

**ELAN MICROELECTRONICS CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2020 and 2019**

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

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Independent Auditors' Review Report

To the Board of Directors of
ELAN MICROELECTRONICS CORPORATION:

Introduction

We have reviewed the accompanying consolidated balance sheets of ELAN MICROELECTRONICS CORPORATION (the "Company") and its subsidiaries (the "Group") as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019 and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$807,398 thousand and \$242,199 thousand, constituting 7.20% and 2.34% of the consolidated total assets; and the total liabilities amounting to \$220,132 thousand and \$312,926 thousand, constituting 6.77% and 9.37% of the consolidated total liabilities as of March 31, 2020 and 2019, respectively; as well as the total comprehensive loss amounting to \$(38,662) thousand and \$(49,882) thousand, constituting 136.82% and (11.48)% of the consolidated total comprehensive income (loss) respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of \$294,998 thousand and \$258,593 thousand as of March 31, 2020 and 2019, respectively, and its equity in net earnings on these investee companies of \$(9,212) thousand and \$11,245 thousand respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
May 8, 2020

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2020 and 2019

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2020, December 31, 2019, and March 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

	Assets	March 31, 2020		December 31, 2019		March 31, 2019		March 31, 2020		December 31, 2019		March 31, 2019	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	Current assets:												
11100	Cash and cash equivalents (notes 6(a) and (t))	\$	2,056,521	18	1,502,121	13	1,656,540	16	2100	Short-term borrowings (notes 6(k) and (t))	\$	48,940	-
11110	Current financial assets at fair value through profit or loss (notes 6(b) and (t))		834,232	7	778,442	7	691,959	7	2170	Accounts payable (notes 6(t))		991,696	9
1170	Notes and accounts receivable, net (notes 6(c), (t) and 7)		1,297,638	12	1,195,296	11	823,495	8	2206	Employee bonus payable (notes 6(s) and (t))		394,003	4
1200	Other receivables (notes 6(c), (t))		464,898	4	835,141	7	604,609	6	2230	Current tax liabilities		299,450	3
1310	Inventories, net (note 6(d))		1,534,483	14	1,386,202	12	1,191,246	12	2280	Current lease liabilities (notes 6(l) and (t))		18,956	-
1410	Prepayments and other current assets		29,847	-	20,323	-	36,748	-	2300	Other current liabilities (note 6(t))		872,845	8
1476	Financial assets at amortized cost (notes 6(a) and (t))		2,243,250	21	2,289,450	21	2,671,500	26				964,528	10
			8,460,869	76	8,006,975	71	7,676,097	75				3,057,941	27
	Non-current assets:												
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and (t))		926,967	8	1,360,622	12	881,085	9	2570	Deferred tax liabilities		2,097	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(e) and (t))		119,890	1	191,833	2	301,879	3	2580	Non-current lease liabilities (notes 6(l) and (t))		197,695	2
1551	Investments accounted for using equity method (note 6(f))		294,998	3	330,837	3	258,593	2	2640	Net defined benefit liability, non-current		372,419	3
1600	Property, plant and equipment (notes 6(g) and 7)		787,063	7	760,537	7	766,255	7	2645	Guarantee deposits received (note 6(t))		53,174	-
1755	Right-of-use assets (note 6(i))		214,737	2	220,483	2	203,577	2				625,385	5
1780	Intangible assets (note 6(j))		366,424	3	304,219	3	215,752	2				3,251,275	29
1840	Deferred tax assets		31,862	-	31,862	-	29,821	-				3,643,740	32
1900	Other non-current assets (note 6(t))		18,097	-	19,524	-	24,039	-					
1960	Prepayments for investments		-	-	20,000	-	-	-					
			2,760,038	24	3,239,917	29	2,681,001	25					
			</										

See accompanying notes to financial statements.

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**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, 2020 and 2019

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

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(q), 7 and 14)	\$ 2,206,241	100	1,880,614	100
5000	Operating costs (notes 6(d), (m) and 7)	<u>1,163,023</u>	<u>53</u>	<u>1,027,261</u>	<u>54</u>
5900	Gross profit from operations	1,043,218	47	853,353	46
5920	Add: Realized profit (loss) from sales	<u>(400)</u>	<u>-</u>	<u>3,118</u>	<u>-</u>
5950	Gross profits	<u>1,042,818</u>	<u>47</u>	<u>856,471</u>	<u>46</u>
6000	Operating expenses: (notes 6(c), (m) and 12)				
6100	Selling expenses	101,719	5	64,337	3
6200	Administrative expenses	70,162	3	81,771	4
6300	Research and development expenses	356,769	16	365,826	20
6450	Impairment loss (impairment gain and loss) determined in accordance with IFRS 9	<u>342</u>	<u>-</u>	<u>(2,219)</u>	<u>-</u>
		<u>528,992</u>	<u>24</u>	<u>509,715</u>	<u>27</u>
6900	Operating income	<u>513,826</u>	<u>23</u>	<u>346,756</u>	<u>19</u>
7000	Non-operating income and expenses:				
7010	Other income (note 6(r))	9,602	-	40,437	2
7020	Other gains and losses (notes 6(r) and 7)	(437,751)	(20)	83,471	3
7050	Finance costs	(1,994)	-	(2,081)	-
7590	Miscellaneous disbursements	(5,401)	-	(1,940)	-
7770	Share of gain (loss) of associates accounted for using equity method (note 6(f))	<u>(9,212)</u>	<u>-</u>	<u>11,245</u>	<u>1</u>
		<u>(444,756)</u>	<u>(20)</u>	<u>131,132</u>	<u>6</u>
7900	Profit before tax	69,070	3	477,888	25
8110	Less: Income tax expenses (note 6(n))	<u>25,299</u>	<u>1</u>	<u>93,606</u>	<u>5</u>
	Net profit	<u>43,771</u>	<u>2</u>	<u>384,282</u>	<u>20</u>
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	(71,943)	(3)	49,779	3
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(71,943)</u>	<u>(3)</u>	<u>49,779</u>	<u>3</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(85)	-	436	-
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(1)	-	23	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(86)</u>	<u>-</u>	<u>459</u>	<u>-</u>
8300	Other comprehensive income (loss), net	<u>(72,029)</u>	<u>(3)</u>	<u>50,238</u>	<u>3</u>
8500	Comprehensive income (loss)	<u>\$ (28,258)</u>	<u>(1)</u>	<u>434,520</u>	<u>23</u>
	Net profit attributable to:				
8610	Owners of parent	\$ 53,833	2	395,120	21
8620	Non-controlling interests	<u>(10,062)</u>	<u>-</u>	<u>(10,838)</u>	<u>(1)</u>
		<u>\$ 43,771</u>	<u>2</u>	<u>384,282</u>	<u>20</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of the parent	\$ (18,196)	(1)	445,358	24
8720	Non-controlling interests	<u>(10,062)</u>	<u>-</u>	<u>(10,838)</u>	<u>(1)</u>
		<u>\$ (28,258)</u>	<u>(1)</u>	<u>434,520</u>	<u>23</u>
	Earnings per share (expressed in dollars) (note 6(p))				
9710	Basic earnings per share	<u>\$ 0.18</u>		<u>1.36</u>	
9850	Diluted earnings per share	<u>\$ 0.18</u>		<u>1.34</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						
	Total other equity interest			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			Total equity attributable to owners of parent
	Ordinary shares	Capital surplus	Retained earnings	Exchange differences on translation of foreign financial statements	Treasury shares	Non-controlling interests	
Balance at January 1, 2019							
Net profit							
Other comprehensive income							
Total comprehensive income							
Balance at March 31, 2019							
Balance at January 1, 2020							
Net profit							
Other comprehensive income							
Total comprehensive income							
Issuance of shares for non-controlling interests							
Changes in non-controlling interests							
Balance at March 31, 2020							

