

**ELAN MICROELECTRONICS CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2019 and 2018**

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

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Independent Auditors' Review Report

To the Board of Directors of
ELAN MICROELECTRONICS CORPORATION:

Introduction

We have reviewed the accompanying consolidated balance sheets of ELAN MICROELECTRONICS CORPORATION and its subsidiaries as of March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$242,199 thousand and \$321,212 thousand, constituting 2.34% and 3.14% of consolidated total assets as of March 31, 2019 and 2018, respectively, total liabilities amounting to \$312,926 thousand and \$269,617 thousand, constituting 9.37% and 10.19% of consolidated total liabilities as of March 31, 2019 and 2018, respectively, and total comprehensive income(loss) amounting to \$(49,882) thousand and \$(30,154) thousand, constituting (11.48)% and (12.27)% of consolidated total comprehensive income (loss) for the three months ended March 31, 2019 and 2018, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of ELAN MICROELECTRONICS CORPORATION and its subsidiaries in its investee companies of \$258,593 thousand and \$288,025 thousand as of March 31, 2019 and 2018, respectively, and its equity in net earnings on these investee companies of \$11,245 thousand and \$(5,456) thousand for the three months ended March 31, 2019 and 2018, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of ELAN MICROELECTRONICS CORPORATION and its subsidiaries as of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
May 9, 2019

Notes to Readers

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

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

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2019 and 2018

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

		For the three months ended March 31			
		2019		2018	
		Amount	%	Amount	%
4000	Total operating revenue (notes 6(p) and 7, 14)	\$ 1,880,614	100	1,779,238	100
5000	Total operating costs (notes 6(d) and (l))	1,027,261	54	991,870	56
	Gross profit from operations	853,353	46	787,368	44
5920	Add: Realized profit (loss) from sales	3,118	-	2,771	-
		856,471	46	790,139	44
	Operating expenses: (notes 6(c), (l) and 12)				
6100	Selling expenses	64,337	3	71,032	4
6200	Administrative expenses	81,771	4	77,843	4
6300	Research and development expenses	365,826	20	352,221	20
6450	Impairment loss (impairment gain and loss) determined in accordance with IFRS 9	(2,219)	-	1,346	-
		509,715	27	502,442	28
	Operating income	346,756	19	287,697	16
	Non-operating income and expenses:				
7010	Other income (note 6(q))	40,437	2	12,710	1
7020	Other gains and losses (note 6(q))	83,471	3	35,769	2
7050	Finance costs	(2,081)	-	(1,119)	-
7590	Miscellaneous disbursements	(1,940)	-	(1,271)	-
7770	Share of loss of associates and joint ventures accounted for using equity method (note 6(f))	11,245	1	(5,456)	-
		131,132	6	40,633	3
	Profit before tax	477,888	25	328,330	19
8110	Less: Income tax expenses (note 6(m))	93,606	5	69,635	4
	Net profit	384,282	20	258,695	15
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	49,779	3	(11,598)	(1)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		49,779	3	(11,598)	(1)
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	436	-	4	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	23	-	(1,350)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	459	-	(1,346)	-
8300	Other comprehensive income, net	50,238	3	(12,944)	(1)
	Comprehensive income	\$ 434,520	23	245,751	14
	Net profit attributable to:				
	Owners of parent	\$ 395,120	21	264,370	15
	Non-controlling interests	(10,838)	(1)	(5,675)	-
		\$ 384,282	20	258,695	15
	Comprehensive income attributable to:				
	Owners of the parent	\$ 445,358	24	251,426	14
	Non-controlling interests	(10,838)	(1)	(5,675)	-
		\$ 434,520	23	245,751	14
	Earnings per share (expressed in dollars) (note 6(o))				
	Basic earnings per share	\$ 1.36		0.63	
	Diluted earnings per share	\$ 1.34		0.63	

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Non-controlling interests	Total equity
	Total other equity interest											
	Unrealized gains (losses) from											
	Exchange differences on translation of foreign financial statements	financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Treasury shares	Total equity attributable to owners of parent							
Balance at January 1, 2018	Ordinary shares	Capital surplus	Legal reserve	Retained earnings								
Effects of retrospective application	\$ 4,341,148	536,328	1,312,585	1,109,748	-	151,839	151,839	(91,111)	7,356,477	(33,014)	7,323,463	
	-	-	-	17,120	-	151,839	(151,839)	-	17,120	-	17,120	
Balance at January 1, 2018 after adjustments	4,341,148	536,328	1,312,585	1,126,868	(4,060)	151,839	-	(91,111)	7,373,597	(33,014)	7,340,583	
Net profit	-	-	-	264,370	-	-	-	-	264,370	(5,675)	258,695	
Other comprehensive income	-	-	-	-	33	(12,977)	-	-	(12,944)	-	(12,944)	
Total comprehensive income	-	-	-	264,370	33	(12,977)	-	-	245,751	(5,675)	245,751	
Balance at March 31, 2018	\$ 4,341,148	536,328	1,312,585	1,391,238	(4,027)	138,862	-	(91,111)	7,625,023	(38,689)	7,586,334	
Balance at January 1, 2019	\$ 3,038,804	444,033	1,419,965	1,585,683	(4,219)	176,242	-	(33,328)	6,627,180	(44,422)	6,582,758	
Net profit	-	-	-	395,120	-	-	-	-	395,120	(10,838)	384,282	
Other comprehensive income	-	-	-	-	459	49,779	-	-	50,238	-	50,238	
Total comprehensive income	-	-	-	395,120	459	49,779	-	-	445,358	(10,838)	434,520	
Balance at March 31, 2019	\$ 3,038,804	444,033	1,419,965	1,980,803	(3,760)	226,021	-	(33,328)	7,072,538	(55,260)	7,017,278	

See accompanying notes to financial statements.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2019	2018
Cash flows from operating activities:		
Profit before tax	\$ 477,888	328,330
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	17,945	11,498
Amortization expense	10,836	12,658
Expected credit loss (gain)	(2,219)	1,346
Net gain on financial assets at fair value through profit or loss	(82,294)	(19,691)
Interest expense	2,081	1,119
Interest income	(8,973)	(9,459)
Share of loss (gain) of associates accounted for using equity method	(11,245)	5,456
Loss on disposal of property, plant and equipment	118	97
Impairment loss	-	15,000
Gain on disposal of financial assets at fair value through profit or loss	-	(47,868)
Difference between net pension liability and actual appropriations	276	(7,235)
Impairment loss and disposal loss on inventory	20,398	10,396
Others	(435)	78
Total adjustments to reconcile profit	(53,512)	(26,605)
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(67,501)	(120,000)
Decrease in notes and accounts receivable	283,458	50,865
Decrease (increase) in inventories	(55,391)	43,128
Decrease (increase) in prepayments and other current assets	1,472	(2,392)
Decrease in other receivables	53,755	89,778
Decrease in notes and accounts payable	(127,622)	(160,907)
Decrease in other payables	(71,522)	(69,849)
Cash inflow generated from operations	441,025	132,348
Interest received	8,694	9,453
Interest paid	(2,228)	(1,240)
Income taxes paid	(247)	(886)
Net cash flows from operating activities	447,244	139,675
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(10,169)	-
Proceeds from disposal of financial assets at fair value through profit or loss	50,226	148,100
Acquisition of property, plant and equipment	(10,100)	(25,174)
Acquisition of intangible assets	(1,269)	(6,990)
Decrease in other non-current assets	1,579	1,626
Increase in time deposit with maturity longer than three months	(912,020)	(319,950)
Net cash flows from (used in) investing activities	(881,753)	(202,388)
Cash flows used in financing activities:		
Increase in short-term loans	149,000	10,000
Decrease in short-term loans	(127,000)	-
Increase in guarantee deposits received	22	310
Payment of lease liabilities	(6,746)	-
Net cash flows used in financing activities	15,276	10,310
Net decrease in cash and cash equivalents	(419,233)	(52,403)
Cash and cash equivalents at the beginning of period	2,075,773	1,984,013
Cash and cash equivalents at the end of period	\$ 1,656,540	1,931,610

