

# **ELAN MICROELECTRONICS CORP.**

## **Annual Report 2022**

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## **I. Letter to Shareholders**

**Dear Shareholders,**

### **1. 2022 Operating Results**

In 2022, due to external factors such as inflationary pressure, Russia-Ukraine war, lockdown in mainland China, and interest rate spikes, the overall market demand has significantly decreased, estimating annual double digit decline to reach 194 million units. The Company's operating focus is on the notebook computer market, which has also been significantly affected, resulting in an annual decrease of 28.9% in revenue and a lower after-tax profit than in 2021.

Although the number of products shipped in 2022 is less than that in the previous year, at present, our Company still leads the global peers in the parts of notebook computers, such as touchpad module, touch screen chip and pointing device, capturing the main market share. The next challenge is to aim at fingerprint identification products, and it is expected that in the next two to three years, we will be the fourth notebook computer parts product to win the first place in the world ahead of our peers. Although the performance of fingerprint revenue in 2022 is not as good as expected, we believe that the penetration rate of fingerprint identification in the notebook computer market is relatively low. Based on the consideration of information security and the continuous and strong promotion of Window 11, the product trend of adopting fingerprint with internal keys in notebook computers should be assured. Therefore, it is estimated that its penetration rate will continue to rise in the next few years, which will help the operational performance.

At present, the global economic environment is still grim, and the external market competition is still fierce. The Company is still striving to actively strengthen the chip design technology and engineering, effectively reduce costs, and continuously optimize the product mix. In 2022, our revenue reached NT\$13.03 billion, the gross profit margin remained at a high level of 45.9%, the net operating profit rate reached 21.4%, and the pre-tax surplus reached NT\$2.70 billion.

In 2022, the Company won the 2022 Gold Award of disaster-free working hour Record Activities of Public Institutions by the Industrial Safety and Health Association of the Republic of China, and the 10th place in the Taiwan Large Enterprises' Ranking of TOP 5000- Integrated Circuit Design Industry in 2022 Edition by the China Credit Information Service, Ltd. (CRIF, Taiwan). The Company once again won the "Environmental Sensing Advanced AI Driver Assistance System (ADAS) and Intelligent Cockpit System Development Program" sponsored by the Ministry of Economic Affairs through the A+ Enterprise Innovation Research and Development Plan of the grant amount of NT\$136 million, the Company accounted for about 67% of the total grant amount.

### **2. Summary of The Business Plan for 2023**

At this stage, the inflation pressure in 2023 is slightly relieved compared with last year, and the external environment is slightly improved, such as the lifting of lockdown in mainland China from the pandemic and the curbed interest rate increase, which brings a glimmer of light to the market. According to the information collection of major notebook brand manufacturers in the world and the analysis of relevant research institutions, the demand of notebook industry is still lower than that in 2022, and the estimated total shipment volume is between 175 million and 180 million units. However, under the premise that the destocking of the market continues and the follow-up is expected to gradually improve, in order to cope with this market phenomenon, the Company continues to deepen the deployment of new products and applications in the notebook industry, and expand the products in the non-notebook industry to enhance the overall operating performance.

Fingerprint products are still our relatively promising potential products this year. Because Window 11 emphasizes that MOC (Match-On-Chip) should be adopted in this year regardless of consumer or commercial models, and the penetration rate of fingerprints in notebook computers is low, with the blessing of both parties, the market prospect this year is promising.

Haptics Pad touchpad products can be gradually promoted to brand manufacturers at competitive prices under the adjustment of stacking and function optimization, which will expand the utilization rate of its models and contribute to the operating performance this year. Secondly, with the advent of large-size touchpad, the increase in average selling price is also beneficial to the revenue performance of touchpad.

Touch screen chips used in notebook computers, whether in the SLOC of On Cell or the LTDI touch integrated driver chip solution of In-cell, are being promoted. At the same time, the cross-industry touch field is also actively planned, and it is expected that their performance will be brought into play one by one, which will help the revenue of touch screen chips to rise.

At the same time, in terms of non-notebook products, the area dimming control chip of vehicle display, the touch-driven integrated chip of vehicle display, and the precise touch chip applied to mobile phones are all being developed one by one, which is expected to gradually show their operational performance.

EMC is committed to the steady development of the business strategy, implementation of corporate social responsibility with the concept of sustainable management, taking into account the business value and social value of the corporate, in order to reflect our value creation in the three aspects of economy, environment and society, as well as to create higher value and benefits for all stakeholders and interested parties.

Sincerely yours,

**Yeh, I-Hau**  
Chairman

## II. Company Profile

1. **Date of Incorporation:** May 5, 1994

### 2. Company History

| Year | Organization /Events/Products  | Corporate Governance Awards and Ratings   |
|------|--|---|
| 2022 | Ministry of Economic Affairs (MOEA)                                      | A+ Enterprise Innovation Research and Development Plan Award” for its successful promotion of the "Environmental Sensing Advanced AI Driver Assistance System (ADAS) and Intelligent Cockpit System Development Program"                        |
|      | China Credit Information Service, Ltd. (CRIF, Taiwan)                    | The 10th place in the Taiwan Large Enterprises' Ranking of TOP 5000- Integrated Circuit Design Industry in 2022   |
|      | Industrial Safety and Health Association (ISHA), R.O.C.                  | 2022 Gold Award of disaster-free working hour Record Activities of Public Institutions  |
| 2021 | Hsinchu Science Park   | R&D Achievement Award   |
|      |  | Outstanding Manufacturer - Innovative Product Award   |
|      | Sports Administration (MOE)  | iSports Enterprise Certification" Logo  |
|      | Business Next  | 2021 Top 10 Taiwan's High-Value Companies- 4 <sup>th</sup> place  |
|      | Commonwealth Magazine  | World’s Most Admired 2000 Companies Top 50 – 18 place   |
| 2021 | Business Next Magazine   | Top 100 High-Value Companies – 2 <sup>nd</sup> place  |
|      | Forbes   | Best Companies Under a Billion in Asia  |
|      | Hsinchu Science Park.  | Outstanding Prize in Greening and Beautification Contest  |
|      | CSR Committee  | Renamed as "ESG Committee", it is the highest-level sustainable development decision-making center within the Company, examining the Company's core operating capabilities and formulating medium- and long-term sustainable development plans. |
| 2019 | ISO  | Certification of ISO 45001: 2018 Occupational Health and Safety Management Systems.   |
|      | Taipei International Information Technology Show (the “COMPUTEX Taipei”) | Best Choice Award for the “panoramic 360-degree fisheye AI smart traffic detection technology”.   |
|      | Workforce Development Agency<br>Ministry of Labor (MOL)                  | Silver medal the Talent Quality-management System (TTQS) Award  |
|      | SGS  | SGS’s 2019 “ISO Plus Award”   |
|      | Health Promotion Administration of the Ministry of Health and Welfare    | Innovation Workplace Award and the Creative Healthy Workplace Award   |
|      | Hsinchu Science Park   | Smart Science Park Innovation Application Award - “battery-free contactless biometric smart card solution”  |
| 2018 | Taiwan Industrial Technology Association                                 | Taiwan Golden Root Award - Industrial Technology Special Contribution Award   |
|      | Hsinchu Science Park   | Distinguished Green Landscaping and Contribution Award  |
|      |  | 2018 R & D Achievement Award  |
|      |  | 2018 Innovative Product Award   |
|      | Health Promotion Administration of the Ministry of Health and Welfare    | “Excellent Health workplace” prize and “Gender-Friendly Health Award”   |
| 2017 | Hsinchu Science Park   | Distinguished Green Landscaping and Contribution  |

|      |  |   |
|------|--|---|
|      |  | Award.  |
|      | Consumer Electronic Product Category of 2017 IT Month.           | Top 100 Innovative Product Award-Biometric Smart Card   |
|      | Hsinchu Science Park   | 2017 Innovative Product Award -Pen-Emulated Finger-Pen- Concurrent Touch Screen Solution  |
| 2016 | Hsinchu Science Park   | Distinguished Green Landscaping Award   |
|      |  | 2016 R & D Achievement Award  |
|      |  | 2016 Innovative Product Award - Smart-ID Solution   |
| 2015 | SGS  | Obtained certification for the Corporate Social Responsibilities Report and adopted international certifications of AA1000 AS Type 2 Moderate-Level Assurance and GRI G4  |
|      | Hsinchu Science Park   | Distinguished Green Landscaping Award   |
|      |  | 2015 R & D Achievement Award  |
|      |  | Innovative Product Awards - Chrome book Smart Touch pad and Touch Screen Solution   |
|      | Health Promotion Administration, Ministry of Health and Welfare. | Vitality Award” in the “Healthy Workplace Health Promotion  |
| 2014 | Hsinchu Science Park   | Distinguished Green Landscaping Award for the 10 <sup>th</sup> consecutive year   |
|      |  | R & D Achievement Award   |
|      | ESG  | In accordance with the vision and mission of the Company's ESG policy, the "CSR Committee" was established  |
| 2013 | Ministry of Economic Affair                                      | Portable Product with 3D Depth Sensor for Hand Gesture Recognition- Leading Program   |
|      |  | Corporate Standardization Award” in the 14 <sup>th</sup> National Standardization Award   |
|      | Forbes   | One of the "2013 Forbes Best Companies Under a Billion in Asia  |
|      | Windows  | IT Month’s “Gold Award” and “Top 100 Innovative Product Award”-Windows 8 Single-Chip Smart Touch Screen Solution  |
|      | Hsinchu Science Park   | 2013 R & D Achievement Award  |
|      |  | 2013 Innovative Product Awards - Windows 8 Single-Chip Smart Touch Screen Solutions   |
|      | Industrial Development Bureau, MOEA.                             | 2nd Term Excellent Backbone Enterprises Award   |
| 2012 | COMPUTEX Taipei.   | Golden Award - Smart-Touch screen™ IC; The Best Choice Award - Best Choice of the Year - IC & components product category   |
| 2011 | Ministry of Economic Affairs                                     | Awards - Capacitive Touch Screen with Force Sensing Program” from the “Leading Program”   |
|      | Hsinchu Science Park   | 2011 Innovative Product Award - Capacitive 10-Finger Touch Screen and Stylus  |
| 2010 | USA’s 2010 Consumer Electronics Show.                            | Innovative Design and Engineering Award - Smart Remote Control  |
|      | Capacitive Multi-Finger Touch Screen and Stylus                  | 13 <sup>th</sup> Outstanding Photonics Product Award  |
|      | Hsinchu Science Park   | Awards for the “Optical System Integration Chip Plan with High Recognition Rate and Wide Dynamic Range” - Research on Policy of University-Industry Collaboration for Enhancing Sustainable Growth for NSC Science Park |
|      |  | 2010 R & D Achievement Award  |

