

**ELAN MICROELECTRONICS CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

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

Address: No.12, Innovation 1st Rd., Hsinchu Science Park, Hsinchu  
30076,Taiwan(R.O.C.)  
Telephone: (03)563-9977

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.

## Table of contents

| Contents  | Page  |
|---|-------|
| 1. Cover Page   | 1     |
| 2. Table of Contents  | 2     |
| 3. Independent Auditors' Review Report  | 3     |
| 4. Consolidated Balance Sheets  | 4     |
| 5. Consolidated Statements of Comprehensive Income  | 5     |
| 6. Consolidated Statements of Changes in Equity   | 6     |
| 7. Consolidated Statements of Cash Flows  | 7     |
| 8. Notes to the Consolidated Financial Statements   |       |
| (1) Company history   | 8     |
| (2) Approval date and procedures of the consolidated financial statements                         | 8     |
| (3) New standards, amendments and interpretations adopted   | 8~10  |
| (4) Summary of significant accounting policies  | 10~14 |
| (5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty | 14    |
| (6) Explanation of significant accounts   | 14~43 |
| (7) Related-party transactions  | 44~45 |
| (8) Pledged assets  | 45    |
| (9) Commitments and contingencies   | 45~46 |
| (10) Losses Due to Major Disasters  | 46    |
| (11) Subsequent Events  | 46    |
| (12) Other  | 47    |
| (13) Other disclosures  |       |
| (a) Information on significant transactions   | 48~52 |
| (b) Information on investees  | 53    |
| (c) Information on investment in mainland China   | 53    |
| (d) Major shareholders  | 53    |
| (14) Segment information  | 54~55 |



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666  
Fax 傳真 + 886 2 8101 6667  
Internet 網址 kpmg.com/tw

3

## 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 June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, as well as the changes in equity and cash flows for the six months ended June 30, 2020 and 2019 and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$741,840 thousand and \$202,619 thousand, constituting 5.55% and 1.84% of the consolidated total assets; and the total liabilities amounting to \$198,557 thousand and \$326,527 thousand, constituting 3.09% and 6.41% of the consolidated total liabilities as of June 30, 2020 and 2019, respectively; as well as the total comprehensive loss amounting to \$(72,843) thousand, \$(42,579) thousand, \$(111,505) thousand and \$(92,461) thousand, constituting, (7.81)%, (10.75)%, (12.33)% and (11.13)% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2020 and 2019, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of \$297,468 thousand and \$257,824 thousand as of June 30, 2020 and 2019, respectively, and its equity in net earnings on these investee companies of \$10,206 thousand, \$938 thousand, \$994 thousand and \$12,183 thousand for the three months and six months ended June 30, 2020 and 2019, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

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

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

KPMG

Taipei, Taiwan (Republic of China)  
August 5, 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 June 30, 2020 and 2019**

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30, 2020, December 31, 2019, and June 30, 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

| Assets          |   | June 30, 2020 |                   | December 31, 2019 |                  | June 30, 2019 |                  | Liabilities and Equity |                              | June 30, 2020   |    | December 31, 2019 |           | June 30, 2019    |            |                  |            |
|-----------------|---|---------------|-------------------|-------------------|------------------|---------------|------------------|------------------------|------------------------------|---|----|-------------------|-----------|------------------|------------|------------------|------------|
|                 |   | Amount        | %                 | Amount            | %                | Amount        | %                |                        |                              | Amount  | %  | Amount            | %         | Amount           | %          |                  |            |
| Current assets: |   |               |                   |                   |                  |               |                  | Current liabilities:   |                              |   |    |                   |           |                  |            |                  |            |
| 1100            | Cash and cash equivalents (notes 6(a) and (t))  | \$            | 2,775,087         | 21                | 1,502,121        | 13            | 2,222,882        | 20                     | 2100                         | Short-term borrowings (notes 6(k) and (t))                    | \$ | 49,620            | -         | 241,000          | 2          | 271,000          | 2          |
| 1110            | Current financial assets at fair value through profit or loss (notes 6(b) and (t))                |               | 1,679,691         | 13                | 778,442          | 7             | 667,743          | 6                      | 2170                         | Accounts payable (notes 6(t))                                 |    | 1,784,359         | 13        | 1,169,761        | 10         | 1,073,002        | 10         |
| 1170            | Notes and accounts receivable, net (notes 6(c), (t) and 7)  |               | 1,780,509         | 13                | 1,195,296        | 11            | 1,088,106        | 10                     | 2206                         | Employee bonus payable (notes 6(s) and (t))                   |    | 543,237           | 4         | 382,500          | 3          | 393,304          | 4          |
| 1200            | Other receivables (notes 6(c), (t))   |               | 1,186,672         | 9                 | 835,141          | 7             | 708,447          | 7                      | 2216                         | Dividends payable (notes 6(o) and (t))                        |    | 1,975,216         | 15        | -                | -          | 1,519,402        | 14         |
| 1310            | Inventories, net (note 6(d))  |               | 1,876,284         | 14                | 1,386,202        | 12            | 1,326,718        | 12                     | 2230                         | Current tax liabilities                                       |    | 480,414           | 4         | 278,873          | 2          | 305,476          | 3          |
| 1410            | Prepayments and other current assets  |               | 38,703            | -                 | 20,323           | -             | 29,003           | -                      | 2280                         | Current lease liabilities (notes 6(l) and (t))                |    | 21,002            | -         | 21,279           | -          | 17,060           | -          |
| 1476            | Financial assets at amortized cost (notes 6(a) and (t))   |               |                   |                   |                  |               |                  |                        | 2300                         | Other current liabilities (note 6(t))                         |    | <u>983,199</u>    | <u>7</u>  | <u>964,528</u>   | <u>10</u>  | <u>940,286</u>   | <u>8</u>   |
|                 |   |               | <u>1,152,950</u>  | <u>9</u>          | <u>2,289,450</u> | <u>21</u>     | <u>2,295,450</u> | <u>21</u>              |                              |   |    | <u>5,837,047</u>  | <u>43</u> | <u>3,057,941</u> | <u>27</u>  | <u>4,519,530</u> | <u>41</u>  |
|                 |   |               | <u>10,489,896</u> | <u>79</u>         | <u>8,006,975</u> | <u>71</u>     | <u>8,338,349</u> | <u>76</u>              |                              | Non-Current liabilities:                                      |    |                   |           |                  |            |                  |            |
|                 | Non-current assets:   |               |                   |                   |                  |               |                  |                        | 2570                         | Deferred tax liabilities                                      |    | 2,097             | -         | 2,097            | -          | 2,248            | -          |
|                 |   |               |                   |                   |                  |               |                  |                        | 2580                         | Non-current lease liabilities (notes 6(l) and (t))            |    | 195,059           | 1         | 200,563          | 2          | 185,883          | 2          |
| 1510            | Non-current financial assets at fair value through profit or loss (notes 6(b) and (t))            |               | 996,517           | 7                 | 1,360,622        | 12            | 883,736          | 8                      | 2640                         | Net defined benefit liability, non-current                    |    | 372,405           | 3         | 372,373          | 3          | 379,360          | 3          |
| 1517            | Non-current financial assets at fair value through other comprehensive income (note 6(e) and (t)) |               | 160,165           | 1                 | 191,833          | 2             | 273,770          | 3                      | 2645                         | Guarantee deposits received (note 6(t))                       |    | <u>26,290</u>     | <u>-</u>  | <u>10,766</u>    | <u>-</u>   | <u>10,708</u>    | <u>-</u>   |
|                 |   |               |                   |                   |                  |               |                  |                        |                              |   |    | <u>595,851</u>    | <u>4</u>  | <u>585,799</u>   | <u>5</u>   | <u>578,199</u>   | <u>5</u>   |
| 1551            | Investments accounted for using equity method (note 6(f))   |               | 297,468           | 2                 | 330,837          | 3             | 257,824          | 2                      |                              | Total liabilities   |    | <u>6,432,898</u>  | <u>47</u> | <u>3,643,740</u> | <u>32</u>  | <u>5,097,729</u> | <u>46</u>  |
| 1600            | Property, plant and equipment (notes 6(g) and 7)  |               | 801,063           | 6                 | 760,537          | 7             | 764,240          | 7                      |                              | Equity attributable to owners of parent: (notes 6(o) and (p)) |    |                   |           |                  |            |                  |            |
| 1755            | Right-of-use assets (note 6(i))   |               | 213,637           | 2                 | 220,483          | 2             | 202,102          | 2                      | 3100                         | Capital stock   |    | <u>3,038,804</u>  | <u>23</u> | <u>3,038,804</u> | <u>27</u>  | <u>3,038,804</u> | <u>28</u>  |
| 1780            | Intangible assets (note 6(j))   |               | 361,849           | 3                 | 304,219          | 3             | 217,655          | 2                      | 3200                         | Capital surplus   |    | <u>439,567</u>    | <u>3</u>  | <u>375,945</u>   | <u>3</u>   | <u>337,675</u>   | <u>3</u>   |
| 1840            | Deferred tax assets   |               | 31,862            | -                 | 31,862           | -             | 29,821           | -                      |                              | Retained earnings:  |    |                   |           |                  |            |                  |            |
| 1900            | Other non-current assets (note 6(t))  |               | 17,350            | -                 | 19,524           | -             | 24,097           | -                      | 3310                         | Legal reserve   |    | 1,825,597         | 14        | 1,575,923        | 14         | 1,575,923        | 14         |
| 1960            | Prepayments for investments   |               | -                 | -                 | 20,000           | -             | -                | -                      | 3350                         | Undistributed earnings  |    | <u>1,324,349</u>  | <u>10</u> | <u>2,577,324</u> | <u>24</u>  | <u>846,062</u>   | <u>8</u>   |
|                 |   |               |                   |                   |                  |               |                  |                        |                              |   |    | <u>3,149,946</u>  | <u>24</u> | <u>4,153,247</u> | <u>38</u>  | <u>2,421,985</u> | <u>22</u>  |
|                 |   |               | 2,879,911         | 21                | 3,239,917        | 29            | 2,653,245        | 24                     | 3400                         | Other equity  |    | <u>97,473</u>     | <u>1</u>  | <u>129,910</u>   | <u>1</u>   | <u>194,171</u>   | <u>2</u>   |
|                 |   |               |                   |                   |                  |               |                  |                        | 3500                         | Treasury shares   |    | <u>(28,975)</u>   | <u>-</u>  | <u>(28,975)</u>  | <u>-</u>   | <u>(33,328)</u>  | <u>-</u>   |
|                 |   |               |                   |                   |                  |               |                  |                        |                              | Total equity attributable to owners of parent:                |    | 6,696,815         | 51        | 7,668,931        | 69         | 5,959,307        | 55         |
|                 |   |               |                   |                   |                  |               |                  |                        | 36XX                         | Non-controlling interests                                     |    | <u>240,094</u>    | <u>2</u>  | <u>(65,779)</u>  | <u>(1)</u> | <u>(65,442)</u>  | <u>(1)</u> |
|                 |   |               |                   |                   |                  |               |                  |                        |                              | Total equity  |    | <u>6,936,909</u>  | <u>53</u> | <u>7,603,152</u> | <u>68</u>  | <u>5,893,865</u> | <u>54</u>  |
| Total assets    |   | \$            | 13,369,807        | 100               | 11,246,892       | 100           | 10,991,594       | 100                    | Total liabilities and equity |   | \$ | 13,369,807        | 100       | 11,246,892       | 100        | 10,991,594       | 100        |

See accompanying notes to financial statements.

