<u>6</u>	<u>\$ 3,821,269</u>	<u>22</u>	<u>\$ 847,662</u>	<u>8</u>
8720 Non-controlling interest		<u>\$ 52,615</u>	<u>1</u>	<u>\$ 8,226</u>	<u>-</u>	<u>\$ 49,387</u>	<u>-</u>	<u>\$ 8,151</u>	<u>-</u>
Earnings per share	6(27)								
9750 Basic earnings per share		<u>\$ 6.80</u>		<u>\$ 0.85</u>		<u>\$ 13.72</u>		<u>\$ 2.96</u>	
9850 Diluted earnings per share		<u>\$ 6.75</u>		<u>\$ 0.85</u>		<u>\$ 13.63</u>		<u>\$ 2.94</u>	

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Unit: NT\$ thousand

	Equity attributable to owners of the parent										
	Notes	Retained earnings					Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Treasury share	Total	Non-controlling interest	Total equity
Common stock		Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings						
<u>2020</u>											
Balance at January 1, 2020		\$ 2,857,589	\$ 104,305	\$ 1,359,235	\$ -	\$ 3,286,176	(\$ 8,524)	(\$ 137,321)	\$ 7,461,460	(\$ 120,681)	\$ 7,340,779
Profit for the period		-	-	-	-	829,160	-	-	829,160	8,151	837,311
Other comprehensive income for the period		-	-	-	-	-	18,502	-	18,502	-	18,502
Comprehensive income for the period		-	-	-	-	829,160	18,502	-	847,662	8,151	855,813
Distribution of 2019 earnings	6(18)	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated		-	-	49,804	-	(49,804)	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	(285,759)	-	-	(285,759)	-	(285,759)
Special reserve appropriated		-	-	-	8,524	(8,524)	-	-	-	-	-
Acquisition of company's share by subsidiary recognized as treasury share		-	-	-	-	-	-	(8,328)	(8,328)	(11,566)	(19,894)
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(17)	-	1,146	-	-	-	-	-	1,146	(10,396)	(9,250)
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(17)	-	5,925	-	-	-	-	-	5,925	-	5,925
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	6(17)(28)	-	(1,749)	-	-	-	-	-	(1,749)	(131)	(1,880)
Expired cash dividends transferred to capital surplus	6(17)	-	82	-	-	-	-	-	82	-	82
Balance at September 30, 2020		\$ 2,857,589	\$ 109,709	\$ 1,409,039	\$ 8,524	\$ 3,771,249	\$ 9,978	(\$ 145,649)	\$ 8,020,439	(\$ 134,623)	\$ 7,885,816
<u>2021</u>											
Balance at January 1, 2021		\$ 2,857,589	\$ 109,677	\$ 1,409,039	\$ 8,524	\$ 4,019,327	\$ 5,536	(\$ 145,649)	\$ 8,264,043	(\$ 134,760)	\$ 8,129,283
Profit for the period		-	-	-	-	3,843,683	-	-	3,843,683	49,387	3,893,070
Other comprehensive income for the period		-	-	-	-	-	(22,414)	-	(22,414)	-	(22,414)
Comprehensive income for the period		-	-	-	-	3,843,683	(22,414)	-	3,821,269	49,387	3,870,656
Distribution of 2020 earnings	6(18)	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated		-	-	107,723	-	(107,723)	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	(572,314)	-	-	(572,314)	-	(572,314)
Reversal of special reserve		-	-	-	(8,524)	8,524	-	-	-	-	-
Disposal of company's share by subsidiary recognized as treasury share	6(17)	-	26,210	-	-	-	-	5,063	31,273	7,032	38,305
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(17)	-	1,146	-	-	-	-	-	1,146	(7,233)	(6,087)
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(17)	-	11,739	-	-	-	-	-	11,739	-	11,739
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	6(17)(28)	-	(27)	-	-	-	-	-	(27)	(1)	(28)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(17)	-	(311)	-	-	-	-	-	(311)	4,895	4,584
Issue new shares due to employee stock options exercised	6(15)(16)	3,981	18,946	-	-	-	-	-	22,927	-	22,927
Expired cash dividends transferred to capital surplus	6(17)	-	70	-	-	-	-	-	70	-	70
Balance at September 30, 2021		\$ 2,861,570	\$ 167,450	\$ 1,516,762	\$ -	\$ 7,191,497	(\$ 16,878)	(\$ 140,586)	\$ 11,579,815	(\$ 80,680)	\$ 11,499,135

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Unit: NT\$ thousand

	Notes	Nine months ended September 30,2021	Nine months ended September 30,2020
<u>Cash flows from operating activities</u>			
Profit before income tax for the period		\$ 4,501,655	\$ 971,763
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(7)(8)(9)(24)	291,387	236,148
Amortization	6(10)(24)	91,203	80,831
Expected credit impairment gain	12(2)	(5,713)	(1,839)
Net gain on financial assets at fair value through profit or loss	6(2)(22)	(91,138)	(17,174)
Interest expenses	6(23)	14,849	7,463
Interest income	6(20)	(21,934)	(22,572)
Share of (loss) profit of associates and joint ventures accounted for under equity method	6(6)	(12,057)	(344)
Dividend income	6(21)	(18,142)	(13,053)
Gains on disposals of property, plant and equipment	6(22)	(10)	-
Gains arising from lease modifications	6(22)	(37)	(148)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit and loss		86,610	1,124
Notes receivable		(382)	(198)
Accounts receivable		(519,672)	(453,100)
Accounts receivable - related parties		(1,030)	(605)
Other receivables		89,300	(17,630)
Inventories		902,490	(1,774,524)
Prepayments		(118,710)	(104,645)
Other current assets		4,902	1,867
Net changes in liabilities relating to operating activities			
Notes payable		1,890	1,957
Accounts payable		455,738	296,053
Contract liabilities		70,674	3,424
Other payables		958,977	119,981
Other current liabilities		(2,791)	(70)
Other non-current liabilities		(2,540)	(823)
Cash inflow (outflow) generated from operations		6,675,519	(686,114)
Interest received		22,028	27,386
Interest paid		(13,921)	(6,632)
Income taxes paid		(172,893)	(50,075)
Net cash flows from operating activities		<u>6,510,733</u>	<u>(715,435)</u>

(Continue)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Unit: NT\$ thousand

	Notes	Nine months ended September 30,2021	Nine months ended September 30,2020
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at amortized cost		(\$ 145,004)	(\$ 143,133)
Disposal of financial assets at amortized cost		170,308	144,359
Acquisition of property, plant and equipment	6(29)	(832,708)	(283,411)
Proceeds from disposal of financial assets at fair value through profit or loss		10	-
Acquisition of intangible assets	6(10)	(49,698)	(109,961)
Decrease in guarantee deposit paid		555	869
Dividends received	6(21)	18,142	13,053
Net cash flows from investing activities		(838,395)	(378,224)
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	6(29)	610,000	820,000
Increase (decrease) in short-term notes and bills payable	6(29)	(149,014)	100,346
Lease principal repayment	6(29)	(9,243)	(7,695)
Decrease in guarantee deposit received	6(29)	(298)	-
Employee exercised stock options		22,927	-
Cash dividends paid	6(18)	(572,314)	(285,759)
Subsidiaries paid cash dividends to non-controlling interests		(6,087)	(9,250)
Subsidiaries received cash dividends from parent	6(17)	11,739	5,925
Disposal of treasury share	6(17)	31,273	-
Disposal of treasury share – increase of non-controlling interests		7,032	-
Expired cash dividends	6(17)	70	82
Treasury share acquired		-	(19,894)
Acquisition of ownership interests from non-controlling interests	6(28)	(28)	(1,880)
Net cash flows from (used in) financing activities		(53,943)	601,875
Net (decrease) increase in cash and cash equivalents		5,618,395	(491,784)
Cash and cash equivalents at beginning of period	6(1)	3,597,917	2,757,003
Cash and cash equivalents at end of period	6(1)	\$ 9,216,312	\$ 2,265,219

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Unit: NT\$ thousand
(Unless otherwise indicated)

1. History and Organization

Elite Semiconductor Microelectronics Technology Inc. (the Company) was founded in May 1998 and started operation in December of the same year. The core business of the Company and its subsidiaries (collectively referred herein as “the Group”) include research, development, production, manufacture, and sales of dynamic and static random access memory, flash memory, analog integrated circuit, analog and digital mixed integrated circuit. The Group also provides technical services related to product design and R&D.

The Company merged with Ji Xin Technology Co., Ltd. On December 5, 2005, and merged with Eon Silicon Solution Inc. on June 8, 2016, and the Company is the surviving company.