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2020	2019
Cash flows from operating activities:		
Profit before tax	\$ 69,070	477,888
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	24,219	17,945
Amortization expense	17,703	10,836
Expected credit loss (gain)	342	(2,219)
Net loss (gain) on financial assets at fair value through profit or loss	458,536	(82,294)
Interest expense	1,994	2,081
Interest income	(8,852)	(8,973)
Share of loss (gain) of associates accounted for using equity method	9,212	(11,245)
Loss on disposal of property, plant and equipment	6,256	118
Gain on disposal of investment properties	(15,000)	-
Difference between net pension liability and actual appropriations	46	276
Impairment loss and disposal loss on inventory	39,617	20,398
Others	(83)	(435)
Total adjustments to reconcile profit	533,990	(53,512)
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	(32,043)	283,458
Increase in inventories	(170,834)	(55,391)
Decrease (increase) in prepayments and other current assets	(9,251)	1,472
Decrease in other receivables	430,201	53,755
Decrease in notes and accounts payable	(205,760)	(127,622)
Decrease in other current liabilities	(110,072)	(71,522)
Cash inflow generated from operations	505,301	508,526
Interest received	8,797	8,694
Interest paid	(2,205)	(2,228)
Income taxes paid	(4,722)	(247)
Net cash flows from operating activities	507,171	514,745
Cash flows used in investing activities:		
Acquisition of investment accounted for using equity method	(8,000)	-
Acquisition of non-current financial assets at fair value through profit or loss	(10,574)	(10,169)
Proceeds from disposal of financial assets at fair value through profit or loss	82,080	50,226
Acquisition of current financial assets at fair value through profit or loss	(212,080)	(67,501)
Acquisition of property, plant and equipment	(18,218)	(10,100)
Acquisition of intangible assets	(76,804)	(1,269)
Net cash inflows from business combination	123,128	-
Decrease in other non-current assets	1,546	1,579
Decrease (increase) in financial assets at amortized cost	46,200	(912,020)
Net cash flows used in investing activities	(72,722)	(949,254)
Cash flows used in financing activities:		
Increase in short-term loans	70,940	149,000
Decrease in short-term loans	(263,000)	(127,000)
Increase in guarantee deposits received	57	22
Payment of lease liabilities	(6,907)	(6,746)
Change in non-controlling interests	318,861	-
Net cash flows from in financing activities	119,951	15,276
Net increase (decrease) in cash and cash equivalents	554,400	(419,233)
Cash and cash equivalents at the beginning of period	1,502,121	2,075,773
Cash and cash equivalents at the end of period	\$ 2,056,521	1,656,540

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, 2020 and 2019

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

(1) Company history

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

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

The consolidated financial statements for the three months ended March 31, 2020 and 2019 were authorized for issuance by the Board of Directors on May 8, 2020.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>

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

(4) Summary of significant accounting policies:

- (a) Statement of Compliance

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

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	Elan Investment Corp.	Investment holding	100.00 %	100.00 %	100.00 %	note 1
The Company	Fong Yue Corporation	Investment holding	- %	- %	100.00 %	note 2
The Company and Elan Investment Corp	Metanoia Communications Inc.(MetaCom)	Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network	51.57 %	67.86 %	67.86 %	note 1 and note 6
The Company and Elan Investment Corp.	Avisonic Technology Corp. (Avisonic)	Research, design, develop, manufacture and sale on digital image-process chips	84.21 %	84.21 %	81.00 %	note 1
The Company	JPUP Electron Co., Ltd. (JPUP)	Wholesale and installation of electronic devices, data storage and equipment process	49.00 %	49.00 %	49.00 %	note 1 and note 3
The Company and Elan Investment Corp.	Pixord Corporation (Pixord)	Research, design, develop, manufacture and sale on Webcam and server	97.27 %	97.27 %	97.27 %	note 1
The Company and Elan Investment Corp.	Eminent Electronic Technology Corp. Ltd. (Eminent)	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	43.98 %	- %	- %	note 1 and note 4
The Company	Rising Star Technology Company Limited (Rising Star)	Software information and supply of electronic services	86.96 %	- %	- %	note 1 and note 5
The Company	Elan H.K.	Sale and after-sales service	100.00 %	100.00 %	100.00 %	-
The Company	Elan Information	After-sales service and provide new informational skills	100.00 %	100.00 %	100.00 %	note 1
Elan H.K.	Power Asia	Investment holding	100.00 %	100.00 %	100.00 %	-

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2020	December 31, 2019	March 31, 2019	
Power Asia	Elan Shanghai	Provide system design, information on applications expansion	100.00 %	100.00 %	100.00 %	-
Power Asia	Elan Shenzhen	Provide system design, information on applications expansion	100.00 %	100.00 %	100.00 %	-

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

Note 2: The liquidation of Fong Yue was approved by the Regulator in January 2019.

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

Note 4: The Company obtained 3 out of 5 seats in the board on February 19, 2020 and gained control interest over Eminent, thus, the investee was included in the consolidated financial statements.

Note 5: On January 31, 2020, the Company acquired 86.96% equity of Rising Star, thus, it was included in the consolidated financial statements thereafter.

Note 6: In February and March, 2020, the Company's ownership decreased to 51.57% after participating in the capital increase of Metanoia.

(c) Employee benefits

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

(d) Income taxes

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

Income tax expenses for the period are best calculated by multiplying pre-tax income for the interim reporting period 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.

(e) Investments in associates

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(6) Explanation of significant accounts:

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

(a) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Petty cash	\$ 606	353	659
Checking and demand deposits	1,523,150	1,101,958	833,301
Time deposits with maturities of three months or less	<u>532,765</u>	<u>399,810</u>	<u>822,580</u>
	<u><u>\$ 2,056,521</u></u>	<u><u>1,502,121</u></u>	<u><u>1,656,540</u></u>

As of March 31, 2020, December 31 and March 31, 2019, time deposits with maturities of more than three months held by the Group amounted to \$2,243,250 thousand, \$2,289,450 thousand, and \$2,671,500 thousand, respectively, and were recorded as financial assets measured at fair value. The Group did not recognize impairment loss on Financial assets at amortized cost for the three months ended March 31, 2020 and 2019. Other information relating to credit risk is provided in Note 6(t).