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

|      |   | For the three months ended June 30 |            |                  |            | For the six months ended June 30 |            |                  |            |
|------|---|------------------------------------|------------|------------------|------------|----------------------------------|------------|------------------|------------|
|      |   | 2020                               |            | 2019             |            | 2020                             |            | 2019             |            |
|      |   | Amount                             | %          | Amount           | %          | Amount                           | %          | Amount           | %          |
| 4000 | <b>Operating revenue</b> (notes 6(q), 7 and 14)   | \$ 3,539,299                       | 100        | 2,181,689        | 100        | 5,745,540                        | 100        | 4,062,303        | 100        |
| 5000 | <b>Operating costs</b> (notes 6(d), (m) and 7)  | <u>1,855,596</u>                   | <u>52</u>  | <u>1,176,477</u> | <u>54</u>  | <u>3,018,619</u>                 | <u>53</u>  | <u>2,203,738</u> | <u>54</u>  |
| 5900 | <b>Gross profit from operations</b>   | 1,683,703                          | 48         | 1,005,212        | 46         | 2,726,921                        | 47         | 1,858,565        | 46         |
| 5920 | Add: Realized profit (loss) from sales  | <u>62</u>                          | <u>-</u>   | <u>(354)</u>     | <u>-</u>   | <u>(338)</u>                     | <u>-</u>   | <u>2,764</u>     | <u>-</u>   |
| 5950 | <b>Gross profits</b>  | <u>1,683,765</u>                   | <u>48</u>  | <u>1,004,858</u> | <u>46</u>  | <u>2,726,583</u>                 | <u>47</u>  | <u>1,861,329</u> | <u>46</u>  |
| 6000 | <b>Operating expenses:</b> (notes 6(c), (m) and 12)   |                                    |            |                  |            |                                  |            |                  |            |
| 6100 | Selling expenses  | 130,493                            | 4          | 92,296           | 4          | 232,212                          | 4          | 156,633          | 4          |
| 6200 | Administrative expenses   | 100,849                            | 3          | 81,709           | 4          | 171,011                          | 3          | 163,480          | 4          |
| 6300 | Research and development expenses   | 479,131                            | 14         | 375,167          | 17         | 835,900                          | 15         | 740,993          | 18         |
| 6450 | Impairment loss (impairment gain and loss) determined in accordance with IFRS 9   | <u>1,414</u>                       | <u>-</u>   | <u>(896)</u>     | <u>-</u>   | <u>1,756</u>                     | <u>-</u>   | <u>(3,115)</u>   | <u>-</u>   |
|      |   | <u>711,887</u>                     | <u>21</u>  | <u>548,276</u>   | <u>25</u>  | <u>1,240,879</u>                 | <u>22</u>  | <u>1,057,991</u> | <u>26</u>  |
| 6900 | <b>Operating income</b>   | <u>971,878</u>                     | <u>27</u>  | <u>456,582</u>   | <u>21</u>  | <u>1,485,704</u>                 | <u>25</u>  | <u>803,338</u>   | <u>20</u>  |
| 7000 | <b>Non-operating income and expenses:</b>   |                                    |            |                  |            |                                  |            |                  |            |
| 7100 | Interest income (note 6(r))   | 8,320                              | -          | 13,146           | 1          | 17,172                           | -          | 22,119           | 1          |
| 7010 | Other income (note 6(r))  | 18,119                             | 1          | 25,588           | 1          | 18,869                           | -          | 57,052           | 1          |
| 7020 | Other gains and losses (notes 6(r) and 7)   | 84,623                             | 2          | 36,921           | 2          | (353,128)                        | (6)        | 120,392          | 3          |
| 7050 | Finance costs   | (1,250)                            | -          | (2,349)          | -          | (3,244)                          | -          | (4,430)          | -          |
| 7590 | Miscellaneous disbursements   | (7,266)                            | -          | (978)            | -          | (12,667)                         | -          | (2,917)          | -          |
| 7770 | Share of gain of associates accounted for using equity method (note 6(f))   | <u>10,206</u>                      | <u>-</u>   | <u>938</u>       | <u>-</u>   | <u>994</u>                       | <u>-</u>   | <u>12,183</u>    | <u>-</u>   |
|      |   | <u>112,752</u>                     | <u>3</u>   | <u>73,266</u>    | <u>4</u>   | <u>(332,004)</u>                 | <u>(6)</u> | <u>204,399</u>   | <u>5</u>   |
| 7900 | <b>Profit before tax</b>  | 1,084,630                          | 30         | 529,848          | 25         | 1,153,700                        | 19         | 1,007,737        | 25         |
| 8110 | Less: Income tax expenses (note 6(n))   | <u>191,724</u>                     | <u>5</u>   | <u>105,770</u>   | <u>5</u>   | <u>217,023</u>                   | <u>4</u>   | <u>199,376</u>   | <u>5</u>   |
|      | <b>Net profit</b>   | <u>892,906</u>                     | <u>25</u>  | <u>424,078</u>   | <u>20</u>  | <u>936,677</u>                   | <u>15</u>  | <u>808,361</u>   | <u>20</u>  |
| 8300 | <b>Other comprehensive income (loss):</b>   |                                    |            |                  |            |                                  |            |                  |            |
| 8310 | <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>  |                                    |            |                  |            |                                  |            |                  |            |
| 8316 | Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income  | 40,275                             | 1          | (28,109)         | (1)        | (31,668)                         | (1)        | 21,670           | 1          |
| 8349 | Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss  | <u>-</u>                           | <u>-</u>   | <u>-</u>         | <u>-</u>   | <u>-</u>                         | <u>-</u>   | <u>-</u>         | <u>-</u>   |
|      |   | <u>40,275</u>                      | <u>1</u>   | <u>(28,109)</u>  | <u>(1)</u> | <u>(31,668)</u>                  | <u>(1)</u> | <u>21,670</u>    | <u>1</u>   |
| 8360 | <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>  |                                    |            |                  |            |                                  |            |                  |            |
| 8361 | Exchange differences on translation of foreign financial statements   | (659)                              | -          | 30               | -          | (744)                            | -          | 466              | -          |
| 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 | (24)                               | -          | (11)             | -          | (25)                             | -          | 12               | -          |
| 8399 | Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss  | <u>-</u>                           | <u>-</u>   | <u>-</u>         | <u>-</u>   | <u>-</u>                         | <u>-</u>   | <u>-</u>         | <u>-</u>   |
|      | Components of other comprehensive income that will be reclassified to profit or loss  | <u>(683)</u>                       | <u>-</u>   | <u>19</u>        | <u>-</u>   | <u>(769)</u>                     | <u>-</u>   | <u>478</u>       | <u>-</u>   |
| 8300 | <b>Other comprehensive income (loss), net</b>   | <u>39,592</u>                      | <u>1</u>   | <u>(28,090)</u>  | <u>(1)</u> | <u>(32,437)</u>                  | <u>(1)</u> | <u>22,148</u>    | <u>1</u>   |
| 8500 | <b>Comprehensive income</b>   | <u>\$ 932,498</u>                  | <u>26</u>  | <u>395,988</u>   | <u>19</u>  | <u>904,240</u>                   | <u>14</u>  | <u>830,509</u>   | <u>21</u>  |
|      | <b>Net profit attributable to:</b>  |                                    |            |                  |            |                                  |            |                  |            |
| 8610 | Owners of parent  | \$ 918,089                         | 26         | 434,260          | 20         | 971,922                          | 16         | 829,381          | 21         |
| 8620 | Non-controlling interests   | <u>(25,183)</u>                    | <u>(1)</u> | <u>(10,182)</u>  | <u>-</u>   | <u>(35,245)</u>                  | <u>(1)</u> | <u>(21,020)</u>  | <u>(1)</u> |
|      |   | <u>\$ 892,906</u>                  | <u>25</u>  | <u>424,078</u>   | <u>20</u>  | <u>936,677</u>                   | <u>15</u>  | <u>808,361</u>   | <u>20</u>  |
|      | <b>Comprehensive income attributable to:</b>  |                                    |            |                  |            |                                  |            |                  |            |
| 8710 | Owners of the parent  | \$ 957,681                         | 27         | 406,170          | 19         | 939,485                          | 15         | 851,529          | 22         |
| 8720 | Non-controlling interests   | <u>(25,183)</u>                    | <u>(1)</u> | <u>(10,182)</u>  | <u>-</u>   | <u>(35,245)</u>                  | <u>(1)</u> | <u>(21,020)</u>  | <u>(1)</u> |
|      |   | <u>\$ 932,498</u>                  | <u>26</u>  | <u>395,988</u>   | <u>19</u>  | <u>904,240</u>                   | <u>14</u>  | <u>830,509</u>   | <u>21</u>  |
|      | <b>Earnings per share (expressed in dollars) (note 6(p))</b>  |                                    |            |                  |            |                                  |            |                  |            |
| 9710 | Basic earnings per share  | <u>\$ 3.15</u>                     |            | <u>1.49</u>      |            | <u>3.33</u>                      |            | <u>2.85</u>      |            |
| 9850 | Diluted earnings per share  | <u>\$ 3.14</u>                     |            | <u>1.48</u>      |            | <u>3.30</u>                      |            | <u>2.82</u>      |            |

See accompanying notes to financial statements.



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

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the six months ended June 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

|  | Equity attributable to owners of parent |                 |                   |                                  |   |   |                 |   |                           |              |
|--|---|-----------------|-------------------|----------------------------------|---|---|-----------------|---|---------------------------|--------------|
|  |   |                 | Retained earnings |                                  | Total other equity interest   |   |                 | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
|  | Ordinary shares                         | Capital surplus | Legal reserve     | Unappropriated retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Treasury shares |   |                           |              |
| Balance at January 1, 2019                           | \$ 3,038,804                            | 444,033         | 1,419,965         | 1,585,683                        | (4,219)   | 176,242   | (33,328)        | 6,627,180                                     | (44,422)                  | 6,582,758    |
| Net profit   | -                                       | -               | -                 | 829,381                          | -   | -   | -               | 829,381                                       | (21,020)                  | 808,361      |
| Other comprehensive income                           | -                                       | -               | -                 | -                                | 478   | 21,670  | -               | 22,148  | -                         | 22,148       |
| Total comprehensive income                           | -                                       | -               | -                 | 829,381                          | 478   | 21,670  | -               | 851,529                                       | (21,020)                  | 830,509      |
| Appropriation and distribution of retained earnings: |   |                 |                   |                                  |   |   |                 |   |                           |              |
| Legal reserve appropriated                           | -                                       | -               | 155,958           | (155,958)                        | -   | -   | -               | -   | -                         | -            |
| Cash dividends of ordinary share                     | -                                       | -               | -                 | (1,413,044)                      | -   | -   | -               | (1,413,044)                                   | -                         | (1,413,044)  |
| Cash dividends from capital surplus                  | -                                       | (106,358)       | -                 | -                                | -   | -   | -               | (106,358)                                     | -                         | (106,358)    |
| Balance at June 30, 2019                             | \$ 3,038,804                            | 337,675         | 1,575,923         | 846,062                          | (3,741)   | 197,912   | (33,328)        | 5,959,307                                     | (65,442)                  | 5,893,865    |
| Balance at January 1, 2020                           | \$ 3,038,804                            | 375,945         | 1,575,923         | 2,577,324                        | (5,537)   | 135,447   | (28,975)        | 7,668,931                                     | (65,779)                  | 7,603,152    |
| Net profit   | -                                       | -               | -                 | 971,922                          | -   | -   | -               | 971,922                                       | (35,245)                  | 936,677      |
| Other comprehensive income                           | -                                       | -               | -                 | -                                | (769)   | (31,668)  | -               | (32,437)                                      | -                         | (32,437)     |
| Total comprehensive income                           | -                                       | -               | -                 | 971,922                          | (769)   | (31,668)  | -               | 939,485                                       | (35,245)                  | 904,240      |
| Appropriation and distribution of retained earnings: |   |                 |                   |                                  |   |   |                 |   |                           |              |
| Legal reserve appropriated                           | -                                       | -               | 249,674           | (249,674)                        | -   | -   | -               | -   | -                         | -            |
| Cash dividends of ordinary share                     | -                                       | -               | -                 | (1,975,223)                      | -   | -   | -               | (1,975,223)                                   | -                         | (1,975,223)  |
| Issuance of shares for non-controlling interests     | -                                       | -               | -                 | -                                | -   | -   | -               | -   | 318,861                   | 318,861      |
| Changes in non-controlling interests                 | -                                       | 63,622          | -                 | -                                | -   | -   | -               | 63,622  | 22,257                    | 85,879       |
| Balance at June 30, 2020                             | \$ 3,038,804                            | 439,567         | 1,825,597         | 1,324,349                        | (6,306)   | 103,779   | (28,975)        | 6,696,815                                     | 240,094                   | 6,936,909    |

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 six months ended June 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

|   | <b>For the six months ended June 30</b> |                  |
|---|---|------------------|
|   | <b>2020</b>                             | <b>2019</b>      |
| <b>Cash flows from operating activities:</b>  |   |                  |
| Profit before tax   | \$ 1,153,700                            | 1,007,737        |
| <b>Adjustments:</b>   |   |                  |
| Adjustments to reconcile profit:  |   |                  |
| Depreciation expense  | 48,423                                  | 36,132           |
| Amortization expense  | 35,764                                  | 20,070           |
| Expected credit loss (gain)   | 1,756                                   | (3,115)          |
| Net loss (gain) on financial assets at fair value through profit or loss                    | 341,801                                 | (111,634)        |
| Interest expense  | 3,244                                   | 4,430            |
| Interest income   | (17,172)                                | (22,119)         |
| Dividend income   | (11,338)                                | (7,252)          |
| Share of gains of associates accounted for using equity method                              | (994)                                   | (12,183)         |
| Loss on disposal of property, plant and equipment   | 2,982                                   | 473              |
| Gain on disposal of investment properties   | (14,724)                                | -                |
| Difference between net pension liability and actual appropriations                          | 32                                      | 541              |
| Impairment loss and disposal loss on inventory  | 61,694                                  | 50,389           |
| Others  | (1,411)                                 | (224)            |
| <b>Total adjustments to reconcile profit</b>  | <b>450,057</b>                          | <b>(44,492)</b>  |
| <b>Changes in operating assets and liabilities:</b>   |   |                  |
| Decrease (increase) in notes and accounts receivable  | (539,655)                               | 19,743           |
| Increase in inventories   | (532,123)                               | (220,854)        |
| Decrease in prepayments and other current assets  | 9,423                                   | 9,266            |
| Increase in other receivables   | (321,818)                               | (50,105)         |
| Increase in notes and accounts payable  | 583,952                                 | 97,424           |
| Increase (decrease) in other current liabilities  | 141,742                                 | (4,487)          |
| Cash inflow generated from operations   | 945,278                                 | 814,232          |
| Interest received   | 17,518                                  | 21,862           |
| Interest paid   | (3,457)                                 | (4,577)          |
| Income taxes paid   | (15,482)                                | (163,883)        |
| <b>Net cash flows from operating activities</b>   | <b>943,857</b>                          | <b>667,634</b>   |
| <b>Cash flows used in investing activities:</b>   |   |                  |
| Dividends received  | 12,610                                  | 8,644            |
| Decrease (increase) in financial assets at amortized cost                                   | 1,136,500                               | (535,970)        |
| Acquisition of current financial assets at fair value through profit or loss                | (1,154,080)                             | (67,502)         |
| Proceeds from disposal of current financial assets at fair value through profit or loss     | 221,983                                 | 79,729           |
| Acquisition of non-current financial assets at fair value through profit or loss            | (15,486)                                | (17,933)         |
| Proceeds from disposal of non-current financial assets at fair value through profit or loss | 4,002                                   | -                |
| Proceeds from capital reduction of financial assets at fair value through profit or loss    | 34,856                                  | 29,167           |
| Net cash inflows from business combination  | 123,128                                 | -                |
| Acquisition of property, plant and equipment  | (63,199)                                | (20,611)         |
| Proceeds from disposal of property, plant and equipment                                     | 1,000                                   | -                |
| Acquisition of intangible assets  | (88,798)                                | (12,407)         |
| Decrease in other non-current assets  | 2,298                                   | 1,521            |
| <b>Net cash flows from (used) in investing activities</b>                                   | <b>214,814</b>                          | <b>(535,362)</b> |
| <b>Cash flows used in financing activities:</b>   |   |                  |
| Increase in short-term loans  | 71,620                                  | 273,000          |
| Decrease in short-term loans  | (263,000)                               | (245,000)        |
| Increase (decrease) in guarantee deposits received  | (71)                                    | 31               |
| Payment of lease liabilities  | (13,115)                                | (13,194)         |
| Change in non-controlling interests   | 318,861                                 | -                |
| <b>Net cash flows from (used) in financing activities</b>                                   | <b>114,295</b>                          | <b>14,837</b>    |
| <b>Net increase in cash and cash equivalents</b>  | <b>1,272,966</b>                        | <b>147,109</b>   |
| <b>Cash and cash equivalents at the beginning of period</b>                                 | <b>1,502,121</b>                        | <b>2,075,773</b> |
| <b>Cash and cash equivalents at the end of period</b>                                       | <b>\$ 2,775,087</b>                     | <b>2,222,882</b> |

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**

**June 30, 2020 and 2019**

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

**(1) Company history**

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

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

The consolidated financial statements for the six months ended June 30, 2020 and 2019 were authorized for issuance by the Board of Directors on August 5, 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.

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

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

- (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:

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

| <b>Issuance / Release<br/>Dates</b> | <b>Standards or<br/>Interpretations</b>  | <b>Content of amendment</b>   |
|-------------------------------------|--|---|
| 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.

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.