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

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

(1) Company history

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

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

The consolidated financial statements for the three months ended March 31, 2019 and 2018 were authorized for issuance by the Board of Directors on May 9, 2019.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (XX)

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of machinery and leases of office and transportation equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application; or

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional \$208,326 thousands of right-of-use assets and lease liabilities without an influence on retained earnings, respectively. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.79%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 59,245
Recognition exemption for:	
short-term leases	(958)
Extension and termination options reasonably certain to be exercised	<u>205,937</u>
	<u>\$ 264,224</u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 208,326
Lease liabilities recognized at January 1, 2019	<u>\$ 208,326</u>

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

Those which may be relevant to the Group are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
October 31, 2018	Amendments to IAS 1 and IAS 8 "Definition of Material"	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

(a) Statement of Compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2018.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
The Company	Elan Investment Corp.	Investment holding	100.00 %	100.00 %	100.00 %	-
The Company	Fong Yue Corporation	Investment holding	100.00 %	100.00 %	100.00 %	Note
The Company and Elan Investment Corp.	Metanoia Communications Inc.(MetaCom)	Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network	67.86 %	67.86 %	67.86 %	Note
The Company and Elan Investment Corp.	Avisonic Technology Corp. (Avisonic)	Research, design, develop, manufacture and sale on digital image-process chips	81.00 %	81.00 %	76.49 %	Note
The Company	JPUP Electron Co., Ltd. (JPUP)	Wholesale and installation of electronic devices, data storage and equipment process	49.00 %	49.00 %	49.00 %	The Company owns 3 out of 5 seats in the board, and has a control interest over JPUP
The Company and Elan Investment Corp.	Pixord Corporation (Pixord)	Research, design, develop, manufacture and sale on Webcam and server	97.27 %	97.27 %	96.96 %	Note
The Company	Elan H.K.	Sale and after-sales service	100.00 %	100.00 %	100.00 %	-

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
The Company	Elan Information	After-sales service and provide new informational skills	100.00 %	100.00 %	100.00 %	Note
Elan H.K.	Power Asia	Investment holding	100.00 %	100.00 %	100.00 %	-
Power Asia	Elan Shanghai	Provide system design, information on applications expansion	100.00 %	100.00 %	100.00 %	-
Power Asia	Elan Shenzhen	Provide system design, information on applications expansion	100.00 %	100.00 %	100.00 %	-

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

(c) Leases (applicable from January 1, 2019)

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(ii) As a lessee

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

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

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

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

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

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

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

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

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

(iii) As a lessor

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

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

(d) Employee benefits

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

(e) Income tax

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

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

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2018.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to Note 6 of the 2018 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Petty cash	\$ 659	620	507
Checking and demand deposits	833,301	1,036,803	1,046,353
Time deposits with maturities of three months or less	822,580	1,038,350	884,750
	<u>\$ 1,656,540</u>	<u>2,075,773</u>	<u>1,931,610</u>

As of March 31, 2019, December 31 and March 31, 2018, time deposits with maturities of more than three months held by the Group amounted to \$2,671,500 thousand, \$1,759,480 thousand, and \$2,859,150 thousand, respectively, and were recorded as other current financial assets. The Group did not recognize impairment loss on other current financial assets for the three months ended March 31, 2019 and 2018. Other information relating to credit risk is provided in Note 6(s).

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Mandatorily measured at fair value through profit or loss:			
Current:			
Listed stocks	\$ 11,010	9,639	14,621
Open-end certificates of beneficial interest	521,972	477,111	585,744
Short-term commercial papers	158,977	168,488	149,913
Non-current:			
Listed stocks	870,916	808,068	802,171
Unlisted funds	10,169	-	-
Total	<u>\$ 1,573,044</u>	<u>1,463,306</u>	<u>1,552,449</u>

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Notes to the Consolidated Financial Statements

(c) Notes and accounts receivable

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Notes receivable	\$ 11,251	16,165	19,074
Accounts receivable - fair value through other comprehensive income	513,495	726,785	535,259
Accounts receivable - measured at amortized cost	339,738	404,992	373,793
Less: Allowance for doubtful accounts	(40,989)	(43,208)	(42,564)
	<u><u>\$ 823,495</u></u>	<u><u>1,104,734</u></u>	<u><u>885,562</u></u>

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

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

	<u>March 31, 2019</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Expected credit loss</u>
Current	\$ 762,343	0.21%	1,601
1 to 30 days past due	32,963	4.61%	1,520
31 to 60 days past due	22,060	22.62%	4,990
61 to 90 days past due	6,265	58.58%	3,670
More than 90 days past due	40,853	50%~100%	29,208
	<u><u>\$ 864,484</u></u>		<u><u>40,989</u></u>

	<u>December 31, 2018</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Expected credit loss</u>
Current	\$ 1,003,142	0.18%	1,777
1 to 30 days past due	47,978	2.94%	1,411
31 to 60 days past due	26,378	15.92%	4,199
61 to 90 days past due	7,223	34.59%	2,498
More than 90 days past due	63,221	50%~100%	33,323
	<u><u>\$ 1,147,942</u></u>		<u><u>43,208</u></u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Expected credit loss
Current	\$ 790,346	0.5%	3,952
1 to 30 days past due	70,321	0.5%	352
31 to 60 days past due	16,430	0.5%	82
61 to 90 days past due	3,855	2%	77
More than 90 days past due	47,174	20%~100%	38,101
	<u>\$ 928,126</u>		<u>42,564</u>

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

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
Balance at January 1, 2019 and 2018	\$ 43,208	41,218
Impairment loss recognized (reversed)	(2,219)	1,346
Balance at March 31, 2019 and 2018	<u>\$ 40,989</u>	<u>42,564</u>

The Group has entered into non-recourse factoring agreements with financial institutions. According to the agreements, the Group does not have to bear the risk that the accounts receivable cannot be collected, and therefore it meets the condition of disposal of financial assets. As of March 31, 2019, December 31 and March 31, 2018, the accounts receivable which had not expired were as follows:

March 31, 2019					
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Financial Institution	<u>\$ 532,918</u>	<u>2,832,800</u>	<u>-</u>	<u>0.05%~0.12%</u>	None

December 31, 2018					
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Financial Institution	<u>\$ 588,039</u>	<u>2,000,000</u>	<u>-</u>	<u>0.05%~0.12%</u>	None

March 31, 2018					
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Financial Institution	<u>\$ 382,979</u>	<u>1,600,000</u>	<u>-</u>	<u>0.05%~0.30%</u>	None

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group has deducted the advanced amount from the accounts receivable in accordance with the condition of derecognition as of March 31, 2019, December 31 and March 31, 2018. The remaining amount has been reclassified into other receivables. The Group did not recognize impairment loss on other receivables for the three months ended March 31, 2019 and 2018, and other information on credit risk is disclosed in Note 6(s).