2. The Date of Authorization for Issuance of the Consolidated Financial Statements and Procedures for Authorization

The consolidated financial statements were reported to the Board of Directors on October 28, 2021.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuance of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Amendments and Interpretations</u>	<u>Effective Date by International Accounting Standards Board (“IASB”)</u>
Amendments to IFRS 4, “Extension of the temporary exemption from applying IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, “Interest Rate Benchmark Reform— Phase 2”	January 1, 2021
Amendment to IFRS 16, “Covid-19-related rent concessions beyond 30 June 2021”	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of New Issuances of or Amendments to IFRSs as Endorsed by the FSC but not yet Adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Amendments and Interpretations</u>	<u>Effective Date by IASB</u>
Amendments to IFRS 3, “Reference to the conceptual framework”	January 1, 2022
Amendments to IAS 16, “Property, plant and equipment: proceeds before intended use”	January 1, 2022
Amendments to IAS 37, “Onerous contracts— cost of fulfilling a contract”	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) Effects of IFRSs Issued by IASB but not yet Endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Amendments and Interpretations</u>	<u>Effective Date by IASB</u>
Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IAS 1, “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendments to IAS 12, “Deferred tax related to assets and liabilities arising from a single transaction”	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34, “Interim Financial Reporting” as endorsed by the FSC.
- B. These consolidated financial statements should be read along with the consolidated financial statements for the year ended December 31, 2020.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets (including derivatives instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.
- B. The preparation of financial statements in conformity with IFRS, IAS, IFRIC Interpretations and SIC Interpretations as endorsed by FSC (collectively referred herein as IFRSs), requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

The basis of preparation for the consolidated financial statements applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2020.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor Memory Technology Inc.	Research and development, production, sales and related consulting services of integrated circuit	100	100	100	Note1
Elite Semiconductor Microelectronics Technology Inc.	Charng Feng Investment Ltd.	General investment	100	100	100	Note1
Elite Semiconductor Microelectronics Technology Inc.	Jie Yong Investment Ltd.	General investment	41.86	41.86	41.86	Note1 Note4
Elite Semiconductor Microelectronics Technology Inc.	Elite Investment Services Ltd.	General investment	100	100	100	
Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor (B.V.I.) Ltd.	General investment	-	-	100	Note3 Note5
Elite Semiconductor Microelectronics Technology Inc.	Eon Silicon Solutions Inc. USA	Investigation and research of business situation and industrial technology	100	100	100	Note1
Charng Feng Investment Ltd.	Elite Memory Technology Inc.	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	100	100	100	Note1
Charng Feng Investment Ltd.	Elite Silicon Technology Inc.	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	98.10	98.01	97.69	Note1
Charng Feng Investment Ltd.	Elite Innovation Japan Ltd.	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	100	100	100	Note1
Charng Feng Investment Ltd.	Elite Semiconductor Microelectronics Technology (shenzhen) Inc.	Trading of goods or technical services, develop and sale products of networking system, storage, and peripherals, technical consulting and services of integrated circuit, and after - sales service	100	100	100	Note1

Ownership (%)

Name of Investor	Name of Subsidiary	Main Business Activities	September 30, 2021	December 31, 2020	September 30, 2020	Note
Charng Feng Investment Ltd.	Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Product design, wholesale and retail of electronic materials, information software services and international trade	100	100	100	Note1
Charng Feng Investment Ltd.	CHI Microelectronics Limited	Trading	100	100	-	Note2 Note6
Charng Feng Investment Ltd.	HHHtech Co., Ltd.	Information software services, product design, management consultant and international trade	75	-	-	Note2 Note7

Note 1 : As the subsidiaries do not meet the definition of significant subsidiaries, their financial statements as at September 30,2021 and 2020 were not reviewed by independent auditors.

Note 2 : As the subsidiaries do not meet the definition of significant subsidiaries, their financial statements as at September 30,2021 were not reviewed by independent auditors.

Note 3 : As the subsidiaries do not meet the definition of significant subsidiaries, their financial statements as at September 30,2020 were not reviewed by independent auditors.

Note 4 : Elite Semiconductor Microelectronics Technology Inc. accounts for the majority of voting rights of Jie Yong Investment Ltd. and have same management. It is evaluated to have substantial control, so it was included in the consolidated financial statements.

Note 5 : Elite Semiconductor (B.V.I.) Ltd. obtained a liquidated certificate from local regulatory authority on February 9, 2021, and obtained a liquidated letter from Investment Commission of Ministry of Economic Affairs (MOEA) on February 20, 2021.

Note 6 : CHI Microelectronics Limited. was established on August 31, 2020. The Company's subsidiary, Charng Feng Investment Ltd., obtained the investment amount of HKD 100,000 approved by the Investment Commission of MOEA on December 11, 2020.

Note 7 : The Company obtained HHHtech Co., Ltd. share interest by 75% through it increased its capital by issuing new shares on March, 2021. Stockholders' meeting of HHHtech Co., Ltd. approved to execute liquidation process on June 28, 2021.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates:

Not applicable.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date.

(5) Employee Benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(6) Income tax

The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

5. Critical Accounting Judgments, Estimates and Key Sources of Assumption
Uncertainty

There was no significant change in the reporting period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand and revolving funds	\$ 137	\$ 137	\$ 152
Checking accounts and demand deposits	2,083,930	1,042,489	556,761
Time deposits	<u>7,132,245</u>	<u>2,555,291</u>	<u>1,708,306</u>
	<u>\$ 9,216,312</u>	<u>\$ 3,597,917</u>	<u>\$ 2,265,219</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

Item	September 30, 2021	December 31, 2020	September 30, 2020
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed stock	\$ 576	\$ 576	\$ 576
Emerging stocks	151,207	162,911	148,013
Unlisted stock	8,113	8,113	23,263
Beneficiary certificates	72,382	72,991	73,590
Bonds	31,226	31,226	31,226
Preference share	<u>-</u>	<u>13,784</u>	<u>14,084</u>
Subtotal	263,504	289,601	290,752
Valuation adjustment	<u>106,498</u>	<u>75,873</u>	<u>(22,109)</u>
Total	<u>\$ 370,002</u>	<u>\$ 365,474</u>	<u>\$ 268,643</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Three months ended September 30,	
	2021	2020
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 35,118	\$ 11,337
Debt instruments	255	544
Beneficiary certificates	(334)	2,711
Total	<u>\$ 35,039</u>	<u>\$ 14,592</u>
	Nine months ended September 30,	
	2021	2020
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 89,540	\$ 14,607
Debt instruments	2,302	(336)
Beneficiary certificates	(704)	2,903
Total	<u>\$ 91,138</u>	<u>\$ 17,174</u>

B. The Group has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk is provided in Note 12(2)C(b).

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

Item	September 30, 2021	December 31, 2020	September 30, 2020
Non-current items:			
Equity instruments			
Unlisted stock	\$ 59,300	\$ 59,300	\$ 59,300
Valuation adjustment	(16,878)	5,536	9,978
	<u>\$ 42,422</u>	<u>\$ 64,836</u>	<u>\$ 69,278</u>

The Group has elected to classify equity investments that are considered to strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$42,422, \$64,836 and \$69,278 as at September 30, 2021, December 31, 2020, and September 30, 2020, respectively.

(4) Accounts receivable

	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable - general customers	\$ 2,158,405	\$ 1,638,733	\$ 1,724,092
Accounts receivable - related parties	<u>2,003</u>	<u>973</u>	<u>846</u>
	2,160,408	1,639,706	1,724,938
Less: Allowance for losses	<u>-</u>	<u>(5,713)</u>	<u>(12,456)</u>
	<u>\$ 2,160,408</u>	<u>\$ 1,633,993</u>	<u>\$ 1,712,482</u>

A. The ageing analysis of accounts receivable is as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Not past due	\$ 2,156,881	\$ 1,633,993	\$ 1,712,482
Past due-within 30 days	3,527	-	-
Past due-31-90 days	-	-	-
Past due-91-180 days	-	-	-
Past due-over 181 days	<u>-</u>	<u>5,713</u>	<u>12,456</u>
	<u>\$ 2,160,408</u>	<u>\$ 1,639,706</u>	<u>\$ 1,724,938</u>

The above aging analysis was based on past due date.

B. As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum hedge to credit risk in respect of the amount that best represents the Group's accounts receivable were \$2,160,408, \$1,633,993 and \$1,712,482.

C. The collaterals and fair value held by the Group as guarantee for accounts receivable are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Bank guarantee	\$ 55,355	\$ 33,044	\$ 27,230
Pledged certificate of deposit	4,177	4,272	-
Guarantee deposits received (shown as "other non-current liabilities")	5,135	5,526	8,548
Letters of credit	924,381	760,162	597,880
Company promissory note/check	<u>667,870</u>	<u>555,221</u>	<u>388,039</u>
	<u>\$ 1,656,918</u>	<u>\$ 1,358,225</u>	<u>\$ 1,021,697</u>

D. Information relating to credit risk is provided in Note 12(2).

E. As at September 30, 2021, December 31, 2020 and September 30, 2020, accounts receivable were all from contracts with customers. As at January 1, 2020, the balance of receivables from contracts with customers amounted to \$1,256,938.