|      |   |  |
|------|---|--|
|      |   | 2010 Innovative Product Awards - Smart-3D Remote Control   |
| 2009 | COMPUTEX Taipei                           | Best Choice Award  |
|      |   | Annual Award - Transparent Touch pad   |
|      |   | Excellence Award in the peripheral and accessories category -Transparent Touch pad   |
|      |   | Excellent Digital Entertainment Product Award- Smart Remote Control  |
|      | Ministry of Economic Affairs.             | Awards for the “Portable Soft-Film Multi-Touch Surface Capacitive Module Program” from the “Industrial Technology Development Program” |
|      |   | Outstanding Innovation Award in the 17 <sup>th</sup> “Industrial Science and Technology Development Award                              |
|      | 2009 IT Month                             | 2009 IT Month’s Outstanding Information Application and Products Award- Smart Remote Control   |
|      | Ministry of Economic Affairs              | the 10 <sup>th</sup> “Industrial Excellence Award  |
|      | Hsinchu Science Park                      | 2009 Innovative Product Awards -Smart Remote Control   |
|      |   | 2009 R & D Achievement Award   |
|      |   | 2009 Promotion of International Exchange and Cooperation Award for Excellence  |
|      |   | Outstanding Award -2009 Environmental Protection Competition   |
| 2008 | Hsinchu Science Park                      | 2008 Innovative Product Award  |
|      | ELAN Microelectronics                     | Officially merged with Elantech Devices in 2008.   |
| 2007 | Hsinchu Science Park                      | Distinguished Green Landscaping Award for the 7th consecutive year.  |
|      | Ministry of Economic Affairs.             | Contribution Award in the “2007 National Invention and Creation Award”   |
| 2006 | Hsinchu Science Park                      | Distinguished Green Landscaping Award for the 6th consecutive year.  |
|      | Industrial Development Bureau, MOEA       | Received a subsidy from the consultation program for the development of leading new products (“Leading Product”)                       |
|      | Hsinchu Science Park                      | 2006 Innovative Product Award  |
| 2005 | Hsinchu Science Park                      | Distinguished Green Landscaping Award” for the 5th consecutive year  |
|      |   | Third Term “R & D Achievement Award  |
| 2004 | Hsinchu Science Park                      | Distinguished Green Landscaping Award” for the 4th consecutive year  |
|      |   | Innovative Technology R & D Program Awards-TFT LCD single-chip controller  |
|      |   | Innovative Technology R & D Program Awards-2.45GHz RF Transceiver IC for Cordless Phones   |
|      | Department of Industrial Technology, MOEA | Outstanding Award in the 12 <sup>th</sup> “MOEA Industrial Science and Technology Development Award”                                   |
|      | Forbes                                    | Recognized by Forbes as one of the “100 Best Small Asia-Pacific Companies” in 2003   |
|      | Hsinchu Science Park                      | R & D Achievement Award - 2 <sup>nd</sup> place  |
| 2003 | Entered into the European market          | Established ELAN’s European branch office in Switzerland.  |
|      | Hsinchu Science Park                      | Distinguished Green Landscaping Award” for the 3rd consecutive year  |
|      | Entered southern China market             | Established Elan Shenzhen Co., Ltd.  |
|      | Hsinchu Science Park                      | Distinguished Green Landscaping Award” for the 2nd   |



|      |  |  |
|------|--|--|
|      |  | consecutive year   |
|      | Forbes   | Recognized by as one of the “200 Top Best Small Companies”   |
|      | Entered the eastern China market                                       | Established Elan Shanghai, Ltd.  |
| 2001 | Elan Microelectronics  | The construction of the ELAN Technology Building located on No. 12, Chuangxin 1st Road has been completed and the Company Elan Microelectronics was officially moved into this building. |
|      | Hsinchu Science Park   | Distinguished Green Landscaping Award  |
|      | Securities and Futures Commission,<br>Ministry of Finance              | Approved to be listed and to trade its stocks in the exchange market (stock code: 2458).   |
|      | National Invention Competition   | Gold Medal Award in the 10 <sup>th</sup> National Invention Competition  |
|      | ISO  | Passed ISO9001 quality certification   |
|      | Hsinchu Science Park   | 2001 Innovative Product Award  |
|      | Forbes   | Recognized by Forbes as one of the “200 Top Best Small Companies”  |
|      | Entered the eastern China market                                       | Established Elan Shanghai, Ltd.  |
| 2000 | Securities and Futures Commission,<br>Ministry of Finance              | Approved to be listed and to traded its stocks over the counter (stock code: 5433)   |
| 1999 | Hsinchu Science Park   | 1999 Research and Development Investment Award   |
| 1998 | Industrial Development Bureau,<br>MOEA.                                | 1998 Excellent Intellectual Property Management System Award   |
| 1997 | National Invention Competition   | Corporate Silver Medal in the 6 <sup>th</sup> National Invention Prize   |
|      | To expand markets and marketing bases in Hong Kong and mainland China. | Established ELAN Microelectronics Hong Kong branch office to expand markets and marketing bases in Hong Kong and mainland China.   |
| 1996 | Hsinchu Science Park   | Innovation, Technology, Research and Development Plan Awards-<br>The high-speed computer screen controller   |
|      |  | Innovation, Technology, Research and Development Plan Awards-<br>The MPEG-2 video decoder  |
|      |  | Innovation, Technology, Research and Development Plan Awards-<br>The MPEG-2 audio decoder  |
|      |  | 1996 Research and Development Investment Award   |
| 1995 | Hsinchu Science Park   | Key Components and Products R & D Plan Awards-<br>The neural network IC series and development system  |
| 1994 | Establishment of Elan Microelectronics Corporation                     | Nominal and paid-up capital amounting to NT\$1 billion   |
|      | Hsinchu Science Park   | Issued the Business Registration Certificate and the Company officially commence its operations  |

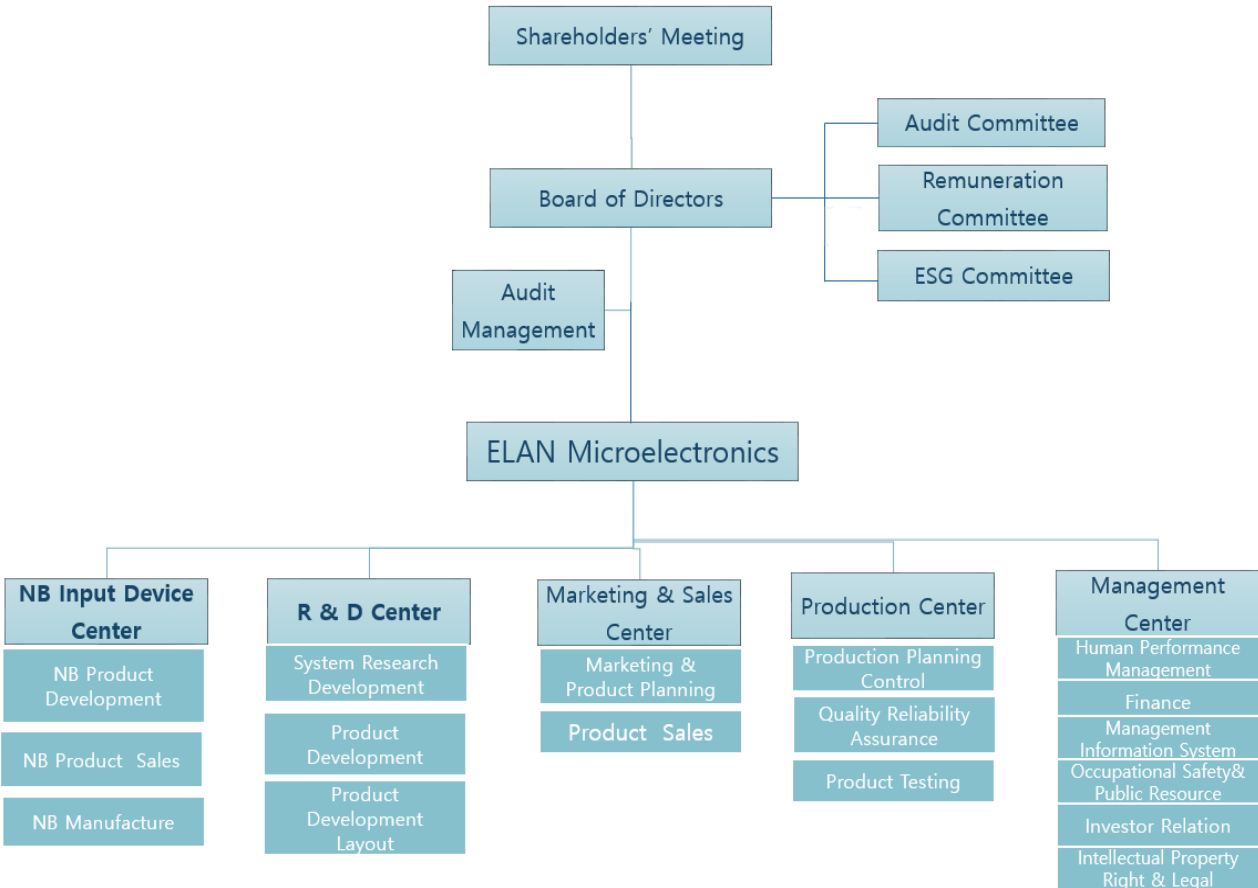
III. Corporate Governance Report

1. Organization

(1) Organizational Structure

Organization Chart of Elan Microelectronics Corporation

Effective date: February 7, 2020



## (2) Major Corporate Functions

| Departments                              | Functions   |
|--|---|
| Audit Management                         | Investigate and evaluate the soundness, rationality and effectiveness of the internal control system and various management systems of the Company.   |
| Human Performance Management             | Human Resource Recruitment, Organization, Performance Evaluation and Payroll Management   |
| Finance                                  | Comprehensive management of financial resources, and the establishment and maintenance of financial accounting, management accounting and tax filing.   |
| Management Information System            | Responsible for MIS system's software assessment, system planning, program writing and maintenance.   |
| Occupational Safety And Public Resources | Labor safety and fire sanitation-related businesses manage the labor safety room and the public resources department for plant maintenance.   |
| Investor Relation                        | Responsible for the Company's news release and the establishment of relationship with domestic and foreign corporate bodies, media and investors.   |
| Intellectual Property Rights & Legal     | Responsible for patent applications, contract formulation and review and processing of legal proceedings related matters.   |
| Production Planning Control              | Responsible for the management of raw materials, the planning and management of production schedules, procurement, import and export, customs bonds, etc.   |
| Marketing & Product Planning             | Responsible for developing and expanding new markets, global business promotion for major branding customers, and strategic cooperation with branding customers   |
| Quality Reliability Assurance            | Quality inspection on incoming / outgoing goods, analyze and process customer complaints, product reliability analysis.   |
| Product Testing                          | Responsible for coordinating new product development, and the development of product property analysis and testing program.   |
| Market Planning                          | New market development, global business promotion for major brand customers, strategic cooperation with brand customers   |
| Product Sales                            | Domestic and foreign market development, research and development of marketing plans, product sales, customer service, agent management and other services.   |
| System Research Development              | System specification formulation, verification and solution development and design of fingerprint recognition, optical mouse, smoke detector, microcontroller, touch panel and pointing input device products |
| Product Development                      | Development and design, integration verification and platform development of digital circuits and sensing technologies  |
| Product Development Layout               | Responsible for product development layout design   |
| NB Product Development                   | Driver development and customer service for pointing input elements and touchpad modules for notebook computers   |
| NB Product Sales                         | Business promotion of pointing input and touch panel products for notebook computers  |
| NB Manufacture                           | Production and manufacture of pointing input components and touch panel modules for notebook computers, touch screen modules, fingerprint recognition modules   |