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Mandatorily measured at fair value through profit or loss:			
Current:			
Listed stocks	\$ 4,897	6,680	11,010
Open-end certificates of beneficial interest	733,005	617,680	521,972
Short-term commercial papers	<u>96,330</u>	<u>154,082</u>	<u>158,977</u>
Subtotal	<u>834,232</u>	<u>778,442</u>	<u>691,959</u>
Non-current:			
Non-publicly traded stocks	889,821	1,330,470	870,916
Unlisted funds	<u>37,146</u>	<u>30,152</u>	<u>10,169</u>
Subtotal	<u>926,967</u>	<u>1,360,622</u>	<u>881,085</u>
Total	<u><u>\$ 1,761,199</u></u>	<u><u>2,139,064</u></u>	<u><u>1,573,044</u></u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Notes and accounts receivable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable	\$ 2,915	167,777	11,251
Accounts receivable - fair value through other comprehensive income	558,658	489,034	513,495
Accounts receivable - measured at amortized cost	764,776	566,854	339,738
Less: Loss allowance	<u>(28,711)</u>	<u>(28,369)</u>	<u>(40,989)</u>
	<u>\$ 1,297,638</u>	<u>1,195,296</u>	<u>823,495</u>

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

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

	<u>March 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Expected credit loss</u>
Current	\$ 1,215,014	0.13%	1,579
1 to 30 days past due	76,028	2.30%	1,749
31 to 60 days past due	9,603	15.33%	1,472
61 to 90 days past due	149	39.29%	59
More than 90 days past due	<u>25,555</u>	50%~100%	<u>23,852</u>
	<u>\$ 1,326,349</u>		<u>28,711</u>

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Expected credit loss
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>\$ 864,484</u>		<u>40,989</u>

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

	For the three months ended March 31	
	2020	2019
Balance at January 1, 2019 and 2018	\$ 28,369	43,208
Impairment loss recognized (reversed)	342	(2,219)
Balance at March 31, 2020 and 2019	<u>\$ 28,711</u>	<u>40,989</u>

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

March 31, 2020						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial Institution	<u>\$ 308,477</u>	<u>2,809,200</u>	<u>-</u>	<u>308,477</u>	<u>0.05%~0.10%</u>	None

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

March 31, 2019						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial Institution	<u>\$ 532,918</u>	<u>2,832,800</u>	<u>-</u>	<u>532,918</u>	<u>0.05%~0.12%</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, 2020, December 31 and March 31, 2019. 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, 2020 and 2019, and other information on credit risk is disclosed in Note 6(t).

(d) Inventories

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 413,226	384,562	390,730
Work in progress	898,901	717,574	590,470
Finished goods	<u>222,356</u>	<u>284,066</u>	<u>210,046</u>
	<u>\$ 1,534,483</u>	<u>1,386,202</u>	<u>1,191,246</u>

The details of the cost of sales are as follows:

	For the three months ended March 31	
	2020	2019
Inventory that has been sold	\$ 1,123,659	1,007,262
Write-down of inventories	39,617	20,398
Others	<u>(253)</u>	<u>(399)</u>
	<u>\$ 1,163,023</u>	<u>1,027,261</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Equity investments at fair value through other comprehensive income:			
Emerging stocks	\$ 10,153	11,924	11,374
Quoted shares	<u>109,737</u>	<u>179,909</u>	<u>290,505</u>
	<u>\$ 119,890</u>	<u>191,833</u>	<u>301,879</u>

- (i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities were held for long-term strategic purposes instead of for trading.
- (ii) No strategic investments were disposed for the three months ended March 31, 2020 and 2019 and there were no transfers of any cumulative gain or loss within equity relating to these investment.
- (iii) For market risk, please refer to note 6(t).

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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, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Associates	<u>\$ 294,998</u>	<u>330,837</u>	<u>258,593</u>

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

	Nature of the relationship	Principal country	<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>	
			Amount	Share-holding (%)	Amount	Share-holding (%)	Amount	Share-holding (%)
Tong Fu Investment Corporation	Investment holding	R.O.C.	\$ 30,000	46.73	30,000	46.73	30,000	46.73
Lighting Device Technologies Corp.	Research, design, develop, manufacture and sale on LED chips	R.O.C.	11,712	45.07	19,520	45.07	19,520	45.07
Eminent Electronic Technology Corp. Ltd. (note 1)	Manufactures and sells electronic devices, computer and its related products, and manufactures optical instruments	R.O.C.	-	-	90,582	43.98	38,381	29.89
Top Taiwan X Venture Capital Co. Ltd	Venture capital	R.O.C.	240,000	30.00	240,000	30.00	240,000	30.00
Uniband Electronic Corp	Manufactures and sells electronic devices	R.O.C.	50,000	24.69	50,000	24.69	80,000	23.12
Finger Pro. Incorporation	Manufactures and sells electronic devices	R.O.C.	6,000	23.08	6,000	23.08	6,000	23.08
RONG CHENG Technology	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	R.O.C.	77,706	38.46	77,706	38.46	77,706	38.46
Bruckewell Technology Co., Ltd.(Bruckewell) (note 2)	Manufactures and sells electronics devices	R.O.C.	8,000	38.65	-	-	-	-
			<u>\$ 423,418</u>		<u>513,808</u>		<u>491,607</u>	

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

Note 2: On February 24, 2020, the Company acquired 38.65% equity of Bruckewell after participating in its capital increase, thus, gained significant influence over it.

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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	
	2020	2019
Attributable to the Group:		
Loss from continuing operations	\$ (9,212)	11,245
Other comprehensive income (loss)	(1)	23
Comprehensive income	<u><u>\$ (9,213)</u></u>	<u><u>11,268</u></u>

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

(g) Business combinations

- (i) 1) The Group expects to improve its management synergy. Therefore, on February 29, 2020, the Company gained control over Eminent. The Group's equity interest in Eminent is 43.98%. The main business activities of Eminent are the manufacturing and sales of optical instruments, electronic devices, computer and related products.
- 2) The following table summarized the consideration paid for Eminent and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 3) After the business combinations, the Group's equity interest in Eminent did not change. The Group recognized its profit based on the fair value remeasurement amounting to \$15,000 thousand; please refer to note 6(r).
- (ii) 1) The Group expects to enhance its AI's business development and operational efficiency, therefore, on January 31, 2020, the Group acquired 86.96% shares of Rising Star, thus, gained control over it. The main business activities of Rising Star are the application of AI methods on traffic control, and using the development experience to improve urban traffic congestion.
- 2) The following table summarized the consideration paid for Rising Star and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