F. The Group has no accounts receivable pledged to others as collateral.

(5) Inventories

	September 30, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 95,687	(\$ 1,280)	\$ 94,407
Work in process	3,467,615	(36,587)	3,431,028
Finished goods	1,551,219	(23,792)	1,527,427
Inventory in transit	<u>13,978</u>	<u>-</u>	<u>13,978</u>
	<u>\$ 5,128,499</u>	<u>(\$ 61,659)</u>	<u>\$ 5,066,840</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 138,104	(\$ 10,726)	\$ 127,378
Work in process	4,724,556	(20,266)	4,704,290
Finished goods	1,199,604	(68,482)	1,131,122
Inventory in transit	<u>6,540</u>	<u>-</u>	<u>6,540</u>
	<u>\$ 6,068,804</u>	<u>(\$ 99,474)</u>	<u>\$ 5,969,330</u>

	September 30, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 336,580	(\$ 4,925)	\$ 331,655
Work in process	5,096,116	(34,370)	5,061,746
Finished goods	1,422,114	(76,553)	1,345,561
Inventory in transit	<u>8,114</u>	<u>-</u>	<u>8,114</u>
	<u>\$ 6,862,924</u>	<u>(\$ 115,848)</u>	<u>\$ 6,747,076</u>

The Group recognized as expense or loss:

	<u>Three months ended September 30,</u>	
	2021	2020
Cost of goods sold	\$ 3,816,946	\$ 3,367,229
Loss on market value decline and obsolete and slow-moving inventories(reversal of allowance)	(3,268)	487
	<u>\$ 3,813,678</u>	<u>\$ 3,367,716</u>
	<u>Nine months ended September 30,</u>	
	2021	2020
Cost of goods sold	\$ 11,590,186	\$ 8,881,757
Reversal of allowance on market value decline and obsolete and slow-moving inventories	(37,815)	(53,348)
	<u>\$ 11,552,371</u>	<u>\$ 8,828,409</u>

The reversal of allowance on market value decline and obsolete and slow-moving inventories were recognized because sale of certain inventories which were previously provided with allowance for price decline for the three months and nine months ended September 30, 2021 and 2020.

(6) Investments accounted for under the equity method

	<u>2021</u>	<u>2020</u>
At January 1	\$ 33,883	\$ 33,210
Share of profit or loss of investments accounted for using equity method	12,057	344
At September 30	<u>\$ 45,940</u>	<u>\$ 33,554</u>

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Associates	<u>\$ 45,940</u>	<u>\$ 33,883</u>	<u>\$ 33,554</u>

The above investments accounted for under the equity method is based on the company's evaluation of financial statements that have not been reviewed by individual auditors during the same period. The recognition of profit or loss of investments is as follows:

<u>Investee</u>	<u>Three months ended September 30,</u>	
	2021	2020
Canyon Semiconductor Inc.	<u>\$ 6,551</u>	<u>\$ 2,008</u>
<u>Investee</u>	<u>Nine months ended September 30,</u>	
	2021	2020
Canyon Semiconductor Inc.	<u>\$ 12,057</u>	<u>\$ 344</u>

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery equipment	Testing equipment	Others	Total
At January 1, 2021						
Cost	\$ 9,023	\$636,446	\$518,018	\$287,860	\$ 1,481,488	\$2,932,835
Accumulated depreciation and impairment	-	(398,943)	(375,047)	(168,256)	(1,213,991)	(2,156,237)
	<u>\$ 9,023</u>	<u>\$237,503</u>	<u>\$142,971</u>	<u>\$119,604</u>	<u>\$ 267,497</u>	<u>\$ 776,598</u>
<u>2021</u>						
At January 1	\$ 9,023	\$237,503	\$142,971	\$119,604	\$ 267,497	\$ 776,598
Additions	159,745	88,509	116,634	14,321	338,875	718,084
Change in consolidated entity	-	-	-	-	627	627
Transfer (Note)	-	7,308	13,764	24,693	-	45,765
Depreciation charge	-	(27,366)	(26,449)	(21,817)	(205,429)	(281,061)
At September 30	<u>\$168,768</u>	<u>\$305,954</u>	<u>\$246,920</u>	<u>\$136,801</u>	<u>\$ 401,570</u>	<u>\$1,260,013</u>
At September 30,2021						
Cost	\$168,768	\$732,263	\$648,416	\$326,874	\$ 1,821,007	\$3,697,328
Accumulated depreciation and impairment	-	(426,309)	(401,496)	(190,073)	(1,419,437)	(2,437,315)
	<u>\$168,768</u>	<u>\$305,954</u>	<u>\$246,920</u>	<u>\$136,801</u>	<u>\$ 401,570</u>	<u>\$1,260,013</u>
	Land	Buildings and structures	Machinery equipment	Testing equipment	Others	Total
At January 1, 2020						
Cost	\$ 9,023	\$635,941	\$429,782	\$249,302	\$ 1,231,048	\$2,555,096
Accumulated depreciation and impairment	-	(364,888)	(352,626)	(146,396)	(994,858)	(1,858,768)
	<u>\$ 9,023</u>	<u>\$271,053</u>	<u>\$ 77,156</u>	<u>\$102,906</u>	<u>\$ 236,190</u>	<u>\$ 696,328</u>
<u>2020</u>						
At January 1	\$ 9,023	\$271,053	\$ 77,156	\$102,906	\$ 236,190	\$ 696,328
Additions	-	-	74,027	19,531	164,499	258,057
Transfer (Note)	-	-	2,719	1,455	-	4,174
Depreciation charge	-	(25,562)	(15,143)	(16,836)	(169,812)	(227,353)
At September 30	<u>\$ 9,023</u>	<u>\$245,491</u>	<u>\$138,759</u>	<u>\$107,056</u>	<u>\$ 230,877</u>	<u>\$ 731,206</u>
At September 30,2020						
Cost	\$ 9,023	\$635,941	\$506,528	\$270,280	\$ 1,395,445	\$2,817,217
Accumulated depreciation and impairment	-	(390,450)	(367,769)	(163,224)	(1,164,568)	(2,086,011)
	<u>\$ 9,023</u>	<u>\$245,491</u>	<u>\$138,759</u>	<u>\$107,056</u>	<u>\$ 230,877</u>	<u>\$ 731,206</u>

Note: Transferred from prepayments for equipment (shown as “other non-current assets”).

A. For the nine months ended September 30, 2021 and 2020 no interest expense was capitalized on property, plant and equipment in the Group.

B. The Group has no property, plant and equipment pledged to others.

(8) Leasing arrangements-lessee

A. The Group leases various assets including land, buildings and structures, business vehicles, printers. Rental contracts are typically made for periods of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Short-term leases with a lease term of 12 months or less comprise business vehicles and staff dormitory.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
	<u>Book value</u>		
Land	\$ 59,656	\$ 62,221	\$ 63,076
Buildings and structures	10,649	15,188	18,093
Business vehicles	3,227	3,083	785
Printers	<u>3,271</u>	<u>290</u>	<u>464</u>
	<u>\$ 76,803</u>	<u>\$ 80,782</u>	<u>\$ 82,418</u>

	Three months ended September 30,	
	2021	2020
	<u>Depreciation charge</u>	
Land	\$ 855	\$ 855
Buildings and structures	1,532	1,736
Business vehicles	661	101
Printers	<u>155</u>	<u>174</u>
	<u>\$ 3,203</u>	<u>\$ 2,866</u>

	Nine months ended September 30,	
	2021	2020
	<u>Depreciation charge</u>	
Land	\$ 2,565	\$ 2,565
Buildings and structures	4,749	4,477
Business vehicles	1,819	504
Printers	<u>466</u>	<u>522</u>
	<u>\$ 9,599</u>	<u>\$ 8,068</u>

C. For the nine months ended September 30, 2021 and 2020, the additions to right-of-use assets were \$5,702 and \$0, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Three months ended September 30,</u>	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 283</u>	<u>\$ 285</u>
Expense on short-term lease contracts	<u>\$ 1,016</u>	<u>\$ 2,177</u>
	<u>Nine months ended September 30,</u>	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 886</u>	<u>\$ 897</u>
Expense on short-term lease contracts	<u>\$ 3,893</u>	<u>\$ 6,502</u>

E. For nine months ended September 30, 2021 and 2020, the Group's total cash outflow for leases were \$14,022 and \$15,094, respectively.