## 2. Directors, Supervisors and Management Team

### (1) Board Members and Super Visors

#### 1.1. Information Regarding Board Members and Super Visors

| Title    | Nationality or Place of Registration | Name                     | Sex/ Age | Date Elected | Term (Years) | Date First Elected | Shares Held when Elected |       | Shares Currently Held |       | Shares Currently Held by Spouse & Minors |      | Shareholder by Nominee Arrangement |      | Selected Education and Professional Qualification<br>Past Positions<br>Current Positions at Non-profit Organizations (Note 2)   | Selected Current Positions at EMC and Other Companies  | Executives, Directors or Supervisors who are spouses or within two degrees of kinship |                |            | Note     |
|----------|--------------------------------------|--------------------------|----------|--------------|--------------|--------------------|--------------------------|-------|-----------------------|-------|--|------|------------------------------------|------|---|--|---|----------------|------------|----------|
|          |                                      |                          |          |              |              |                    | Shares                   | %     | Shares                | %     | Shares                                   | %    | Shares                             | %    |   |  | Title   | Name           | Relation   |          |
| Chairman | R.O.C                                | YEH, I- Hao              | M 67     | 2022.7.2     | 3            | 1994.5.5           | 5,224,895                | 1.72% | 6,000,895             | 1.97% | None                                     | None | None                               | None | Institute of Electronics / National Chiao Tung University<br>Engineer, ITRI ;<br>Manager/Hua Chang Semi-Conductor Co., Ltd.;<br>Department Head/Hualon Microelectronics Co., Ltd. | <u>Corporate Representatives of the following venture capital companies:</u><br>TOP TAIWAN VII; ;<br>TOP TAIWAN VI; ;<br>TOP TAIWAN IX ;<br>TOP TAIWAN X ;<br>TOP TAIWAN XI ;<br>ELAN(HK);<br>POWER ASIA;<br>NORTH STAR VENTURE CAPITAL;<br><u>Corporate Representatives &amp; Chairman of the following companies:</u><br>AVISONIC TECHNOLOGY CORP.,<br>METANOIA COMMUNICATION, INC.;<br>& PIXORD CORP.<br>Chimei Motor Electronics;<br><u>Director of Huaju Foundation</u> | Direct or   | YEH, Tung-Ying | Father-Son | (Note 1) |
| Director | R.O.C.                               | Yulong Investment Co Ltd | N/A      | 2022.7.2     | 3            | 2002.6.26          | 7,083,059                | 2.23% | 7,083,059             | 2.33  | None                                     | None | None                               | None | None  | None   | None  | None           | None       |          |
|          | R.O.C.                               | YEH, Tung-Ying           | M 35     | 2022.7.2     | 3            | 2022.7.2.          | None                     | None  | None                  | None  | None                                     | None | None                               | None | Department of Electrical Engineering and<br>Department of Economics, University of California, San Diego  | <u>Corporate Representative:</u><br>MACROBLOCK   | None  | YEH, I-Hau     | Father-Son |          |

|          |       |                      |         |          |   |           |           |       |           |       |      |      |      |      |   |   |     |      |      |  |
|----------|-------|----------------------|---------|----------|---|-----------|-----------|-------|-----------|-------|------|------|------|------|---|---|-----|------|------|--|
| Director | R.O.C | YEN,<br>Kuo-<br>Lung | M<br>64 | 2022.7.2 | 3 | 1997.6.14 | 2,002,555 | 0.66% | 2,002,555 | 0.66% | None | None | None | None | Institute of Electronics /<br>National Chiao Tung<br>University<br>Engineer, ITRI<br>Manager/Hualon<br>Microelectronics Co., Ltd. | <u>Corporate Representatives &amp;<br/>Chairman of the following<br/>companies:</u><br>EMINENT ELECTRONIC<br>TECHNOLOGY CO LTD;<br>AVISONIC TECHNOLOGY<br>CORP.,<br>UNIBAND ELECTRONICS<br>CORP.<br>Etc., | EMI | None | None |  |
|----------|-------|----------------------|---------|----------|---|-----------|-----------|-------|-----------|-------|------|------|------|------|---|---|-----|------|------|--|

|          |       |               |      |          |   |           |      |      |      |      |        |        |      |      |  |   |      |      |      |  |
|----------|-------|---------------|------|----------|---|-----------|------|------|------|------|--------|--------|------|------|--|---|------|------|------|--|
| Director | R.O.C | CHIU, Te-Chen | M 57 | 2022.7.2 | 3 | 2000.3.30 | None | None | None | None | 25,000 | 0.008% | None | None | Institute of Business Management /National Chengchi University | <p><u>Chairman &amp; President of the following venture capital companies:</u><br/> TOP TAIWAN XI L;<br/> TOP TAIWAN IX ;<br/> TOP TAIWAN III;<br/> TOP TAIWAN X;<br/> TOP TAIWAN XI ;<br/> TOP TAIWAN XII;<br/> TOP TAIWAN;</p> <p><u>President &amp; Director of the following companies:</u><br/> TOP TAIWAN XI VENTURE CAPITAL;<br/> TOP TAIWAN XII VENTURE CAPITAL;<br/> TOP TAIWAN XIII VENTURE CAPITAL;</p> <p><u>Independent Director of the following companies:</u><br/> SILITECH TECHNOLOGY CORP ;<br/> Chicony Power Technology Co., Ltd. ;</p> <p><u>Corporate Representatives of the following companies:</u><br/> Debao Industrial, Shenghong Pharmaceutical, Shengke Electronics, Ruixin Aerospace, Shin Kong Financial Holdings (stock) Company legal person director representative ;<br/> Director of SINBON Electronics, Taikang Precision and Siwei Innovative Materials Co., Ltd. ;<br/> Vice Chairman of Shin Kong Life Insurance Co., Ltd</p> | None | None | None |  |
|----------|-------|---------------|------|----------|---|-----------|------|------|------|------|--------|--------|------|------|--|---|------|------|------|--|

|                      |       |                                  |      |          |   |           |           |       |           |       |       |        |      |      |      |  |   |      |      |      |  |
|----------------------|-------|----------------------------------|------|----------|---|-----------|-----------|-------|-----------|-------|-------|--------|------|------|------|--|---|------|------|------|--|
| Director             | R.O.C | Tsung Lung Investm ent Co., Ltd. |      | 2022.7.2 | 3 | 2002.6.26 | 3,078,903 | 1.01% | 3,078,903 | 1.01% | None  | None   | None | None | None | None   | None  | None | None |      |  |
|                      | R.O.C | WEI, Chi-Lin                     | M 75 | 2022.7.2 | 3 | 2006.6.12 | None      | None  | None      | None  | None  | None   | None | None | None | Doctor of Philosophy, Université de Paris ; Master of Business, Administration, Imperial College London ; Chairman, Land Bank of Taiwan Secretary-General, Executive Yuan Director, Institute of International Business/National Taiwan University | Professor of the Institute of Business Studies of National Taiwan University; Director of Kangshu Technology; Chairman of Qiding and Yuanding Venture Capital; Independent Director of SINBON, Formosa Plastics and Inventec  | None | None | None |  |
| Independent Director | R.O.C | LIN, Hsien-Ming                  | M 70 | 2022.7.2 | 3 | 2015.6.2  | None      | None  | None      | None  | None  | None   | None | None | None | Dept. of Electronics Engineering / National Chiao Tung University ; President of Acer Computer Co., Ltd.   | Chairman & Chief Strategy Officer, Wistron Corp. Director of Gamania Digital, Independent Director of Taiwan Model Semiconductor, Chairman of Wisdom Technology Services, Chairman of Wistron Digital Technology Investment Holdings, Independent Director of Powerchip Semiconductor | None | None | None |  |
| Independent Director | R.O.C | SHAW, Ming-Fu                    | M 54 | 2022.7.2 | 3 | 2022.7.2  | None      | None  | None      | None  | None  | None   | None | None | None | Ph.D., Department of Economics, National Chengchi University, Associate Professor, Department of Economics, National Chengchi University   | None  | None | None | None |  |
| Independent Director | R.O.C | TANG, Chuan-Yi                   | M 64 | 2022.7.2 | 3 | 2022.7.2  | None      | None  | None      | None  | 8,000 | 0.003% | None | None | None | Ph.D., Institute of Computer Engineering, Chiao Tung University Professor and President of Providence University   | None  | None | None | None |  |

| Title                | Nationality or Place of Registration | Name           | Sex/ Age | Date Elected | Term (Years) | Date First Elected | Shares Held when Elected |      | Shares Currently Held |      | Shares Currently Held by Spouse & Minors |        | Shareholder by Nominee Arrangement |      | Selected Education and Professional Qualification Past Positions Current Positions at Non-profit Organizations (Note 2) | Selected Current Positions at EMC and Other Companies   | Executives, Directors or Supervisors who are spouses or within two degrees of kinship |      |          | Note |
|----------------------|--------------------------------------|----------------|----------|--------------|--------------|--------------------|--------------------------|------|-----------------------|------|--|--------|------------------------------------|------|---|---|---|------|----------|------|
|                      |                                      |                |          |              |              |                    | Shares                   | %    | Shares                | %    | Shares                                   | %      | Shares                             | %    |   |   | Title   | Name | Relation |      |
| Independent Director | R.O.C                                | LU, Fang-Cheng | M 52     | 2022.7.2     | 3            | 2022.7.2           | None                     | None | None                  | None | 4,000                                    | 0.001% | None                               | None | Ph.D.,in Information Engineering, Tsinghua University; Broadweb/. Overseas Business Associate                           | Chairman of the following companies: HUACIGUAN, WANGCI, RONGCHENG INVESTMENT, ZUOCHENG INVESTMENT, ZHENCHENG INVESTMENT | None  | None | None     |      |

Note 1: The same person as the President in order to promote the Company's operating efficiency and reduce the management level. Responding measure: More than half of the directors on the Board of Directors are not concurrently serving as employees or managers and one seat of independent director is increased during the re-election of directors on July 2, 2021.