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements

| Name of investor                      | Name of subsidiary                                   | Principal activity  | Shareholding  |                   |               | Note              |
|---------------------------------------|--|---|---------------|-------------------|---------------|-------------------|
|                                       |  |   | June 30, 2020 | December 31, 2019 | June 30, 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                           | Bruckewell Technology Co., Ltd.(Bruckewell)          | Manufactures and sells electronics devices  | 61.16 %       | - %               | - %           | note 1 and note 7 |
| The Company                           | Elan H.K.  | Sale and after-sales service  | 100.00 %      | 100.00 %          | 100.00 %      | -                 |
| The Company                           | Elan Information                                     | After-sales service and provide new informational skills  | 100.00 %      | 100.00 %          | 100.00 %      | note 1            |
| Elan H.K.                             | Power Asia   | Investment holding  | 100.00 %      | 100.00 %          | 100.00 %      | -                 |
| Power Asia                            | Elan Shanghai  | Provide system design, information on applications expansion  | 100.00 %      | 100.00 %          | 100.00 %      | -                 |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

| Name of investor | Name of subsidiary | Principal activity   | Shareholding  |                   |               | Note |
|------------------|--------------------|--|---------------|-------------------|---------------|------|
|                  |                    |  | June 30, 2020 | December 31, 2019 | June 30, 2019 |      |
| 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.

Note 7: On May 31, 2020, the Company acquired additional 22.51% equity of Bruckewell and accordingly, the Company's ownership percentage increased from 38.65% to 61.16%. Bruckewell was included in the consolidated financial statements thereafter.

**(c) Leases**

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

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

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

**(d) Employee benefits**

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

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(e) Income taxes

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

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

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

(f) Investments in associates

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

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

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

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

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

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

**(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**

|   | <b>June 30, 2020</b>       | <b>December 31,<br/>2019</b> | <b>June 30, 2019</b>    |
|---|----------------------------|------------------------------|-------------------------|
| Petty cash  | \$ 664                     | 353                          | 369                     |
| Checking and demand deposits                          | 2,597,003                  | 1,101,958                    | 870,473                 |
| Time deposits with maturities of three months or less | <u>177,420</u>             | <u>399,810</u>               | <u>1,352,040</u>        |
|   | <b><u>\$ 2,775,087</u></b> | <b><u>1,502,121</u></b>      | <b><u>2,222,882</u></b> |

As of June 30, 2020, December 31 and June 30, 2019, time deposits with maturities of more than three months held by the Group amounted to \$1,152,950 thousand, \$2,289,450 thousand, and \$2,295,450 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 six months ended June 30, 2020 and 2019. Other information relating to credit risk is provided in Note 6(t).

(Continued)



**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

|  | <u>June 30, 2020</u>       | <u>December 31,<br/>2019</u> | <u>June 30, 2019</u>    |
|--|----------------------------|------------------------------|-------------------------|
| Mandatorily measured at fair value through profit or loss: |                            |                              |                         |
| Current:   |                            |                              |                         |
| Listed stocks  | \$ 6,312                   | 6,680                        | 11,120                  |
| Open-end certificates of beneficial interest               | 1,609,747                  | 617,680                      | 497,426                 |
| Short-term commercial papers                               | <u>63,632</u>              | <u>154,082</u>               | <u>159,197</u>          |
| Subtotal   | <u>1,679,691</u>           | <u>778,442</u>               | <u>667,743</u>          |
| Non-current:   |                            |                              |                         |
| Non-publicly traded stocks                                 | 955,367                    | 1,330,470                    | 867,313                 |
| Unlisted funds   | <u>41,150</u>              | <u>30,152</u>                | <u>16,423</u>           |
| Subtotal   | <u>996,517</u>             | <u>1,360,622</u>             | <u>883,736</u>          |
| Total  | <u><u>\$ 2,676,208</u></u> | <u><u>2,139,064</u></u>      | <u><u>1,551,479</u></u> |

(c) Notes and accounts receivable

|   | <u>June 30, 2020</u>       | <u>December 31,<br/>2019</u> | <u>June 30, 2019</u>    |
|---|----------------------------|------------------------------|-------------------------|
| Notes receivable  | \$ 11,749                  | 167,777                      | 18,339                  |
| Accounts receivable - fair value through other comprehensive income | 916,960                    | 489,034                      | 573,392                 |
| Accounts receivable - measured at amortized cost                    | 881,925                    | 566,854                      | 531,886                 |
| Less: Loss allowance  | <u>(30,125)</u>            | <u>(28,369)</u>              | <u>(35,511)</u>         |
|   | <u><u>\$ 1,780,509</u></u> | <u><u>1,195,296</u></u>      | <u><u>1,088,106</u></u> |

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

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                            | <b>June 30, 2020</b>         |                                   |                             |
|----------------------------|------------------------------|-----------------------------------|-----------------------------|
|                            | <b>Gross carrying amount</b> | <b>Weighted-average loss rate</b> | <b>Expected credit loss</b> |
| Current                    | \$ 1,733,655                 | 0.40%                             | 6,981                       |
| 1 to 30 days past due      | 48,174                       | 2.16%                             | 1,043                       |
| 31 to 60 days past due     | 6,591                        | 14.4%                             | 949                         |
| 61 to 90 days past due     | 1,681                        | 36.83%                            | 619                         |
| More than 90 days past due | 20,533                       | 50%~100%                          | 20,533                      |
|                            | <b>\$ 1,810,634</b>          |                                   | <b>30,125</b>               |

  

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

  

|                            | <b>June 30, 2019</b>         |                                   |                             |
|----------------------------|------------------------------|-----------------------------------|-----------------------------|
|                            | <b>Gross carrying amount</b> | <b>Weighted-average loss rate</b> | <b>Expected credit loss</b> |
| Current                    | \$ 1,045,656                 | 0.7%                              | 7,348                       |
| 1 to 30 days past due      | 47,421                       | 2.62%                             | 1,242                       |
| 31 to 60 days past due     | 3,860                        | 14.65%                            | 565                         |
| 61 to 90 days past due     | 467                          | 30.71%                            | 143                         |
| More than 90 days past due | 26,213                       | 50%~100%                          | 26,213                      |
|                            | <b>\$ 1,123,617</b>          |                                   | <b>35,511</b>               |

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

|                                       | <b>For the six months ended June 30</b> |               |
|---------------------------------------|---|---------------|
|                                       | <b>2020</b>                             | <b>2019</b>   |
| Balance at January 1, 2019 and 2018   | \$ 28,369                               | 43,208        |
| Impairment loss recognized (reversed) | 1,756                                   | (3,115)       |
| Amounts written off                   | -                                       | (4,582)       |
| Balance at June 30, 2020 and 2019     | <b>\$ 30,125</b>                        | <b>35,511</b> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

| <b>June 30, 2020</b>     |                              |                       |                        |   |                               |                   |
|--------------------------|------------------------------|-----------------------|------------------------|---|-------------------------------|-------------------|
| <b>Purchaser</b>         | <b>Accounts derecognized</b> | <b>Factoring Line</b> | <b>Advanced Amount</b> | <b>Amount Recognized in Other Receivables</b> | <b>Range of Interest Rate</b> | <b>Collateral</b> |
| Financial Institution    | <u>\$ 1,040,802</u>          | <u>2,932,800</u>      | <u>-</u>               | <u>1,040,802</u>                              | <u>0.05%~0.10%</u>            | None              |
| <b>December 31, 2019</b> |                              |                       |                        |   |                               |                   |
| <b>Purchaser</b>         | <b>Accounts derecognized</b> | <b>Factoring Line</b> | <b>Advanced Amount</b> | <b>Amount Recognized in Other Receivables</b> | <b>Range of Interest Rate</b> | <b>Collateral</b> |
| Financial Institution    | <u>\$ 777,245</u>            | <u>2,801,600</u>      | <u>-</u>               | <u>777,245</u>                                | <u>0.05%~0.10%</u>            | None              |
| <b>June 30, 2019</b>     |                              |                       |                        |   |                               |                   |
| <b>Purchaser</b>         | <b>Accounts derecognized</b> | <b>Factoring Line</b> | <b>Advanced Amount</b> | <b>Amount Recognized in Other Receivables</b> | <b>Range of Interest Rate</b> | <b>Collateral</b> |
| Financial Institution    | <u>\$ 598,169</u>            | <u>3,042,400</u>      | <u>-</u>               | <u>598,169</u>                                | <u>0.05%~0.10%</u>            | None              |

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

(d) Inventories

|                  | <b>June 30, 2020</b>       | <b>December 31, 2019</b> | <b>June 30, 2019</b>    |
|------------------|----------------------------|--------------------------|-------------------------|
| Raw materials    | <u>\$ 730,213</u>          | <u>384,562</u>           | <u>413,552</u>          |
| Work in progress | <u>863,587</u>             | <u>717,574</u>           | <u>701,331</u>          |
| Finished goods   | <u>282,484</u>             | <u>284,066</u>           | <u>211,835</u>          |
|                  | <u><b>\$ 1,876,284</b></u> | <u><b>1,386,202</b></u>  | <u><b>1,326,718</b></u> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The details of the cost of sales are as follows:

|                              | <b>For the three months ended<br/>June 30</b> |                         | <b>For the six months ended June<br/>30</b> |                         |
|------------------------------|---|-------------------------|---|-------------------------|
|                              | <b>2020</b>                                   | <b>2019</b>             | <b>2020</b>                                 | <b>2019</b>             |
| Inventory that has been sold | \$ 1,833,589                                  | 1,146,449               | 2,957,248                                   | 2,153,711               |
| Write-down of inventories    | 22,077  | 29,991                  | 61,694                                      | 50,389                  |
| Others                       | (70)  | 37                      | (323)                                       | (362)                   |
|                              | <b><u>\$ 1,855,596</u></b>                    | <b><u>1,176,477</u></b> | <b><u>3,018,619</u></b>                     | <b><u>2,203,738</u></b> |

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

|  | <b>June 30, 2020</b>     | <b>December 31,<br/>2019</b> | <b>June 30, 2019</b>  |
|--|--------------------------|------------------------------|-----------------------|
| Equity investments at fair value through other comprehensive income: |                          |                              |                       |
| Emerging stocks  | \$ 17,083                | 11,924                       | 11,198                |
| Quoted shares  | 143,082                  | 179,909                      | 262,572               |
|  | <b><u>\$ 160,165</u></b> | <b><u>191,833</u></b>        | <b><u>273,770</u></b> |

- (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 six months ended June 30, 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).

(f) Investments accounted for using equity method

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

|            | <b>June 30, 2020</b>     | <b>December 31,<br/>2019</b> | <b>June 30, 2019</b>  |
|------------|--------------------------|------------------------------|-----------------------|
| Associates | <b><u>\$ 297,468</u></b> | <b><u>330,837</u></b>        | <b><u>257,824</u></b> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

|   | Nature of the relationship   | Principal country | June 30, 2020     |                   | December 31, 2019 |                   | June 30, 2019  |                   |
|---|--|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|-------------------|
|   |  |                   | Amount            | Share-holding (%) | Amount            | Share-holding (%) | Amount         | Share-holding (%) |
| Tong Fu Investment Corporation                    | Investment holding   | R.O.C.            | \$ 30,000         | 46.73             | 30,000            | 46.73             | 30,000         | 46.73             |
| Lighting Device Technologies 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             |
|   |  |                   | <u>\$ 415,418</u> |                   | <u>513,808</u>    |                   | <u>491,607</u> |                   |

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

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

|                                   | For the three months ended |            | For the six months ended June |               |
|-----------------------------------|----------------------------|------------|-------------------------------|---------------|
|                                   | June 30                    |            | 30                            |               |
|                                   | 2020                       | 2019       | 2020                          | 2019          |
| Attributable to the Group:        |                            |            |                               |               |
| Loss from continuing operations   | \$ 10,206                  | 938        | 994                           | 12,183        |
| Other comprehensive income (loss) | (24)                       | (11)       | (25)                          | 12            |
| Comprehensive income              | <u>\$ 10,182</u>           | <u>927</u> | <u>969</u>                    | <u>12,195</u> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(g) Business combinations

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

|   |                   |
|---|-------------------|
|   | <b>109.2.19</b>   |
| Fair value of pre-existing interest in Eminent  | \$ 54,466         |
| Non-controlling interest in the acquire, if any | 69,376            |
|   | <b>\$ 123,842</b> |
| 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          | <b>\$ 123,842</b> |

- 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).

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (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.
- 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:

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

- (iii) 1) On May 31, 2020, the Company acquired additional 22.51% equity of Bruckewell and accordingly, the Company's ownership percentage increased from 38.65% to 61.16% and had control over the investee.
- 2) The following table summarizes the acquisition-date fair value of major class of consideration transferred.

|   |                            |
|---|----------------------------|
|   | <b><u>May 31, 2020</u></b> |
| Cash  | \$ 12,000                  |
| Fair value of pre-existing in Bruckewell        | 5,502                      |
| Non-controlling interest in the acquire, if any | <u>8,735</u>               |
|   | <b><u>\$ 26,237</u></b>    |

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

(Continued)



**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Current assets

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

Non-current assets

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

Current liabilities

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

- 4) Goodwill arising from the acquisition has been recognized

|  |                        |
|--|------------------------|
|  | <b>January 31,</b>     |
|  | <b>2020</b>            |
| Consideration transferred                            | \$ 26,237              |
| Less: Fair value of identifiable net assets acquired | (24,782)               |
|  | <u><u>\$ 1,455</u></u> |

- 5) The Group re-measured the fair value of its existing equity interest in Bruckewell 38.65% before the business combination, and the resulting loss of \$555 thousand; please refer to note 6(r).