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

(h) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office and transportation equipment</u>	<u>Equipment awaiting examination</u>	<u>Total</u>
Cost:						
Balance as of January 1, 2020	\$ 230,790	1,089,827	518,632	151,594	8,567	1,999,410
Acquisitions	-	-	26,939	358	2,680	29,977
Additions	-	2,546	6,895	4,010	4,767	18,218
Derecognized	-	-	(9,400)	(60)	-	(9,460)
Reclassification	-	234	3,020	-	(819)	2,435
Effect of exchange rate changes	-	-	(85)	(86)	-	(171)
Balance as of March 31, 2020	\$ <u>230,790</u>	<u>1,092,607</u>	<u>546,001</u>	<u>155,816</u>	<u>15,195</u>	<u>2,040,409</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, 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>
Accumulated depreciation:						
Balance as of January 1, 2020	\$ -	677,667	427,276	133,930	-	1,238,873
Depreciation	-	4,062	11,897	1,867	-	17,826
Derecognized	-	-	(3,144)	(60)	-	(3,204)
Effect of exchange rate changes	-	-	(74)	(75)	-	(149)
Balance as of March 31, 2020	<u>\$ -</u>	<u>681,729</u>	<u>435,955</u>	<u>135,662</u>	<u>-</u>	<u>1,253,346</u>
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>
Carrying value:						
Balance as of January 1, 2020	<u>\$ 230,790</u>	<u>412,160</u>	<u>91,356</u>	<u>17,664</u>	<u>8,567</u>	<u>760,537</u>
Balance as of March 31, 2020	<u>\$ 230,790</u>	<u>410,878</u>	<u>110,046</u>	<u>20,154</u>	<u>15,195</u>	<u>787,063</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>

(i) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance as of January 1, 2020	\$ 186,140	40,667	375	8,847	236,029
Purchases	-	-	-	915	915
Effect of changes in foreign exchange rates	-	(331)	-	-	(331)
Balance as of March 31, 2020	<u>\$ 186,140</u>	<u>40,336</u>	<u>375</u>	<u>9,762</u>	<u>236,613</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	<u>186,140</u>	<u>22,186</u>	<u>-</u>	<u>-</u>	<u>208,326</u>
Balance at January 1, 2019 after adjustment	186,140	22,186	-	-	208,326
Purchases	-	703	375	-	1,078
Effect of changes in foreign exchange rates	<u>-</u>	<u>404</u>	<u>-</u>	<u>-</u>	<u>404</u>
Balance as of March 31, 2019	<u><u>\$ 186,140</u></u>	<u><u>23,293</u></u>	<u><u>375</u></u>	<u><u>-</u></u>	<u><u>209,808</u></u>
Accumulated depreciation:					
Balance at January 1, 2020	\$ 5,570	8,024	237	1,715	15,546
Depreciation for the year	1,393	3,982	59	959	6,393
Effect of changes in foreign exchange rates	<u>-</u>	<u>(63)</u>	<u>-</u>	<u>-</u>	<u>(63)</u>
Balance as of March 31, 2020	<u><u>\$ 6,963</u></u>	<u><u>11,943</u></u>	<u><u>296</u></u>	<u><u>2,674</u></u>	<u><u>21,876</u></u>
Balance as of January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2019 after adjustment	-	-	-	-	-
Depreciation for the year	1,393	4,744	59	-	6,196
Effect of changes in foreign exchange rates	<u>-</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>35</u>
Balance as of March 31, 2019	<u><u>\$ 1,393</u></u>	<u><u>4,779</u></u>	<u><u>59</u></u>	<u><u>-</u></u>	<u><u>6,231</u></u>
Book value:					
Balance as of January 1, 2020	<u><u>\$ 180,570</u></u>	<u><u>32,643</u></u>	<u><u>138</u></u>	<u><u>7,132</u></u>	<u><u>220,483</u></u>
Balance as of March 31, 2020	<u><u>\$ 179,177</u></u>	<u><u>28,393</u></u>	<u><u>79</u></u>	<u><u>7,088</u></u>	<u><u>214,737</u></u>
Balance as of March 31, 2019	<u><u>\$ 184,747</u></u>	<u><u>18,514</u></u>	<u><u>316</u></u>	<u><u>-</u></u>	<u><u>203,577</u></u>

(j) Intangible assets

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

	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance as of January 1, 2020	\$ 176,838	153,837	161,364	492,039
Additions	-	240	76,564	76,804
Acquisitions	-	-	3,104	3,104
Derecognized	<u>-</u>	<u>-</u>	<u>(67,741)</u>	<u>(67,741)</u>
Balance as of March 31, 2020	<u><u>\$ 176,838</u></u>	<u><u>154,077</u></u>	<u><u>173,291</u></u>	<u><u>504,206</u></u>

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	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
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>
Accumulated amortization:				
Balance as of January 1, 2020	\$ -	58,927	128,893	187,820
Additions	-	6,995	10,708	17,703
Derecognized	-	-	(67,741)	(67,741)
Balance as of March 31, 2020	<u>\$ -</u>	<u>65,922</u>	<u>71,860</u>	<u>137,782</u>
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>
Book value:				
Balance as of January 1, 2020	<u>\$ 176,838</u>	<u>94,910</u>	<u>32,471</u>	<u>304,219</u>
Balance as of March 31, 2020	<u>\$ 176,838</u>	<u>88,155</u>	<u>101,431</u>	<u>366,424</u>
Balance as of March 31, 2019	<u>\$ 176,838</u>	<u>5,868</u>	<u>33,046</u>	<u>215,752</u>

(k) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Unsecured bank loans	\$ <u>48,940</u>	<u>241,000</u>	<u>265,000</u>
Range of interest rate	<u>1.69%~2.05%</u>	<u>1.69%~2.60%</u>	<u>1.69%~2.28%</u>
Unused short-term credit lines	\$ <u>665,000</u>	<u>497,000</u>	<u>395,000</u>

(l) Lease liabilities

The lease liabilities was as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current	\$ <u>18,956</u>	<u>21,279</u>	<u>19,086</u>
Non-current	\$ <u>197,695</u>	<u>200,563</u>	<u>184,905</u>

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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The amounts recognized in profit or loss was as follows:

	For the three months ended March 31, 2020	
	2020	2019
Interest on lease liabilities	\$ <u>1,088</u>	<u>926</u>
Expenses relating to short-term leases	\$ <u>397</u>	<u>3,064</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>70</u>	<u>9</u>

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

	For the three months ended March 31, 2020	
	2020	2019
Total cash outflow for leases	\$ <u>8,462</u>	<u>10,745</u>

(i) Real estate leases

As of March 31, 2020 and 2019, the Group leases land and buildings for its office space. The lease of land typically run for a period of 20 years, and of buildings for 2-3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. Some leases provide for additional rent payments that are based on changes in local price indices.

(ii) Other leases

The Group leases machinery and equipment, with lease terms of one year. These leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. The Group leases its office and transportation equipment, with lease terms ranging from one to three years. These leases are short-term or leases of low-value items which the Group has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(m) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018. The expenses recognized in profit or loss for the Group were as follows:

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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	For the three months ended March 31	
	2020	2019
Operating cost	\$ 114	142
Selling expenses	147	163
Administration expenses	130	172
Research and development expenses	1,043	1,238
	\$ 1,434	1,715

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the and three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31	
	2020	2019
Operating cost	\$ 1,912	1,846
Selling expenses	1,217	1,282
Administration expenses	1,875	2,010
Research and development expenses	10,943	10,981
	\$ 15,947	16,119

(n) Income taxes

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

Group	Year	Tax exemption products	Tax exemption period
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.

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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>
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:

	For the three months ended March 31	
	2020	2019
Current income tax expense	\$ 25,299	93,606

- (iii) The tax authorities have examined the Company's income tax return for the year 2017.