### 1.2. Main Shareholders of Corporate Shareholders

April 02,2023

| Name of Corporate Shareholders | Major Shareholders |
|--------------------------------|--------------------|
| Yulong Investment Co., Ltd.    | YEH, I-Hau (100%)  |
| Zonglong Investment Co., Ltd.  | YEH, I-Hau (100%)  |

### 1.3. Directors' and Supervisors' Professional Qualification and Independent Director's' Independence Status

April 02,2023

| Criteria<br>Name                                   | Professional Qualification and Experiences<br>(Note 1)   | Independence Status<br>(Note 2) | Number of Other Public<br>Companies Concurrently<br>Serving as an Independent<br>Director |
|--|--|---------------------------------|---|
| YEH, I-Hao   | M.Sc. in Electronics Engineering, Ciao Tung University, has served as the chairman and president of Elan Microelectronics Corp. for more than 20 years, and is good at leadership, making operational decisions, and management and is currently not in or under any circumstances stated in Article 30 of the Company Law | Not Applicable                  | 0   |
| YEN, Kuo-Lung                                      | M.Sc. in Electrical Engineering, National Taiwan University, Vice President of EMC for more than 20 years and has rich experience in the IC industry and is currently not in or under any circumstances stated in Article 30 of the Company Law  | Not Applicable                  | 0   |
| CHIU, Te-Chen                                      | MBA in Business Administration, National Chengchi University, chairman of venture capital companies and has rich industry experience and is currently not in or under any circumstances stated in Article 30 of the Company Law  | Not Applicable                  | 1   |
| Zonglong Investment Representative<br>WEI, Chi-Lin | Government officials and university professors, chairman of Bills Finance Companies, with rich experience in industry, government and academia and is currently not in or under any circumstances stated in Article 30 of the Company Law  | Not Applicable                  | 2   |

|   |   |  |   |
|---|---|--|---|
| Yulong Investment Representative<br>YEH, Tsung-Ying | M.Sc. and MBA in Electronic Engineering and Business Administration from the University of California, San Diego, Company's career development manager. He has been in contact with foreign electronics manufacturers all year round and has foreign business experience. | Not Applicable   | 0 |
| LIN, Hsien-Ming                                     | Chairman of Wistron Corporation, a well-known electronics manufacturer in Taiwan, with rich industrial and commercial experience and is currently not in or under any circumstances stated in Article 30 of The Company Law   | According to the requirements of the competent authority, when the Company elects Independent Directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the Company. | 2 |
| SHAW, Ming-Fu                                       | Associate professor at the Department of Economics of the National Chengchi University, with a financial-related academic major and is currently not in or under any circumstances stated in Article 30 of the Company Law  | According to the requirements of the competent authority, when the Company elects Independent Directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the Company. | 0 |
| TANG, Chuan-YI                                      | Ph.D., Institute of Computer Engineering, Chiao Tung University; Professor and President of Providence University, has rich academic and management experiences and is currently not in or under any circumstances stated in Article 30 of the Company Law                | According to the requirements of the competent authority, when the Company elects Independent Directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the Company. | 0 |
| LU, Fang-Cheng                                      | Ph.D., in Information Engineering, Tsinghua University; Chairman of Win Star Investments Limited and is currently not in or under any circumstances stated in Article 30 of the Company Law   | According to the requirements of the competent authority, when the Company elects Independent Directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the Company. | 0 |

#### **1.4 Board Diversity and Independence:**

(1) Board Diversity:

On November 08, 2018, the third meeting of the ninth session of the Board of Directors of the Company adopted the "Corporate Governance Code", and in Chapter 3 "Strengthening the Functions of the Board of Directors", it stipulates the diversity policy and regulates that directors should generally have the necessary skills to perform their duties, knowledge, skills and literacy. The nomination and selection of members of the Board of Directors of the Company follows the provisions of the Company's Articles of Incorporation and adopts the nomination system for candidates, and follows the "Director Election Procedures" and "Corporate Governance Guidelines" to ensure the diversity and independence of directors. On July 2, 2021, when the members of Board of Directors are re-elected, it increases one director and one independent director to achieve the goal of board diversity.

(2) Board Diversity and Independence:

After the Company was re-elected on July 2, 2021, there are four (4) Independent Directors, accounting for 44% of the nine ( 9) directors, 22% of the directors with employee status, Mr. YEH, I-Hau (chairman) and Mr. YEH, Tsung-Ying (director) are second-degree relatives

## (2) Information Regarding Management Team

April 06, 2023

| Title<br>(Note 1)                | Nation-<br>ality | Name                 | Sex | Date Elected | Shares Held<br>when Elected |       | Shares Currently<br>Held by<br>Spouse &<br>Minors |      | Shareholder<br>by Nominee<br>Arrangement |      | Selected Education and<br>Professional Qualification<br>Past Positions<br>Current Positions at Non-profit<br>Organizations (Note 2)  | Selected Current Positions<br>at EMC and Other Companies   | Executives, Directors or<br>Supervisors who are spouses<br>or within two degrees of<br>kinship |      |          | Note     |
|----------------------------------|------------------|----------------------|-----|--------------|-----------------------------|-------|---|------|--|------|--|--|--|------|----------|----------|
|                                  |                  |                      |     |              | Shares                      | %     | Shares  | %    | Shares                                   | %    |  |  | Title  | Name | Relation |          |
| Chairman<br>and<br>President     | R.O.C            | YEH,<br>I- Hao       | M   | 1994.09.01   | 6,000,895                   | 1.97% | None  | None | None                                     | None | Institute of Electronics /<br>National Chiao Tung University<br>Engineer, ITRI ;<br>Manager/Hua Chang<br>Semi-Conductor Co., Ltd.;<br>Department Head/Hualon<br>Microelectronics Co., Ltd.   | <u>Corporate Representatives of the following<br/>venture capital companies:</u><br>TOP TAIWAN VII; ;<br>TOP TAIWAN VI; ;<br>TOP TAIWAN IX ;<br>TOP TAIWAN X ;<br>TOP TAIWAN XI ;<br>ELAN(HK);<br>POWER ASIA;<br>NORTH STAR BENTURE CAPITAL;<br><u>Corporate Representatives &amp; Chairman of the<br/>following companies:</u><br>AVISONIC TECHNOLOGY CORP.,<br>METANOIA COMMUNICATION, INC.;<br>& PIXORD CORP.<br>Chimei Motor Electronics;<br><u>Director of Huaju Foundation</u> | None   | None | None     | (Note 3) |
| Vice<br>President                | ROC              | YEN,<br>KUO-<br>LUNG | M   | 2000.11.10   | 2,002,555                   | 0.66% | None  | None | None                                     | None | Institute of Electricity<br>Engineering /<br>National Taiwan University;<br>Engineer, ITRI<br>Manager/Hualon<br>Microelectronics Co., Ltd.   | <u>Corporate Representatives &amp; Chairman of the<br/>following companies:</u><br>EMINENT ELECTRONIC TECHNOLOGY<br>CO LTD;<br>AVISONIC TECHNOLOGY CORP.,<br>UNIBAND ELECTRONICS CORP.<br>Etc.,  | None   | None | None     |          |
| Account-<br>ing Chief<br>Officer | ROC              | CHEN,<br>YI-LIN      | M   | 2013.06.28   | 0                           | 0     | None  | None | None                                     | None | Institute of Accounting/National<br>Chung Cheng University<br>Department of Public Finance,<br>National Chengchi University<br>Assistand Manager of KPMG<br>Manager of Elantech Co., Ltd.<br>Senior Manager of Elan<br>Electronics Co., Ltd. | None   | None   | None | None     |          |

Note 1: All job positions, regardless of the job title, equivalent to President, Vice President or Director shall be disclosed.

Note 2: If the experiences related to the current position involves serving in the firm of the auditing Certified Public Accountant or its affiliate during the prior period thereof, the job title and job descriptions therein shall be specified.

Note 3: The same person as the Chairman in order to promote the Company's operating efficiency and reduce the management level. Responding measure: More than half of the directors on the Board of Directors are not concurrently serving as employees or managers and one seat of independent director is additionally increased during the re-election of directors on July 2, 2021.

### (3) Remuneration Paid to Directors, Supervisors, President and Vice President during the last fiscal year

#### 3.1 Remuneration of Directors

December 31, 2022

Unit: NT\$ thousand / Thousand shares

| Title                   | Name                   | Remuneration                         |   |                               |   |  |   |                            |   | (A+B+C+D) as a %<br>of Net Income<br>(Note 10) |   | Relevant Remuneration Received by Directors Who are Also Employees |  |                               |   |  |   |  |             | (A+B+C+D) as a %<br>of Net Income<br>(Note 10)   |                 | Remuneration<br>Paid to<br>Directors from<br>an Invested<br>Company<br>Other than the<br>Company's<br>Subsidiary<br>(Note 11) |
|-------------------------|------------------------|--------------------------------------|---|-------------------------------|---|--|---|----------------------------|---|--|---|--|--|-------------------------------|---|--|---|--|-------------|--|-----------------|---|
|                         |                        | Base Remuneration<br>(A)<br>(Note 2) |   | Severance Pay (B)<br>【Note 1】 |   | Remuneration of<br>Directors (C)<br>(Note 3) |   | Allowances (D)<br>(Note 4) |   |  |   | Salary, Bonuses, and<br>Allowances (E)<br>(Note 5)                 |  | Severance Pay (F)<br>(Note 1) |   | Remuneration of<br>Employees (G)<br>(Note 6) |   |  |             |  |                 |   |
|                         |                        | From<br>EMC                          | From All<br>Consolidate<br>d Entities<br>(Note 7) | From<br>EMC                   | From All<br>Consolidate<br>d Entities<br>(Note 7) | From EMC                                     | From All<br>Consolidate<br>d Entities<br>(Note 7) | From<br>EMC                | From All<br>Consolidate<br>d Entities<br>(Note 7) | From<br>EMC                                    | From All<br>Consolidate<br>d Entities<br>(Note 7) | From<br>EMC  | From All<br>Consolidated<br>Entities<br>(Note 7) | From<br>EMC                   | From All<br>Consolidate<br>d Entities<br>(Note 7) | From EMC                                     |   | From All<br>Consolidated<br>Entities<br>(Note 7) | From<br>EMC | From All<br>Consolidated<br>Entities<br>(Note 8) |                 |   |
| Chairman                | YEH, I-Hau             | 0                                    | 0   | 0                             | 0   | 41,000                                       | 41,000  | 350                        | 350   | 41,350<br>1.92%                                | 41,350<br>1.92%                                   | 20,688   | 26,093   | 249                           | 249   | 15,370                                       | 0 | 15,370   | 0           | 77,657<br>3.61%                                  | 83.062<br>3.86% | 525   |
| Director                | Yulong<br>Investment   |                                      |   |                               |   |  |   |                            |   |  |   |  |  |                               |   |  |   |  |             |  |                 |   |
|                         | YEH,<br>Tsung-Ying     |                                      |   |                               |   |  |   |                            |   |  |   |  |  |                               |   |  |   |  |             |  |                 |   |
| Director                | YEN,<br>Kuo-Lung       |                                      |   |                               |   |  |   |                            |   |  |   |  |  |                               |   |  |   |  |             |  |                 |   |
| Director                | Zonglong<br>Investment |                                      |   |                               |   |  |   |                            |   |  |   |  |  |                               |   |  |   |  |             |  |                 |   |
|                         | WEI,<br>Chi-Lin        |                                      |   |                               |   |  |   |                            |   |  |   |  |  |                               |   |  |   |  |             |  |                 |   |
| Director                | CHIU,<br>Te-Chen       |                                      |   |                               |   |  |   |                            |   |  |   |  |  |                               |   |  |   |  |             |  |                 |   |
| Independent<br>Director | LIN,<br>Hsien-Ming     | 3,000                                | 3,000   | 0                             | 0   | 0  | 0   | 640                        | 640   | 3,640<br>0.17%                                 | 3,640<br>0.17%                                    | 0  | 0  | 0                             | 0   | 0  | 0 | 0  | 0           | 3,640<br>0.17%                                   | 3,640<br>0.17%  | 0   |
| Independent<br>Director | SHAW,<br>Ming-Fu       |                                      |   |                               |   |  |   |                            |   |  |   |  |  |                               |   |  |   |  |             |  |                 |   |
| Independent<br>Director | TANG,<br>Chuan-Yi      |                                      |   |                               |   |  |   |                            |   |  |   |  |  |                               |   |  |   |  |             |  |                 |   |
| Independent<br>Director | LU,<br>Fang-Cheng      |                                      |   |                               |   |  |   |                            |   |  |   |  |  |                               |   |  |   |  |             |  |                 |   |

1. Please state the policy, system, standards and structure for the payment of independent director's remuneration, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors:  
According to the Company's "Directors' Remuneration Management Procedures", the monthly remuneration of an independent director of the Company is set as NT\$50,000, which shall be paid regardless of the Company's profit or loss, provided that the independent director does not take part in the directors' remuneration from annual profit distribution. Any director who leaves the Company due to re-election or resignation during the term of office shall be paid thereof according to the proportion of their actual term to the entire year.