(h) Property, plant and equipment

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

|                                 | <u>Land</u>              | <u>Buildings</u>        | <u>Machinery and equipment</u> | <u>Office and transportation equipment</u> | <u>Equipment awaiting examination</u> | <u>Total</u>            |
|---------------------------------|--------------------------|-------------------------|--------------------------------|--|---------------------------------------|-------------------------|
| Cost:                           |                          |                         |                                |  |                                       |                         |
| Balance as of January 1, 2020   | \$ 230,790               | 1,089,827               | 518,632                        | 151,594                                    | 8,567                                 | 1,999,410               |
| Acquisitions                    | -                        | -                       | 32,960                         | 4,345                                      | 2,680                                 | 39,985                  |
| Additions                       | -                        | 4,266                   | 19,991                         | 6,539                                      | 32,403                                | 63,199                  |
| Derecognized                    | -                        | -                       | (13,764)                       | (3,551)                                    | -                                     | (17,315)                |
| Reclassification                | -                        | 234                     | 6,148                          | -  | (29,324)                              | (22,942)                |
| Effect of exchange rate changes | -                        | -                       | (221)                          | (237)                                      | -                                     | (458)                   |
| Balance as of June 30, 2020     | <u><u>\$ 230,790</u></u> | <u><u>1,094,327</u></u> | <u><u>563,746</u></u>          | <u><u>158,690</u></u>                      | <u><u>14,326</u></u>                  | <u><u>2,061,879</u></u> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                                 | <u>Land</u>       | <u>Buildings</u> | <u>Machinery<br/>and<br/>equipment</u> | <u>Office and<br/>transportation<br/>equipment</u> | <u>Equipment<br/>awaiting<br/>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                       | -                 | 2,015            | 8,741                                  | 2,225  | 7,630   | 20,611           |
| Derecognized                    | -                 | -                | (2,095)                                | (2,780)  | -   | (4,875)          |
| Reclassification                | -                 | 17               | 24,985                                 | (61)   | (25,002)                                      | (61)             |
| Effect of exchange rate changes | -                 | -                | 89                                     | 110  | -   | 199              |
| Balance as of June 30, 2019     | <u>\$ 230,790</u> | <u>1,086,446</u> | <u>504,782</u>                         | <u>145,028</u>                                     | <u>15,695</u>                                 | <u>1,982,741</u> |
| Accumulated depreciation:       |                   |                  |  |  |   |                  |
| Balance as of January 1, 2020   | \$ -              | 677,667          | 427,276                                | 133,930  | -   | 1,238,873        |
| Depreciation                    | -                 | 8,201            | 23,584                                 | 3,893  | -   | 35,678           |
| Derecognized                    | -                 | -                | (9,793)                                | (3,540)  | -   | (13,333)         |
| Effect of exchange rate changes | -                 | -                | (198)                                  | (204)  | -   | (402)            |
| Balance as of June 30, 2020     | <u>\$ -</u>       | <u>685,868</u>   | <u>440,869</u>                         | <u>134,079</u>                                     | <u>-</u>                                      | <u>1,260,816</u> |
| Balance as of January 1, 2019   | \$ -              | 660,712          | 405,140                                | 133,141  | -   | 1,198,993        |
| Depreciation                    | -                 | 8,501            | 12,517                                 | 2,925  | -   | 23,943           |
| Derecognized                    | -                 | -                | (2,055)                                | (2,555)  | -   | (4,610)          |
| Effect of exchange rate changes | -                 | -                | 79                                     | 96   | -   | 175              |
| Balance as of June 30, 2019     | <u>\$ -</u>       | <u>669,213</u>   | <u>415,681</u>                         | <u>133,607</u>                                     | <u>-</u>                                      | <u>1,218,501</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 June 30, 2020     | <u>\$ 230,790</u> | <u>408,459</u>   | <u>122,877</u>                         | <u>24,611</u>                                      | <u>14,326</u>                                 | <u>801,063</u>   |
| Balance as of June 30, 2019     | <u>\$ 230,790</u> | <u>417,233</u>   | <u>89,101</u>                          | <u>11,421</u>                                      | <u>15,695</u>                                 | <u>764,240</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<br/>and<br/>equipment</u> | <u>Office<br/>equipment</u> | <u>Total</u>   |
|--|-------------------|------------------|--|-----------------------------|----------------|
| Cost:  |                   |                  |  |                             |                |
| Balance as of January 1, 2020                  | \$ 186,140        | 40,667           | 375                                    | 8,847                       | 236,029        |
| Purchases                                      | 743               | 4,892            | -                                      | 915                         | 6,550          |
| Derecognized                                   | -                 | (3,654)          | -                                      | -                           | (3,654)        |
| Effect of changes in foreign<br>exchange rates | -                 | (749)            | -                                      | -                           | (749)          |
| Balance as of June 30, 2020                    | <u>\$ 186,883</u> | <u>41,156</u>    | <u>375</u>                             | <u>9,762</u>                | <u>238,176</u> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|   | <u>Land</u>              | <u>Buildings</u>     | <u>Machinery<br/>and<br/>equipment</u> | <u>Office<br/>equipment</u> | <u>Total</u>          |
|---|--------------------------|----------------------|--|-----------------------------|-----------------------|
| Balance as of January 1, 2019               | \$ -                     | -                    | -                                      | -                           | -                     |
| Effects of retrospective application        | <u>186,140</u>           | <u>22,186</u>        | <u>-</u>                               | <u>-</u>                    | <u>208,326</u>        |
| Balance at January 1, 2019 after adjustment | 186,140                  | 22,186               | -                                      | -                           | 208,326               |
| Purchases                                   | -                        | 8,580                | 375                                    | -                           | 8,955                 |
| Derecognized                                | -                        | (5,072)              | -                                      | -                           | (5,072)               |
| Effect of changes in foreign exchange rates | <u>-</u>                 | <u>231</u>           | <u>-</u>                               | <u>-</u>                    | <u>231</u>            |
| Balance as of June 30, 2019                 | <u><u>\$ 186,140</u></u> | <u><u>25,925</u></u> | <u><u>375</u></u>                      | <u><u>-</u></u>             | <u><u>212,440</u></u> |
| Accumulated depreciation:                   |                          |                      |  |                             |                       |
| Balance at January 1, 2020                  | \$ 5,570                 | 8,024                | 237                                    | 1,715                       | 15,546                |
| Depreciation for the year                   | 2,790                    | 7,919                | 118                                    | 1,918                       | 12,745                |
| Derecognized                                | -                        | (3,654)              | -                                      | -                           | (3,654)               |
| Effect of changes in foreign exchange rates | <u>-</u>                 | <u>(98)</u>          | <u>-</u>                               | <u>-</u>                    | <u>(98)</u>           |
| Balance as of June 30, 2020                 | <u><u>\$ 8,360</u></u>   | <u><u>12,191</u></u> | <u><u>355</u></u>                      | <u><u>3,633</u></u>         | <u><u>24,539</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                   | 2,785                    | 9,286                | 118                                    | -                           | 12,189                |
| Derecognized                                | -                        | (1,847)              | -                                      | -                           | (1,847)               |
| Effect of changes in foreign exchange rates | <u>-</u>                 | <u>(4)</u>           | <u>-</u>                               | <u>-</u>                    | <u>(4)</u>            |
| Balance as of June 30, 2019                 | <u><u>\$ 2,785</u></u>   | <u><u>7,435</u></u>  | <u><u>118</u></u>                      | <u><u>-</u></u>             | <u><u>10,338</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 June 30, 2020                 | <u><u>\$ 178,523</u></u> | <u><u>28,965</u></u> | <u><u>20</u></u>                       | <u><u>6,129</u></u>         | <u><u>213,637</u></u> |
| Balance as of June 30, 2019                 | <u><u>\$ 183,355</u></u> | <u><u>18,490</u></u> | <u><u>257</u></u>                      | <u><u>-</u></u>             | <u><u>202,102</u></u> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Intangible assets

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

|                                  | <u>Goodwill</u>   | <u>Technical<br/>Know-how</u> | <u>Computer<br/>software</u> | <u>Total</u>   |
|----------------------------------|-------------------|-------------------------------|------------------------------|----------------|
| Cost:                            |                   |                               |                              |                |
| Balance as of January 1, 2020    | \$ 176,838        | 153,837                       | 161,364                      | 492,039        |
| Additions                        | -                 | 3,587                         | 85,211                       | 88,798         |
| Acquisitions                     | 1,455             | -                             | 3,141                        | 4,596          |
| Derecognized                     | -                 | (402)                         | (69,750)                     | (70,152)       |
| Balance as of June 30, 2020      | <u>\$ 178,293</u> | <u>157,022</u>                | <u>179,966</u>               | <u>515,281</u> |
| Balance as of January 1, 2019    | \$ 176,838        | 91,504                        | 146,195                      | 414,537        |
| Additions                        | -                 | 2,757                         | 9,650                        | 12,407         |
| Derecognized                     | -                 | (34,191)                      | (4,886)                      | (39,077)       |
| Effects of exchange rate changes | -                 | -                             | 10                           | 10             |
| Balance as of June 30, 2019      | <u>\$ 176,838</u> | <u>60,070</u>                 | <u>150,969</u>               | <u>387,877</u> |
| Accumulated amortization:        |                   |                               |                              |                |
| Balance as of January 1, 2020    | \$ -              | 58,927                        | 128,893                      | 187,820        |
| Additions                        | -                 | 14,197                        | 21,567                       | 35,764         |
| Derecognized                     | -                 | (402)                         | (69,750)                     | (70,152)       |
| Balance as of June 30, 2020      | <u>\$ -</u>       | <u>72,722</u>                 | <u>80,710</u>                | <u>153,432</u> |
| Balance as of January 1, 2019    | \$ -              | 82,862                        | 106,356                      | 189,218        |
| Additions                        | -                 | 3,741                         | 16,329                       | 20,070         |
| Derecognized                     | -                 | (34,191)                      | (4,886)                      | (39,077)       |
| Effects of exchange rate changes | -                 | -                             | 11                           | 11             |
| Balance as of June 30, 2019      | <u>\$ -</u>       | <u>52,412</u>                 | <u>117,810</u>               | <u>170,222</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 June 30, 2020      | <u>\$ 178,293</u> | <u>84,300</u>                 | <u>99,256</u>                | <u>361,849</u> |
| Balance as of June 30, 2019      | <u>\$ 176,838</u> | <u>7,658</u>                  | <u>33,159</u>                | <u>217,655</u> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Short-term borrowings

The short-term borrowings were summarized as follows:

|                                | <b>June 30, 2020</b> | <b>December 31,<br/>2019</b> | <b>June 30, 2019</b> |
|--------------------------------|----------------------|------------------------------|----------------------|
| Unsecured bank loans           | \$ <u>49,620</u>     | <u>241,000</u>               | <u>271,000</u>       |
| Range of interest rate         | <u>1.50%~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>319,000</u>       |

(l) Lease liabilities

The lease liabilities was as follows:

|             | <b>June 30, 2020</b> | <b>December 31,<br/>2019</b> | <b>June 30, 2019</b> |
|-------------|----------------------|------------------------------|----------------------|
| Current     | \$ <u>21,002</u>     | <u>21,279</u>                | <u>17,060</u>        |
| Non-current | \$ <u>195,059</u>    | <u>200,563</u>               | <u>185,883</u>       |

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

The amounts recognized in profit or loss was as follows:

|  | <b>For the three months ended<br/>June 30</b> |              | <b>For the six months ended June<br/>30</b> |              |
|--|---|--------------|---|--------------|
|  | <b>2020</b>                                   | <b>2019</b>  | <b>2020</b>                                 | <b>2019</b>  |
| Interest on lease liabilities  | \$ <u>1,037</u>                               | <u>934</u>   | <u>2,125</u>                                | <u>1,860</u> |
| Expenses relating to short-term leases   | \$ <u>4,224</u>                               | <u>4,689</u> | <u>8,063</u>                                | <u>7,753</u> |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | \$ <u>43</u>                                  | <u>8</u>     | <u>113</u>                                  | <u>17</u>    |
| Covid-19-related rent concessions  | \$ <u>(590)</u>                               | <u>-</u>     | <u>(590)</u>                                | <u>-</u>     |

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

|                               | <b>For the six months ended June<br/>30, 2020</b> |               |
|-------------------------------|---|---------------|
|                               | <b>2020</b>                                       | <b>2019</b>   |
| Total cash outflow for leases | \$ <u>22,826</u>                                  | <u>22,824</u> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Real estate leases

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

(ii) Other leases

The Group leases machinery and equipment, with lease terms 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:

|                                   | <b>For the three months ended<br/>June 30</b> |              | <b>For the six months ended June<br/>30</b> |              |
|-----------------------------------|---|--------------|---|--------------|
|                                   | <b>2020</b>                                   | <b>2019</b>  | <b>2020</b>                                 | <b>2019</b>  |
| Operating cost                    | \$ 114  | 143          | 228   | 285          |
| Selling expenses                  | 147   | 164          | 294   | 327          |
| Administration expenses           | 96  | 169          | 226   | 341          |
| Research and development expenses | 1,076   | 1,240        | 2,119                                       | 2,478        |
|                                   | <b>\$ 1,433</b>                               | <b>1,716</b> | <b>2,867</b>                                | <b>3,431</b> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Defined contribution plans

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

|                                   | For the three months ended<br>June 30 |               | For the six months ended June<br>30 |               |
|-----------------------------------|---------------------------------------|---------------|-------------------------------------|---------------|
|                                   | 2020                                  | 2019          | 2020                                | 2019          |
| Operating cost                    | \$ 2,155                              | 1,819         | 4,067                               | 3,665         |
| Selling expenses                  | 1,437                                 | 1,244         | 2,654                               | 2,526         |
| Administration expenses           | 1,293                                 | 1,779         | 3,168                               | 3,789         |
| Research and development expenses | 10,759                                | 11,214        | 21,702                              | 22,195        |
|                                   | <u>\$ 15,644</u>                      | <u>16,056</u> | <u>31,591</u>                       | <u>32,175</u> |

(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.           |
| 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.       |

(Continued)



**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (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:

|                            | <b>For the three months ended<br/>June 30</b> |                | <b>For the six months ended June<br/>30</b> |                |
|----------------------------|---|----------------|---|----------------|
|                            | <b>2020</b>                                   | <b>2019</b>    | <b>2020</b>                                 | <b>2019</b>    |
| Current income tax expense | <b>\$ 191,724</b>                             | <b>105,770</b> | <b>217,023</b>                              | <b>199,376</b> |

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

(ii) Capital surplus

The balances of capital surplus were as follows:

|   | <b>June 30, 2020</b> | <b>December 31,<br/>2019</b> | <b>June 30, 2019</b> |
|---|----------------------|------------------------------|----------------------|
| Additional paid-in capital  | \$ 231,051           | 231,051                      | 231,051              |
| Treasury share transactions   | 144,894              | 144,894                      | 87,057               |
| Difference arising from subsidiary's share price and its carrying value | 63,622               | -                            | 19,567               |
|   | <b>\$ 439,567</b>    | <b>375,945</b>               | <b>337,675</b>       |

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

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(iv) Treasury stock

|  | <b>June 30, 2020</b>             |                  | <b>December 31, 2019</b>         |                | <b>June 30, 2019</b>             |                |
|--|----------------------------------|------------------|----------------------------------|----------------|----------------------------------|----------------|
|  | <b>Shares (in<br/>thousands)</b> | <b>Amounts</b>   | <b>Shares (in<br/>thousands)</b> | <b>Amounts</b> | <b>Shares (in<br/>thousands)</b> | <b>Amounts</b> |
| The Company's<br>shares held<br>by<br>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>  |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 six months ended June 30, 2020 and 2019, the information on the Company's stock held by Elan Investment Corp. was as follows:

|                             | For the six months ended June 30 |                  |                    |                       |                  |                    |
|-----------------------------|----------------------------------|------------------|--------------------|-----------------------|------------------|--------------------|
|                             | 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 | -                                | -                | 364,439            | -                     | -                | (29,852)           |
| Ending balance              | <u>12,438</u>                    | <u>\$ 28,975</u> | <u>1,498,803</u>   | <u>12,438</u>         | <u>33,328</u>    | <u>905,501</u>     |

(v) Other equity

The movements of other equity were as follows:

|   | For the six months ended June 30, 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   | (744)   | -   | (744)         |  |
| Associates  | (25)  | -   | (25)          |  |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income |   |   |               |  |
| The Group   | -   | (31,668)  | (31,668)      |  |
| Balance as of June 30   | <u>\$ (6,306)</u>   | <u>103,779</u>  | <u>97,473</u> |  |