- (o) Capital and other equity

- (i) Ordinary share

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

- (ii) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Additional paid-in capital	\$ 231,051	231,051	337,409
Treasury share transactions	144,894	144,894	87,057
Difference arising from subsidiary's share price and its carrying value	63,066	-	19,567
	\$ 439,011	375,945	444,033

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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(iii) Retained earnings

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

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

(iv) Treasury stock

	<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>	
	<u>Shares (in thousands)</u>	<u>Amounts</u>	<u>Shares (in thousands)</u>	<u>Amounts</u>	<u>Shares (in thousands)</u>	<u>Amounts</u>
The Company's shares held by subsidiaries	<u>12,438</u>	<u>\$ 28,975</u>	<u>12,438</u>	<u>28,975</u>	<u>12,438</u>	<u>33,328</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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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, 2020 and 2019, the information on the Company's stock held by Elan Investment Corp. was as follows:

	For the three months ended March 31					
	2020			2019		
	Shares (in thousands)	Acquisition cost	Total market value	Shares (in thousands)	Acquisition cost	Total market value
Opening balance	12,438	\$ 28,975	1,134,364	12,438	33,328	935,353
Effects of valuation change	-	-	(90,799)	-	-	165,428
Ending balance	<u>12,438</u>	<u>\$ 28,975</u>	<u>1,043,565</u>	<u>12,438</u>	<u>33,328</u>	<u>1,100,781</u>

(v) Other equity

The movements of other equity were as follows:

	For the three months ended March 31, 2020		
	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1	\$ (5,537)	135,447	129,910
Foreign exchange differences:			
The Group	(85)	-	(85)
Associates	(1)	-	(1)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Group	-	(71,943)	(71,943)
Balance as of March 31	<u>\$ (5,623)</u>	<u>63,504</u>	<u>57,881</u>

	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
Notes to the Consolidated Financial Statements

(p) Earnings per share

Basic and diluted earnings per share for the three months ended March 31, 2020 and 2019 were calculated as follows:

(i) Basic earnings per share:

	For the three months ended March 31	
	2020	2019
Net income	\$ <u>53,833</u>	<u>395,120</u>
Weighted-average number of shares outstanding (thousands)	<u>291,442</u>	<u>291,442</u>
Earnings per share	\$ <u>0.18</u>	<u>1.36</u>

(ii) Diluted earnings per share:

	For the three months ended March 31	
	2020	2019
Net income (used to calculate diluted earnings per share)	\$ <u>53,833</u>	<u>395,120</u>
Weighted-average number of shares outstanding (thousands)	291,442	291,442
Effect of dilutive potential common stock (thousands)		
— employee emoluments	<u>4,040</u>	<u>3,258</u>
Weighted-average number of shares outstanding (thousands) used to calculate diluted earnings per share	<u>295,482</u>	<u>294,700</u>
Diluted earnings per share	\$ <u>0.18</u>	<u>1.34</u>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31	
	2020	2019
Taiwan	\$ 203,894	229,941
Mainland China	465,163	377,746
Hong Kong	1,505,451	1,260,661
America	5,738	3,774
Europe	1,977	1,307
Other	<u>24,018</u>	<u>7,185</u>
	\$ <u>2,206,241</u>	<u>1,880,614</u>

For details on revenue for the three months ended March 31, 2020 and 2019, please refer to note 14.

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(ii) Contract balances

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

(r) Non-operating income and expenses

(i) Other income

	For the three months ended March 31	
	2020	2019
Interest income	\$ 8,852	8,973
Rental income	477	514
Government grant	-	29,400
Others	273	1,550
Total	<u>\$ 9,602</u>	<u>40,437</u>

(ii) Other gains and losses

	For the three months ended March 31	
	2020	2019
Foreign exchange gains	\$ 12,041	1,295
Gains (losses) on financial asset at fair value through profit or loss	(458,536)	82,294
Loss on disposal of property, plant and equipment	(6,256)	(118)
Gains on disposal of investment	15,000	-
Total	<u>\$ (437,751)</u>	<u>83,471</u>

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

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

For the three months ended March 31, 2020 and 2019, the remunerations to employees and directors were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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The estimated employees' compensation and directors' and supervisors' remuneration are as follows:

	For the three months ended March 31	
	2020	.2019
Employees' remuneration	\$ 10,190	58,379
Directors' and supervisors' remuneration	1,312	7,510
	\$ 11,502	65,889

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

(t) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group' s financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2019.

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

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

As of March 31, 2020 and 2019, 77% of accounts receivable were composed by ten major customers. Thus, credit risk is significantly centralized.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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3) Receivables and debt securities

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

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

(ii) Liquidity risk

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

	Carrying amount	Con- tractual cash flows	Within 6 mths	6-12 mths	1-2 years	2-5 years	More than 5 years
March 31, 2020							
Non-derivative financial liabilities							
Short-term borrowings	\$ 48,940	49,084	40,127	8,957	-	-	-
Notes and accounts payable	991,696	991,696	991,696	-	-	-	-
Others payables	600,020	600,020	600,020	-	-	-	-
Lease liabilities	216,651	270,714	13,106	11,033	21,192	28,118	197,265
	<u>\$ 1,857,307</u>	<u>1,911,514</u>	<u>1,644,949</u>	<u>19,990</u>	<u>21,192</u>	<u>28,118</u>	<u>197,265</u>
December 31, 2019							
Non derivative financial liabilities							
Short-term borrowing	\$ 241,000	243,878	106,924	136,954	-	-	-
Notes and accounts payable	1,169,761	1,169,761	1,169,761	-	-	-	-
Others payable	537,940	537,940	537,940	-	-	-	-
	<u>\$ 1,948,701</u>	<u>1,951,579</u>	<u>1,814,625</u>	<u>136,954</u>	<u>-</u>	<u>-</u>	<u>-</u>
March 31, 2019							
Non-derivative financial liabilities							
Short-term loans	\$ 265,000	266,442	266,442	-	-	-	-
Notes and accounts payable	847,956	847,956	847,956	-	-	-	-
Other payables	701,317	701,317	701,317	-	-	-	-
Lease liabilities	203,991	252,429	12,358	10,002	11,219	21,585	197,265
	<u>\$ 2,018,264</u>	<u>2,068,144</u>	<u>1,828,073</u>	<u>10,002</u>	<u>11,219</u>	<u>21,585</u>	<u>197,265</u>

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

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(iii) Currency risk

1) Exposure to foreign currency risk

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

	March 31, 2020				December 31, 2019			March 31, 2019		
	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	\$	84,787	30.23	2,563,116	89,403	30.04	2,685,660	61,651	30.82	1,900,084
<u>Financial liabilities:</u>										
<u>Monetary item</u>										
US dollar		40.607	30.23	1,227,563	48,543	30.04	1,458,234	44,853	30.82	1,382,369

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, 2020 and 2019 would have increased (decreased) the equity by \$53,422 thousand and \$20,709 thousand, respectively, for the three months ended March 31, 2020 and 2019, assuming all other factors remained constant. The analysis is performed on the same basis in 2020 and 2019.

The foreign exchange gains or losses were disclosed on an aggregate basis as there were various types of functional currencies in the Group. The foreign exchange gains and losses (including realized and unrealized) amounted to \$12,041 thousand and \$1,295 thousand for the three months ended March 31, 2020 and 2019, respectively.