2. The remuneration received by the Company's Directors for services rendered (such as serving as non-employee consultants of the parent Company/all consolidated entities/all re-invested entities) to From All Consolidated Entities other than disclosed in the schedule above: N/A

【Note 1】: Pension refers to the pension amount contributed in 2022

### Schedule of Remuneration

| Remuneration range paid to each Director of the Company | Name of Directors   |   |  |   |
|---|---|---|--|---|
|   | Total remuneration amount (A+B+C+D)   |   | Total remuneration amount (A+B+C+D+E+F+G)  |   |
|   | The Company (Note 8)  | From All Consolidated Entities (Note 9)   | The Company (Note 8)   | From Parent Company and all reinvested companies (Note 9)                                       |
| Less than NT\$1,000,000                                 | SHAW, Ming-Fu;<br>LU, Fang-Cheng;<br>TANG, Chuan-Yi   | SHAW, Ming-Fu;<br>LU, Fang-Cheng;<br>TANG, Chuan-Yi   | SHAW, Ming-Fu;<br>LU, Fang-Cheng;<br>TANG, Chuan-Yi  | SHAW, Ming-Fu;<br>LU, Fang-Cheng;<br>TANG, Chuan-Yi   |
| NT\$1,000,000 (including) ~ NT\$2,000,000(excluding)    | LIN, Hsien-Ming   | LIN, Hsien-Ming   | LIN, Hsien-Ming  | LIN, Hsien-Ming   |
| NT\$2,000,000 (including) ~ NT\$3,500,000(excluding)    |   |   |  |   |
| NT\$3,500,000 (including) ~ NT\$5,000,000(excluding)    |   |   |  |   |
| NT\$5,000,000 (including) ~ NT\$10,000,000(excluding)   |   |   |  |   |
| NT\$10,000,000 (including) ~ NT\$15,000,000(excluding)  | YEH, I-Hau<br>WEI, Chi-Lin;<br>CHIU, Te-Chen;<br>YEN, Kuo-Lung;<br>Yulong Investment;<br>Zonglong Investment; | YEH, I-Hau<br>WEI, Chi-Lin;<br>CHIU, Te-Chen;<br>YEN, Kuo-Lung;<br>Yulong Investment;<br>Zonglong Investment; | WEI, Chi-Lin;<br>CHIU, Te-Chen;<br>YEH, I-Hau;<br>Yulong Investment;<br>Zonglong Investment; | WEI, Chi-Lin;<br>CHIU, Te-Chen;<br>YEN, Kuo-Lung;<br>Yulong Investment;<br>Zonglong Investment; |
| NT\$15,000,000 (including) ~ NT\$30,000,000(excluding)  |   |   | YEN, Kuo-Lung  | YEN, Kuo-Lung   |
| NT\$30,000,000 (including) ~ NT\$50,000,000(excluding)  |   |   | YEH, I-Hau   | YEH, I-Hau  |
| NT\$50,000,000 (including) ~ NT\$100,000,000(excluding) |   |   |  |   |
| NT\$100,000,000 or above                                |   |   |  |   |
| Total   | 10 seats  | 10 seats  | 10 seats   | 10 seats  |

Note 1: The names of the Directors shall be separately presented (a corporate shareholder shall list the name of the corporate shareholder and its representative separately) as general director or independent director respectively, and disclose the amount of each payment in a consolidated manner. If a Director is serving concurrently as a President or Vice President, this form and form (3-1) or (3-2-1) and (3-2-2) herein under shall be filled in.

Note 2: Referred to the Directors' remuneration in the last fiscal year (including Directors' salary, supervisory differential pay, termination pay, various bonuses, incentives, etc.).

Note 3: Fill in Directors' remuneration amount of the last fiscal year authorized by the Board of Directors to be distributed.

Note 4: Referred to the relevant business execution costs (including transportation allowances, special Distributions, various allowances, living quarters, assigned Company cars, etc.) of the Directors incurred during the last fiscal year. If house, car and other transportation or personal expenditures are

provided, the nature and costs of the assets so provided, actual rent or rent at fair market value, gasoline allowances and other payments shall be disclosed. In addition, if driver(s) is provided, please specify relevant Remuneration of the driver(s) paid by the Company, of which shall not be included in the remuneration.

- Note 5: Referred to the salary, supervisory differential pay, termination pay, various bonus, incentives, transportation allowances, special Distributions, various allowances, living quarters and assigned Company cars of the Directors for serving concurrently as employee (including serving concurrently as President, Vice President, other manager and employee) incurred during the last fiscal year. If house, car and other transportation or personal expenditures are provided, the nature and costs of the assets so provided, actual rent or rent at fair market value, gasoline allowances and other payments shall be disclosed. In addition, if driver(s) is provided, please specify relevant Remuneration of the driver(s) paid by the Company, of which shall not be included in the remuneration. Furthermore, salary expenses, including employee stock option certificate(s), restricted stock award(s) and participation in stock options at cash capital increase, recognized pursuant to IFRS 2 “Share-based Payment” shall also be included in the remuneration.
- Note 6: The employee bonus (including shares and cash) of the Directors serving concurrently as employee (including serving concurrently as President, Vice President, other manager and employee) during the last fiscal year shall be disclosed upon the Board of Directors’ authorization to distribute. If the amount cannot be estimated, the proposed amount to be distributed shall be based on the proportional actual distributed amount of the previous year and fill out the attached form 1 – 3.
- Note 7: The total amount of various remunerations paid to the Company’s Directors by the companies (including the Company) listed in the consolidated financial statements shall all be disclosed.
- Note 8: The total amount of various remunerations paid to each Director by the Company shall be disclosed in the Schedule of Remuneration along with name of the Directors.
- Note 9: The total amount of various remunerations paid to each Director by the companies listed in the consolidated financial statements shall be disclosed in the Schedule of Remuneration along with name of the Directors.
- Note 10: Net Income After Taxes referred to Net Income After Taxes of the last fiscal year; for those who have adopted the International Financial Reporting Standards, Net Income After Taxes shall be Net Income After Taxes presented on the Parent Company Financial Statements of last fiscal year.
- Note 11: a) The remuneration amount received by the Company’s Directors from the related no subsidiary joint venture business(es) or parent Company shall be clearly stated in this field if applicable, Otherwise, fill in as “N/A”.  
b) If the Company’s Directors received remuneration from related no subsidiary joint venture business(es) or parent Company, the remuneration received by the Company’s Directors from no subsidiary joint venture business(es) or parent Company shall be consolidated in field-I of the Schedule of Remuneration and revise the field name to be “parent Company and all joint venture businesses”.  
c) The remuneration referred to the remunerations (including employee bonus and Directors and Supervisors’ remuneration) and business execution costs related Remuneration received by the Company’s Directors for serving as Directors, Supervisors or managers in the no subsidiary joint venture business(es) or parent Company.

**(2) Remuneration of Supervisors**

The Company has appointed three Independent Directors in 2015 to establish the Audit Committee in lieu of Supervisors; therefore, there was no remuneration of supervisors in 2021.

**(3) Remuneration of the President and Vice President**

December 31, 2022  
Unit: NT\$1000 /1000 shares

Unit: NT\$1,000/1,000 shares

| Title                    | Name          | Salary (A) (Note 2) |   | Severance Pay (B) |   | Bonus and Allowances (C) (Note 3) |   | Employee Bonus amount (D) (Note 4) |                  |   |                  | Percentage of A+B+C+D to Net Income After Taxes (Note 8) |   | Remuneration paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary (Note 9) |
|--------------------------|---------------|---------------------|---|-------------------|---|-----------------------------------|---|------------------------------------|------------------|---|------------------|--|---|---|
|                          |               | From EMC            | From All Consolidated Entities (Note 5) | From EMC          | From All Consolidated Entities (Note 5) | From EMC                          | From All Consolidated Entities (Note 5) | From EMC                           |                  | From All Consolidated Entities (Note 5) |                  | From EMC   | From All Consolidated Entities (Note 5) |   |
|                          |               |                     |   |                   |   |                                   |   | Cash amount                        | Amount in shares | Cash amount                             | Amount in shares |  |   |   |
| President                | YEH, I-Hau    | 15,431              | 20,064                                  | 249               | 249                                     | 5,257                             | 6,029                                   | 15,370                             | 0                | 15,370                                  | 0                | 36,307<br>1.69%  | 41,712<br>1.94%                         | 125   |
| Executive Vice President | YEN, Kuo-Lung |                     |   |                   |   |                                   |   |                                    |                  |   |                  |  |   |   |

[Note] "Severance Pay" referred to the pension amount contributed in 2022.



### Schedule of Remuneration

| Range of Remuneration paid to each President and Vice President of the Company | Name of the President and Vice President |  |
|--|--|--|
|  | The Company (Note 6)                     | Parent Company and all joint venture businesses (Note 7) |
| Less than NT\$1,000,000  |  |  |
| NT\$1,000,000 (including) ~ NT\$2,000,000(excluding)                           |  |  |
| NT\$2,000,000 (including) ~ NT\$3,500,000(excluding)                           |  |  |
| NT\$3,500,000 (including) ~ NT\$5,000,000(excluding)                           |  |  |
| NT\$5,000,000 (including) ~ NT\$10,000,000(excluding)                          |  |  |
| NT\$10,000,000 (including) ~ NT\$15,000,000(excluding)                         | YEN, Kuo-Lung                            | YEN, Kuo-Lung  |
| NT\$15,000,000 (including) ~ NT\$30,000,000(excluding)                         | YEH, I-Hau                               | YEH, I-Hau   |
| NT\$30,000,000 (including) ~ NT\$50,000,000(excluding)                         |  |  |
| NT\$50,000,000 (including) ~ NT\$100,000,000(excluding)                        |  |  |
| NT\$100,000,000 or above   |  |  |
| Total  | 2 persons                                | 2 persons  |

Note 1: The names of the President and Vice President shall be separately presented and disclose the amount of each payment in a consolidated manner. If a Director is serving concurrently as a President or Vice President, this form and form (1-1) or (1-2) herein under shall be filled in.

Note 2: Referred to the President and Vice President's remuneration in the last fiscal year (including Directors' salary, supervisory differential pay, termination pay, various bonuses, incentives, etc.).

Note 3: Fill in various bonuses, incentives, transportation allowances, special Distributions, various allowances, living quarters, assigned Company cars and other remuneration amount of the President and Vice President incurred during the last fiscal year. If house, car and other transportation or personal expenditures are provided, the nature and costs of the assets so provided, actual rent or rent at fair market value, gasoline allowances and other payments shall be disclosed. In addition, if driver(s) is provided, please specify relevant Remuneration of the driver(s) paid by the Company, of which shall not be included in the remuneration. Furthermore, salary expenses, including employee stock option certificate(s), restricted stock award(s) and participation in stock options at cash capital increase, recognized pursuant to IFRS 2 "Share-based Payment" shall also be included in the remuneration.