  

|   | For the six months ended June 30, 2019                      |   |                |  |
|---|---|---|----------------|--|
|   | Foreign exchange differences arising from foreign operation | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total          |  |
| Balance as of January 1   | \$ (4,219)  | 176,242   | 172,023        |  |
| Foreign exchange differences:   |   |   |                |  |
| The Group   | 466   | -   | 466            |  |
| Associates  | 12  | -   | 12             |  |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income |   |   |                |  |
| The Group   | -   | 21,670  | 21,670         |  |
| Balance as of June 30   | <u>\$ (3,741)</u>   | <u>197,912</u>  | <u>194,171</u> |  |

(Continued)

**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 and six months ended June 30, 2020 and 2019 were calculated as follows:

(i) Basic earnings per share:

|  | For the three months ended<br>June 30 |                | For the six months ended June<br>30 |                |
|--|---------------------------------------|----------------|-------------------------------------|----------------|
|  | 2020                                  | 2019           | 2020                                | 2019           |
| Net income   | <u>\$ 918,089</u>                     | <u>434,260</u> | <u>971,922</u>                      | <u>829,381</u> |
| Weighted-average<br>number of shares<br>outstanding<br>(thousands) | <u>291,442</u>                        | <u>291,442</u> | <u>291,442</u>                      | <u>291,442</u> |
| Earnings per share   | <u>\$ 3.15</u>                        | <u>1.49</u>    | <u>3.33</u>                         | <u>2.85</u>    |

(ii) Diluted earnings per share:

|   | For the three months ended<br>June 30 |                | For the six months ended June<br>30 |                |
|---|---------------------------------------|----------------|-------------------------------------|----------------|
|   | 2020                                  | 2019           | 2020                                | 2019           |
| Net income (used to<br>calculate diluted<br>earnings per share)   | <u>\$ 918,089</u>                     | <u>434,260</u> | <u>971,922</u>                      | <u>829,381</u> |
| Weighted-average<br>number of shares<br>outstanding<br>(thousands)  | 291,442                               | 291,442        | 291,442                             | 291,442        |
| Effect of dilutive<br>potential common<br>stock (thousands)   |                                       |                |                                     |                |
| — employee<br>emoluments  | <u>1,182</u>                          | <u>1,683</u>   | <u>3,142</u>                        | <u>2,982</u>   |
| Weighted-average<br>number of shares<br>outstanding<br>(thousands) used to<br>calculate diluted<br>earnings per share | <u>\$ 292,624</u>                     | <u>293,125</u> | <u>294,584</u>                      | <u>294,424</u> |
| Diluted earnings per<br>share   | <u>\$ 3.14</u>                        | <u>1.48</u>    | <u>3.30</u>                         | <u>2.82</u>    |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

|                | For the three months ended<br>June 30 |                  | For the six months ended June<br>30 |                  |
|----------------|---------------------------------------|------------------|-------------------------------------|------------------|
|                | 2020                                  | 2019             | 2020                                | 2019             |
| Taiwan         | \$ 205,173                            | 236,775          | 409,067                             | 466,716          |
| Mainland China | 699,062                               | 392,666          | 1,164,225                           | 770,412          |
| Hong Kong      | 2,578,208                             | 1,542,470        | 4,083,659                           | 2,803,131        |
| America        | 7,426                                 | 3,073            | 13,164                              | 6,847            |
| Europe         | 1,847                                 | 781              | 3,824                               | 2,088            |
| Other          | 47,583                                | 5,924            | 71,601                              | 13,109           |
|                | <u>\$ 3,539,299</u>                   | <u>2,181,689</u> | <u>5,745,540</u>                    | <u>4,062,303</u> |

For details on revenue for the three months ended June 30, 2020 and the six months ended June 30, 2020 and 2019, please refer to note 14.

(ii) Contract balances

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

(r) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

|                                       | For the three months ended<br>June 30 |               | For the six months ended June<br>30 |               |
|---------------------------------------|---------------------------------------|---------------|-------------------------------------|---------------|
|                                       | 2020                                  | 2019          | 2020                                | 2019          |
| Interest income from<br>bank deposits | \$ <u>8,320</u>                       | <u>13,146</u> | <u>17,172</u>                       | <u>22,119</u> |

(ii) Other income

|                  | For the three months ended<br>June 30 |               | For the six months ended June<br>30 |               |
|------------------|---------------------------------------|---------------|-------------------------------------|---------------|
|                  | 2020                                  | 2019          | 2020                                | 2019          |
| Rental income    | \$ 476                                | 484           | 953                                 | 998           |
| Dividend income  | 11,338                                | 7,252         | 11,338                              | 7,252         |
| Government grant | -                                     | -             | -                                   | 29,400        |
| Others           | 6,305                                 | 17,852        | 6,578                               | 19,402        |
| Total            | <u>\$ 18,119</u>                      | <u>25,588</u> | <u>18,869</u>                       | <u>57,052</u> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Other gains and losses

|   | <b>For the three months ended<br/>June 30</b> |               | <b>For the six months ended June<br/>30</b> |                |
|---|---|---------------|---|----------------|
|   | <b>2020</b>                                   | <b>2019</b>   | <b>2020</b>                                 | <b>2019</b>    |
| Foreign exchange gains  | \$ (35,110)                                   | 7,925         | (23,069)                                    | 9,220          |
| Gains (losses) on<br>financial asset at fair<br>value through profit<br>or loss | 116,735                                       | 29,340        | (341,801)                                   | 111,634        |
| Loss on disposal of<br>property, plant and<br>equipment                         | 3,274   | (355)         | (2,982)                                     | (473)          |
| Gains (losses) on<br>disposal of<br>investment                                  | (276)   | -             | 14,724                                      | -              |
| Others  | -   | 11            | -   | 11             |
| <b>Total</b>  | <b>\$ 84,623</b>                              | <b>36,921</b> | <b>(353,128)</b>                            | <b>120,392</b> |

(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 six months ended June 30, 2020 and 2019, the remunerations to employees and directors were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

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

|   | <b>For the three months ended<br/>June 30</b> |               | <b>For the six months ended June<br/>30</b> |                |
|---|---|---------------|---|----------------|
|   | <b>2020</b>                                   | <b>2019</b>   | <b>2020</b>                                 | <b>2019</b>    |
| Employees' remuneration                     | \$ 132,242                                    | 64,166        | 142,432                                     | 122,545        |
| Directors' and supervisors'<br>remuneration | 16,993  | 8,249         | 18,305                                      | 15,759         |
|   | <b>\$ 149,235</b>                             | <b>72,415</b> | <b>160,737</b>                              | <b>138,304</b> |

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 June 30, 2020 and 2019, 81% and 80%, respectively, of accounts receivable were composed by ten major customers. Thus, credit risk is significantly centralized.

3) Receivables and debt securities

For credit risk exposure of note and 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 six months ended June 30, 2020 and 2019, respectively.

(Continued)



**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Liquidity risk

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

|                                      | <u>Carrying<br/>amount</u> | <u>Con-<br/>tractual<br/>cash flows</u> | <u>Within 6<br/>mths</u> | <u>6-12<br/>mths</u> | <u>1-2<br/>years</u> | <u>2-5<br/>years</u> | <u>More than<br/>5 years</u> |
|--------------------------------------|----------------------------|---|--------------------------|----------------------|----------------------|----------------------|------------------------------|
| <b>June 30, 2020</b>                 |                            |   |                          |                      |                      |                      |                              |
| Non-derivative financial liabilities |                            |   |                          |                      |                      |                      |                              |
| Short-term borrowings                | \$ 49,620                  | 50,429                                  | 463                      | 49,966               | -                    | -                    | -                            |
| Notes and accounts payable           | 1,784,359                  | 1,784,359                               | 1,784,359                | -                    | -                    | -                    | -                            |
| Others payables                      | 691,868                    | 691,868                                 | 691,868                  | -                    | -                    | -                    | -                            |
| Dividends payable                    | 1,975,216                  | 1,975,216                               | 1,975,216                | -                    | -                    | -                    | -                            |
| Lease liabilities                    | 216,061                    | 267,917                                 | 13,081                   | 11,831               | 23,312               | 25,338               | 194,355                      |
|                                      | <u>\$ 4,717,124</u>        | <u>4,769,789</u>                        | <u>4,464,987</u>         | <u>61,797</u>        | <u>23,312</u>        | <u>25,338</u>        | <u>194,355</u>               |
| <b>December 31, 2019</b>             |                            |   |                          |                      |                      |                      |                              |
| 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                  | -                    | -                    | -                    | -                            |
| Lease liabilities                    | 221,842                    | 275,195                                 | 13,649                   | 11,707               | 20,956               | 31,618               | 197,265                      |
|                                      | <u>\$ 2,170,543</u>        | <u>2,226,774</u>                        | <u>1,828,274</u>         | <u>148,661</u>       | <u>20,956</u>        | <u>31,618</u>        | <u>197,265</u>               |
| <b>June 30, 2019</b>                 |                            |   |                          |                      |                      |                      |                              |
| Non-derivative financial liabilities |                            |   |                          |                      |                      |                      |                              |
| Short-term loans                     | \$ 271,000                 | 272,971                                 | 194,457                  | 78,514               | -                    | -                    | -                            |
| Notes and accounts payable           | 1,073,002                  | 1,073,002                               | 1,073,002                | -                    | -                    | -                    | -                            |
| Other payables                       | 645,191                    | 645,191                                 | 645,191                  | -                    | -                    | -                    | -                            |
| Dividends payable                    | 1,519,402                  | 1,519,402                               | 1,519,402                | -                    | -                    | -                    | -                            |
| Lease liabilities                    | 202,943                    | 260,684                                 | 12,333                   | 8,131                | 11,195               | 28,163               | 200,862                      |
|                                      | <u>\$ 3,711,538</u>        | <u>3,771,250</u>                        | <u>3,444,385</u>         | <u>86,645</u>        | <u>11,195</u>        | <u>28,163</u>        | <u>200,862</u>               |

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

|                        | June 30, 2020       |                  |       | December 31, 2019   |                  |       | June 30, 2019       |                  |       |           |
|------------------------|---------------------|------------------|-------|---------------------|------------------|-------|---------------------|------------------|-------|-----------|
|                        | Foreign<br>currency | Exchange<br>rate | TWD   | Foreign<br>currency | Exchange<br>rate | TWD   | Foreign<br>currency | Exchange<br>rate | TWD   |           |
| Financial assets:      |                     |                  |       |                     |                  |       |                     |                  |       |           |
| Monetary item          |                     |                  |       |                     |                  |       |                     |                  |       |           |
| US dollar              | \$                  | 126,525          | 29.57 | 3,741,342           | 89,403           | 30.04 | 2,685,660           | 76,509           | 31.06 | 2,376,377 |
| Financial liabilities: |                     |                  |       |                     |                  |       |                     |                  |       |           |
| Monetary item          |                     |                  |       |                     |                  |       |                     |                  |       |           |
| US dollar              |                     | 68,735           | 29.57 | 2,032,504           | 48,543           | 30.04 | 1,458,234           | 48,234           | 31.06 | 1,498,153 |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 June 30, 2020 and 2019 would have increased (decreased) the equity by \$68,354 thousand and \$35,129 thousand, respectively, for the six months ended June 30, 2020 and 2019, assuming all other factors remained constant. The analysis is performed on the same basis in 2020 and 2019.

The foreign exchange gains or losses were disclosed on an aggregate basis as there were various types of functional currencies in the Group. The foreign exchange gains and losses (including realized and unrealized) amounted to \$(23,069) thousand and \$9,220 thousand for the six months ended June 30, 2020 and 2019, respectively.

(iv) Other market price risk

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

|  | For the six months ended June 30     |            |                                      |            |
|--|--------------------------------------|------------|--------------------------------------|------------|
|  | 2020                                 |            | 2019                                 |            |
|  | Other comprehensive income after tax | Net income | Other comprehensive income after tax | Net income |
| Prices of securities at the reporting date |                                      |            |                                      |            |
| Increase 5%                                | \$ 6,407                             | 38,464     | 10,951                               | 34,135     |
| Decrease 5%                                | \$ (6,407)                           | (38,464)   | (10,951)                             | (35,135)   |

(v) Fair value of financial instruments

1) Fair value hierarchy

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

| <b>June 30, 2020</b>   |                     |                   |                |                |                  |
|--|---------------------|-------------------|----------------|----------------|------------------|
|  | <b>Book value</b>   | <b>Fair Value</b> |                |                | <b>total</b>     |
|  |                     | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> |                  |
| Financial assets measured at fair value through profit or loss (current and non-current) | \$ 2,676,208        | 2,028,278         | 63,632         | 584,298        | 2,676,208        |
| Financial assets measured at fair value through other comprehensive income               |                     |                   |                |                |                  |
| Stocks   | 160,165             | 143,082           | -              | 17,083         | 160,165          |
| Accounts receivable  | 916,960             | -                 | -              | -              | -                |
| Subtotal   | 1,077,125           | 143,082           | -              | 17,083         | 160,165          |
| Financial assets measured at amortized cost  |                     |                   |                |                |                  |
| Cash and cash equivalents  | 2,775,087           | -                 | -              | -              | -                |
| Notes and accounts receivables   | 893,674             | -                 | -              | -              | -                |
| Other receivables  | 1,186,672           | -                 | -              | -              | -                |
| Financial assets measured at amortized cost  |                     |                   |                |                |                  |
| cost   | 1,152,950           | -                 | -              | -              | -                |
| Guarantee deposits   | 10,572              | -                 | -              | -              | -                |
| Subtotal   | 6,018,955           | -                 | -              | -              | -                |
| <b>Total</b>   | <b>\$ 9,772,288</b> | <b>2,171,360</b>  | <b>63,632</b>  | <b>601,381</b> | <b>2,836,373</b> |
| Financial liabilities measured at amortized cost   |                     |                   |                |                |                  |
| Bank loans   | \$ 49,620           | -                 | -              | -              | -                |
| Notes and accounts payables  | 1,784,359           | -                 | -              | -              | -                |
| Other payables   | 691,868             | -                 | -              | -              | -                |
| Lease liabilities (current and non-current)  | 216,061             | -                 | -              | -              | -                |
| Guarantee deposits   | 26,290              | -                 | -              | -              | -                |
| <b>Total</b>   | <b>\$ 2,768,198</b> | <b>-</b>          | <b>-</b>       | <b>-</b>       | <b>-</b>         |
| <b>December 31, 2019</b>   |                     |                   |                |                |                  |
|  | <b>Book value</b>   | <b>Fair Value</b> |                |                | <b>total</b>     |
|  |                     | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> |                  |
| 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  |                     |                   |                |                |                  |
| cost   | 2,289,450           | -                 | -              | -              | -                |
| Guarantee desposits  | 10,770              | -                 | -              | -              | -                |
| Subtotal   | 5,372,113           | -                 | -              | -              | -                |
| <b>Total</b>   | <b>\$ 8,192,044</b> | <b>1,525,465</b>  | <b>154,082</b> | <b>651,350</b> | <b>2,330,897</b> |
| 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              | -                 | -              | -              | -                |
| <b>Total</b>   | <b>\$ 2,181,309</b> | <b>-</b>          | <b>-</b>       | <b>-</b>       | <b>-</b>         |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|   | June 30, 2019       |                |                |                |                  |
|---|---------------------|----------------|----------------|----------------|------------------|
|   | Book value          | Fair Value     |                |                | total            |
|   | Level 1             | Level 2        | Level 3        |                |                  |
| Financial assets at FVTPL (current and non-current) | \$ 1,551,479        | 508,546        | 159,197        | 883,736        | 1,551,479        |
| Financial assets at FVOCI                           |                     |                |                |                |                  |
| Stocks  | 273,770             | 262,572        | -              | 11,198         | 273,770          |
| Accounts receivable                                 | 573,392             | -              | -              | -              | -                |
| Subtotal  | 847,162             | 262,572        | -              | 11,198         | 273,770          |
| Financial assets measured at amortized cost         |                     |                |                |                |                  |
| Cash and cash equivalents                           | 2,222,882           | -              | -              | -              | -                |
| Notes and trade receivables                         | 550,225             | -              | -              | -              | -                |
| Other receivables                                   | 708,447             | -              | -              | -              | -                |
| Financial assets measured at amortized cost         | 2,295,450           | -              | -              | -              | -                |
| Guarantee desposits                                 | 12,694              | -              | -              | -              | -                |
| Subtotal  | 5,789,698           | -              | -              | -              | -                |
| Total   | <u>\$ 8,188,339</u> | <u>771,118</u> | <u>159,197</u> | <u>894,934</u> | <u>1,825,249</u> |
| Financial assets measured at amortized cost         |                     |                |                |                |                  |
| Bank loans  | 271,000             | -              | -              | -              | -                |
| Note and trade payable                              | 1,073,002           | -              | -              | -              | -                |
| Other payables                                      | 645,191             | -              | -              | -              | -                |
| Lease liabilities (current and non-current)         | 202,943             | -              | -              | -              | -                |
| Guarantee deposit                                   | 10,708              | -              | -              | -              | -                |
| Total   | <u>\$ 2,202,844</u> | <u>-</u>       | <u>-</u>       | <u>-</u>       | <u>-</u>         |