(d) Inventories

	March 31, 2019	December 31, 2018	March 31, 2018
Raw materials	\$ 390,730	423,928	285,024
Work in progress	590,470	503,874	542,009
Finished goods	210,046	228,451	273,246
	\$ 1,191,246	1,156,253	1,100,279

Inventories recognized as cost of goods sold and the related expense amounted to \$1,007,262 thousand and \$981,081 thousand, \$20,398 thousand and \$10,396 thousand were deducted from the cost of inventory due to write-down of inventory to its net realizable value; loss and gain due to inventory count and other related costs increased by \$399 thousand and decreased by \$393 thousand for the three months ended March 31, 2019 and 2018, respectively.

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

	March 31, 2019	December 31, 2018	March 31, 2018
Equity investments at fair value through other comprehensive income:			
Emerging stocks	\$ 11,374	11,033	145,320
Quoted shares	290,505	241,067	69,400
	\$ 301,879	252,100	214,720

Equity investments at fair value through other comprehensive income

- (i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities were held for long-term strategic purposes instead of for trading.
- (ii) No strategic investments were disposed for the three months ended March 31, 2019 and 2018 and there were no transfers of any cumulative gain or loss within equity relating to these investments.
- (iii) For market risk, please refer to note 6(s).

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(f) Investments accounted for using equity method

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Associate	\$ <u>258,593</u>	<u>246,562</u>	<u>288,025</u>

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

			<u>March 31, 2019</u>		<u>December 31, 2018</u>		<u>March 31, 2018</u>	
	<u>Nature of the relationship</u>	<u>Principal country</u>	<u>Amount</u>	<u>Share-holdin g (%)</u>	<u>Amount</u>	<u>Share-holdin g (%)</u>	<u>Amount</u>	<u>Share-holdin g (%)</u>
Tong Fu Investment Corporation	Investment holding	R.O.C.	\$ 30,000	46.73	30,000	46.73	30,000	46.73
Eminent Electronic Technology Corp. Ltd.	Manufactures and sells electronic devices, computer and its related products, and manufactures optical instruments	R.O.C.	38,381	29.89	38,381	29.89	71,029	29.89
Top Taiwan X Venture Capital Co. Ltd	Venture capital	R.O.C.	240,000	30.00	240,000	30.00	240,000	30.00
Uniband Electronic Corp	Manufactures and sells electronic devices	R.O.C.	80,000	23.12	80,000	23.12	80,000	24.62
Finger Pro. Incorporation	Manufactures and sells electronic devices	R.O.C.	6,000	23.08	6,000	23.08	6,000	23.08
Lighting Device Technologies Crop.	Research, design, develop, manufacture and sale on LED chips	R.O.C.	19,520	45.07	19,520	45.07	19,520	45.07
RONG CHENG Technology	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	R.O.C.	77,706	38.46	77,706	38.46	77,706	38.46
			<u>\$ 491,607</u>		<u>491,607</u>		<u>524,255</u>	

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the three months ended March 31	
	2019	2018
Attributable to the Group:		
Loss from continuing operations	\$ 11,245	(5,456)
Other comprehensive income (loss)	23	(1,488)
Comprehensive income	<u>\$ 11,268</u>	<u>(6,944)</u>

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

(g) Property, plant and equipment

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

	Land	Buildings	Machinery and equipment	Office and transportation equipment	Equipment awaiting examination	Total
Cost:						
Balance as of January 1, 2019	\$ 230,790	1,084,414	473,062	145,534	33,067	1,966,867
Additions	-	801	5,559	550	3,190	10,100
Derecognized	-	-	(1,689)	(638)	-	(2,327)
Reclassification	-	17	10,823	-	(10,840)	-
Effect of exchange rate changes	-	-	196	240	-	436
Balance as of March 31, 2019	<u>\$ 230,790</u>	<u>1,085,232</u>	<u>487,951</u>	<u>145,686</u>	<u>25,417</u>	<u>1,975,076</u>
Balance as of January 1, 2018	\$ 118,813	1,027,131	440,080	147,002	14,833	1,747,859
Additions	-	135	2,816	843	21,380	25,174
Derecognized	-	-	(1,831)	(3,487)	-	(5,318)
Reclassification	-	1,215	4,999	-	(6,214)	-
Effect of exchange rate changes	-	-	107	129	-	236
Balance as of March 31, 2018	<u>\$ 118,813</u>	<u>1,028,481</u>	<u>446,171</u>	<u>144,487</u>	<u>29,999</u>	<u>1,767,951</u>
Accumulated depreciation:						
Balance as of January 1, 2019	\$ -	660,712	405,140	133,141	-	1,198,993
Depreciation	-	4,211	6,034	1,504	-	11,749
Derecognized	-	-	(1,689)	(614)	-	(2,303)
Effect of exchange rate changes	-	-	174	208	-	382
Balance as of March 31, 2019	<u>\$ -</u>	<u>664,923</u>	<u>409,659</u>	<u>134,239</u>	<u>-</u>	<u>1,208,821</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office and transportation equipment</u>	<u>Equipment awaiting examination</u>	<u>Total</u>
Balance as of January 1, 2018	\$ -	645,152	390,294	132,403	-	1,167,849
Depreciation	-	3,837	5,602	2,059	-	11,498
Derecognized	-	-	(1,831)	(3,487)	-	(5,318)
Effect of exchange rate changes	-	-	94	111	-	205
Balance as of March 31, 2018	<u>\$ -</u>	<u>648,989</u>	<u>394,159</u>	<u>131,086</u>	<u>-</u>	<u>1,174,234</u>
Carrying value:						
Balance as of January 1, 2019	<u>\$ 230,790</u>	<u>423,702</u>	<u>67,922</u>	<u>12,393</u>	<u>33,067</u>	<u>767,874</u>
Balance as of March 31, 2019	<u>\$ 230,790</u>	<u>420,309</u>	<u>78,292</u>	<u>11,447</u>	<u>25,417</u>	<u>766,255</u>
Balance as of March 31, 2018	<u>\$ 118,813</u>	<u>379,492</u>	<u>52,012</u>	<u>13,401</u>	<u>29,999</u>	<u>593,717</u>

(h) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Total</u>
Cost:				
Balance as of January 1, 2019	\$ -	-	-	-
Effects of retrospective application	<u>186,140</u>	<u>22,186</u>	<u>-</u>	<u>208,326</u>
Balance at January 1, 2019 after adjustment	186,140	22,186	-	208,326
Purchases	-	703	375	1,078
Effect of changes in foreign exchange rates	<u>-</u>	<u>404</u>	<u>-</u>	<u>404</u>
Balance as of March 31, 2019	<u>\$ 186,140</u>	<u>23,293</u>	<u>375</u>	<u>209,808</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2019 after adjustment	-	-	-	-
Depreciation for the year	1,393	4,744	59	6,196
Effect of changes in foreign exchange rates	<u>-</u>	<u>35</u>	<u>-</u>	<u>35</u>
Balance as of March 31, 2019	<u>\$ 1,393</u>	<u>4,779</u>	<u>59</u>	<u>6,231</u>
Book value:				
Balance as of January 1, 2019	<u>\$ 186,140</u>	<u>22,186</u>	<u>-</u>	<u>208,326</u>
Balance as of March 31, 2019	<u>\$ 184,747</u>	<u>18,514</u>	<u>316</u>	<u>203,577</u>