(9) Investment property

	<u>Buildings and structures</u>
At January 1, 2021	
Cost	\$ 20,369
Accumulated depreciation and impairment	<u>(2,668)</u>
	<u>\$ 17,701</u>
<u>2021</u>	
At January 1	\$ 17,701
Depreciation charge	<u>(727)</u>
At September 30	<u>\$ 16,974</u>
At September 30, 2021	
Cost	\$ 20,369
Accumulated depreciation and impairment	<u>(3,395)</u>
	<u>\$ 16,974</u>

	<u>Buildings and structures</u>
At January 1, 2020	
Cost	\$ 20,369
Accumulated depreciation and impairment	<u>(1,698)</u>
	<u>\$ 18,671</u>
<u>2020</u>	
At January 1	\$ 18,671
Depreciation charge	<u>(727)</u>
At September 30	<u>\$ 17,944</u>
At September 30, 2020	
Cost	\$ 20,369
Accumulated depreciation and impairment	<u>(2,425)</u>
	<u>\$ 17,944</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Three months ended September 30,</u>	
	2021	2020
Rental income from investment property	<u>\$ 641</u>	<u>\$ 584</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 242</u>	<u>\$ 242</u>
	<u>Nine months ended September 30,</u>	
	2021	2020
Rental income from investment property	<u>\$ 1,922</u>	<u>\$ 1,864</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 727</u>	<u>\$ 727</u>

B. The fair value of the investment property held by the Group as at September 30, 2021, December 31, 2020 and September 30, 2020 was \$8,861, \$10,516 and \$11,097, respectively, which was valued by income approach. Key assumptions are as follows:

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Rate of net return on capital (Note)	<u>16.63%</u>	<u>13.29%</u>	<u>12.34%</u>

Note: Calculated based on the weighted average capital cost of the issuer.

C. For the nine months ended September 30, 2021 and 2020 no interest expense was capitalized on investment property in the Group.

D. The Group has no investment property pledged to others.

(10) Intangible assets

	Patents and Technical skill	Customer Relationship	Goodwill	Others	Total
At January 1, 2021					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 370,855	\$ 497,091
Accumulated depreciation and impairment	(30,654)	(11,000)	(62,456)	(281,293)	(385,403)
	<u>\$ 3,824</u>	<u>\$ -</u>	<u>\$ 18,302</u>	<u>\$ 89,562</u>	<u>\$ 111,688</u>
<u>2021</u>					
At January 1	\$ 3,824	\$ -	\$ 18,302	\$ 89,562	\$ 111,688
Additions	-	-	-	49,698	49,698
Amortization charge	(3,824)	-	-	(87,379)	(91,203)
At September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,302</u>	<u>\$ 51,881</u>	<u>\$ 70,183</u>
At September 30, 2021					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 420,553	\$ 546,789
Accumulated depreciation and impairment	(34,478)	(11,000)	(62,456)	(368,672)	(476,606)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,302</u>	<u>\$ 51,881</u>	<u>\$ 70,183</u>
	Patents and Technical skill	Customer Relationship	Goodwill	Others	Total
At January 1, 2020					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 203,852	\$ 330,088
Accumulated depreciation and impairment	(25,556)	(11,000)	(37,104)	(174,835)	(248,495)
	<u>\$ 8,922</u>	<u>\$ -</u>	<u>\$ 43,654</u>	<u>\$ 29,017</u>	<u>\$ 81,593</u>
<u>2020</u>					
At January 1	\$ 8,922	\$ -	\$ 43,654	\$ 29,017	\$ 81,593
Additions	-	-	-	109,961	109,961
Amortization charge	(3,824)	-	-	(77,007)	(80,831)
At September 30	<u>\$ 5,098</u>	<u>\$ -</u>	<u>\$ 43,654</u>	<u>\$ 61,971</u>	<u>\$ 110,723</u>
At September 30, 2020					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 313,813	\$ 440,049
Accumulated depreciation and impairment	(29,380)	(11,000)	(37,104)	(251,842)	(329,326)
	<u>\$ 5,098</u>	<u>\$ -</u>	<u>\$ 43,654</u>	<u>\$ 61,971</u>	<u>\$ 110,723</u>

A. Details of amortization on intangible assets are as follows:

	Three months ended September 30,	
	2021	2020
Operating costs	\$ 1,275	\$ 1,275
Selling expenses	95	19
Administrative expenses	440	273
Research and development expenses	28,028	27,504
	<u>\$ 29,838</u>	<u>\$ 29,071</u>
	Nine months ended September 30,	
	2021	2020
Operating costs	\$ 3,824	\$ 3,824
Selling expenses	259	129
Administrative expenses	1,272	614
Research and development expenses	85,848	76,264
	<u>\$ 91,203</u>	<u>\$ 80,831</u>

B. For the nine months ended September 30, 2021 and 2020 no interest expense was capitalized on intangible assets in the Group.

C. Impairment information about the intangible assets is provided in 6(11).

D. The Group has no intangible assets pledged to others.

(11) Impairment of non-financial assets

The goodwill is tested annually for impairment. The recoverable amount has been determined based on value-in-use calculations. The assumptions of evaluation of impairment change immaterial as at September 30, 2021. The evaluation of goodwill impairment is provided in 6(11) in the consolidated financial statements for the year ended December 31, 2020. The goodwill is tested annually for impairment. The recoverable amount has been determined based on value-in-use calculations.

(12) Short-term borrowings

Type of borrowings	September 30, 2021	Interest rate range	Collateral
Bank borrowings			
Credit loans	<u>\$ 1,950,000</u>	0.75%~0.92%	None

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Credit loans	<u>\$ 1,340,000</u>	0.75%~1.05%	None

Type of borrowings	September 30, 2020	Interest rate range	Collateral
Bank borrowings			
Credit loans	<u>\$ 1,094,000</u>	0.88%~1.76%	None

Interest expense recognized in profit or loss amounted to \$4,315, \$2,378, \$12,057 and \$5,023 for the three months and nine months ended September 30, 2021 and 2020, respectively.

(13) Other payable

	September 30, 2021	December 31, 2020	September 30, 2020
Salary and bonus payables	\$ 1,134,637	\$ 381,089	\$ 396,181
Payable on employees and director remuneration	282,887	80,658	61,363
Payable on equipment	63,421	146,904	52,787
Others	<u>89,147</u>	<u>85,350</u>	<u>67,181</u>
	<u>\$ 1,570,092</u>	<u>\$ 694,001</u>	<u>\$ 577,512</u>

(14) Pensions

- A.(a) The Company have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company a would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognized pension costs of \$92, \$136, \$289 and \$405 for the three months and nine months ended September 30, 2021 and 2020, respectively.
- B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The Company's subsidiaries, Eon Silicon Solutions, Inc. USA established a 401(K) plan based on the US Government's National Tax Regulation 401(K), and local employees can allocate a certain amount of salary to the pension account each month within the upper limit; the Company may cooperate with the allocation according to its policy of rewarding or comforting employees.
- (c) The Company's mainland China subsidiaries, Elite Semiconductor Microelectronics Technology (shenzhen) Inc. and Elite Semiconductor Microelectronics (Shanghai) Technology Inc., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (d) The pension costs under defined contribution pension plans of the Group for the three months and nine months ended September 30, 2021 and 2020, were \$9,164, \$7,976, \$26,965 and \$23,897, respectively.

(15) Share-based payment

A. For the nine months ended September 30, 2021 and 2020, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting condition
Succeed to 2010 Eon Silicon Solution Inc.'s employee stock options	August 10, 2010, October 15, 2010 and January 13, 2011	4,000 thousand shares (Note 2)	10 years	Note 1
Succeed to 2013 Eon Silicon Solution Inc.'s employee stock options	August 19, 2013	7,500 thousand shares (Note 2)	10 years	Note 1

Note 1 : The accumulative proportion of the new shares that can be obtained after the two-year, three-year and four-year service expirations are 50%, 75% and 100%, respectively.

Note 2 : The number of grants given by the Company to the Eon Silicon Solution Inc. employee stock option plan is the amount given on the original plan grant date. After the merger, Eon Silicon Solution Inc.'s 2010 and 2013 employee stock option plans have 219 thousand shares and 688 thousand shares in circulation.

Among the share-based payment arrangements above are settled by equity.

B. Details of the share-based payment arrangements are as follows:

Succeed to Eon Silicon Solution Inc.'s employee stock options:

	2021		2020	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	518	\$ 57.6~217.4	543	\$ 59.2~303.4
Options forfeited	-	-	(4)	217.4
Options exercised	(398)	57.6	-	-
Options expired	(106)	217.4	(12)	295.4
Options outstanding at September 30	<u>14</u>	\$ 57.6	<u>527</u>	\$ 57.6~241.2
Options exercisable at September 30	<u>14</u>		<u>527</u>	

C. The weighted-average stock price of stock options at exercise dates for the nine months ended September 30, 2021 was \$85.2. No options exercised for the nine months ended September 30, 2020.

D. As of September 30, 2021, December 31, 2020 and September 30, 2020, the range of exercise prices of stock options outstanding was \$57.6, \$57.6~\$217.4 and \$57.6~\$241.2 (in dollars), respectively; the weighted-average remaining contractual period was 1.89 years, 2.64 years and 2.89 years, respectively.

E. Expenses incurred on share-based payment transactions for the three months and nine months ended September 30, 2021 and 2020, were all \$0.