(iv) 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:

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March 31, 2020					
	<u>Book value</u>	<u>Fair Value</u>			<u>total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets measured at fair value through profit or loss (current and non-current)	\$ 1,761,199	1,042,428	96,330	622,441	1,761,199
Financial assets measured at fair value through other comprehensive income					
Stocks	119,890	109,737	-	10,153	119,890
Accounts receivable	558,658	-	-	-	-
Subtotal	678,548	109,737	-	10,153	119,890
Financial assets measured at amortized cost					
Cash and cash equivalents	2,056,521	-	-	-	-
Notes and accounts receivables	767,691	-	-	-	-
Other receivables	464,898	-	-	-	-
Financial assets measured at amortized cost	2,243,250	-	-	-	-
Guarantee deposits	10,302	-	-	-	-
Subtotal	5,542,662	-	-	-	-
Total	<u>\$ 7,982,409</u>	<u>1,152,165</u>	<u>96,330</u>	<u>632,594</u>	<u>1,881,089</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 48,940	-	-	-	-
Notes and accounts payables	991,696	-	-	-	-
Other payables	600,020	-	-	-	-
Lease liabilities (current and non-current)	216,651	-	-	-	-
Guarantee deposits	53,174	-	-	-	-
Total	<u>\$ 1,910,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2019					
	<u>Book value</u>	<u>Fair Value</u>			<u>total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at FVTPL (current and non-current)	\$ 2,139,064	1,345,556	154,082	639,426	2,139,064
Financial assets at FVOCI					
Stocks	191,833	179,909	-	11,924	191,833
Accounts receivable	489,034	-	-	-	-
Subtotal	680,867	179,909	-	11,924	191,833
Financial assets measured at amortized cost					
Cash and cash equivalents	1,502,121	-	-	-	-
Notes and trade receivables	734,631	-	-	-	-
Other receivables	835,141	-	-	-	-
Financial assets measured at amortized cost	2,289,450	-	-	-	-
Guarantee despositis	10,770	-	-	-	-
Subtotal	5,372,113	-	-	-	-
Total	<u>\$ 8,192,044</u>	<u>1,525,465</u>	<u>154,082</u>	<u>651,350</u>	<u>2,330,897</u>

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December 31, 2019					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Bank loans	\$ 241,000	-	-	-	-
Notes and accounts payables	1,169,761	-	-	-	-
Other payables	537,940	-	-	-	-
Lease liabilities (current and non-current)	221,842	-	-	-	-
Guarantee deposits	10,766	-	-	-	-
Total	\$ 2,181,309	-	-	-	-
March 31, 2019					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL (current and non-current)	\$ 1,573,044	532,982	158,977	881,085	1,573,044
Financial assets at FVOCI					
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	640,609	-	-	-	-
Financial assets measured at amortized cost	2,671,500	-	-	-	-
Guarantee desposits	11,123	-	-	-	-
Subtotal	5,330,761	-	-	-	-
Total	7,719,179	823,487	158,977	892,459	1,874,923
Financial assets measured at amortized cost					
Bank loans	265,000	-	-	-	-
Note and trade payable	847,956	-	-	-	-
Other payables	701,317	-	-	-	-
Lease liabilities (current and non-current)	203,991	-	-	-	-
Guarantee deposit	10,699	-	-	-	-
Total	\$ 2,028,963	-	-	-	-

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.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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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, 2020 and 2019.

4) Reconciliation of Level 3 fair values

	Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)	Financial assets at fair value through other comprehensive income	Total
Opening balance, January 1, 2020	\$ 639,426	11,924	651,350
Total gains and losses recognized:			
In profit or loss	(26,019)	-	(26,019)
In other comprehensive income	-	(1,771)	(1,771)
Purchased	10,574	-	10,574
Issued	(1,540)	-	(1,540)
Ending Balance, March 31, 2020	<u>\$ 622,441</u>	<u>10,153</u>	<u>632,594</u>
Opening balance, January 1, 2019	\$ 808,068	11,033	819,101
Total gains and losses recognized:			
In profit or loss	62,848	-	62,848
In other comprehensive income	-	341	341
Purchased	10,169	-	10,169
Ending Balance, March 31, 2019	<u>\$ 881,085</u>	<u>11,374</u>	<u>892,459</u>

For the three months ended March 31, 2020 and 2019, total gains and losses that were included in "other gains and losses" from financial assets at fair value through other comprehensive income" were as follows:

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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		For the three months ended March 31	
		2020	2019
Total gains and losses recognized:			
In profit or loss, and presented in “other gains and losses “unrealized gains and losses from financial assets at fair value through other comprehensive income”			
	\$	(26,019)	62,848
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”			
		(1,771)	341
5)	Quantified information on significant unobservable inputs (Level 3) used in fair value measurement		

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income - equity investments without an active market	Market Comparison Method	<ul style="list-style-type: none"> Price to book ratio (March 31, 2020, December 31, 2019 and March 31, 2019: 1.06% to 2.27%, 1.22%~2.35% and 1.37% to 2.72%) Non-liquid discount (March 31, 2020, December 31, 2019 and March 31, 2019: 7% to 10%) Price to earnings ratio (March 31, 2020, December 31, 2019 and March 31, 2019: 0.79% to 2.53%, 0.75%~2.63% and 0.47% to 4.57%) Price to book assets ratio (March 31, 2020, December 31, 2019 and March 31, 2019: 0.41% to 1.33%, 0.53%~1.32% and 0.76% to 2.40%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the price to book ratio were higher (lower); the non-liquid discount were lower (higher). liquidity discount for weighted market were lower (higher) the long-term revenue growth rate and long-term pre-tax operating were higher (lower)

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss - equity investments without an active market	Net Asset Value Method	Net Asset Value	Not applicable

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

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

	Input	Increase or decrease	Profit or loss	
			Favorable	Unfavorable
March 31, 2020				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	10%	3,411	(3,411)
	Non-liquid discount	10%	2,112	(2,112)
December 31, 2019				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	Decrease by 10%	9,280	(9,280)
	Non-liquid discount	Decrease by 10%	3,336	(3,336)
March 31, 2019				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Price to book ratio	10%	36,756	(36,756)
	Non-liquid discount	10%	877	(877)

(u) Financial risk management

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

(v) Capital management

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(w) Investing and financing activities not affecting current cash flow

	January 1, 2020	Cash flows	Non-cash changes			March 31, 2020
			Foreign exchange movement	Fair value changes	Others	
Short-term borrowings	\$ 241,000	(192,060)	-	-	-	48,940
Lease liabilities	221,842	(6,907)	(287)	-	2,003	216,651
Total liabilities from financial activities	<u>\$ 462,842</u>	<u>(198,967)</u>	<u>(287)</u>	<u>-</u>	<u>2,003</u>	<u>265,591</u>

	January 1, 2019	Cash flows	Capital reduction	Non-cash changes			March 31, 2019
				Foreign exchange movement	Fair value changes	Others	
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>-</u>	<u>2,004</u>	<u>468,991</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