Note 4: The employee bonus (including shares and cash) of the President and Vice President during the last fiscal year authorized to be distributed by the Board of Directors. If the amount cannot be estimated, the proposed amount to be distributed shall be based on the proportional actual distributed amount of the previous year and fill out the attached form 1 – 3. Net Income After Taxes referred to Net Income After Taxes of the last fiscal year; for those who have adopted the International Financial Reporting Standards, Net Income After Taxes shall be Net Income After Taxes presented on the Parent

Company Financial Statements of last fiscal year.

- Note 5: The total amount of various remunerations paid to the Company's President and Vice President by the companies (including the Company) listed in the consolidated financial statements shall all be disclosed.
- Note 6: The total amount of various remunerations paid to each President and Vice President by the Company shall be disclosed in the Schedule of Remuneration along with name of the President and Vice President.
- Note 7: The total amount of various remunerations paid to each President and Vice President by the companies listed in the consolidated financial statements (including the Company) shall be disclosed in the Schedule of Remuneration along with name of the President and Vice President.
- Note 8: Net Income After Taxes referred to Net Income After Taxes of the last fiscal year; for those who have adopted the International Financial Reporting Standards, Net Income After Taxes shall be Net Income After Taxes presented on the Parent Company Financial Statements of last fiscal year.
- Note 9: a) The remuneration amount received by the Company's Directors from the related no subsidiary joint venture business(es) or parent Company shall be clearly stated in this field if applicable, Otherwise, fill in as "N/A".
- b) If the Company's Directors received remuneration from related no subsidiary joint venture business(es) or parent Company, the remuneration received by the Company's Directors from no subsidiary joint venture business(es) or parent Company shall be consolidated in field-I of the Schedule of Remuneration and revise the field name to be "parent Company and all joint venture businesses".
- c) The remunerations (including employee bonus and Directors and Supervisors' remuneration) and business execution costs related Remuneration received by the Company's Directors for serving as Directors, Supervisors or managers in the no subsidiary joint venture business(es) or parent Company.

#### (4) Remuneration Paid to Manager(s)

December 31, 2022  
Unit: NT\$1000 /Share

|          | Title<br>(Note 1)                    | Name<br>(Note 1) | Employee<br>Bonus<br>- in Stock<br>(Fair Market<br>Value) | Employee<br>Bonus<br>- in Cash | Total  | Ratio of<br>Total<br>Amount to<br>Net Income<br>After Tax<br>(%) |
|----------|--------------------------------------|------------------|---|--------------------------------|--------|--|
| Managers | President                            | YEH, I-Hau       | 0   | 16,018                         | 16,018 | 0.74%  |
|          | Executive Vice President             | YEN, Kuo-Lung    |   |                                |        |  |
|          | Chief Finance and Accounting Officer | CHEN, Yi-Lin     |   |                                |        |  |

Note 1: The names and job title(s) of the manager(s) shall be presented and disclose the amount of profit distribution in a consolidated manner.

Note 2: The employee bonus (including shares and cash) of the manager(s) during the last fiscal year authorized to be distributed by the Board of Directors. If the amount cannot be estimated, the proposed amount to be distributed shall be based on the proportional actual distributed amount of the previous year. Net Income After Taxes referred to Net Income After Taxes of the last fiscal year; for those who have adopted the International Financial Reporting Standards, Net Income After Taxes shall be Net Income After Taxes presented on the Parent Company Financial Statements of last fiscal year.

Note 3: "Manager" shall, pursuant to the provisions prescribed in document number Tai-Cai-Zheng-San-Zi-0902001301 issued by the Chamber on 27 March 2003, include the following:

- (1) President and those assuming equivalent position;
- (2) Vice President and those assuming equivalent position;
- (3) Director and those assuming equivalent position;
- (4) Chief Financial Officer
- (5) Chief Accounting Officer
- (6) Other managing personnel and signatory of the Company.

Note 4: The Director, President and Vice President who received employee bonus (including shares and cash) shall, in addition to filling out the attached for 1- 2, also fill out this form.

- (5) Analysis on the percentage of total remuneration amount paid to the Company's Directors, Supervisors, President and Vice President by the Company and all companies listed in the consolidated financial statements to Net Income After Taxes in the Last Two Years and explain the policies, standards and mix of remuneration, the procedures of setting the remuneration, and the correlation with operating performance:

Unit: NT\$ thousands

| Job title                    | 2022                      |                                      |   |                                      | 2021                      |                                      |   |                                      |
|------------------------------|---------------------------|--------------------------------------|---|--------------------------------------|---------------------------|--------------------------------------|---|--------------------------------------|
|                              | The Company               |                                      | All companies listed in the consolidated financial statements |                                      | The Company               |                                      | All companies listed in the consolidated financial statements |                                      |
|                              | Total remuneration amount | Percentage to Net Income After Taxes | Total remuneration amount                                     | Percentage to Net Income After Taxes | Total remuneration amount | Percentage to Net Income After Taxes | Total remuneration amount                                     | Percentage to Net Income After Taxes |
| Director                     | 44,990                    | 2.09%                                | 44,990  | 2.09%                                | 96,740                    | 1.90%                                | 96,740  | 1.90%                                |
| Supervisor                   | 0                         | 0%                                   | 0   | 0%                                   | 0                         | 0%                                   | 0   | 0%                                   |
| President and Vice President | 15,431                    | 1.69%                                | 20,064  | 1.94%                                | 55,096                    | 1.08%                                | 59,955  | 1.18%                                |

Explanation:

- (1) The Independent Directors of the Company do not receive other remuneration except for the fixed remuneration and attendance fee. The remuneration of directors and managers shall be handled in accordance with the Company's Articles of Incorporation : Article 29 of the Company's Articles of Incorporation stipulates that if the Company makes a profit in the year, it shall allocate no less than 10% for employee bonus and no more than 2% for directors' remuneration; the remuneration of directors and managers is reviewed by the remuneration committee to review the degree of participation, contribution value and financial indicators (revenue and net profit after tax) of each director and manager in the Company's operations, and submit to the Board of Directors for approval after considering the level of payment in the industry.
- (2) The 2022 Profit Distribution was the proposed distribution amount; the 2021 Profit Distribution was the actual distributed remuneration;
- (3) The Company's directors' remuneration decreased in 2022 compared to that in 2021, mainly due to the decrease in profit in 2021 compared to that in 2021, which resulted in a decrease in directors' remuneration based on profit. The decrease rate of directors' remuneration in 2022 is less than the decrease rate of after-tax net profit. The reason is that the year after-tax net profit in 2022 contains higher income tax benefits. When comparing the rate of decrease in directors' remuneration in 2022 with the rate of decrease in pre-tax net profit in 2022, there is not much difference between the two rates of decreases.

#### 4. Implementation of Corporate Governance

##### (1) Board of Directors Meeting Status

##### (1) Board of Directors Meeting Status

Elan Microelectronics Corporation (EMC)'s Chairman of the Board of Directors convened seven (7) (A) meetings in 2022. The directors' attendance status is as follows:

| Title                | Name  | Attendance<br>in Person<br>(B) | By<br>Proxy | Attendance<br>Rate<br>in Person (%)<br>(B/A) | Notes |
|----------------------|---|--------------------------------|-------------|--|-------|
| Chairman             | YEH, I-Hau  | 7                              | 0           | 100%   |       |
| Director             | Yulong Investment Co., Ltd.<br>Representative:<br>YEH, Tsung-Ying | 7                              | 0           | 100%   |       |
| Director             | YEN, Kuo-Lung   | 7                              | 0           | 100%   |       |
| Director             | Zonglong Investment Co., Ltd.<br>Representative: WEI, Chi-Lin     | 6                              | 1           | 85.71%                                       |       |
| Director             | CHIU, Te-Chen   | 6                              | 1           | 85.71%                                       |       |
| Independent Director | LIN, Hsien-Ming   | 7                              | 0           | 100%   |       |
| Independent Director | SHAW, Ming-Fu   | 7                              | 0           | 100%   |       |
| Independent Director | TANG, Chuan-Yi  | 7                              | 0           | 100%   |       |
| Independent Director | LU, Fang-Cheng  | 7                              | 0           | 100%   |       |

Other mentionable items:

- In the event of any of the following circumstances concerning the operation of the Board of Directors, the date, session number, agenda of the Board Meeting, all Independent Director's opinions and how the Company process the Independent Director's opinions shall be specified:
  - Matters relating to Article 14-3 of the Securities and Exchange Act: N/A (The Company has established an Audit Committee).
  - Other Board resolutions, except the matters mentioned above, opposed or given qualified opinion by Independent Director(s) with record(s) or written statement(s): N/A.
- Where the Director avoided conflict of interests, specify the Director's name, agenda, reason for the avoidance of conflict of interests and participation in voting: N/A.
- The TWSE/GTSM Listed Companies shall disclose the cycle, period, scope, method and contents of the Board's self (or by peer) evaluation and other information, and fill out Schedule 2 "Results of the Implementation of Board of Directors' Evaluation": the 2021 Results of the Implementation of Board of Directors' Evaluation are shown in the schedule below.  
The goals to strengthen the functions of the Board of Directors (such as establishing an Audit Committee, enhance information transparency, etc.) for the current year and last fiscal year and assessment on the execution: The shareholders' meeting convened in 2021 approved to increase one independent director, one director and four Independent Directors, total nine directors are elected during the shareholders' meeting to organize an Audit Committee to improve the diversity among the Board members; the Board of Directors and Audit Committee conduct performance evaluation and self-assessment to implement corporate governance and enhance functions of the Board. The future goal is to externally evaluate the performance of the Board of Directors and add more than one female director.

**(2) Board of Directors' Performance Evaluation Implementation Status**

| Date of Board of Directors | Evaluation Cycle (Note 1) | Evaluation Period (Note 2)                | Evaluation Scope (Note 3)  | Evaluation Method (Note 4)               | Evaluation Aspect (Note 5)   | Evaluation Results |
|----------------------------|---------------------------|---|----------------------------|--|--|--------------------|
| 02/22/2023                 | Annual                    | From January 1, 2022 to December 31, 2022 | The Board of Directors     | Self-assessment by each Board member     | 1. Involvement in the Company's operation<br>2. Enhancement of the quality of the board's decision-making<br>3. Makeup and structure of the board<br>4. Election of board members and continuing knowledge development<br>5. Internal controls   | Good               |
| 02/22/2023                 | Annual                    | From January 1, 2022 to December 31, 2022 | The Audit Committee        | Self-assessment by each Committee member | 1. Understanding of the Company's goals and mission<br>2. Awareness of the audit committee's duties<br>3. Involvement in the Company's operation<br>4. Internal relationship and communication<br>5. Director's professionalism and continuing knowledge development<br>6.. Internal controls. | Good               |
| 02/22/2023                 | Annual                    | From January 1, 2022 to December 31, 2022 | The Remuneration Committee | Self-assessment by each Committee member | 1. Involvement in the Company's operation<br>2. Awareness of director's duties<br>3. Enhancement of the quality of the board's decision-making<br>4. Makeup and structure of the Committee and Election of committee members   | Good               |

|            |        |   |                          |  |  |      |
|------------|--------|---|--------------------------|--|--|------|
| 02/22/2023 | Annual | From January 1, 2022 to December 31, 2022 | The ESG Committee        | Self-assessment by each Committee member | 1. Involvement in the Company's operation<br>2. Implementation status of the relevant policies and the Company's sustainable development<br>3. Expertise and experience<br>4. Regularly participate in committee meetings<br>5. True compliance with confidentiality obligations | Good |
| 02/22/2023 | Annual | From January 1, 2022 to December 31, 2022 | The Individual Directors | Self-evaluation by the Board member      | 1. Involvement in the Company's operation<br>2. Awareness of director's duties<br>3. Enhancement of the quality of the board's decision-making<br>4. Election of board members and continuing knowledge development<br>5. Internal control                                       | Good |

Note 1: Fill in the cycle of evaluation executed by the Board of Directors (e.g. annual).