(16) Share capital

A. As of September 30, 2021, the Company's authorized capital was \$3,500,000, consisting of 350,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$2,861,570 with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	Shares: thousand shares	
	2021	2020
Shares outstanding at January 1	271,605	272,320
Employee stock options exercised	398	-
Acquisition of company's share by subsidiary recognized as treasury share	-(715)
Shares outstanding at September 30	<u>492</u>	<u>-</u>
Treasury shares at the end of the period	272,495	271,605
Shares issued at September 30	<u>13,662</u>	<u>14,154</u>
Shares outstanding at January 1	<u>286,157</u>	<u>285,759</u>

B. Treasury shares

The Company's shares held by the Company's subsidiary, Jie Young Investment Ltd., as of September 30, 2021, December 31, 2020 and September 30, 2020 due to the parent company's business strategy, were 13,662 thousand shares, 14,154 thousand shares and 14,154 thousand shares, respectively, with carrying amounts of \$335,847, \$347,942 and \$347,942, respectively; the average book value per share were \$24.58, and the fair value per share were \$131.00, \$64.70 and \$37.25.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2021					
	Share premium	Treasury share transactions	Changes in ownership interests in subsidiaries	Employee stock options	Others	Total
At January 1	\$ -	\$ 1,661	\$ 100,239	\$ 3,913	\$ 3,864	\$ 109,677
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	-	-	1,146	-	-	1,146
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	-	-	11,739	-	-	11,739
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	-	-(27)	-	-(27)
Expired cash dividends transferred to capital surplus	-	-	-	-	70	70
Issue new shares due to employee stock options exercised	20,162	-	-	(1,216)	-	18,946
Disposal of company's share by subsidiary recognized as treasury share	-	26,210	-	-	-	26,210
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-(311)	-	-(311)
At September 30	<u>\$ 20,162</u>	<u>\$ 27,871</u>	<u>\$ 112,786</u>	<u>\$ 2,697</u>	<u>\$ 3,934</u>	<u>\$ 167,450</u>

	2020				
	Treasury share transactions	Changes in ownership interests in subsidiaries	Employee stock options	Others	Total
At January 1	\$ 1,661	\$ 94,949	\$ 3,913	\$ 3,782	\$104,305
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	-	1,146	-	-	1,146
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	-	5,925	-	-	5,925
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	-	(1,749)	-	-	(1,749)
Expired cash dividends transferred to capital surplus	-	-	-	82	82
At September 30	<u>\$ 1,661</u>	<u>\$ 100,271</u>	<u>\$ 3,913</u>	<u>\$ 3,864</u>	<u>\$109,709</u>

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be appropriated in the following order:

- (a) Payment of all taxes and dues.
- (b) Offset against prior years' operating losses, if any.
- (c) Set aside 10% of remaining amount as legal reserve.
- (d) Setting aside a special reserve when necessary.
- (e) The remainder shall be stockholders' bonus, which will be appropriated in proportion or be retained shall be resolved by the stockholders at the stockholders' meeting.

B. Dividend policy

The Company is still in the growth stage, the appropriation of stockholders' bonus will be appropriated as cash, the remainder will be appropriated as shares when over 5%.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. As approved by Board of Directors on March 20, 2020, the appropriations of 2019 earnings would be legal reserve \$49,804 and cash dividend \$285,759, constituting \$1(in dollars) per share. Aforementioned appropriations had been approved by stockholders' meeting on June 15, 2020.

F. As approved by Board of Directors on February 26, 2021, the appropriations of 2020 earnings would be legal reserve \$107,723 and cash dividend \$2(in dollars) per share. Aforementioned appropriations had been approved by stockholders' meeting on July 12, 2021.

(19) Operating revenue

	<u>Three months ended September 30,</u>	
	2021	2020
Revenue from contracts with customers	<u>\$ 6,843,255</u>	<u>\$ 3,999,177</u>
	<u>Nine months ended September 30,</u>	
	2021	2020
Revenue from contracts with customers	<u>\$ 17,989,858</u>	<u>\$ 10,873,535</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

Three months ended September 30, 2021 Integrated circuits	<u>\$ 3,519,799</u>	<u>\$ 3,277,149</u>	<u>\$ 46,307</u>	<u>\$ 6,843,255</u>
Three months ended September 30, 2020 Integrated circuits	<u>\$ 1,650,530</u>	<u>\$ 2,280,266</u>	<u>\$ 68,381</u>	<u>\$ 3,999,177</u>
Nine months ended September 30, 2021 Integrated circuits	<u>\$ 8,648,532</u>	<u>\$ 9,250,491</u>	<u>\$ 90,835</u>	<u>\$17,989,858</u>
Nine months ended September 30, 2020 Integrated circuits	<u>\$ 4,632,098</u>	<u>\$ 6,099,479</u>	<u>\$ 141,958</u>	<u>\$10,873,535</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	September 30, 2021	December 31, 2020	September 30, 2020	January 1, 2020
Contract liabilities- advance sales receipts	<u>\$ 76,020</u>	<u>\$ 5,346</u>	<u>\$ 7,383</u>	<u>\$ 3,959</u>

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Three months ended September 30,	
	2021	2020
Contract liabilities- advance sales receipts	<u>\$ 14</u>	<u>\$ 10</u>
	Nine months ended September 30,	
	2021	2020
Contract liabilities- advance sales receipts	<u>\$ 5,269</u>	<u>\$ 3,884</u>

(20) Interest revenue

	Three months ended September 30,	
	2021	2020
Interest income from bank deposits	\$ 8,669	\$ 3,719
Interest income from financial assets at amortized cost	75	174
Other interest income	42	94
	<u>\$ 8,786</u>	<u>\$ 3,987</u>
	Nine months ended September 30,	
	2021	2020
Interest income from bank deposits	\$ 21,572	\$ 21,024
Interest income from financial assets at amortized cost	188	1,012
Other interest income	174	536
	<u>\$ 21,934</u>	<u>\$ 22,572</u>

(21) Other income

	Three months ended September 30,	
	2021	2020
Rent income	\$ 1,361	\$ 1,344
Dividend income	17,405	13,053
Other income, others	1,868	2,520
	<u>\$ 20,634</u>	<u>\$ 16,917</u>

	Nine months ended September 30,	
	2021	2020
Rent income	\$ 4,096	\$ 4,110
Dividend income	18,142	13,053
Other income, others	10,396	7,334
	<u>\$ 32,634</u>	<u>\$ 24,497</u>

(22) Other gains and losses

	Three months ended September 30,	
	2021	2020
Gains on disposals of property, plant and equipment	\$ -	\$ -
Gains on disposals of investments	36,403	-
Gains arising from lease modifications	33	122
Foreign exchange gains (losses)	8,648 (9,198)
Gains on financial assets at fair value through profit or loss	35,039	14,592
Miscellaneous disbursements	(940)	(242)
	<u>\$ 79,183</u>	<u>\$ 5,274</u>

	Nine months ended September 30,	
	2021	2020
Gains on disposals of property, plant and equipment	\$ 10	\$ -
Gains on disposals of investments	36,403	-
Gains arising from lease modifications	37	148
Foreign exchange losses	(93,068)	(21,224)
Gains on financial assets at fair value through profit or loss	91,138	17,174
Miscellaneous disbursements	(1,425)	(727)
	<u>\$ 33,095</u>	<u>\$ 4,629</u>

(23) Financial costs

	Three months ended September 30,	
	2021	2020
Interest expense:		
Bank borrowings	\$ 4,315	\$ 2,378
Provisions for liabilities - unwinding of discount	386	353
Lease liability	<u>283</u>	<u>285</u>
Total of interest expense	<u>4,984</u>	<u>3,016</u>
Others	<u>100</u>	<u>240</u>
	<u>\$ 5,084</u>	<u>\$ 3,256</u>

	Nine months ended September 30,	
	2021	2020
Interest expense:		
Bank borrowings	\$ 12,057	\$ 5,023
Provisions for liabilities - unwinding of discount	1,158	1,059
Lease liability	<u>886</u>	<u>897</u>
Total of interest expense	<u>14,101</u>	<u>6,979</u>
Others	<u>748</u>	<u>484</u>
	<u>\$ 14,849</u>	<u>\$ 7,463</u>

(24) Expenses by nature

	Three months ended September 30,	
	2021	2020
Employee benefit expense	<u>\$ 833,775</u>	<u>\$ 287,988</u>
Depreciation charges on property, plant and equipment	<u>\$ 107,856</u>	<u>\$ 76,018</u>
Depreciation charges on right-of- use assets	<u>\$ 3,203</u>	<u>\$ 2,866</u>
Depreciation charges on investment property	<u>\$ 242</u>	<u>\$ 242</u>
Amortization charges on intangible assets	<u>\$ 29,838</u>	<u>\$ 29,071</u>

	Nine months ended September 30,	
	2021	2020
Employee benefit expense	\$ 1,874,425	\$ 892,581
Depreciation charges on property, plant and equipment	\$ 281,061	\$ 227,353
Depreciation charges on right-of-use assets	\$ 9,599	\$ 8,068
Depreciation charges on investment property	\$ 727	\$ 727
Amortization charges on intangible assets	\$ 91,203	\$ 80,831

(25) Employee benefit expense

	Three months ended September 30,	
	2021	2020
Wages and salaries	\$ 780,402	\$ 259,470
Labor and health insurance fees	13,661	11,489
Pension costs	9,256	8,112
Director remuneration	25,067	3,616
Other personnel expenses	5,389	5,301
	\$ 833,775	\$ 287,988

	Nine months ended September 30,	
	2021	2020
Wages and salaries	\$ 1,733,222	\$ 801,903
Labor and health insurance fees	41,470	35,889
Pension costs	27,254	24,302
Director remuneration	52,503	12,161
Other personnel expenses	19,976	18,326
	\$ 1,874,425	\$ 892,581

A. In accordance with the Articles of Incorporation of the Company, the profit before income tax of the current year, before covering employees' compensation and directors' remuneration, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and 1% for directors' remuneration.