2) Valuation techniques for financial instruments measured at fair value

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

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 six months ended June 30, 2020 and 2019.

4) Reconciliation of Level 3 fair values

|   | <b>Non derivative<br/>mandatorily<br/>measured at fair<br/>value through<br/>profit or loss<br/>(held-for-trading<br/>financial assets)</b> | <b>Financial assets<br/>at fair value<br/>through other<br/>comprehensive<br/>income</b> | <b>Total</b>          |
|---|---|--|-----------------------|
| Opening balance, January 1, 2020                          | \$ 639,426  | 11,924   | 651,350               |
| Total gains and losses recognized:                        |   |  |                       |
| In profit or loss   | (30,495)  | -  | (30,495)              |
| In other comprehensive income                             | -   | 5,159  | 5,159                 |
| Purchased   | 15,486  | -  | 15,486                |
| Issued  | (5,263)   | -  | (5,263)               |
| Reduce the capital for redistribution to<br>share holders | (34,856)  | -  | (34,856)              |
| Ending Balance, June 30, 2020                             | <u><u>\$ 584,298</u></u>  | <u><u>17,083</u></u>   | <u><u>601,381</u></u> |
| Opening balance, January 1, 2019                          | \$ 808,068  | 11,033   | 819,101               |
| Total gains and losses recognized:                        |   |  |                       |
| In profit or loss   | 57,735  | -  | 57,735                |
| In other comprehensive income                             | -   | 165  | 165                   |
| Purchased   | 17,933  | -  | 17,933                |
| Ending Balance, June 30, 2019                             | <u><u>\$ 883,736</u></u>  | <u><u>11,198</u></u>   | <u><u>894,934</u></u> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

|  | For the three months ended<br>June 30 |         | For the six months ended June<br>30 |        |
|--|---------------------------------------|---------|-------------------------------------|--------|
|  | 2020                                  | 2019    | 2020                                | 2019   |
| Total gains and losses recognized:   |                                       |         |                                     |        |
| In profit or loss, and presented in “other gains and losses “unrealized gains and losses from financial assets at fair value through other comprehensive income” | \$ (4,476)                            | (5,113) | (30,495)                            | 57,735 |
| In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”             | 6,930                                 | (176)   | 5,159                               | 165    |
| 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”.

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Quantified information of significant unobservable inputs was as follows:

| <b>Item</b>   | <b>Valuation technique</b> | <b>Significant unobservable inputs</b>   | <b>Inter-relationship between significant unobservable inputs and fair value measurement</b>   |
|---|----------------------------|--|--|
| Financial assets at fair value through other comprehensive income - equity investments without an active market | Market Comparison Method   | <ul style="list-style-type: none"> <li>Price to book ratio (June 30, 2020, December 31, 2019 and June 30, 2019: 1.04% to 2.87%, 1.22%~2.35% and 1.03% to 2.74%)</li> <li>Non-liquid discount (June 30, 2020, December 31, 2019 and June 30, 2019: 7% to 10%)</li> <li>Price to earnings ratio (June 30, 2020, December 31, 2019 and June 30, 2019: 0.43% to 2.13%, 0.75%~2.63% and 0.74% to 4.57%)</li> <li>Price to book assets ratio (June 30, 2020, December 31, 2019 and June 30, 2019: 0.45% to 1.38%, 0.53%~1.32% and 0.45% to 2.14%)</li> </ul> | The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> <li>the price to book ratio were higher (lower);</li> <li>the non-liquid discount were lower (higher).</li> <li>liquidity discount for weighted market were lower (higher)</li> <li>the long-term revenue growth rate and long-term pre-tax operating were higher (lower)</li> </ul> |
| Financial assets at fair value through profit or loss - equity investments without an active market             | Net Asset Value Method     | Net Asset Value  | Not applicable   |

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

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

|   | <u>Input</u>        | <u>Increase or decrease</u> | <u>Profit or loss</u> |                    |
|---|---------------------|-----------------------------|-----------------------|--------------------|
|   |                     |                             | <u>Favorable</u>      | <u>Unfavorable</u> |
| <b>June 30, 2020</b>                                  |                     |                             |                       |                    |
| Financial assets at fair value through profit or loss |                     |                             |                       |                    |
| Equity investments without an active market           | Price to book ratio | 10%                         | 6,707                 | (6,707)            |
|   | Non-liquid discount | 10%                         | 1,056                 | (1,056)            |
| <b>December 31, 2019</b>                              |                     |                             |                       |                    |
| 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)            |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|   |                     | Input | Increase or decrease | Profit or loss |             |
|---|---------------------|-------|----------------------|----------------|-------------|
|   |                     |       |                      | Favorable      | Unfavorable |
| <b>June 30, 2019</b>                                  |                     |       |                      |                |             |
| Financial assets at fair value through profit or loss |                     |       |                      |                |             |
| Equity investments without an active market           | Price to book ratio | 10%   | 33,890               | (33,890)       |             |
|   | Non-liquid discount | 10%   | 1,204                | (1,204)        |             |

(u) Financial risk management

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

(v) Capital management

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

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

|   | January 1, 2020   | Cash flows       | Non-cash changes          |                    |              | June 30, 2020  |
|---|-------------------|------------------|---------------------------|--------------------|--------------|----------------|
|   |                   |                  | Foreign exchange movement | Fair value changes | Others       |                |
| Short-term borrowings                       | \$ 241,000        | (191,380)        | -                         | -                  | -            | 49,620         |
| Lease liabilities                           | 221,842           | (13,115)         | (751)                     | -                  | 8,085        | 216,061        |
| Total liabilities from financial activities | <u>\$ 462,842</u> | <u>(204,495)</u> | <u>(751)</u>              | <u>-</u>           | <u>8,085</u> | <u>265,681</u> |

|   | January 1, 2019   | Cash flows    | Capital reduction | Non-cash changes          |                    |              | June 30, 2019  |
|---|-------------------|---------------|-------------------|---------------------------|--------------------|--------------|----------------|
|   |                   |               |                   | Foreign exchange movement | Fair value changes | Others       |                |
| Short-term borrowings                       | \$ 243,000        | 28,000        | -                 | -                         | -                  | -            | 271,000        |
| Lease liabilities                           | 208,326           | (13,194)      | -                 | 232                       | -                  | 7,579        | 202,943        |
| Total liabilities from financial activities | <u>\$ 451,326</u> | <u>14,806</u> | <u>-</u>          | <u>232</u>                | <u>-</u>           | <u>7,579</u> | <u>473,943</u> |

(Continued)



**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(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

|                    | <u>For the three months ended<br/>June 30</u> |             | <u>For the six months ended June<br/>30</u> |             |
|--------------------|---|-------------|---|-------------|
|                    | <u>2020</u>                                   | <u>2019</u> | <u>2020</u>                                 | <u>2019</u> |
| Associates-Eminent | \$ -  | 4,767       | 1,821                                       | 4,741       |

(ii) Rental income

|                    | <u>For the three months ended<br/>June 30</u> |             | <u>For the six months ended June<br/>30</u> |             |
|--------------------|---|-------------|---|-------------|
|                    | <u>2020</u>                                   | <u>2019</u> | <u>2020</u>                                 | <u>2019</u> |
| Associates-Eminent | \$ -  | 476         | 262   | 952         |

(iii) Purchase

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

|                    | <u>For the three months ended<br/>June 30</u> |             | <u>For the six months ended June<br/>30</u> |             |
|--------------------|---|-------------|---|-------------|
|                    | <u>2020</u>                                   | <u>2019</u> | <u>2020</u>                                 | <u>2019</u> |
| Associates-Eminent | \$ -  | (229)       | -   | 20          |

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.

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Receivable from related parties

The receivables from related parties are as follows:

| <b>Accounts</b>      | <b>Types of related parties</b> | <b>June 30, 2020</b> | <b>December 31, 2019</b> | <b>June 30, 2019</b> |
|----------------------|---------------------------------|----------------------|--------------------------|----------------------|
| Accounts receivables | Associates-Eminent              | \$ -                 | 626                      | 1,218                |
| Other receivables    | Associates-Eminent              | -                    | 12,812                   | 51,274               |
|                      |                                 | <u>\$ -</u>          | <u>13,438</u>            | <u>52,492</u>        |

(v) Property transaction

In January 2015, the Company sold its fixed assets to the associate-Eminent, with the selling price and the fixed asset cost amounting to \$4,856 thousand and \$9,154 thousand, respectively. The loss on disposal amounting to \$4,298 thousand, including the unrealized loss of \$1,942 thousand, is to be recognized over its benefit years of 5 years. As of June 30, 2019, the realized loss and deferred loss on disposal amounted to \$4,104 thousand and \$194 thousand, respectively. All the unrealized loss had been realized in 2019.

(c) Key management personnel compensation

|                              | <b>For the three months ended June 30</b> |               | <b>For the six months ended June 30</b> |               |
|------------------------------|---|---------------|---|---------------|
|                              | <b>2020</b>                               | <b>2019</b>   | <b>2020</b>                             | <b>2019</b>   |
| Short-term employee benefits | \$ 27,975                                 | 15,328        | 36,550                                  | 32,157        |
| Post-employment benefits     | 117                                       | 145           | 327                                     | 355           |
|                              | <u>\$ 28,092</u>                          | <u>15,473</u> | <u>36,877</u>                           | <u>32,512</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.**

**(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 June 30, 2020, December 31 and June 30, 2019, the financial institutions had issued performance guarantees amounting to \$4,000 thousand.

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (b) As of June 30, 2020, December 31 and June 30, 2019, the refundable notes payable for short-term loans amounted to \$713,000 thousand, \$713,000 thousand, and \$565,000 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 six months ended June 30, 2019, the Company recognized income from government grant amounting to \$29,400 thousand within other gains and losses income.

- (e) Royalty fee

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

(Continued)

**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 June 30 |                   |         |                |                   |         |
|----------------------------|------------------------------------|-------------------|---------|----------------|-------------------|---------|
|                            | 2020                               |                   |         | 2019           |                   |         |
|                            | Operating cost                     | Operating expense | Total   | Operating cost | Operating expense | Total   |
| Employee expenses          |                                    |                   |         |                |                   |         |
| Salaries and wages         | \$ 90,786                          | 475,358           | 566,144 | 56,015         | 365,919           | 421,934 |
| Labor and health insurance | 6,910                              | 22,447            | 29,357  | 5,170          | 21,649            | 26,819  |
| Pension expenses           | 2,269                              | 14,808            | 17,077  | 1,962          | 15,810            | 17,772  |
| Remuneration of directors  | -                                  | -                 | -       | -              | -                 | -       |
| Others                     | 5,327                              | 10,895            | 16,222  | 3,717          | 14,949            | 18,666  |
| Depreciation expenses      | 7,730                              | 16,474            | 24,204  | 5,685          | 12,502            | 18,187  |
| Amortization expenses      | 704                                | 17,357            | 18,061  | 1,058          | 8,176             | 9,234   |

  

|                            | For the six months ended June 30 |                   |         |                |                   |         |
|----------------------------|----------------------------------|-------------------|---------|----------------|-------------------|---------|
|                            | 2020                             |                   |         | 2019           |                   |         |
|                            | Operating cost                   | Operating expense | Total   | Operating cost | Operating expense | Total   |
| Employee expenses          |                                  |                   |         |                |                   |         |
| Salaries and wages         | \$ 157,997                       | 804,571           | 962,568 | 113,844        | 730,064           | 843,908 |
| Labor and health insurance | 13,266                           | 44,689            | 57,955  | 10,812         | 43,025            | 53,837  |
| Pension expenses           | 4,295                            | 30,163            | 34,458  | 3,950          | 31,656            | 35,606  |
| Others                     | 9,430                            | 21,056            | 30,486  | 7,312          | 18,809            | 26,121  |
| Depreciation expenses      | 17,213                           | 31,210            | 48,423  | 11,837         | 24,295            | 36,132  |
| Amortization expenses      | 1,301                            | 34,463            | 35,764  | 2,099          | 17,971            | 20,070  |

- (b) Seasonality of operations

Because of the global working from home, online learning and stay-at-home economics, the demand for the laptop industry skyrocketed in the second quarter. The sales of the Group's touch pads, touchscreen chips, fingerprint identification products and pointing devices was increased quarterly by 79%, 72%, 84% and 36%, respectively, and the demand is continuing to grow. Overall, the Group's revenue, gross margin, profit before tax and net profit in the second quarter turned out to be higher than those of the last quarter, resulting in an increase in the market share of global laptop market and in the production of top-tier laptop manufacturer.