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(i) Intangible assets

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

	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance as of January 1, 2019	\$ 176,838	91,504	146,195	414,537
Additions	-	-	1,269	1,269
Derecognized	-	(33,418)	(3,154)	(36,572)
Effects of exchange rate changes	-	-	23	23
Balance as of March 31, 2019	<u>\$ 176,838</u>	<u>58,086</u>	<u>144,333</u>	<u>379,257</u>
Balance as of January 1, 2018	\$ 176,838	94,405	145,734	416,977
Additions	-	1,430	5,560	6,990
Derecognized	-	(313)	(4,985)	(5,298)
Effects of exchange rate changes	-	-	13	13
Balance as of March 31, 2018	<u>\$ 176,838</u>	<u>95,522</u>	<u>146,322</u>	<u>418,682</u>
Accumulated amortization:				
Balance as of January 1, 2019	\$ -	82,862	106,356	189,218
Additions	-	2,774	8,062	10,836
Derecognized	-	(33,418)	(3,154)	(36,572)
Effects of exchange rate changes	-	-	23	23
Balance as of March 31, 2019	<u>\$ -</u>	<u>52,218</u>	<u>111,287</u>	<u>163,505</u>
Balance as of January 1, 2018	\$ -	77,309	83,395	160,704
Additions	-	4,198	8,460	12,658
Derecognized	-	(313)	(4,985)	(5,298)
Effects of exchange rate changes	-	-	12	12
Balance as of March 31, 2018	<u>\$ -</u>	<u>81,194</u>	<u>86,882</u>	<u>168,076</u>
Book value:				
Balance as of January 1, 2019	<u>\$ 176,838</u>	<u>8,642</u>	<u>39,839</u>	<u>225,319</u>
Balance as of March 31, 2019	<u>\$ 176,838</u>	<u>5,868</u>	<u>33,046</u>	<u>215,752</u>
Balance as of March 31, 2018	<u>\$ 176,838</u>	<u>14,328</u>	<u>59,440</u>	<u>250,606</u>

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Unsecured bank loans	<u>\$ 265,000</u>	<u>243,000</u>	<u>250,000</u>
Range of interest rate	<u>1.69%~2.28%</u>	<u>1.69%~2.50%</u>	<u>1.69%~2.45%</u>
Unused short-term credit lines	<u>\$ 395,000</u>	<u>367,000</u>	<u>375,000</u>

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(k) Lease liabilities

	March 31, 2019	
	Future minimum lease payments	Interest
		Present value of minimum lease payments
Less than one year	\$ 22,360	3,274
Between one and five years	40,091	13,627
More than five years	197,265	38,824
	\$ 259,716	55,725

There were no significant issues, repurchases and repayments of lease liabilities for the three month ended March 31, 2019.

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	\$ <u>926</u>
Expenses relating to short-term leases	\$ <u>3,064</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>9</u>

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

	2019
Total cash outflow for leases	\$ <u>10,745</u>

(i) Real estate leases

As of March 31, 2019, the Group leases land and buildings for its office space. The leases of office space typically run for a period of 2 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. Some leases provide for additional rent payments that are based on changes in local price indices.

(ii) Other leases

The Group leases office and transportation equipment, with lease terms of one to three years. These leases are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

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(l) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2018 and 2017. The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended	
	March 31	
	2019	2018
Operating cost	\$ 142	169
Selling expenses	163	190
Administration expenses	172	213
Research and development expenses	1,238	1,385
	\$ 1,715	1,957

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended March 31, 2019 and 2018 were as follows:

	For the three months ended	
	March 31	
	2019	2018
Operating cost	\$ 1,846	1,823
Selling expenses	1,282	1,291
Administration expenses	2,010	1,987
Research and development expenses	10,981	10,828
	\$ 16,119	15,929

(m) Income taxes

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

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Group</u>	<u>Year</u>	<u>Tax exemption products</u>	<u>Tax exemption period</u>
Parent Group- the Company	2009	to produce and sell high-level integrated circuits	The Company was granted approval from the Industrial Development Bureau, MOEA, on December 16, 2009. The Company had obtained the certification of completion of the expansion project. The tax exemption period is from January 1, 2016, to December 31, 2020.
Subsidiary- MetaCom	2009	to produce and sell high-level integrated circuits	MetaCom was granted approval from the Industrial Development Bureau, MOEA, on October 5, 2009. MetaCom had obtained the certification of completion of the expansion project. The tax exemption period is from January 1, 2016, to December 31, 2020.
Subsidiary- Avisonic	2007	to produce and sell high-level integrated circuits	Avisonic was granted approval from the Industrial Development Bureau, MOEA, on January 29, 2008. Avisonic had obtained the certification of completion of the expansion project. The tax exemption period is from January 1, 2016, to November 30, 2019.
Subsidiary- Avisonic	2009	to produce and sell high-level integrated circuits	Avisonic was granted approval from the Industrial Development Bureau, MOEA, on December 17, 2009. Avisonic had obtained the certification of completion of the expansion project. The tax exemption period is from January 1, 2016, to December 31, 2020.

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

The Group's income tax expenses were as follow:

	<u>For the three months ended March 31</u>	
	<u>2019</u>	<u>2018</u>
Current income tax expense	<u>\$ 93,606</u>	<u>69,635</u>

- (iii) The tax authorities have examined the Company's income tax return for the year 2016.

- (n) Capital and other equity

As of March 31, 2019, December 31 and March 31, 2018, the authorized capital of the Company amounted to \$4,800,000 thousand, which was divided into 303,880 thousand shares, 303,880 thousand shares, 434,115 thousand shares, respectively, each at a par value of \$10 on common stock. The issued capital was composed of common stocks only and have been fully paid-up.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Additional paid-in capital	\$ 337,409	337,409	458,961
Treasury share transactions	87,057	87,057	46,223
Difference arising from subsidiary's share price and its carrying value	19,567	19,567	31,144
	<u>\$ 444,033</u>	<u>444,033</u>	<u>536,328</u>

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

In pursuant to the resolution of annual shareholders meeting held on June 11, 2018, the Company declared a cash dividend of \$0.28 per share, amounting to \$121,552 thousand from capital surplus, distributed via \$121,552 thousand from additional paid-in capital.

(ii) Retained earnings

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

1) Legal reserve

In accordance with the Companies Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve, either by new shares or by cash of up to 25 percent of the actual capital.

2) Special reserve

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

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earnings distribution

During the Company's board of directors's meeting on March 12, 2019 and the shareholder's meetings on June 11, 2018, the Company resolved to distribute the 2018 and 2017 earnings via cash dividend b . The Company declared a cash dividend of \$4.65 and \$2.30 per share, amounting to \$1,413,044 thousand and \$998,464 thousand, respectively, for the year 2018 and 2017.

(iii) Treasury stock

	March 31, 2019		December 31, 2018		March 31, 2018	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
The Company's shares held by subsidiaries	<u>12,438</u>	<u>\$ 33,328</u>	<u>12,438</u>	<u>33,328</u>	<u>17,754</u>	<u>91,111</u>

Elan Investment Corp., a subsidiary of the Company, invested in Elantech before the Company acquired Elantech, and held the Company's stock after the Company's acquisition of Elantech. For the three months ended March 31, 2019 and 2018, the information on the Company's stock held by Elan Investment Corp. was as follows:

	For the three months ended March 31					
	2019			2018		
	Shares (in thousands)	Acquisition cost	Total market value	Shares (in thousands)	Acquisition cost	Total market value
Opening balance	12,438	\$ 33,328	935,353	17,754	91,111	818,450
Effects of valuation change	-	-	165,428	-	-	(32,845)
Ending balance	<u>12,438</u>	<u>\$ 33,328</u>	<u>1,100,781</u>	<u>17,754</u>	<u>91,111</u>	<u>785,605</u>

(iv) Other equity

The movements of other equity were as follows:

	For the three months ended March 31, 2019		
	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1	\$ (4,219)	176,242	172,023
Foreign exchange differences:			
The Group	436	-	436
Associates	23	-	23
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Group	-	49,779	49,779
Balance as of March 31	<u>\$ (3,760)</u>	<u>226,021</u>	<u>222,261</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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For the three months ended March 31, 2018			
	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1	\$ (4,060)	151,839	147,779
Foreign exchange differences:			
The Group	33	-	33
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Group	-	(11,598)	(11,598)
Associates	-	(1,379)	(1,379)
Balance as of March 31	<u>\$ (4,027)</u>	<u>138,862</u>	<u>134,835</u>

(o) Earnings per share

Basic and diluted earnings per share for the three months ended March 31, 2019 and 2018 were calculated as follows:

(i) Basic earnings per share:

For the three months ended March 31		
	2019	2018
Net income	\$ 395,120	264,370
Weighted-average number of shares outstanding (thousands)	291,442	416,360
Earnings per share	<u>\$ 1.36</u>	<u>0.63</u>

(ii) Diluted earnings per share:

For the three months ended March 31		
	2019	2018
Net income (used to calculate diluted earnings per share)	\$ 395,120	264,370
Weighted-average number of shares outstanding (thousands)	291,442	416,360
Effect of dilutive potential common stock		
— employee emoluments	3,258	4,367
Weighted-average number of shares outstanding (thousands) used to calculate diluted earnings per share	<u>294,700</u>	<u>420,727</u>
Diluted earnings per share	<u>\$ 1.34</u>	<u>0.63</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019	2018
Taiwan	\$ 229,941	263,764
Mainland China	377,746	373,409
Hong Kong	1,260,661	1,115,079
United States of America	3,774	17,256
Europe	1,307	681
Other	7,185	9,049
	\$ 1,880,614	1,779,238

For details on revenue for the three months ended March 31, 2019, please refer to note 14.

(ii) Contract balances

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

(q) Non-operating income and expenses

(i) Other income

	For the three months ended March 31	
	2019	2018
Interest income	\$ 8,973	9,459
Rental income	514	556
Government grant	29,400	-
Others	1,550	2,695
Total	\$ 40,437	12,710

(ii) Other gains and losses

	For the three months ended March 31	
	2019	2018
Foreign exchange gains (losses)	\$ 1,295	(16,693)
Gains on financial asset at fair value through profit or loss	82,294	67,559
Loss on disposal of property, plant and equipment	(118)	(97)
Impairment loss	-	(15,000)
	\$ 83,471	35,769

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

For the three months ended March 31, 2019 and 2018, the remunerations to employees and directors were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

The estimated employees' compensation and directors' and supervisors' remuneration are as follows:

	For the three months ended March 31	
	2019	.2018
Employees' remuneration	\$ 58,379	38,039
Directors' and supervisors' remuneration	7,510	4,757
	\$ 65,889	42,796

For the year ended December 31, 2018 and 2017, the amounts of employees' compensation were estimated at \$226,000 thousand and \$155,000 thousand respectively, whereas, the amount of remuneration to directors and supervisors were estimated at \$29,000 thousand and \$20,000 thousand respectively. The estimated amounts mentioned above is consistent with the content as per the Board of Directors minutes of meetings, to which information can be found on the Market Observation Post System website.

(s) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2018.

(i) Credit risk

1) Credit risk exposure

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Concentration of credit risk

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

Further more, the Consolidated Company monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount is recognized appropriately as impairment loss.

As of March 31, 2019 and 2018, 77% and 80%, respectively, of accounts receivable were composed by ten major customers. Thus, credit risk is significantly centralized.

3) Receivables and debt securities

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

Other financial assets at amortized cost, including time deposits with maturities of more than three months and other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2018. There was no loss allowance provision for the three months ended March 31, 2019 and 2018, respectively.

(ii) Market risk

1) Exposure to foreign currency risk

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

	March 31, 2019				December 31, 2018			March 31, 2018		
	Foreign currency	Exchange rate	TWD		Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets:</u>										
<u>Monetary item</u>										
US dollar	\$	61,651	30.82	1,900,084	79,460	30.71	2,440,229	64,500	29.45	1,899,791
<u>Financial liabilities:</u>										
<u>Monetary item</u>										
US dollar		44.853	30.82	1,382,369	29,696	30.71	911,961	41,153	29.50	1,213,964

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the retranslation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of the TWD against the USD as of March 31, 2019 and 2018 would have increased (decreased) the equity by \$20,709 thousand and \$28,301 thousand, respectively, for the three months ended March 31, 2019 and 2018, assuming all other factors remained constant. The analysis is performed on the same basis in 2019 and 2018.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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The foreign exchange gains or losses were disclosed on an aggregate basis as there were various types of functional currencies in the Group. The foreign exchange gains and losses (including realized and unrealized) amounted to \$1,295 thousand and \$16,693 thousand for the three months ended March 31, 2019 and 2018, respectively.

(iii) Fair value of financial instruments

1) Fair value hierarchy

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

	March 31, 2019				
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value through profit or loss (current and non-current)	\$ 1,573,044	532,982	158,977	881,085	1,573,044
Financial assets measured at fair value through other comprehensive income					
Stocks	301,879	290,505	-	11,374	301,879
Accounts receivable	513,495	-	-	-	-
Subtotal	815,374	290,505	-	11,374	301,879
Financial assets measured at amortized cost					
Cash and cash equivalents	1,656,540	-	-	-	-
Notes and trade receivables	350,989	-	-	-	-
Other receivables	604,609	-	-	-	-
Other financial assets-current	2,671,500	-	-	-	-
Guarantee deposits	11,123	-	-	-	-
Subtotal	5,294,761	-	-	-	-
Total	\$ 7,683,179	823,487	158,977	892,459	1,874,923
Financial liabilities measured at amortized cost					
Bank loans	\$ 265,000	-	-	-	-
Notes and trade payables	847,956	-	-	-	-
Other payables	1,267,489	-	-	-	-
Lease liabilities (current and non-current)	203,991	-	-	-	-
Guarantee deposits	10,699	-	-	-	-
Total	\$ 2,595,135	-	-	-	-

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December 31, 2018					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL (current and non-current)	\$ 1,463,306	486,750	168,488	808,068	1,463,306
Financial assets at FVOCI					
Stocks	252,100	241,067	-	11,033	252,100
Accounts receivable	<u>726,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	2,075,773	-	-	-	-
Notes and trade receivables	421,157	-	-	-	-
Other receivables	658,085	-	-	-	-
Other financial assets-current	1,759,480	-	-	-	-
Guarantee deposits	<u>11,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 7,367,917</u></u>	<u><u>727,817</u></u>	<u><u>168,488</u></u>	<u><u>819,101</u></u>	<u><u>1,715,406</u></u>
Financial liabilities measured at amortized costs					
Bank loan	\$ 243,000	-	-	-	-
Notes and trade payables	975,578	-	-	-	-
Other payables	1,340,084	-	-	-	-
Guarantee deposits	<u>10,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 2,569,339</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
March 31, 2018					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL (current and non-current)	\$ 1,552,449	600,365	149,913	802,171	1,552,449
Financial assets at FVOCI					
Stocks	214,720	69,400	-	145,320	214,720
Accounts receivable	<u>535,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>749,979</u>	<u>69,400</u>	<u>-</u>	<u>145,320</u>	<u>214,720</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	1,931,610	-	-	-	-
Notes and trade receivables	392,867	-	-	-	-
Other receivables	449,695	-	-	-	-
Other financial assets-current	2,859,150	-	-	-	-
Guarantee deposits	<u>11,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>5,644,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 7,946,829</u></u>	<u><u>669,765</u></u>	<u><u>149,913</u></u>	<u><u>947,491</u></u>	<u><u>1,767,169</u></u>
Financial liabilities measured at amortized costs					
Bank loan	\$ 250,000	-	-	-	-
Notes and trade payables	735,067	-	-	-	-
Other payables	1,034,648	-	-	-	-
Guarantee deposits	<u>10,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 2,030,451</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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Notes to the Consolidated Financial Statements

2) Valuation techniques for financial instruments measured at fair value

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

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

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

3) Transfers between Level 1 and Level 2

There were no transfers of financial instruments made between any levels for the three months ended March 31, 2019 and 2018.