B. For the three months and nine months ended September 30, 2021 and 2020, employees' compensation was accrued at \$116,868, \$14,769, \$235,739 and \$51,136, respectively; while directors' remuneration was accrued at \$23,374, \$2,954, \$47,148 and \$10,227, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 5% and 1% of distributable profit for the nine months ended September 30, 2021.

- C. The employees' compensation and directors' remuneration of 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.
- D. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the period	\$ 299,140	\$ 43,664
Prior year income tax underestimation	<u>1,492</u>	<u>-</u>
Total current tax	300,632	43,664
Deferred tax:		
Origination and reversal of temporary differences	<u>11,818</u>	<u>(1,576)</u>
Income tax expense	<u>\$ 312,450</u>	<u>\$ 42,088</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the period	\$ 605,003	\$ 139,434
Prior year income tax overestimation	<u>(1,758)</u>	<u>(4,596)</u>
Total current tax	603,245	134,838
Deferred tax:		
Origination and reversal of temporary differences	<u>5,340</u>	<u>(386)</u>
Income tax expense	<u>\$ 608,585</u>	<u>\$ 134,452</u>

(b) The income tax charge relating to components of other comprehensive income: None.

(c) The income tax charged to equity during the period: None.

- B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(27) Earnings per share

	<u>Three months ended September 30, 2021</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings per</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>share</u>
		<u>shares outstanding</u>	<u>(in dollars)</u>
		<u>(share in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,904,745</u>	280,287	<u>\$ 6.80</u>
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options		9	
Employees' compensation		<u>1,800</u>	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,904,745</u>	<u>282,096</u>	<u>\$ 6.75</u>

	<u>Three months ended September 30, 2020</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings per</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>share</u>
		<u>shares outstanding</u>	<u>(in dollars)</u>
		<u>(share in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 237,813</u>	279,834	<u>\$ 0.85</u>
Assumed conversion of all dilutive potential ordinary shares (Note)			
Employees' compensation		<u>1,373</u>	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 237,813</u>	<u>281,207</u>	<u>\$ 0.85</u>

Nine months ended September 30, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 3,843,683</u>	280,126	<u>\$ 13.72</u>
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options		7	
Employees' compensation		<u>1,952</u>	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 3,843,683</u>	<u>282,085</u>	<u>\$ 13.63</u>

Nine months ended September 30, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 829,160</u>	279,934	<u>\$ 2.96</u>
Assumed conversion of all dilutive potential ordinary shares (Note)			
Employees' compensation		<u>1,738</u>	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 829,160</u>	<u>281,672</u>	<u>\$ 2.94</u>

Note: The employee stock options not calculate for three months and nine months ended September 30, 2020 due to the effect of anti-dilution.

(28) Transactions with non-controlling interest

- A. On August 25, 2021, the Group acquired an additional shares of its subsidiary-Elite Silicon Technology Inc. for a total cash consideration of \$28. The carrying amount of non-controlling interest in Elite Silicon Technology Inc. was \$1 at the acquisition date. This transaction resulted in a decrease in the equity attributable to owners of the parent by \$27. The effect of changes in interests in Elite Silicon Technology Inc. on the equity attributable to owners of the parent for the nine months ended September 30, 2021 is shown below:

	<u>2021</u>
Carrying amount of non-controlling interest acquired	\$ 1
Consideration paid to non-controlling interest	<u>(28)</u>
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	<u>(\$ 27)</u>

- B. On March 30, 2020 and April 28, 2020, the Group acquired an additional shares of its subsidiary-Elite Silicon Technology Inc. for a total cash consideration of \$1,752 and \$128. The carrying amount of non-controlling interest in Elite Silicon Technology Inc. was \$119 and \$12 at the acquisition date. This transaction resulted in a decrease in the equity attributable to owners of the parent by \$1,633 and \$116.

The effect of changes in interests in Elite Silicon Technology Inc. on the equity attributable to owners of the parent for the nine months ended September 30, 2020 is shown below:

	<u>2020</u>
Carrying amount of non-controlling interest acquired	\$ 131
Consideration paid to non-controlling interest	<u>(1,880)</u>
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	<u>(\$ 1,749)</u>

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Nine months ended September 30,	
	2021	2020
Purchase of property, plant and equipment (including amount of transfer)	\$ 763,849	\$ 262,231
Add: Ending balance of prepayments for equipment	53,911	21,804
Less: Opening balance of prepayments for equipment	(68,535)	(5,863)
Add: Opening balance of payable on equipment	146,904	58,026
Less: Ending balance of payable on equipment	(63,421)	(52,787)
Cash paid during the period	<u>\$ 832,708</u>	<u>\$ 283,411</u>

B. Changes in liabilities from financing activities:

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2021	\$ 1,340,000	\$ 149,756	\$ 81,637	\$ 6,635	\$ 1,578,028
Changes in cash flow from financing activities	610,000	(149,014)	(9,243)	(298)	451,445
Interest paid	-	-	(886)	-	(886)
Interest expense	-	-	886	-	886
Changes in other non-cash items	-	(742)	5,702	-	4,960
Changes from lease modifications	-	-	(124)	-	(124)
At September 30, 2021	<u>\$ 1,950,000</u>	<u>\$ -</u>	<u>\$ 77,972</u>	<u>\$ 6,337</u>	<u>\$ 2,034,309</u>

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2020	\$ 274,000	\$ -	\$ 86,887	\$ 9,871	\$ 370,758
Changes in cash flow from financing activities	820,000	100,346	(7,695)	-	912,651
Interest paid	-	-	(897)	-	(897)
Interest expense	-	-	897	-	897
Changes in other non-cash items	-	(476)	7,906	-	7,430
Changes from lease modifications	-	-	(3,933)	-	(3,933)
At September 30, 2020	<u>\$ 1,094,000</u>	<u>\$ 99,870</u>	<u>\$ 83,165</u>	<u>\$ 9,871</u>	<u>\$ 1,286,906</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Arima Lasers Corporation	The Company's subsidiary is this company's director
Canyon Semiconductor Inc.	Investee indirectly accounted for under equity method

(2) Key management compensation

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 68,472	\$ 12,897
Post-employment benefits	108	108
Total	<u>\$ 68,580</u>	<u>\$ 13,005</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 143,968	\$ 42,001
Post-employment benefits	324	324
Total	<u>\$ 144,292</u>	<u>\$ 42,325</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

<u>Assets item</u>	<u>Book value</u>			<u>Purpose</u>
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	
Time deposits (shown as "other current assets and other non-current assets")	<u>\$ 3,969</u>	<u>\$ 3,969</u>	<u>\$ 3,969</u>	Guarantee deposits for lease of land

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

None.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

Considering the industrial characteristics, future development, and changes in the environment, the Group plans the demand of working capital, research and development expenses and dividends to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders, to take care of the benefit of other related parties, and to maintain an optimal capital structure, so as to promote shareholder value in the long-term.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or pay cash to shareholders, or repurchase shares.

The gearing ratios at September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Total assets	\$ 18,662,507	\$ 13,000,348	\$ 12,442,059
Total liabilities	(7,163,372)	(4,871,065)	(4,556,243)
Total equity	<u>\$ 11,499,135</u>	<u>\$ 8,129,283</u>	<u>\$ 7,885,816</u>
Equity to asset ratio	<u>62%</u>	<u>63%</u>	<u>63%</u>

(2) Financial instruments

A. Financial instruments by category

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 370,002</u>	<u>\$ 365,474</u>	<u>\$ 268,643</u>
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	<u>\$ 42,422</u>	<u>\$ 64,836</u>	<u>\$ 69,278</u>
Financial assets at amortized cost			
Cash and cash equivalents	\$ 9,216,312	\$ 3,597,917	\$ 2,265,219
Financial assets at amortized cost - current	111,400	136,704	139,680
Notes receivable	382	-	232
Accounts receivable	2,160,408	1,633,993	1,712,482
Other receivables	6,435	95,830	95,556
Time deposits			
(shown as “other current assets and other non-current assets”)	3,969	3,969	3,969
Guarantee deposits paid			
(shown as “other non-current assets”)	<u>6,320</u>	<u>6,495</u>	<u>5,392</u>
	<u>\$ 11,505,226</u>	<u>\$ 5,474,908</u>	<u>\$ 4,222,530</u>
	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 1,950,000	\$ 1,340,000	\$ 1,094,000
Short-term notes and bills payable	-	149,756	99,870
Notes payable	4,005	2,115	3,938
Accounts payable	2,851,896	2,396,158	2,521,962
Other accounts payable	1,570,092	694,001	577,512
Guarantee deposits received			
(shown as “other non-current liabilities”)	<u>6,337</u>	<u>6,635</u>	<u>9,871</u>
	<u>\$ 6,382,330</u>	<u>\$ 4,588,665</u>	<u>\$ 4,307,153</u>
Lease liability	<u>\$ 77,972</u>	<u>\$ 81,637</u>	<u>\$ 83,165</u>