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

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

(b) Significant transactions with related parties

(i) Raw materials purchasing services and other operating income

	For the three months ended March 31	
	2020	2019
Associates-Eminent	<u>\$ 1,821</u>	<u>(26)</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(ii) Rental income

	For the three months ended March 31	
	2020	2019
Associates-Eminent	\$ <u>262</u>	<u>476</u>

(iii) Purchase

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

	For the three months ended March 31	
	2020	2019
Associates-Eminent	\$ <u>-</u>	<u>249</u>

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

(iv) Property transaction

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

(c) Key management personnel compensation

	For the three months ended March 31	
	2020	2019
Short-term employee benefits	\$ 8,575	16,829
Post-employment benefits	<u>210</u>	<u>210</u>
	<u>\$ 8,785</u>	<u>17,039</u>

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

(8) Pledged assets: None.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, 2020, December 31 and March 31, 2019, the financial institutions had issued performance guarantees amounting to \$4,000 thousand.
- (b) As of March 31, 2020, December 31 and March 31, 2019, the refundable notes payable for short-term loans amounted to \$713,000 thousand, \$713,000 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. The development plan was completed on December 31, 2019. For the three months ended March 31, 2019, the Company recognized income from government grant amounting to \$29,400 thousand within other gains and losses income.

- (e) Royalty fee

The Company signed a software authorization contract with a software company. The contract can be terminated at 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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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					
	2020			2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee expenses						
Salaries and wages	\$ 67,211	329,213	396,424	57,829	364,145	421,974
Labor and health insurance	6,356	22,242	28,598	5,642	21,376	27,018
Pension expenses	2,026	15,355	17,381	1,988	15,846	17,834
Others	4,103	10,161	14,264	3,595	9,346	12,941
Depreciation expenses	9,483	14,736	24,219	6,152	11,793	17,945
Amortization expenses	597	17,106	17,703	1,041	9,795	10,836

- (b) Seasonality of operations

The Group's sales were affected due to the following reasons: (i) the coronavirus outbreak which resulted in a shortage of materials in the entire industry chain, (ii) the low number of working days during Lunar New Year, (iii) the first quarter of the year happened to be an off-season for electronic products. Despite of the above impacts on sales, the overall performance of the Group this year was still better as compared to that of the same period in the prior year due to the sales of touchpad laptops, touchscreen chips, as well as fingerprints and pointing devices. However, the net loss on financial assets at fair value through profit or loss this year resulted in the net profit to be lower than that of 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 month ended March 31, 2020:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of March 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	Harvatek Corporation	-	Current financial assets at fair value through profit or loss	491	4,897	-%	4,897	
Elan Microelectronics Corporation	Fubon China Money Market FUND-TWD	-	Current financial assets at fair value through profit or loss	1,915	30,190	-%	30,190	
Elan Microelectronics Corporation	PineBridge Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,209	30,343	-%	30,343	
Elan Microelectronics Corporation	Cathay Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	2,430	30,381	-%	30,381	
Elan Microelectronics Corporation	Nomura Global Short Duration Bond Fund-TWD	-	Current financial assets at fair value through profit or loss	1,960	19,727	-%	19,727	
Elan Microelectronics Corporation	KGI Victory Money Market Fund	-	Current financial assets at fair value through profit or loss	3,458	40,243	-%	40,243	
Elan Microelectronics Corporation	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	7,570	100,465	-%	100,465	
Elan Microelectronics Corporation	FSITC Money Market Fund	-	Current financial assets at fair value through profit or loss	6,313	90,150	-%	90,150	
Elan Microelectronics Corporation	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	1,832	30,030	-%	30,030	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	117	11,165	-%	11,165	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	71	21,463	-%	21,463	
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	144	44,637	-%	44,637	
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (USD)(SERIES II)	-	Current financial assets at fair value through profit or loss	100	30,230	-%	30,230	
Elan Microelectronics Corporation	Fitipower Integrated Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	1,956	46,552	1.18%	46,552	
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,100	10,153	4.23%	10,153	
Elan Microelectronics Corporation	Chino-Excel Technology Corporation	-	Non-current financial assets at fair value through profit or loss	823	-	1.48%	-	
Elan Microelectronics Corporation	Panther technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	340	4,697	0.94%	4,697	

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	XINCE Co., Ltd	-	Non-current financial assets at fair value through profit or loss	2,866	-	9.24%	-	
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,391	2,022	17.39%	2,022	
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	490	2,001	7.00%	2,001	
Elan Microelectronics Corporation	TOP TAIWAN V VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,138	1,627	8.13%	1,627	
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	717	6,187	2.17%	6,187	
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	2,878	29,721	6.12%	29,721	
Elan Microelectronics Corporation	TOP TAIWAN II VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	5,417	50,975	4.17%	50,975	
Elan Microelectronics Corporation	Midatouch Research Corporation	-	Non-current financial assets at fair value through profit or loss	2,500	8,625	10.24%	8,625	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	54,867	6.25%	54,867	
Elan Microelectronics Corporation	InnoBridge Venture Capital	-	Non-current financial assets at fair value through profit or loss	800	3,642	11.35%	3,642	
Elan Microelectronics Corporation	Startek Engineering Inc.	-	Non-current financial assets at fair value through profit or loss	189	-	0.53%	-	
Elan Microelectronics Corporation	North Star Venture Capital	-	Non-current financial assets at fair value through profit or loss	3,000	41,533	10.00%	41,533	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	5,000	38,552	6.25%	38,552	
Elan Microelectronics Corporation	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	495	-	6.56%	-	
Elan Microelectronics Corporation	Lyra Semiconductor Incorporated	-	Non-current financial assets at fair value through profit or loss	2,400	21,336	5.87%	21,336	
Elan Microelectronics Corporation	TOP TAIWAN XII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	25,000	256,352	18.52%	256,352	
Elan Microelectronics Corporation	Chimei Motor Electronics Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	950	7,030	5.00%	7,030	
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through profit or loss	500	2,045	3.41%	2,045	
Elan Microelectronics Corporation	Vertex Growth (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	37,146	-%	37,146	
Elan Investment Corp.	FSITC Money Market Fund	-	Current financial assets at fair value through profit or loss	186	33,392	-%	33,392	