4) Reconciliation of Level 3 fair values

	Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)
Opening balance, January 1, 2019	\$ 808,068
Total gains and losses recognized:	
In profit or loss	73,017
Ending Balance, March 31, 2019	<u><u>\$ 881,085</u></u>
Opening balance, January 1, 2018	\$ 778,988
Total gains and losses recognized:	
In profit or loss	23,183
Ending Balance, March 31, 2018	<u><u>\$ 802,171</u></u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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For the three months ended March 31, 2019 and 2018, total gains and losses that were included in “other gains and losses” from financial assets at fair value through other comprehensive income” were as follows:

	For the three months ended March 31	
	2019	2018
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	\$ 73,017	23,183

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income	Market Comparison Method	<ul style="list-style-type: none"> Price to book ratio (March 31, 2019, December 31, 2018 and March 31, 2018: 1.37% to 2.72%, 1.30% to 3.04% and 1.34% to 2.71%) Non-liquid discount (March 31, 2019, December 31, 2018 and March 31, 2018: 7% to 10%) Price to earnings ratio (March 31, 2019, December 31, 2018 and March 31, 2018: 0.47% to 4.57%, 0.41% to 4.57% and 1.08% to 3.34%) Price to book assets ratio (March 31, 2019, December 31, 2018 and March 31, 2018: 0.76% to 2.40%, 0.46% to 2.74% and 0.62% to 2.33%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the price to book ratio were higher (lower); the non-liquid discount were lower (higher).
- equity investments without an active market			

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss - equity investments without an active market	Net Asset Value Method	Net Asset Value	Not applicable

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

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

	<u>Input</u>	<u>Increase or decrease</u>	<u>Profit or loss</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
March 31, 2019				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	Decrease by 10%	-	(36,756)
	Non-liquid discount	Decrease by 10%	(877)	-
December 31, 2018				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	Decrease by 10%	-	(33,863)
	Non-liquid discount	Decrease by 10%	(308)	-
March 31, 2018				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	Decrease by 10%	-	(19,500)
	Non-liquid discount	Decrease by 10%	2,655	-

- (t) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(u) of the consolidated financial statements for the year ended December 31, 2018.

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(u) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2017. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2018. Please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2018 for further details.

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

			<u>Non-cash changes</u>			
	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Foreign exchange movement</u>	<u>Fair value changes</u>	<u>Others</u>	<u>March 31, 2019</u>
Short-term borrowings	\$ 243,000	22,000	-	-	-	265,000
Lease liabilities	208,326	(6,746)	407	-	2,004	203,991
Total liabilities from financial activities	<u>\$ 451,326</u>	<u>15,254</u>	<u>407</u>	<u>-</u>	<u>2,004</u>	<u>468,991</u>

			<u>Non-cash changes</u>			
	<u>January 1, 2018</u>	<u>Cash flows</u>	<u>Foreign exchange movement</u>	<u>Fair value changes</u>		<u>March 31, 2018</u>
Short-terms borrowings	<u>\$ 240,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>		<u>250,000</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Eminent Electronic Technology Corp. Ltd.	An associate
Finger Pro. Incorporation	An associate

(b) Significant transactions with related parties

(i) Sale of goods to related parties

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

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	For the three months ended March 31	
	2019	2018
Associates-Finger Pro.	\$ <u>-</u>	<u>32</u>

The selling price for related parties approximated the market price, and the credit terms ranged from 30 to 60 days by monthly closed. Accounts receivable from related parties were uncollateralized, and no provisions for doubtful debt were required after the assessment by the management.

- (ii) Raw materials purchasing services and other operating income

	For the three months ended March 31	
	2019	2018
Associates-Eminent	\$ <u>(26)</u>	<u>1,202</u>

- (iii) Rental income

	For the three months ended March 31	
	2019	2018
Associates-Eminent	\$ <u>476</u>	<u>556</u>

- (iv) Purchase

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

	For the three months ended March 31	
	2019	2018
Associates-Eminent	\$ <u>249</u>	<u>-</u>

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment term was 30 days by monthly closed, which were no different from the payment terms given by other vendors.

- (v) Receivable from related parties

The receivables from related parties are as follows:

Accounts	Types of related parties	March 31, 2019	December 31, 2018	March 31, 2018
Accounts receivable	Associates-Eminent	\$ 408	1,134	1,264
Other receivables	Associates-Eminent	17,191	28,831	25,870
		<u>\$ 17,599</u>	<u>29,965</u>	<u>27,134</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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- (vi) In January 2015, the Company sold its fixed assets to the associate-Eminent, with the selling price and the fixed asset cost amounting to \$4,856 thousand and \$9,154 thousand, respectively. The loss on disposal amounting to \$4,298 thousand, including the unrealized loss of \$1,942 thousand, is to be recognized over its benefit years of 5 years. As of March 31, 2019, the realized loss and deferred loss on disposal amounted to \$4,007 thousand and \$291 thousand, respectively.

- (c) Key management personnel compensation

	For the three months ended March 31	
	2019	2018
Short-term employee benefits	\$ 16,829	13,319
Post-employment benefits	210	230
	\$ 17,039	13,549

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

- (8) Pledged assets: None.**

- (9) Commitments and contingencies:**

- (a) The Company entered into performance guarantee agreements with financial institutions for the Company's obligation to pay for the goods purchased and the tax payable on bonded raw materials, commodities, fuel, and semi-finished products shipped outside the bond areas for domestic sales, demonstration, repair or testing. As of March 31, 2019, December 31 and March 31, 2018, the financial institutions had issued performance guarantees amounting to \$4,000 thousand, \$11,000 thousand, and \$19,000 thousand, respectively.
- (b) As of March 31, 2019, December 31 and March 31, 2018, the refundable notes payable for short-term loans amounted to \$635,000 thousand, \$585,000 thousand, and \$635,000 thousand, respectively.
- (c) The Company entered into non-infringement guarantee agreements with some customers (guarantees) to provide a guarantee regarding the selling of touchpad module products.
- (d) Government grant

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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recognized income was \$29,400 thousand. The development plan was completed on March 31, 2019. For the three months ended March 31, 2019, the Company recognized income from government grant amounting to \$29,400 thousand within Other Income.