B. Financial risk management policies

- (a) The Group adopt comprehensive system of risk management and control to identify, measure and control all categories of risk, including market risk, credit risk, liquidity risk, and risk of cash flow, to make sure management is able to control and measure market risk, credit risk, liquidity risk, and risk of cash flow effectively.
- (b) In order to control all management objectives of market risk effectively, achieve optimal level of risk, maintain appropriate level of liquidity and collectively manage all market risks, the Group will take factors such as consideration for the overall economic environment, status of competition and market value risks.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- I. The Group operates internationally and is exposed to foreign exchange risk arising from the various currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- II. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. The companies adopt forward foreign exchange contracts through the Group treasury to manage the foreign exchange risk from future commercial transactions and recognized assets and liabilities. The foreign exchange risk will exist when future commercial transactions and recognized assets and liabilities use the currency different from the functional currency of the companies.
- III. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through deposits denominated in the relevant foreign currencies (see Note 6(1)).

IV. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	September 30, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD in thousands)
	<u>Financial assets</u>		
<u>Monetary items</u>			
USD:NTD	\$ 367,407	27.850	\$10,232,285
RMB:NTD	198,372	4.305	853,991
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 61,722	27.850	\$ 1,718,958
(Foreign currency: functional currency)	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD in thousands)
	<u>Financial assets</u>		
<u>Monetary items</u>			
USD:NTD	\$ 154,117	28.480	\$ 4,389,252
RMB:NTD	181,116	4.377	792,745
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 50,522	28.480	\$ 1,438,867
JPY:NTD	67,255	0.276	18,562
(Foreign currency: functional currency)	September 30, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD in thousands)
	<u>Financial assets</u>		
<u>Monetary items</u>			
USD:NTD	\$ 109,816	29.100	\$ 3,195,646
RMB:NTD	187,002	4.269	798,312
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 55,734	29.100	\$ 1,621,859

V. The total exchange losses, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2021 and 2020, amounted to \$8,648, (\$9,198), (\$93,068) and (\$21,224), respectively.

VI. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		<u>Nine months ended September 30, 2021</u>		
		<u>Sensitivity analysis</u>		
(Foreign currency: functional currency)	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 102,323	\$	-
RMB:NTD	1%	8,540		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 17,190)	\$	-
		<u>Nine months ended September 30, 2020</u>		
		<u>Sensitivity analysis</u>		
(Foreign currency: functional currency)	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 31,956	\$	-
RMB:NTD	1%	7,983		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 16,219)	\$	-

Price risk

I. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

II. The Group's investments in equity securities comprise shares and

open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the nine months ended September 30, 2021 and 2020 would have increased/decreased by \$37,000 and \$26,864, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$4,242 and \$6,928, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

The Group's main interest rate risk arises from short-term borrowings and short-term notes and bills payable. Borrowings with floating rates expose the Group to cash flow interest rate risk, but the majority of risk offset by cash and cash equivalents with floating rates. Borrowings with fixed rates expose the Group to fair value interest rate risk. The Group doesn't have significant risk of change of interest rate due to borrowings with floating rates are all shorter than one year.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments stated at amortized cost and debt instruments at fair value through profit or loss.
- II. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only these with high rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, considering their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- III. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- IV. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- V. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- VI. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- VII. The financial assets at amortized cost including time deposits and restricted time deposits. The banks are with high rating and don't past due before. In addition to the above, the whole economic environment doesn't change significant, so the risk of credit risk is low and the effect to financial statement is insignificant.
- VIII. The information about ageing analysis and collaterals of accounts receivable is provide in Note6(4). The Group request significant clients provide collaterals and other right of guarantee, therefore, the Group classifies customer's accounts receivable in accordance with the nature of collaterals. The applies the simplified approach using loss rate methodology to estimate expected credit loss. In summary, the allowance for losses which the Group should recognize is minor at September 30, 2021, December 31, 2020 and September 30, 2020.
- IX. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2021	2020
	<u>Accounts receivable</u>	
At January 1	\$ 5,713	\$ 14,295
Reversal of impairment	<u>(5,713)</u>	<u>(1,839)</u>
At September 30	<u>\$ -</u>	<u>\$ 12,456</u>

(c) Liquidity risk

- I. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

II. Surplus cash held by the operating entities over and above balance required for working capital management should invest surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

III. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

September 30, 2021	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 1,950,000	\$ -	\$ -
Notes payable	4,005	-	-
Accounts payable	2,851,896	-	-
Other payables	1,570,092	-	-
Lease liability	13,558	23,610	49,818
Guarantee deposits received	-	-	6,337

Derivative financial liabilities: None.

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 1,340,000	\$ -	\$ -
Short-term notes and bills payable	149,756	-	-
Notes payable	2,115	-	-
Accounts payable	2,396,158	-	-
Other payables	694,001	-	-
Lease liability	12,224	26,569	52,635
Guarantee deposits received	-	-	6,635

Derivative financial liabilities: None.

Non-derivative financial liabilities:

September 30, 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 1,094,000	\$ -	\$ -
Short-term notes and bills payable	99,870	-	-
Notes payable	3,938	-	-
Accounts payable	2,521,962	-	-
Other payables	577,512	-	-
Lease liability	11,689	27,942	53,628
Guarantee deposits received	-	-	9,871

Derivative financial liabilities: None.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates and debt securities is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value of the Group including cash and cash equivalents, time deposit (over 3 months), notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, lease liabilities (current and non-current) and guarantee deposits received are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

September 30, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 235,989	\$ -	\$ 3,322	\$ 239,311
Beneficiary certificates	91,033	-	-	91,033
Debt securities	39,658	-	-	39,658
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	42,422	42,422
	<u>\$ 366,680</u>	<u>\$ -</u>	<u>\$ 45,744</u>	<u>\$ 412,424</u>

Financial liabilities: None.

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 214,924	\$ 2,506	\$ 4,917	\$222,347
Beneficiary certificates	91,737	-	-	91,737
Debt securities	51,390	-	-	51,390
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	64,836	64,836
	<u>\$ 358,051</u>	<u>\$ 2,506</u>	<u>\$ 69,753</u>	<u>\$430,310</u>
Financial liabilities: None.				

September 30, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 85,669	\$ 2,839	\$ 43,477	\$ 131,985
Beneficiary certificates	87,758	-	-	87,758
Debt securities	48,900	-	-	48,900
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	69,278	69,278
	<u>\$ 222,327</u>	<u>\$ 2,839</u>	<u>\$ 112,755</u>	<u>\$ 337,921</u>
Financial liabilities: None.				

(b) The methods and assumptions the Group used to measure fair value are as follows:

I. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

II. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

III. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

E. For the nine months ended September 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the nine months ended September 30, 2021 and 2020:

	Equity securities	
	2021	2020
At January 1	\$ 69,753	\$ 85,953
Valuation adjustment	<u>(24,009)</u>	<u>26,802</u>
At September 30	<u>\$ 45,744</u>	<u>\$ 112,755</u>

G. Accounting segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 3,322	Market - comparable companies	Discount for lack of marketability	30%	the higher the discount for lack of marketability, the lower the fair value
Unlisted shares	42,422	Market - comparable companies	Discount for lack of marketability	45%	the higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 4,917	Market - comparable companies	Discount for lack of marketability	30%	the higher the discount for lack of marketability, the lower the fair value
Unlisted shares	64,836	Market - comparable companies	Discount for lack of marketability	40%	the higher the discount for lack of marketability, the lower the fair value

	Fair value at September 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 28,327	Market - comparable companies	Discount for lack of marketability	30%	the higher the discount for lack of marketability, the lower the fair value
Unlisted shares	69,278	Market - comparable companies	Discount for lack of marketability	40%	the higher the discount for lack of marketability, the lower the fair value
Unlisted shares	15,150	Most recent deal price	Not applicable	Not applicable	Not applicable

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			September 30, 2021			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instrument	Discount for lack of marketability	±10%	\$ 142	(\$ 142)	\$ 3,471	(\$ 3,471)

			December 31, 2020			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instrument	Discount for lack of marketability	±10%	\$ 211	(\$ 211)	\$ 4,322	(\$ 4,322)

			September 30, 2020			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instrument	Discount for lack of marketability	±10%	\$ 1,214	(\$ 1,214)	\$ 4,618	(\$ 4,618)

(4) Others

As of the reported date, the Company has assessed that COVID-19 has no adverse impact on the Company's overall operating activities and financial statements for the nine months ended September 30, 2021. However, the Company will continue to pay attention to the development of the COVID-19 and its impact on the overall economic environment.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2.