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Investment Corp.	FSITC US Top 100 Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	1,500	14,026	-%	14,026	
Elan Investment Corp.	FSITC Global Wealthy Nations Bond Fund Acc TWD		Current financial assets at fair value through profit or loss	2,629	23,682	-%	23,682	
Elan Investment Corp.	Nomura Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	5,387	88,350	-%	88,350	
Elan Investment Corp.	Taishin Global Multi-asset Fund of Funds-TWD-A	-	Current financial assets at fair value through profit or loss	1,000	9,460	-%	9,460	
Elan Investment Corp.	Taishin Global Disruptive Innovation Fund-TWD	-	Current financial assets at fair value through profit or loss	1,500	14,775	-%	14,775	
Elan Investment Corp.	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	5,556	75,582	-%	75,582	
Elan Investment Corp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	40,214	-%	40,214	
Elan Investment Corp.	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	534	50,830	-%	50,830	
Elan Investment Corp.	Elan Microelectronics Corporation	Subsidiary	Non-current financial assets at fair value through other comprehensive income	12,438	1,043,565	4.09%	1,043,565	
Elan Investment Corp.	Fitipower Integrated Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	941	22,385	0.58%	22,385	
Elan Investment Corp.	Rafael Microelectronics, Inc.	-	Non-current financial assets at fair value through other comprehensive income	400	40,800	1.59%	40,800	
Elan Investment Corp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	19,274	3.88%	19,274	
Elan Investment Corp.	RISE Technology Com	-	Non-current financial assets at fair value through profit or loss	769	-	3.23%	-	
Elan Investment Corp.	FineMat Applied Materials Co., Ltd	-	Non-current financial assets at fair value through profit or loss	8,900	304,526	13.41%	304,526	
Elan Investment Corp.	Linkinwave-Preferred shares	-	Non-current financial assets at fair value through profit or loss	296	-	-%	-	
Elan Investment Corp.	Pica 8-Preferred shares	-	Non-current financial assets at fair value through profit or loss	342	4,555	2.25%	4,555	
Elan Investment Corp.	Arplanet Digital Technology Co., LTD.-Preferred shares	-	Non-current financial assets at fair value through profit or loss	114	1,351	4.69%	1,351	
Elan Investment Corp.	Arplanet Digital Technology Co., LTD.-Common Stock	-	Non-current financial assets at fair value through profit or loss	75	886	3.08%	886	
Elan Investment Corp.	INNOJOY TECHNOLOGY INC.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	143	-	10.00%	-	
Elan Investment Corp.	ZQAM Communications Corporation-Preferred shares	-	Non-current financial assets at fair value through profit or loss	1,000	5,590	4.63%	5,590	
Elan Investment Corp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	13,299	3.03%	13,299	
Elan Investment Corp.	ALGOLREALITY CO., LTD.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	100	-	13.04%	-	

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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.	Vita Genomics, Inc.	-	Non-current financial assets at fair value through profit or loss	677	6,961	1.13%	6,961	
Elan Investment Corp.	MedicusTek International Inc.	-	Non-current financial assets at fair value through profit or loss	1,010	-	1.47%	-	
Elan Investment Corp.	Taiwan i Connect Co., Ltd.-Preferred Shares	-	Non-current financial assets at fair value through profit or loss	10,000	2,167	14.29%	2,167	
Elan Investment Corp.	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	370	-	4.91%	-	

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Elan Microelectronics Corporation	Elan H.K.	Subsidiary	Sale	108,444	4.92 %	Open Account 45 Days	-		48,635	3.67%	

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	108,444	Open Account 45 Days	4.92%
0	Elan Microelectronics Corporation	Elan H.K.	1	Accounts receivables	48,635	Open Account 45 Days	0.43%
1	Elan H.K.	Elan Microelectronics Corporation	2	Commission revenue	52,553	Monthly settlement	2.38%

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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, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
Elan Microelectronics Corporation	Elan H K Microelectronics Corp. Ltd.	Hong kong, China	Sale and after-sales service	123,272	123,272	29,328	100.00 %	296,475	6,760	6,760	Note
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	858,206	(431,562)	(431,562)	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 %	16,816	509	509	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 %	732	(1,141)	(559)	Note
Elan Microelectronics Corporation	Metanoia Communications Inc.	Hsin-Chu, Taiwan	Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network	460,516	184,939	32,695	50.29 %	180,108	(20,040)	(9,608)	Note
Elan Microelectronics Corporation	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	134,523	134,523	12,542	80.08 %	4,116	(6,621)	(5,860)	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	22,823	19,520	1,083	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	96.77 %	15,821	(9,116)	(8,822)	Note
Elan Microelectronics Corporation	EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	52,100	52,100	4,113	28.94 %	32,973	1,790	518	
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	240,000	240,000	24,000	30.00 %	274,147	(21,752)	(6,526)	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	5,000	24.69 %	13,170	(1,850)	(457)	
Elan Microelectronics Corporation	Finger Pro Incorporation	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	6,000	6,000	600	23.08 %	1,441	754	174	
Elan Microelectronics Corporation	Rising Star Technology Company Limited	Taipei, Taiwan	Software information and supply of electronic services	20,000	-	2,000	86.96 %	17,213	(1,887)	(1,481)	Note
Elan Microelectronics Corporation	Bruckewell Technology Co., Ltd.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	8,000	-	800	38.65 %	6,240	(4,473)	(1,204)	
Elan Investment Corp.	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	6,463	6,463	646	4.13 %	263	(6,621)	(273)	Note
Elan Investment Corp.	RONG CHENG Technology	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	77,706	77,706	8,000	38.46 %	-	-	-	
Elan Investment Corp.	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	2,659	2,659	174	0.50 %	81	(9,116)	(45)	Note
Elan Investment Corp.	Metanoia Communications Inc.	Hsin-Chu, Taiwan	Research, design, development, manufacture and sales of Discrete Multi-Tone (DMT) chip and client chip, PON to OLT and ONU chip and GHN chip, a new generation home network	10,211	8,068	831	1.28 %	20,829	(20,040)	(303)	Note
Elan Investment Corp.	EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	38,481	38,481	3,000	15.04 %	17,532	1,790	269	
Elan (H.K.)	Power Asia Investment Corporation	Republic of Mauritius	Investment business	89,572	89,572	2,861	100.00 %	7,510	(189)	(189)	Note

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

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to 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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) recognized	Carrying value as of March 31, 2020	Accumulated inward remittance of earnings as of March 31, 2020
					Outflow	Inflow						
Elan Shanghai	Provide system design, information on applications expansion	52,095	(2)	52,095	-	-	52,095	(9,818)	100.00%	(9,818)	5,768	-
Elan Shenzhen	Provide system design, information on applications expansion	34,670	(2)	34,670	-	-	34,670	(7,507)	100.00%	(7,507)	1,269	-

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, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
86,765	98,333	4,628,281

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

(iii) Significant transactions:

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

(d) Major shareholders:

No shareholders hold more than 5%.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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, 2020											
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communica- tion Business Unit	Image Processing Design Business Unit	Security Monitoring Business Unit	Sensor Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliati on and elimination	Total
Revenue											
Revenue from external customers	\$ 700,342	1,310,016	18,677	12,777	647	58,003	-	106,792	-	(1,013)	2,206,241
Intersegment revenues	108,614	-	-	-	56	-	-	52,553	5,546	(166,769)	-
Total revenue	<u>\$ 808,956</u>	<u>1,310,016</u>	<u>18,677</u>	<u>12,777</u>	<u>703</u>	<u>58,003</u>	<u>-</u>	<u>159,345</u>	<u>5,546</u>	<u>(167,782)</u>	<u>2,206,241</u>
Reportable segment assets	<u>\$ 130,364</u>	<u>446,658</u>	<u>(19,537)</u>	<u>(6,452)</u>	<u>(8,435)</u>	<u>10,771</u>	<u>(162)</u>	<u>12,425</u>	<u>(631)</u>	<u>(51,175)</u>	<u>513,826</u>
For the three month ended March 31, 2019											
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Network Communica- tion Business Unit	Image Processing Design Business Unit	Security Monitoring Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliati on and elimination	Total	
Revenue											
Revenue from external customers	\$ 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 assets	<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>	