(e) Royalty fee

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

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

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

	For the three months ended March 31					
	2019			2018		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee expenses						
Salaries and wages	\$ 57,829	364,145	421,974	59,148	338,096	397,244
Labor and health insurance	5,642	21,376	27,018	4,567	20,755	25,322
Pension expenses	1,988	15,846	17,834	1,992	15,894	17,886
Others	3,595	9,346	12,941	3,434	9,704	13,138
Depreciation expenses	6,152	11,793	17,945	3,874	7,624	11,498
Amortization expenses	1,041	9,795	10,836	1,098	11,560	12,658

(b) Seasonality of operations

The Group's sales are generally affected by Chinese New Year due to the low number of working days during the period, and the first quarter of the year is also the off-season for the electronics market. Despite the shortage of CPU market supply in the current quarter, the overall performance of the Group has exceeded expectations, primarily due to the higher sales of touchpad laptops and touchscreen chips in the current quarter as compared to the previous year. As such, the Group's first quarter sales, operating profits, and profit after tax are higher as compared to the same period in the prior year.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2019:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of March 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	Harvatek Corporation	-	Current financial assets at fair value through profit or loss	491	7,589	- %	7,589	Note 3
Elan Microelectronics Corporation	Fubon China Money Market FUND-TWD	-	Current financial assets at fair value through profit or loss	2,770	29,912	- %	29,912	
Elan Microelectronics Corporation	PineBridge Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,209	30,222	- %	30,222	
Elan Microelectronics Corporation	Cathay Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,430	30,237	- %	30,237	
Elan Microelectronics Corporation	Paradigm Pion Money Market Fund	-	Current financial assets at fair value through profit or loss	2,000	23,104	- %	23,104	
Elan Microelectronics Corporation	Nomura Global Short Duration Bond Fund-TWD	-	Current financial assets at fair value through profit or loss	1,960	20,681	- %	20,681	
Elan Microelectronics Corporation	KGI Victory Money Market Fund	-	Current financial assets at fair value through profit or loss	2,596	30,051	- %	30,051	
Elan Microelectronics Corporation	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	3,801	50,176	- %	50,176	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	208	64,106	- %	64,106	
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	204	64,051	- %	64,051	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (USD)(SERIES II)	-	Current financial assets at fair value through profit or loss	100	30,820	- %	30,820	
Elan Microelectronics Corporation	Fitipower Integrated Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	4,064	184,911	2.50 %	184,911	Note 3
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,100	11,374	4.23 %	11,374	Note 3
Elan Microelectronics Corporation	Chino-Excel Technology Corporation	-	Non-current financial assets at fair value through profit or loss	823	-	1.48 %	-	Note 1
Elan Microelectronics Corporation	Panther technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	340	4,912	0.94 %	4,912	Note 2
Elan Microelectronics Corporation	XINCE Co., Ltd	-	Non-current financial assets at fair value through profit or loss	2,866	-	9.24 %	-	Note 1
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,739	14,252	17.39 %	14,252	Note 2

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	784	7,916	7.00 %	7,916	Note 2
Elan Microelectronics Corporation	TOP TAIWAN V VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,382	8,364	8.13 %	8,364	Note 2
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,130	10,713	2.17 %	10,713	Note 2
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	3,796	39,239	6.12 %	39,239	Note 2
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	8,333	75,519	4.17 %	75,519	Note 2
Elan Microelectronics Corporation	Midatouch Research Corporation	-	Non-current financial assets at fair value through profit or loss	2,500	9,850	12.31 %	9,850	Note 2
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	52,600	6.25 %	52,600	Note 2
Elan Microelectronics Corporation	InnoBridge Venture Capital	-	Non-current financial assets at fair value through profit or loss	800	4,155	11.35 %	4,155	Note 1
Elan Microelectronics Corporation	Startek Engineering Inc.	-	Non-current financial assets at fair value through profit or loss	189	-	0.53 %	-	Note 1
Elan Microelectronics Corporation	North Star Venture Capital	-	Non-current financial assets at fair value through profit or loss	3,000	38,548	10.00 %	38,548	Note 1
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	49,784	6.25 %	49,784	Note 2
Elan Microelectronics Corporation	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	989	-	6.56 %	-	Note 1
Elan Microelectronics Corporation	Lyra Semiconductor Incorporated	-	Non-current financial assets at fair value through profit or loss	2,400	25,728	11.78 %	25,728	Note 2
Elan Microelectronics Corporation	TOP TAIWAN XII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	25,000	250,256	18.52 %	250,256	Note 2
Elan Microelectronics Corporation	Chimei Motor Electronics Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	950	6,726	5.94 %	6,726	Note 2
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through profit or loss	1,000	7,910	6.77 %	7,910	Note 2
Elan Microelectronics Corporation	Vertex Growth (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	10,169	- %	10,169	
Elan Investment Corp.	FSITC Money Market Fund	-	Current financial assets at fair value through profit or loss	183	32,580	- %	32,580	
Elan Investment Corp.	FSITC China High Yield Bond Fund-A-TWD	-	Current financial assets at fair value through profit or loss	1,613	15,741	- %	15,741	
Elan Investment Corp.	FSITC Global Utilities and Infrastructure Fund-A-TWD	-	Current financial assets at fair value through profit or loss	1,000	10,152	- %	10,152	
Elan Investment Corp.	FSITC AI Global Precision Medicine Fund-TWD	-	Current financial assets at fair value through profit or loss	1,000	10,010	- %	10,010	

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Investment Corp.	FSITC Global Artificial Intelligence Fund-TWD	-	Current financial assets at fair value through profit or loss	500	5,196	- %	5,196	
Elan Investment Corp.	Nomura Global Short Duration Bond Fund-TWD	-	Current financial assets at fair value through profit or loss	5,012	52,875	- %	52,875	
Elan Investment Corp.	Nomura Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,221	36,239	- %	36,239	
Elan Investment Corp.	Taishin Global Multi-asset Fund of Funds-TWD-A	-	Current financial assets at fair value through profit or loss	1,000	10,510	- %	10,510	
Elan Investment Corp.	Taishin Global Disruptive Innovation Fund-TWD	-	Current financial assets at fair value through profit or loss	1,500	15,885	- %	15,885	
Elan Investment Corp.	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	5,556	75,157	- %	75,157	
Elan Investment Corp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	43,244	- %	43,244	
Elan Investment Corp.	United Microelectronics Corp.	-	Current financial assets at fair value through profit or loss	294	3,421	- %	3,421	Note 3
Elan Investment Corp.	Elan Microelectronics Corporation	Subsidiary	Non-current financial assets at fair value through other comprehensive income	12,438	1,100,781	4.09 %	1,100,781	Note 3
Elan Investment Corp.	Fitipower Integrated Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	941	42,794	0.58 %	42,794	Note 3
Elan Investment Corp.	Rafael Microelectronics, Inc.	-	Non-current financial assets at fair value through other comprehensive income	400	62,800	1.62 %	62,800	Note 3
Elan Investment Corp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	20,156	3.88 %	20,156	Note 2
Elan Investment Corp.	RISE Technology Com	-	Non-current financial assets at fair value through profit or loss	769	-	3.23 %	-	Note 1
Elan Investment Corp.	FineMat Applied Materials Co., Ltd	-	Non-current financial assets at fair value through profit or loss	8,900	204,709	14.74 %	204,709	Note 2
Elan Investment Corp.	Linkinwave-Preferred shares	-	Non-current financial assets at fair value through profit or loss	296	-	- %	-	Note 1
Elan Investment Corp.	Pica 8-Preferred shares	-	Non-current financial assets at fair value through profit or loss	342	4,855	4.48 %	4,855	Note 2
Elan Investment Corp.	Arplanet Digital Technology Co., LTD.-Preferred shares	-	Non-current financial assets at fair value through profit or loss	114	709	4.69 %	709	Note 1
Elan Investment Corp.	Arplanet Digital Technology Co., LTD.-Common Stock	-	Non-current financial assets at fair value through profit or loss	75	465	3.08 %	465	Note 1
Elan Investment Corp.	INNOJOY TECHNOLOGY INC.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	143	-	10.00 %	-	Note 1
Elan Investment Corp.	ZQAM Communications Corporation-Preferred shares	-	Non-current financial assets at fair value through profit or loss	1,000	9,090	5.00 %	9,090	Note 2
Elan Investment Corp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	15,362	3.03 %	15,362	Note 2
Elan Investment Corp.	ALGOLREALITY CO., LTD.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	100	-	13.04 %	-	Note 1
Elan Investment Corp.	Vita Genomics, Inc.	-	Non-current financial assets at fair value through profit or loss	677	7,604	1.13 %	7,604	Note 2

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Investment Corp.	MedicusTek International Inc.	-	Non-current financial assets at fair value through profit or loss	1,010	-	1.55 %	-	Note 1
Elan Investment Corp.	Taiwan i Connect Co., Ltd.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	10,000	1,494	14.29 %	1,494	Note 1
Elan Investment Corp.	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	740	-	4.91 %	-	Note 1

Note 1: The balances are calculated on the net assets derived from the latest unaudited financial statements of the investee companies.