Note 2: Fill in the period of evaluation of the Board of Directors (e.g. evaluate the Board of Directors' performance for the period of January 1, 2022 to December 31, 2022)

Note 3: The scope of the evaluation, which includes performance evaluation on the Board of Directors, Individual Board member and functional committee.

Note 4: The method of evaluation, which includes internal self-evaluation of the Board of Directors, self-evaluation by the Board member, peer evaluation, commissioned performance evaluation by external professional institutions, experts or other appropriate methods.

Note 5: The contents of evaluation, which include at least the following items according to the scope of evaluation:

- (1) Performance evaluation on the Board of Directors: which at least include the level of participation in the Company's operations, quality of decision-making of the Board of Directors, composition and structure of the Board of Directors, election, appointment and continuous training of the directors, and internal control, etc.
- (2) Performance evaluation on the individual member of the Board: which at least include the level of mastering the Company's goals and tasks, understanding of director's duties, the level of participation in the Company's operations, internal relationship management and communication, director's profession and continuous training, and internal control, etc.
- (3) Performance evaluation on the functional committees: the level of participation in the Company's operations, understanding of functional committee's duties, the quality of decision-making of the functional committees, composition and structure of the functional committees, election and appointment of members of the functional committee, and internal control, etc.

**(2) Audit Committee Performance Evaluation Implementation Status:**

The Audit Committee's objective is to assist the Board of Directors in overseeing the quality and ethical of the Company's accounting, auditing, and financial reporting processes and financial control.

The subjects reviewed by the audit committee mainly consist of:

- Financial statements;
- Audit and accounting policies and procedures;
- Internal control system and related policies and procedures;
- Major asset or derivative commodity transactions;
- Major capital loan and endorsement or guarantee;
- Placement or issuing securities;
- Derivative financial products and cash investment;
- Compliance;
- Whether there are related party transactions and possible conflicts of interest between the manager and director;
- Evaluate the effectiveness of the internal control system
- Complaint filing;
- Fraud prevention plan and fraud investigation report;
- Information security;
- Corporate risk management;
- Qualification, independence and performance evaluation of Certified Public Accountant;
- Appointment, dismissal or remuneration of CPA;
- Appointment and removal of the head of finance, or internal audit;
- Performance of Audit Committee's duties; and
- Self-assessment questionnaire for performance on Audit Committee.

The Audit Committee assesses the Company's internal control system policies and procedures (including finance, operation, risk management, information security, outsourcing, compliance and other control Procedures), and reviews the periodic reports of the Company's audit department and Certified Public Accountant.

● Review of financial report

The Board of Directors has prepared the Company's 2021 business report, financial statements, profit distribution proposal, etc., of which the financial statements were commissioned to Klynveld Peat Marwick Goerdeler (KPMG) for audit with an audit report issued upon completion thereby. The Audit Committee had reviewed and believed that there are no discrepancies in the above-mentioned business report, financial statements and profit distribution proposal.



**Information Regarding the Audit Committee Members :**

| Criteria<br>Name/<br>Title   | Professional Qualification<br>and Experiences  | Independence Status  | Number of Other<br>Public Companies<br>Concurrently<br>Serving as an<br>Audit Committee<br>Member |
|--|--|--|---|
| <b>SHAW, Ming-Fu</b><br>Independent<br>Director<br>(Meeting<br>Convener) | Associate professor at the Department of Economics of the National University, with a financial -related academic major and is currently not in or under any circumstances stated in Article 30 of the Company Law | According to the requirements of the competent authority, when the Company elects Independent Directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the Company. | 0   |
| <b>LIN, Hsien-Ming</b><br>Independent<br>Director                        | Chairman of a well-known electronics manufacturer in Taiwan, with rich industrial and commercial experience  | According to the requirements of the competent authority, when the Company elects Independent Directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the Company. | 1   |
| <b>TANG, Chuan-YI</b><br>Independent<br>Director                         | Ph.D. in computer engineering/Chiao Tung University and is currently the president of the university with academic and management experience   | According to the requirements of the competent authority, when the Company elects Independent Directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the Company. | 0   |
| <b>LU, Fang-Cheng</b><br>Independent<br>Director                         | Ph.D. in IT engineering / Tsing Hua University, chairman of a Company, with business experience  | According to the requirements of the competent authority, when the Company elects Independent Directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the Company. | 0   |

**The Audit Committee convened 6 meetings (A) in 2021. The Independent Directors' attendance status is as follows:**

| Title                | Name            | Attendance in Person<br>[B] | By<br>Proxy | Attendance rate (%)<br>[B/A] (Note) | Notes |
|----------------------|-----------------|-----------------------------|-------------|-------------------------------------|-------|
| Independent Director | LIN, Hsien-Ming | 6                           | 0           | 100%                                |       |
| Independent Director | SHAW, Ming-Fu   | 6                           | 0           | 100%                                |       |
| Independent Director | TANG, Chuan-Yi  | 6                           | 0           | 100%                                |       |
| Independent Director | Lu, Fang-Cheng  | 6                           | 0           | 100%                                |       |

Other mentionable items:

- In the event of any of the following circumstances concerning the operation of the Audit Committee, the date, session number, agenda of the Board Meeting, the Audit Committee resolution and how the Company process the Audit Committee resolution shall be specified.

- Matters relating to Article 14-5 of the Securities and Exchange Act;
- Other Board resolutions, except the matters mentioned above, authorized by 2/3 (or above) of the Directors but opposed by the Audit Committee:

| Audit Committee Meeting Date                                    | Proposal and Resolutions  | Independent directors' objections, reservations or major suggestions | Resolutions related to Securities and Exchange Act §14-5: | Proposals that have not been approved by the Audit Committee but have been approved by more than 2/3 of all directors |
|---|---|--|---|---|
| The 4 <sup>th</sup> Meeting of the 3rd Session dated 2022/02/22 | 1. Proposal to discuss about the Company's 2021 self-closing financial statements and consolidated financial statements.                            | None   | V   |   |
|   | 2. Proposal of establishment of "Top Taiwan XIV Venture Capital Co., Ltd." and submitted it for approval  | None   | V   |   |
|   | Resolution of the Audit Committee (made on 2022/02/22):<br>The members of the Audit Committee unanimously approved all the resolutions              |  |   |   |
|   | The Company's response to the Audit Committee's Opinion:<br>The Board of Directors approved all such resolutions recommended by the Audit Committee |  |   |   |
| The 5 <sup>th</sup> Meeting of the 3rd Session dated 2022/03/22 | 1. Adoption of statement of internal control system on design and implementation effectiveness  | None   | V   |   |
|   | 2. Proposal for appointing the Klynveld Peat Marwick Goerdeler (KPMG) to audit and certify the Company's 2022 financial statements and tax reports. | None   | V   |   |
|   | Resolution of the Audit Committee (made on 2022/03/22):<br>The members of the Audit Committee unanimously approved all the resolutions              |  |   |   |
|   | The Company's response to the Audit Committee's Opinion: The Board of Directors approved all such resolutions recommended by the Audit Committee    |  |   |   |
| The 6 <sup>th</sup> Meeting of the 3rd Session dated 2022/05/05 | 1. Proposal to discuss about the Company's 2021 first quarter self-closing financial statements   | None   | V   |   |
|   | 2. Proposal to discuss about the subscription of cash capital increase of Pixord Corporation In 2022  | None   | V   |   |
|   | Resolution of the Audit Committee (made on 2022/05/05):   |  |   |   |

|   |   |      |   |  |
|---|---|------|---|--|
| The 7th Meeting of the 3rd Session dated 2022/08/04 | The members of the Audit Committee unanimously approved all the resolutions   |      |   |  |
|   | The Company's response to the Audit Committee's Opinion:  |      |   |  |
|   | The Board of Directors approved all such resolutions recommended by the Audit Committee   |      |   |  |
|   | 1. Proposal to discuss about the Company's 2021 second quarter self-closing financial statements  | None | V |  |
| The 8th Meeting of the 3rd Session Dated 2022/11/03 | 4. Proposal to discuss about the subscription of cash capital increase of Kute Electronics Co., Ltd. in 2022  | None | V |  |
|   | Resolution of the Audit Committee (made on 2022/08/04):   |      |   |  |
|   | The members of the Audit Committee unanimously approved all the resolutions   |      |   |  |
|   | The Company's response to the Audit Committee's Opinion:  |      |   |  |
| The 9th Meeting of the 3rd Session dated 2022/12/22 | The Board of Directors approved all such resolutions recommended by the Audit Committee   |      |   |  |
|   | 1. Proposal to discuss about the Company's 2022 third quarter self-closing consolidated financial statements  | None | V |  |
|   | 2. Amendment to the Internal Major Information Processing Procedures  | None | V |  |
|   | Resolution of the Audit Committee (made on 2022/11/03):   |      |   |  |
|   | The members of the Audit Committee unanimously approved all the resolutions   |      |   |  |
|   | The Company's response to the Audit Committee's Opinion:  |      |   |  |
|   | The Board of Directors approved all such resolutions recommended by the Audit Committee   |      |   |  |
|   | 1. To establish an Audit Plan in 2023   | None | V |  |
|   | 3. Proposal to discuss about the approval of the general principles of the Company's pre-approved non-confirmed service policy and submit it for discussion | None | V |  |
|   | Resolution of the Audit Committee (made on 2022/12/22):   |      |   |  |
|   | The members of the Audit Committee unanimously approved all the resolutions   |      |   |  |
|   | The Company's response to the Audit Committee's Opinion:  |      |   |  |
|   | The Board of Directors approved all such resolutions recommended by the Audit Committee   |      |   |  |

- Where the Independent Director avoided conflict of interests, specify the Independent Director's name, agenda, reason for the avoidance of conflict of interests and participation in voting: N/A
- Communication between the Independent Director and chief audit executive and accountant (include major topics, methods and results relating to the Company's financial and business status that shall be communicated):

#### Summary of Communications between the Independent Directors and the Internal Auditors

| Meeting Date | Meeting held by | Communications between the Independent Directors and the Internal Auditors  | Recommendations and results |
|--------------|-----------------|---|-----------------------------|
| 2022/02/22   | Audit Committee | Internal Audit Report up to December 30, 2021   | no objection                |
| 2022/03/22   | Audit Committee | 1. Internal Auditor's report up to February 28, 2022<br>2. Adoption to the "Internal Control Design and Implementation Effective Declaration" | no objection                |
| 2022/05/05   | Audit Committee | Internal Auditor's report up to March 31, 2022  | no objection                |
| 2022/08/04   | Audit Committee | Internal Auditor's report<br>From April 2022 to June 2022   | no objection                |
| 2022/11/03   | Audit Committee | 1. Internal Auditor's report from July 2022 to September 2022<br>2. Amendments to the Internal Major Information Processing Procedures        | no objection                |
| 2022/12/22   | Audit Committee | 1. Internal Auditor's report up to November 30, 2022<br>2. Establish the 2022 internal audit plan   | no objection                |

Result: all of the above matters were reviewed and/or approved by the Audit Committee whereupon Independent Directors and the Internal Auditors raised no objection.