(3) Information on investments in Mainland China

- 1. Basic information: Please refer to table 3.
- 2. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

As of September 30, 2021, the Company did not have any shareholders with a shareholding ratio more than 5%.

14. Operating Segment Information

(1) General information

The Group operates business only in a single industry. The chief operating decision-maker who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue from external customers	<u>\$ 6,843,255</u>	<u>\$ 3,999,177</u>
Segment income before income tax	<u>\$ 2,269,810</u>	<u>\$ 288,127</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue from external customers	<u>\$ 17,989,858</u>	<u>\$ 10,873,535</u>
Segment income before income tax	<u>\$ 4,501,655</u>	<u>\$ 971,763</u>
	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Segment assets	<u>\$ 18,662,507</u>	<u>\$ 12,442,059</u>
Segment liabilities	<u>\$ 7,163,372</u>	<u>\$ 4,556,243</u>

(3) Reconciliation for segment income (loss): None.

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries

Holding of marketable securities at the end of the period

September 30, 2021

Table 1

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Securities held by	Name and category of marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2021				Footnote
				Number of shares	Book value (Note 1)	Ownership (%)	Fair value (Note 1)	
Elite Semiconductor Microelectronics Technology Inc.	Arima Lasers Corporation stock	Note 2	Financial assets at fair value through profit or loss	3,001,000	99,333	10.65	99,333	
Elite Semiconductor Microelectronics Technology Inc.	King Yuan Electronics Corporation stock	None	Financial assets at fair value through profit or loss	10,000	410	0.00	410	
Elite Semiconductor Microelectronics Technology Inc.	HSBC FRN PERPETUAL bond	None	Financial assets at fair value through profit or loss	1,000,000	26,423	Not applicable	26,423	
Elite Semiconductor Microelectronics Technology Inc.	ANZ FRN PERPETUAL bond	None	Financial assets at fair value through profit or loss	500,000	13,235	Not applicable	13,235	
Elite Semiconductor Microelectronics Technology Inc.	BGF RENMINBI BOND FUND	None	Financial assets at fair value through profit or loss	127,986	58,314	Not applicable	58,314	
Elite Semiconductor Microelectronics Technology Inc.	Turning Point Lasers Ltd. preferred stock	None	Financial assets at fair value through other comprehensive income	1,000,000	21,211	8.06	21,211	
Elite Investment Services Ltd.	HSBC ALL CHINA BOND FUND - AC (2802)	None	Financial assets at fair value through profit or loss	600,000	32,719	Not applicable	32,719	
Charng Feng Investment Ltd.	King Yuan Electronics Corporation stock	None	Financial assets at fair value through profit or loss	10,000	410	0.00	410	
Charng Feng Investment Ltd.	Arima Lasers Corporation stock	Note 3	Financial assets at fair value through profit or loss	907,000	30,022	3.22	30,022	
Charng Feng Investment Ltd.	M2 Communication Inc. stock	None	Financial assets at fair value through profit or loss	400,000	3,322	4.46	3,322	
Charng Feng Investment Ltd.	Powerchip Semiconductor Manufacturing Corporation	None	Financial assets at fair value through profit or loss	1,630,426	105,814	0.05	105,814	
Charng Feng Investment Ltd.	Turning Point Lasers Ltd. preferred stock	None	Financial assets at fair value through other comprehensive income	1,000,000	21,211	8.06	21,211	
Jie Yong Investment Ltd.	Elite Semiconductor Microelectronics Technology Inc. stock	Parent company	Financial assets at fair value through other comprehensive income	13,662,000	1,789,722	4.77	1,789,722	

Note 1: Valuation adjustment of financial assets and cumulative translation differences are included.

Note 2: The Company's subsidiary is this company's director

Note 3: Charng Feng Investment Ltd. is this company's director

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries

Information on investees (exclude investee in Mainland China)

Nine months ended September 30, 2021

Table 2

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net income (loss) of the investee for the nine months ended September 30, 2021	Investment income (loss) recognized by the Company for the nine months ended September 30, 2021	Footnote
				Balance as at September 30, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor Memory Technology Inc.	Taiwan	Research and development, production, sales and related consulting services of integrated circuit	\$ 272	\$ 272	100,000	100	\$ 24,960	\$ 9,466	\$ 9,466	
Elite Semiconductor Microelectronics Technology Inc.	Charng Feng Investment Ltd.	Taiwan	General investment	500,000	500,000	50,000,000	100	552,910	52,325	53,426	
Elite Semiconductor Microelectronics Technology Inc.	Elite Investment Services Ltd.	British Virgin Islands	General investment	417,750	417,750	15	100	612,019	(8,480)	(8,480)	
Elite Semiconductor Microelectronics Technology Inc.	Jie Yong Investment Ltd.	Taiwan	General investment	270,000	270,000	3,600,000	41.86	174,785	90,652	2	
Elite Semiconductor Microelectronics Technology Inc.	Eon Silicon Solutions, Inc.USA	U.S.A.	Investigation and research of business situation and industrial technology	13,304	13,304	200,000	100	1,518	2,928	2,928	
Charng Feng Investment Ltd.	Elite Memory Technology Inc.	Taiwan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	69,407	69,407	10,000,000	100	21,719	(233)	(233)	
Charng Feng Investment Ltd.	Elite Silicon Technology Inc.	Taiwan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	61,229	61,201	7,455,860	98.10	584	57	56	

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries

Information on investees (exclude investee in Mainland China)

Nine months ended September 30, 2021

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 2

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net income (loss) of the investee for the nine months ended September 30, 2021	Investment income (loss) recognized by the Company for the nine months ended September 30, 2021	Footnote
				Balance as at September 30, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Chang Feng Investment Ltd.	Canyon Semiconductor Inc.	Taiwan	International trade, manufacturing of electronic components, product design and information software services	80,337	80,337	8,350,000	40.93	45,940	29,457	12,057	
Chang Feng Investment Ltd.	Elite Innovation Japan Ltd.	Japan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	2,064	2,064	200	100	1,262	(934)	(934)	
Chang Feng Investment Ltd.	CHI Microelectronics Limited	Hong Kong	Trading	358	358	10,000	100	375	7	7	
Chang Feng Investment Ltd.	HHHtech Co., Ltd.	Taiwan	Information software services, product design, management consultant and international trade	15,000	-	1,500,000	75	4,665	(13,365)	(10,024)	Note 2

Note 1: The foreign investment amount translated at the exchange rate as of September 30, 2021.

Note 2: The Company obtained HHHtech Co., Ltd. share interest by 75% through it increased its capital by issuing new shares on March, 2021. Stockholders' meeting of HHHtech Co., Ltd. approved to execute liquidation process on June 28, 2021.

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries

Information on investments in Mainland China

Nine months ended September 30, 2021

Table 3

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Investee in Mainland China	Main business activities	Paid-in capital (Note 4)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as at January 1, 2021	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine months ended September 30, 2021		Accumulated amount of remittance from Taiwan to Mainland China as at September 30, 2021	Net income (loss) of the investee for the nine months ended September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2021 (Note 2)	Book value of investments in Mainland China as at September 30, 2021	Accumulated amount of investment income remittance back to Taiwan as at September 30, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Elite Semiconductor Microelectronics Technology (shenzhen) Inc.	Trading of goods or technical services, develop and sale products of networking system, storage, and peripherals, technical consulting and services of integrated circuit, and after - sales service	\$ 70,725	(1)	\$ 2,493	\$ 68,232	\$ -	\$ 70,725	(\$ 3,414)	100	(\$ 3,414)	\$ 73,627	\$ -	Note 5
Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Product design, wholesale and retail of electronic materials, information software services and international trade	5,570	(1)	5,570	-	-	5,570	1,150	100	1,150	7,783	-	Note 6

Company name	Accumulated amount of remittance from Taiwan to Mainland China as at September 30, 2021	Investment amount approved by the Investment Commission of MOEA (Note 5)	Ceiling of investments in Mainland China imposed by the Investment Commission of MOEA
Charng Feng Investment Ltd.	\$ 76,295	\$ 76,295	\$ 300,000

Note 1: The methods for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China.
- (2) Indirect investment in Mainland China through companies registered in a third region.
- (3) Other methods.

Note 2: Investment income (loss) was recognized based on financial statement prepared by each company which were unreviewed by independent auditors.

Note 3: The amount of the statement should show as New Taiwan Dollars.

Note 4: Paid-in capital translated at the exchange rate as of September 30, 2021.

Note 5: The Company's subsidiary, Charng Feng Investment Ltd., obtained the revised investment amount of USD 39,485.42 and USD 2,500,000 approved by the Investment Commission, MOEA on February 6, 2020 and July 10, 2020.

Note 6: Elite Semiconductor Microelectronics (Shanghai) Technology Inc. was established on November 27, 2019. The Company's subsidiary, Charng Feng Investment Ltd., obtained the investment amount of USD 200,000 approved by the Investment Commission of MOEA on May 20, 2020