Note 2: The balances are calculated on the net assets obtained from the latest valuation report of the investee companies.

Note 3: The balances are calculated on the market prices (closing prices) of the investee companies on March 29, 2019.

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Elan Microelectronics Corporation	Elan H.K.	Subsidiary	Sale	101,935	5.42 %	Open Account 45 Days	-		35,492	4.11%	

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

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

Significant transactions and business relationship between the parent company and its subsidiaries exceeding 1% of total assets or operating revenue are as follows:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Elan Microelectronics Corporation	Elan H.K.	1	Operating revenue	101,935	Open Account 45 Days	5.42%
0	Elan Microelectronics Corporation	Elan H.K.	1	Accounts receivables	35,492	Open Account 45 Days	0.34%
1	Elan H.K.	Elan Microelectronics Corporation	2	Commission revenue	47,148	Monthly settlement	2.51%

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investees:

The followings are the information on investees for the three months ended March 31, 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
Elan Microelectronics Corporation	Elan H.K. Microelectronics Corp. Ltd	Hong kong, China	Sale and after-sales service	123,272	123,272	29,328	100.00 %	221,470	1,055	1,055	Note
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	741,379	57,557	57,557	Note
Elan Microelectronics Corporation	Elan Information Technology Group	California, USA	Sale, after-sales service and provide new informational skills	22,822	22,822	65	100.00 %	14,718	(219)	(219)	Note
Elan Microelectronics Corporation	JPUP Electron Co., Ltd	New Taipei City, Taiwan	Wholesale and installation of electronic devices, data storage and equipment process	7,840	7,840	784	49.00 %	2,672	(2,330)	(1,142)	Note
Elan Microelectronics Corporation	Metanoia Communications Inc.	Hsin-Chu, Taiwan	Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network	1,041,136	1,041,136	54,057	63.60 %	(113,669)	(22,124)	(14,140)	Note
Elan Microelectronics Corporation	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	266,333	266,333	26,633	74.93 %	(9,137)	(12,572)	(8,872)	Note
Elan Microelectronics Corporation	Tong fu Investment Corp	Hsin-Chu, Taiwan	Investment holding	30,000	30,000	3,000	46.73 %	-	-	-	
Elan Microelectronics Corporation	Lighting Device Technologies Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on LED chips	19,520	19,520	1,805	45.07 %	-	-	-	
Elan Microelectronics Corporation	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	376,024	376,024	33,871	96.78 %	45,254	(5,521)	(5,343)	Note
Elan Microelectronics Corporation	EMINENT ELECTRONIC TECHNOLOGY CORP. LTD	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	38,381	38,381	3,351	29.89 %	(3,440)	(15,161)	(4,542)	
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	240,000	240,000	24,000	30.00 %	251,010	63,880	19,164	
Elan Microelectronics Corporation	Fong Yue Corporation	Taipei, Taiwan	Investment holding	30,000	30,000	3,000	100.00 %	27,288	(4,392)	(12)	Note
Elan Microelectronics Corporation	Uniband Electronic Corp	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	80,000	80,000	8,000	23.12 %	9,319	(11,499)	(2,659)	
Elan Microelectronics Corporation	Finger Pro Incorporation	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	6,000	6,000	600	23.08 %	1,703	(3,060)	(718)	
Elan Investment Corp.	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	21,543	21,543	2,154	6.06 %	(721)	(12,572)	(762)	Note

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
Elan Investment Corp.	RONG CHENG Technology	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	77,706	77,706	8,000	38.46 %	-	-	-	
Elan Investment Corp.	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	2,659	2,659	174	0.50 %	232	(5,521)	(27)	Note
Elan Investment Corp.	Metanoia Communications Inc.	Hsin-Chu, Taiwan	Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network	44,825	44,825	3,626	4.27 %	8,665	(22,124)	(944)	Note
Elan H.K.	Power Asia Investment Corporation	Republic of Mauritius	Investment business	89,572	89,572	2,861	100.00 %	7,092	(17,510)	(17,510)	Note

Note: The amount had been offset in the consolidated financial statements.

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)												
Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) recognized	Carrying value as of March 31, 2019	Accumulated inward remittance of earnings as of March 31, 2019
					Outflow	Inflow						
Elan Shanghai	Provide system design, information on applications expansion	52,095	(2)	52,095	-	-	52,095	(6,075)	100.00%	(6,075)	8,164	-
Elan Shenzhen	Provide system design, information on applications expansion	34,670	(2)	34,670	-	-	34,670	(11,424)	100.00%	(11,424)	(1,550)	-

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

(ii) Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
86,765	98,333	4,243,523

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

(iii) Significant transactions:

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

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Notes to the Consolidated Financial Statements

(14) Segment information:

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

For the three month ended March 31, 2019										
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Image Processing Design Business Unit	Security Monitoring Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue										
Revenue from external customers	\$ 526,354	1,210,038	16,315	12,638	12,760	-	102,580	-	(71)	1,880,614
Intersegment revenues	102,289	-	576	-	-	-	47,148	5,518	(155,531)	-
Total revenue	<u>\$ 628,643</u>	<u>1,210,038</u>	<u>16,891</u>	<u>12,638</u>	<u>12,760</u>	<u>-</u>	<u>149,728</u>	<u>5,518</u>	<u>(155,602)</u>	<u>1,880,614</u>
Reportable segment profit or loss	<u>\$ 54,786</u>	<u>388,661</u>	<u>(21,408)</u>	<u>(12,222)</u>	<u>(5,539)</u>	<u>(156)</u>	<u>4,074</u>	<u>(2,550)</u>	<u>(58,890)</u>	<u>346,756</u>
For the three month ended March 31, 2018										
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communication Business Unit	Image Processing Design Business Unit	Security Monitoring Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue										
Revenue from external customers	\$ 541,058	1,085,026	32,866	18,749	3,437	-	97,877	-	225	1,779,238
Intersegment revenues	106,049	-	-	-	-	-	45,481	7,059	(158,589)	-
Total revenue	<u>\$ 647,107</u>	<u>1,085,026</u>	<u>32,866</u>	<u>18,749</u>	<u>3,437</u>	<u>-</u>	<u>143,358</u>	<u>7,059</u>	<u>(158,364)</u>	<u>1,779,238</u>
Reportable segment profit or loss	<u>\$ 303,354</u>	<u>343,833</u>	<u>(9,384)</u>	<u>(6,119)</u>	<u>(7,984)</u>	<u>(1,053)</u>	<u>7,183</u>	<u>(987)</u>	<u>(341,146)</u>	<u>287,697</u>