(Continued)

## 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 six month ended June 30, 2020:

(i) Loans to other parties: None.

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

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

(In Thousands of New Taiwan Dollars)

| Name of holder                    | Category and name of security               | Relationship with company | Account title   | Ending balance           |                |                             |            | Note |
|-----------------------------------|---|---------------------------|---|--------------------------|----------------|-----------------------------|------------|------|
|                                   |   |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value |      |
| Elan Microelectronics Corporation | Harvatek Corporation                        | -                         | Current financial assets at fair value through profit or loss | 491                      | 6,312          | -%                          | 6,312      |      |
| Elan Microelectronics Corporation | Fubon China Money Market FUND-TWD           | -                         | Current financial assets at fair value through profit or loss | 1,915                    | 30,220         | -%                          | 30,220     |      |
| Elan Microelectronics Corporation | PineBridge Taiwan Money Market Fund         | -                         | Current financial assets at fair value through profit or loss | 2,209                    | 30,369         | -%                          | 30,369     |      |
| Elan Microelectronics Corporation | Cathay Taiwan Money Market Fund             | -                         | Current financial assets at fair value through profit or loss | 2,430                    | 30,411         | -%                          | 30,411     |      |
| Elan Microelectronics Corporation | Nomura Global Short Duration Bond Fund-TWD  | -                         | Current financial assets at fair value through profit or loss | 1,960                    | 20,492         | -%                          | 20,492     |      |
| Elan Microelectronics Corporation | Nomura Taiwan Money Market Fund             | -                         | Current financial assets at fair value through profit or loss | 4,874                    | 80,012         | -%                          | 80,012     |      |
| Elan Microelectronics Corporation | KGI Victory Money Market Fund               | -                         | Current financial assets at fair value through profit or loss | 7,752                    | 90,309         | -%                          | 90,309     |      |
| Elan Microelectronics Corporation | Union Money Market Fund                     | -                         | Current financial assets at fair value through profit or loss | 13,594                   | 180,618        | -%                          | 180,618    |      |
| Elan Microelectronics Corporation | FSITC Money Market Fund                     |                           | Current financial assets at fair value through profit or loss | 6,313                    | 90,250         | -%                          | 90,250     |      |
| Elan Microelectronics Corporation | Taishin 1699 Money Market Fund              |                           | Current financial assets at fair value through profit or loss | 10,288                   | 140,119        | -%                          | 140,119    |      |
| Elan Microelectronics Corporation | Yuata De-Bao Money Market Fund              |                           | Current financial assets at fair value through profit or loss | 7,448                    | 90,049         | -%                          | 90,049     |      |
| Elan Microelectronics Corporation | Yuanta De-Li Money Market Fund              | -                         | Current financial assets at fair value through profit or loss | 9,757                    | 160,108        | -%                          | 160,108    |      |
| Elan Microelectronics Corporation | FSITC Taiwan Money Market Fund              |                           | Current financial assets at fair value through profit or loss | 10,395                   | 160,120        | -%                          | 160,120    |      |
| Elan Microelectronics Corporation | FSITC Money Market                          | -                         | Current financial assets at fair value through profit or loss | 502                      | 90,043         | -%                          | 90,043     |      |
| Elan Microelectronics Corporation | Diversified FX Trading Segregated Portfolio | -                         | Current financial assets at fair value through profit or loss | 117                      | 11,115         | -%                          | 11,115     |      |
| Elan Microelectronics Corporation | Global Strategic FX Arbitrage Note          | -                         | Current financial assets at fair value through profit or loss | 71                       | 20,995         | -%                          | 20,995     |      |
| Elan Microelectronics Corporation | Multi-Manager FX Trading Note (M2)          | -                         | Current financial assets at fair value through profit or loss | 44                       | 13,067         | -%                          | 13,067     |      |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

| Name of holder                    | Category and name of security                       | Relationship with company | Account title   | Ending balance           |                |                             |            | Note |
|-----------------------------------|---|---------------------------|---|--------------------------|----------------|-----------------------------|------------|------|
|                                   |   |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value |      |
| Elan Microelectronics Corporation | Global Strategic FX Arbitrage Note (USD)(SERIES II) | -                         | Current financial assets at fair value through profit or loss                 | 100                      | 29,570         | -%                          | 29,570     |      |
| Elan Microelectronics Corporation | Fitipower Integrated Technology Inc.                | -                         | Non-current financial assets at fair value through other comprehensive income | 1,956                    | 60,831         | 1.18%                       | 60,831     |      |
| Elan Microelectronics Corporation | ThroughTek Co., Ltd.                                | -                         | Non-current financial assets at fair value through other comprehensive income | 1,100                    | 17,083         | 4.23%                       | 17,083     |      |
| 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                      | 4,676          | 0.94%                       | 4,676      |      |
| Elan Microelectronics Corporation | XINCE Co., Ltd                                      | -                         | Non-current financial assets at fair value through profit or loss             | 2,866                    | -              | 9.24%                       | -          |      |
| Elan Microelectronics Corporation | TOP TAIWAN II VENTURE CAPITAL CO., LTD.             | -                         | Non-current financial assets at fair value through profit or loss             | 1,391                    | 1,867          | 17.39%                      | 1,867      |      |
| Elan Microelectronics Corporation | TOP TAIWAN II VENTURE CAPITAL CO., LTD.             | -                         | Non-current financial assets at fair value through profit or loss             | 490                      | 2,002          | 7.00%                       | 2,002      |      |
| Elan Microelectronics Corporation | TOP TAIWAN V VENTURE CAPITAL CO., LTD.              | -                         | Non-current financial assets at fair value through profit or loss             | 1,138                    | 1,554          | 8.13%                       | 1,554      |      |
| Elan Microelectronics Corporation | TOP TAIWAN II VENTURE CAPITAL CO., LTD.             | -                         | Non-current financial assets at fair value through profit or loss             | 552                      | 3,858          | 2.17%                       | 3,858      |      |
| Elan Microelectronics Corporation | TOP TAIWAN II VENTURE CAPITAL CO., LTD.             | -                         | Non-current financial assets at fair value through profit or loss             | 2,265                    | 19,417         | 6.12%                       | 19,417     |      |
| Elan Microelectronics Corporation | TOP TAIWAN II VENTURE CAPITAL CO., LTD.             | -                         | Non-current financial assets at fair value through profit or loss             | 2,708                    | 25,420         | 4.17%                       | 25,420     |      |
| Elan Microelectronics Corporation | Midatouch Research Corporation                      | -                         | Non-current financial assets at fair value through profit or loss             | 2,500                    | 6,600          | 10.24%                      | 6,600      |      |
| Elan Microelectronics Corporation | TOP TAIWAN IX VENTURE CAPITAL CO., LTD.             | -                         | Non-current financial assets at fair value through profit or loss             | 5,000                    | 57,991         | 6.25%                       | 57,991     |      |
| Elan Microelectronics Corporation | InnoBridge Venture Capital                          | -                         | Non-current financial assets at fair value through profit or loss             | 800                      | 3,227          | 11.35%                      | 3,227      |      |
| Elan Microelectronics Corporation | Startek Engineering Inc.                            | -                         | Non-current financial assets at fair value through profit or loss             | 189                      | -              | 0.53%                       | -          |      |
| Elan Microelectronics Corporation | North Star Venture Capital                          | -                         | Non-current financial assets at fair value through profit or loss             | 3,000                    | 34,007         | 10.00%                      | 34,007     |      |
| Elan Microelectronics Corporation | TOP TAIWAN XI VENTURE CAPITAL CO., LTD.             | -                         | Non-current financial assets at fair value through profit or loss             | 5,000                    | 48,125         | 6.25%                       | 48,125     |      |
| 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                    | 27,768         | 5.87%                       | 27,768     |      |

(Continued)

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

| Name of holder                    | Category and name of security                        | Relationship with company | Account title   | Ending balance           |                |                             |            | Note |
|-----------------------------------|--|---------------------------|---|--------------------------|----------------|-----------------------------|------------|------|
|                                   |  |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value |      |
| Elan Microelectronics Corporation | TOP TAIWAN XII VENTURE CAPITAL CO., LTD.             | -                         | Non-current financial assets at fair value through profit or loss             | 25,000                   | 250,261        | 18.52%                      | 250,261    |      |
| Elan Microelectronics Corporation | Chimei Motor Electronics Co., Ltd.                   | -                         | Non-current financial assets at fair value through profit or loss             | 950                      | 7,391          | 5.00%                       | 7,391      |      |
| Elan Microelectronics Corporation | Waltop International Corporation                     | -                         | Non-current financial assets at fair value through profit or loss             | 500                      | 2,375          | 3.41%                       | 2,375      |      |
| Elan Microelectronics Corporation | Vertex Growth (SG) LP                                | -                         | Non-current financial assets at fair value through profit or loss             | -                        | 41,150         | -%                          | 41,150     |      |
| Elan Investment Corp.             | FSITC Money Market Fund                              | -                         | Current financial assets at fair value through profit or loss                 | 186                      | 33,430         | -%                          | 33,430     |      |
| Elan Investment Corp.             | FSITC US Top 100 Bond Fund Acc TWD                   | -                         | Current financial assets at fair value through profit or loss                 | 1,500                    | 15,192         | -%                          | 15,192     |      |
| Elan Investment Corp.             | FSITC Global Wealthy Nations Bond Fund Acc TWD       |                           | Current financial assets at fair value through profit or loss                 | 2,629                    | 25,780         | -%                          | 25,780     |      |
| Elan Investment Corp.             | Nomura Taiwan Money Market Fund                      | -                         | Current financial assets at fair value through profit or loss                 | 513                      | 8,420          | -%                          | 8,420      |      |
| Elan Investment Corp.             | Nomura Global Short Duration Bond Fund               |                           | Current financial assets at fair value through profit or loss                 | 4,783                    | 50,003         | -%                          | 50,003     |      |
| Elan Investment Corp.             | Nomura Global Financial Bond Fund                    |                           | Current financial assets at fair value through profit or loss                 | 2,812                    | 30,200         | -%                          | 30,200     |      |
| Elan Investment Corp.             | Taishin Short Duration Emerging High Yield Bond Fund |                           | Current financial assets at fair value through profit or loss                 | 4,200                    | 41,907         | -%                          | 41,907     |      |
| Elan Investment Corp.             | Taishin Global Multi-asset Fund of Funds-TWD-A       | -                         | Current financial assets at fair value through profit or loss                 | 1,000                    | 10,300         | -%                          | 10,300     |      |
| Elan Investment Corp.             | Taishin Global Disruptive Innovation Fund-TWD        | -                         | Current financial assets at fair value through profit or loss                 | 1,500                    | 19,110         | -%                          | 19,110     |      |
| Elan Investment Corp.             | Taishin 1699 Money Market Fund                       | -                         | Current financial assets at fair value through profit or loss                 | 5,556                    | 75,674         | -%                          | 75,674     |      |
| Elan Investment Corp.             | Taishin North American Income Trust Fund-A           | -                         | Current financial assets at fair value through profit or loss                 | 1,943                    | 44,896         | -%                          | 44,896     |      |
| Elan Investment Corp.             | Diversified FX Trading Segregated Portfolio          | -                         | Current financial assets at fair value through profit or loss                 | 534                      | 50,600         | -%                          | 50,600     |      |
| Elan Investment Corp.             | Elan Microelectronics Corporation                    | Subsidiary                | Non-current financial assets at fair value through other comprehensive income | 12,438                   | 1,498,803      | 4.09%                       | 1,498,803  |      |
| Elan Investment Corp.             | Fitipower Integrated Technology Inc.                 | -                         | Non-current financial assets at fair value through other comprehensive income | 941                      | 29,251         | 0.58%                       | 29,251     |      |
| Elan Investment Corp.             | Rafael Microelectronics, Inc.                        | -                         | Non-current financial assets at fair value through other comprehensive income | 400                      | 53,000         | 1.57%                       | 53,000     |      |
| Elan Investment Corp.             | Panther Technology Co., Ltd.                         | -                         | Non-current financial assets at fair value through profit or loss             | 1,396                    | 19,186         | 3.88%                       | 19,186     |      |
| 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                    | 412,219        | 13.41%                      | 412,219    |      |

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

| Name of holder        | Category and name of security                      | Relationship with company | Account title   | Ending balance           |                |                             |            | Note |
|-----------------------|--|---------------------------|---|--------------------------|----------------|-----------------------------|------------|------|
|                       |  |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value |      |
| Elan 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                      | 3,035          | 2.25%                       | 3,035      |      |
| Elan Investment Corp. | Arplanet Digital Technology Co., LTD.-Common Stock | -                         | Non-current financial assets at fair value through profit or loss | 75                       | 1,208          | 3.08%                       | 1,208      |      |
| Elan Investment Corp. | INNOJOY TECHNOLOGY INC.-Preferred Shares           | -                         | Non-current financial assets at fair value through profit or loss | 143                      | -              | 10.00%                      | -          |      |
| Elan Investment Corp. | ZQAM Communications Corporation-Preferred shares   | -                         | Non-current financial assets at fair value through profit or loss | 1,000                    | 4,870          | 4.63%                       | 4,870      |      |
| Elan Investment Corp. | e-Formula Technologies, Inc.                       | -                         | Non-current financial assets at fair value through profit or loss | 550                      | 10,461         | 3.03%                       | 10,461     |      |
| Elan Investment Corp. | ALGOLREALITY CO., LTD.-Preferred Shares            | -                         | Non-current financial assets at fair value through profit or loss | 100                      | -              | 13.04%                      | -          |      |
| Elan Investment Corp. | Vita Genomics, Inc.                                | -                         | Non-current financial assets at fair value through profit or loss | 677                      | 5,331          | 1.13%                       | 5,331      |      |
| 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                   | 2,518          | 14.29%                      | 2,518      |      |
| 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                | 246,795 | 4.30 %                              | Open Account 45 Days | -   |               | 42,972                              | 2.37%   |      |

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.

(Continued)



## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

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

(In Thousands of New Taiwan Dollars)

| No. | Name of company                   | Name of counter-party             | Nature of relationship | Intercompany transactions |         |                      |  |
|-----|-----------------------------------|-----------------------------------|------------------------|---------------------------|---------|----------------------|--|
|     |                                   |                                   |                        | Account name              | Amount  | Trading terms        | Percentage of the consolidated net revenue or total assets |
| 0   | Elan Microelectronics Corporation | Elan H.K.                         | 1                      | Operating revenue         | 246,795 | Open Account 45 Days | 4.30%  |
| 0   | Elan Microelectronics Corporation | Elan H.K.                         | 1                      | Accounts receivables      | 42,972  | Open Account 45 Days | 0.32%  |
| 1   | Elan H.K.                         | Elan Microelectronics Corporation | 2                      | Commission revenue        | 145,935 | Monthly settlement   | 2.54%  |

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars)

| Name of investor                  | Name of investee                         | Location                | Main businesses and products  | Original investment amount |                   | Balance as of June 30, 2020 |                         |                | Net income (losses) of investee | Share of profits/losses of investee | Note |
|-----------------------------------|--|-------------------------|---|----------------------------|-------------------|-----------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|------|
|                                   |  |                         |   | June 30, 2020              | December 31, 2019 | Shares (thousands)          | Percentage of ownership | Carrying value |                                 |                                     |      |
| Elan Microelectronics Corporation | Elan H.K. Microelectronics Corp. Ltd.    | Hong kong, China        | Sale and after-sales service  | 123,272                    | 123,272           | 29,328                      | 100.00 %                | 343,762        | 59,407                          | 59,407                              | Note |
| Elan Microelectronics Corporation | Elan Investment Corp.                    | Taipei, Taiwan          | Investment holding  | 500,000                    | 500,000           | 50,000                      | 100.00 %                | 991,570        | (317,265)                       | (317,265)                           | Note |
| Elan Microelectronics Corporation | Elan Information Technology Group        | California, USA         | Sale, after-sales service and provide new informational skills  | 22,822                     | 22,822            | 65                          | 100.00 %                | 15,552         | (402)                           | (402)                               | 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 %                 | 431            | (1,756)                         | (861)                               | 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 %                 | 164,820        | (48,006)                        | (23,684)                            | 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 %                 | (1,660)        | (14,050)                        | (11,728)                            | Note |
| Elan Microelectronics Corporation | Tong fu Investment Corp.                 | Hsin-Chu, Taiwan        | Investment holding  | 30,000                     | 30,000            | 3,000                       | 46.73 %                 | -              | -                               | -                                   |      |
| Elan Microelectronics Corporation | Lighting Device Technologies Corp.       | Hsin-Chu, Taiwan        | Research, design, develop, manufacture and sale on LED chips  | 11,712                     | 19,520            | 1,083                       | 45.07 %                 | -              | -                               | -                                   |      |
| Elan Microelectronics Corporation | PIXORD Corporation                       | Hsin-Chu, Taiwan        | Research, design, develop, manufacture and sale on Webcam and server  | 376,024                    | 376,024           | 33,871                      | 96.77 %                 | 9,091          | (16,071)                        | (15,553)                            | 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 %                 | 27,759         | (16,530)                        | (4,784)                             |      |
| Elan Microelectronics Corporation | TOP TAIWAN X VENTURE CAPITAL CO., LTD.   | Taipei, Taiwan          | Venture capital   | 240,000                    | 240,000           | 24,000                      | 30.00 %                 | 284,467        | 16,857                          | 5,067                               |      |
| Elan Microelectronics Corporation | Uniband Electronic Corp.                 | Hsin-Chu, Taiwan        | Manufactures and sells electronic devices   | 50,000                     | 50,000            | 5,000                       | 24.69 %                 | 11,519         | (8,438)                         | (2,083)                             |      |
| Elan Microelectronics Corporation | Finger Pro. Incorporation                | Hsin-Chu, Taiwan        | Manufactures and sells electronic devices   | 6,000                      | 6,000             | 600                         | 23.08 %                 | 1,482          | 1,036                           | 215                                 |      |
| Elan Microelectronics Corporation | Rising Star Technology Company Limited   | Taipei, Taiwan          | Software information and supply of electronic services  | 20,000                     | -                 | 2,000                       | 86.96 %                 | 16,212         | (3,039)                         | (2,482)                             | Note |
| Elan Microelectronics Corporation | Bruckewell Technology Co., Ltd           | Hsin-Chu, Taiwan        | Manufactures and sells electronic devices   | 20,000                     | -                 | 2,000                       | 61.16 %                 | 17,043         | (7,104)                         | (1,093)                             |      |

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

| Name of investor      | Name of investee                         | Location              | Main businesses and products  | Original investment amount |                   | Balance as of June 30, 2020 |                         |                | Net income (losses) of investee | Share of profits/losses of investee | Note |
|-----------------------|--|-----------------------|---|----------------------------|-------------------|-----------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|------|
|                       |  |                       |   | June 30, 2020              | December 31, 2019 | Shares (thousands)          | Percentage of ownership | Carrying value |                                 |                                     |      |
| Elan Investment Corp. | Avisonic Technology Corp.                | Hsin-Chu, Taiwan      | Research, design, develop, manufacture and sale on digital image-process chips  | 6,463                      | 6,463             | 646                         | 4.13 %                  | (43)           | (14,050)                        | (580)                               | 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 %                  | 47             | (16,071)                        | (80)                                | 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 %                  | 4,233          | (48,006)                        | (661)                               | Note |
| Elan Investment Corp. | EMINENT ELECTRONIC TECHNOLOGY CORP. LTD. | Hsin-Chu, Taiwan      | Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments  | 38,481                     | 38,481            | 2,138                       | 15.04 %                 | 14,776         | (16,530)                        | (2,487)                             |      |
| Elan (H.K.)           | Power Asia Investment Corporation        | Republic of Mauritius | Investment business   | 89,572                     | 89,572            | 2,861                       | 100.00 %                | 8,827          | (15,692)                        | (15,692)                            | Note |

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

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

| Name of investee | Main businesses and products                                 | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2020 | Investment flows |        | Accumulated outflow of investment from Taiwan as of June 30, 2020 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) recognized | Carrying value as of June 30, 2020 | Accumulated inward remittance of earnings as of June 30, 2020 |
|------------------|--|---------------------------------|----------------------|---|------------------|--------|---|-------------------------------------|-------------------------|---------------------------------------|------------------------------------|---|
|                  |  |                                 |                      |   | Outflow          | Inflow |   |                                     |                         |                                       |                                    |   |
| Elan Shanghai    | Provide system design, information on applications expansion | 52,095                          | ( 2 )                | 52,095  | -                | -      | 52,095  | (10,769)                            | 100.00%                 | (10,769)                              | 4,645                              | -   |
| Elan Shenzhen    | Provide system design, information on applications expansion | 34,670                          | ( 2 )                | 34,670  | -                | -      | 34,670  | (4,932)                             | 100.00%                 | (4,932)                               | 3,718                              | -   |

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 June 30, 2020 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| 86,765   | 98,333   | 4,018,089                 |

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%.

(Continued)

## 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 months ended June 30, 2020   |                                      |                                   |                                     |                                       |                                   |                          |                                   |                                   |                                |                                 |                   |
|--|--------------------------------------|-----------------------------------|-------------------------------------|---------------------------------------|-----------------------------------|--------------------------|-----------------------------------|-----------------------------------|--------------------------------|---------------------------------|-------------------|
|  | Consumer Touch Control Business Unit | Laptop Input Device Business Unit | Network Communication Business Unit | Image Processing Design Business Unit | Security Monitoring Business Unit | Sensor business Unit     | Investment Business Unit          | Sales and Retailing Business Unit | Other Business Unit            | Reconciliati on and elimination | Total             |
| Revenue                                    |                                      |                                   |                                     |                                       |                                   |                          |                                   |                                   |                                |                                 |                   |
| Revenue from external customers            | \$ 1,067,276                         | 2,270,992                         | 19,088                              | 7,797                                 | 390                               | 33,099                   | -                                 | 133,257                           | 5,346                          | 2,054                           | 3,539,299         |
| Net revenue from sales among intersegments | 140,478                              | -                                 | -                                   | -                                     | 12                                | -                        | -                                 | 93,382                            | 5,731                          | (239,603)                       | -                 |
| Total revenue                              | <u>\$ 1,207,754</u>                  | <u>2,270,992</u>                  | <u>19,088</u>                       | <u>7,797</u>                          | <u>402</u>                        | <u>33,099</u>            | <u>-</u>                          | <u>226,639</u>                    | <u>11,077</u>                  | <u>(237,549)</u>                | <u>3,539,299</u>  |
| Reportable segment profit or loss          | <u>\$ 294,146</u>                    | <u>769,726</u>                    | <u>(29,323)</u>                     | <u>(8,085)</u>                        | <u>(7,668)</u>                    | <u>(12,731)</u>          | <u>(176)</u>                      | <u>61,238</u>                     | <u>(1,527)</u>                 | <u>(93,722)</u>                 | <u>971,878</u>    |
| For the three months ended June 30, 2019   |                                      |                                   |                                     |                                       |                                   |                          |                                   |                                   |                                |                                 |                   |
|  | Consumer Touch Control Business Unit | Laptop Input Device Business Unit | Network Communication Business Unit | Image Processing Design Business Unit | Security Monitoring Business Unit | Investment Business Unit | Sales and Retailing Business Unit | Other Business Unit               | Reconciliation and elimination | Total                           |                   |
| Revenue                                    |                                      |                                   |                                     |                                       |                                   |                          |                                   |                                   |                                |                                 |                   |
| Revenue from external customers            | \$ 642,196                           | 1,361,675                         | 11,747                              | 15,967                                | 12,443                            | -                        | 138,354                           | -                                 |                                | (693)                           | 2,181,689         |
| Net revenue from sales among intersegments | 134,087                              | -                                 | -                                   | -                                     | -                                 | -                        | 57,428                            | 5,961                             | (197,476)                      | -                               |                   |
| Total revenue                              | <u>\$ 776,283</u>                    | <u>1,361,675</u>                  | <u>11,747</u>                       | <u>15,967</u>                         | <u>12,443</u>                     | <u>-</u>                 | <u>195,782</u>                    | <u>5,961</u>                      | <u>(198,169)</u>               | <u>2,181,689</u>                |                   |
| Reportable segment profit or loss          | <u>\$ 122,556</u>                    | <u>419,317</u>                    | <u>(23,621)</u>                     | <u>(8,573)</u>                        | <u>(5,109)</u>                    | <u>(185)</u>             | <u>14,396</u>                     | <u>(912)</u>                      | <u>(61,287)</u>                | <u>456,582</u>                  |                   |
| For the six month ended June 30, 2020      |                                      |                                   |                                     |                                       |                                   |                          |                                   |                                   |                                |                                 |                   |
|  | Consumer Touch Control Business Unit | Laptop Input Device Business Unit | Network Communication Business Unit | Image Processing Design Business Unit | Security Monitoring Business Unit | Sensor Business Unit     | Investment Business Unit          | Sales and Retailing Business Unit | Other Business Unit            | Reconciliati on and elimination | Total             |
| Revenue                                    |                                      |                                   |                                     |                                       |                                   |                          |                                   |                                   |                                |                                 |                   |
| Revenue from external customers            | \$ 1,767,618                         | 3,581,008                         | 37,765                              | 20,574                                | 1,037                             | 91,102                   | -                                 | 240,049                           | 5,346                          | 1,041                           | 5,745,540         |
| Intersegment revenues                      | 249,092                              | -                                 | -                                   | -                                     | 68                                | -                        | -                                 | 145,935                           | 11,277                         | (406,372)                       | -                 |
| Total revenue                              | <u>\$ 2,016,710</u>                  | <u>3,581,008</u>                  | <u>37,765</u>                       | <u>20,574</u>                         | <u>1,105</u>                      | <u>91,102</u>            | <u>-</u>                          | <u>385,984</u>                    | <u>16,623</u>                  | <u>(405,331)</u>                | <u>5,745,540</u>  |
| Reportable segment profit or loss          | <u>\$ 424,510</u>                    | <u>1,216,384</u>                  | <u>(48,860)</u>                     | <u>(14,537)</u>                       | <u>(16,103)</u>                   | <u>(1,960)</u>           | <u>(338)</u>                      | <u>73,663</u>                     | <u>(2,158)</u>                 | <u>(144,897)</u>                | <u>1,485,704</u>  |
| Equity-accounted investees                 | \$ 1,882,047                         | -                                 | -                                   | -                                     | -                                 | -                        | 35,251                            | -                                 | -                              | (1,619,830)                     | 297,468           |
| Non-current assets capital expenditure     | 138,765                              | 12,377                            | 610                                 | 790                                   | 93                                | 166                      | -                                 | 4,973                             | 773                            | -                               | 158,547           |
| Reportable segment assets                  | <u>\$ 9,559,491</u>                  | <u>3,337,385</u>                  | <u>414,331</u>                      | <u>49,338</u>                         | <u>28,446</u>                     | <u>171,853</u>           | <u>2,491,447</u>                  | <u>462,645</u>                    | <u>64,541</u>                  | <u>(3,209,670)</u>              | <u>13,369,807</u> |

**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | For the six month ended June 30, 2019      |   |  |   |  |                                |  |                           |                                       |                   |
|--|--|---|--|---|--|--------------------------------|--|---------------------------|---------------------------------------|-------------------|
|  | Consumer<br>Touch Control<br>Business Unit | Laptop<br>Input<br>Device<br>Business<br>Unit | Network<br>Communica<br>tion<br>Business<br>Unit | Image<br>Processing<br>Design<br>Business<br>Unit | Security<br>Monitoring<br>Business<br>Unit | Investment<br>Business<br>Unit | Sales and<br>Retailing<br>Business<br>Unit | Other<br>Business<br>Unit | Reconciliati<br>on and<br>elimination | Total             |
| Revenue                                |  |   |  |   |  |                                |  |                           |                                       |                   |
| Revenue from external customers        | \$ 1,168,550                               | 2,571,713                                     | 28,062   | 28,605  | 25,203                                     | -                              | 240,934                                    | -                         | (764)                                 | 4,062,303         |
| Intersegment revenues                  | 236,376                                    | -   | 576  | -   | -  | -                              | 104,576                                    | 11,479                    | (353,007)                             | -                 |
| Total revenue                          | <u>\$ 1,404,926</u>                        | <u>2,571,713</u>                              | <u>28,638</u>                                    | <u>28,605</u>                                     | <u>25,203</u>                              | <u>-</u>                       | <u>345,510</u>                             | <u>11,479</u>             | <u>(353,771)</u>                      | <u>4,062,303</u>  |
| Reportable segment profit or loss      | <u>\$ 177,342</u>                          | <u>807,978</u>                                | <u>(45,029)</u>                                  | <u>(20,795)</u>                                   | <u>(10,648)</u>                            | <u>(341)</u>                   | <u>18,470</u>                              | <u>(3,462)</u>            | <u>(120,177)</u>                      | <u>803,338</u>    |
| Equity-accounted investees             | \$ 1,172,753                               | -   | -  | -   | -  | 6,604                          | -  | -                         | (921,533)                             | 257,824           |
| Non-current assets capital expenditure | 16,077                                     | 15,195  | 28   | 770   | 1,198                                      | -                              | 8,704                                      | -                         | -                                     | 41,972            |
| Reportable segment assets              | <u>\$ 8,246,366</u>                        | <u>2,438,204</u>                              | <u>44,078</u>                                    | <u>60,396</u>                                     | <u>64,334</u>                              | <u>1,673,906</u>               | <u>361,322</u>                             | <u>19,682</u>             | <u>(1,916,694)</u>                    | <u>10,991,594</u> |