**Summary of communications between Independent Directors and the CPA**

| Date       | Communications between the Independent Directors and the CPA   | Recommendations and results |
|------------|--|-----------------------------|
| 22.02.2022 | Communication meeting with the corporate governance unit:<br>1. Independence status;<br>2. Responsibilities of auditors for auditing financial statements;<br>3. Scope of the Audit Review for Annual Report 2021;<br>4. Audit findings of Annual Report 2021<br>5. Main impact of Auditing Standards Bulletin No. 75<br>6. Updates to the Important Securities Regulatory | No objection                |

Note:

- \* If an Independent Director left his/her position before the end of the year, the date he/she left the position shall be specified in the “Note” field and the actual attendance rate (%) shall be calculated based on the number of Audit Committee meetings and his/her actual number of times of attendance during his/her term.
- \* If there is an independent director re-election before the end of the year, the information of both previous and new Independent Directors shall be filled in the “Note” field specifying who is the previous Independent Director, who is the new or re-elected Independent Director and the re-election date; and the actual attendance rate (%) shall be calculated based on the number of Audit Committee meetings and his/her actual number of times of attendance during his/her term.

**(3) Supervisors’ participation in the operation of the Board of Directors: N/A.**

(Note: The Company has established the Audit Committee in lieu of Supervisors in 2015).

**(4) Corporate Governance Implementation Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons**

| Assessment Item   | Implementation Status (Note) |    |  | Non-Implementation and its Reason(s) |
|---|------------------------------|----|--|--------------------------------------|
|   | Yes                          | No | Summary  |                                      |
| 1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”? | V                            |    | The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on November 8, 2018. The information has been disclosed on the Company’s website and the Market Observation Post System (MOPS)..   | None                                 |
| 2. Shareholding structure & shareholders’ rights  |                              |    |  |                                      |
| (1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?        | V                            |    | The Company has established the spokesperson system and legal department to process relevant issues.   | None                                 |
| (2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?   | V                            |    | The Company has established the personnel dedicated to stocks/shares related matters and entrusted agent Masterlink Securities to process stocks/shares related affairs.   | None                                 |
| (3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?   | V                            |    | The Company has formulated the “Regulations on the Operating Management of Subsidiary” as the basis for control.   | None                                 |
| (4) Does the Company establish internal rules against insiders trading with undisclosed information?  | V                            |    | The Company has formulated the “Major Internal Information Processing Procedures” and “Ethical Code of Ethics and Business Conduct” specifications.  | None                                 |
| 3. Composition and responsibilities of the Board of Directors   |                              |    |  |                                      |
| (1) Does the Board of Directors formulate and implement a diversified approach for the member composition?  | V                            |    | 1. The Company adopted the “Code of Corporate Governance” on the Ninth Session No. 3 Board Meeting on November 8, 2018, of which diversified policy was set out in Chapter 3 “Strengthening the Board Functions”. The nomination and selection of the Board members of the Company adopts the nomination system for candidates as prescribed in the Articles of Association and abides by the “Guidelines Governing the Election of Directors” and “Code of Corporate Governance” to ensure the diversity and independence of the Board members. The Company pays attention to the diversity of the composition of the Board of Directors, and added one director and one independent director during the re-election of the shareholders' meeting on July 2, 2021 to increase the diversity of directors. The future goal is to have at | None                                 |

| Assessment Item | Implementation Status (Note) |    |  | Non-Implementation and its Reason(s) |
|-----------------|------------------------------|----|--|--------------------------------------|
|                 | Yes                          | No | Summary  |                                      |
|                 |                              |    | <p>least one female director to enrich the diversity of the Board of Directors.</p> <p>2. The Company's current Board of Directors consists of 5 directors and 4 Independent Directors. Among the directors, there are those specialized in leadership, operational judgment, management, crisis management, industrial and international market knowledge such as YEH, I-Hau, YEN, Kuo-Lung, CHIU, Te-Chen, WEI, Chi-Lin; and CHIU, Te-Chen has many years experiences in venture capital management and rich experiences in the industry; WEI, Chi-Lin has served as a professor in government unit and university and is currently chairman of a bills finance Company with rich industrial, government, and academic experiences; YEH, Tsung-Ying has been in contact with foreign electronics manufacturers all the year round, and has good interaction with foreign merchants, which is helpful for the Company to expand foreign business; independent director LIN, Hsien-Ming is the chairman of well-known domestic electronics manufacturers. Often provide valuable practical operation advice; Independent Directors TANG, Chuan-Yi and SHAW, Ming-Fu are the current university president and associate professor of the Department of Economics, respectively, providing Company-related academic views; another independent director LU, Fang-Cheng, in addition to having a Ph.D. background, he also has relevant Company management experience.</p> <p>3. 22% of the Company's directors are also active as employee, while 44% of Independent Directors are also active as employee. 3 Independent Directors have a term of office of less than 2 years, 1 independent director has a term of office of 6 years, and the seniority of Independent Directors is between 521- 70 years old; 1 director is over 70 years old, 2 directors are between 60 and 69 years old, 1 director is between 50 and 60 years old, and 1 director is under 40 years old.</p> <p>4. The Board and Management pay attention to tolerance and diversity in supporting The Company's system of values: "Diversity Management Goal": The Board supports and oversees management's actions to increase the number</p> |                                      |

| Assessment Item   | Implementation Status (Note) |    |  | Non-Implementation and its Reason(s) |
|---|------------------------------|----|--|--------------------------------------|
|   | Yes                          | No | Summary  |                                      |
|   |                              |    | of female senior executives.   |                                      |
| (2) Does the Company, in addition to the establishment of the Remuneration Committee and Audit Committee by laws, voluntarily establish other types of functional committees?   | V                            |    | The Company has established a Sustainable Development Committee, with an independent director as the convener, and 2 independent directors, the president and vice-president as members responsible for supervising the Company's ESG promotion.   | None                                 |
| (3) Does the Company set methods of evaluating the performances of the Board of Directors perform the evaluation regularly on a yearly basis and report the performance evaluation results to the Board of Directors as references for individual director's remuneration and nomination? | V                            |    | <p>The Company's Board of Directors has formulated the "Methods of evaluating the performances of the Board of Directors" on December 21, 2018, which stipulated that the Board of Directors shall perform an internal Board performance evaluation once a year. The internal evaluation period of the Board of Directors shall be at the end of each year, which shall conduct annual performance evaluations on the entire Board of Directors, individual Board members and the functional committees. The results of the Board's internal performance evaluation shall be completed prior to the earliest Board Meeting of the following year.</p> <p>Performance evaluation of the Board of Directors (functional committee):</p> <ol style="list-style-type: none"> <li>1. The level of participation in the Company's operations.</li> <li>2. Improve the quality of decision-making of the Board of Directors.</li> <li>3. Composition and structure of the Board of Directors.</li> <li>4. Election, appointment and continuous training of the directors.</li> <li>5. Internal control.</li> </ol> <p>Performance evaluation of the Board members (self or peers) shall at least cover the following six aspects:</p> <ol style="list-style-type: none"> <li>1. The level of mastering the Company's goals and tasks.</li> <li>2. Understanding of director's duties.</li> <li>3. The level of participation in the Company's operations.</li> <li>4. Internal relationship management and communication.</li> <li>5. Director's profession and continuous training.</li> <li>6. Internal control.</li> </ol> | None                                 |

| Assessment Item  | Implementation Status (Note) |    |  | Non-Implementation and its Reason(s) |
|--|------------------------------|----|--|--------------------------------------|
|  | Yes                          | No | Summary  |                                      |
| (4) Does the Company regularly evaluate the independence of the Certified Public Accountant (CPA)? | V                            |    | <p>At the end of each year, each implementation unit shall collect relevant information concerning activities of the Board of Directors and distribute relevant self-assessment questionnaires to fill out. Then, the organizing implementation unit shall collect the data, record the evaluation results report and sends it to the Board of Directors for report.</p> <p>The Company has completed the performance evaluation of the Board of Directors, the Remuneration Committee, the ESG Development Committee, Audit Committee and the directors in January 2021 and reported at the Board Meeting on February 22, 2023. The Results of the performance evaluation of the Company's Board member and of the members of the various functional committees are all good.</p> <p>The Company evaluates the independence and suitability of the accountant before appointing the CPA every year. The Company bases on the Company's Criteria for Assessing the Independence of Accountants (Note 1) and the independence statement issued by the accounting firm and the 13 indicators of the "Audit Quality Indicators (AQIs)" Information to assess the independence and competence of accountants. It is confirmed that the accountants CHOU, Pao-Lien and Accountant TSENG, Mei-Yu of Klynveld Peat Marwick Goerdeler (KPMG) meet the independence requirements. In addition, the accountants and the firm are superior to the average level in the industry in indicators such as audit experience, training hours, turnover rate, professional support, accountant load, and case quality control review. Accounting firms continue to invest in digital audit platforms to improve audit efficiency. The latest assessment results were submitted for review and approval by the Audit Committee and the Board of Directors on November 03, 2022.</p> <p>Note 1: Criteria for assessing the independence of accountants</p> |                                      |



| Assessment Item  | Implementation Status (Note) |              |  | Non-Implementation and its Reason(s) |                    |              |   |    |     |   |    |     |   |    |     |  |    |     |   |    |     |   |    |     |  |    |     |  |
|--|------------------------------|--------------|--|--------------------------------------|--------------------|--------------|---|----|-----|---|----|-----|---|----|-----|--|----|-----|---|----|-----|---|----|-----|--|----|-----|--|
|  | Yes                          | No           | Summary  |                                      |                    |              |   |    |     |   |    |     |   |    |     |  |    |     |   |    |     |   |    |     |  |    |     |  |
|  |                              |              | <table><tr><th>Assessment Item</th><th>Assessment Results</th><th>Independence</th></tr><tr><td>1. Does the Accountant has direct or major indirect financial interests with the Company?</td><td>No</td><td>Yes</td></tr><tr><td>2. Does the Accountant have financing or guarantee behaviors with the Company or the Company’s Directors?</td><td>No</td><td>Yes</td></tr><tr><td>3. Does the Accountant have close business relationship and potential employment relationship with the Company?</td><td>No</td><td>Yes</td></tr><tr><td>4. Does the Accountant and its audit team member currently or use to serve in the Company as a director, manager or other position having major influence on the audit work in the Last Two Years?</td><td>No</td><td>Yes</td></tr><tr><td>5. Does the Accountant provide the Company with non-audit service item that may directly affect audit the work?</td><td>No</td><td>Yes</td></tr><tr><td>6. Does the accountant intermediate the stocks or other securities issued by the Company?</td><td>No</td><td>Yes</td></tr><tr><td>7. Does the Accountant ever serve as the Company’s defender or represent the Company in coordinating conflicts with other third parties?</td><td>No</td><td>Yes</td></tr></table> | Assessment Item                      | Assessment Results | Independence | 1. Does the Accountant has direct or major indirect financial interests with the Company? | No | Yes | 2. Does the Accountant have financing or guarantee behaviors with the Company or the Company’s Directors? | No | Yes | 3. Does the Accountant have close business relationship and potential employment relationship with the Company? | No | Yes | 4. Does the Accountant and its audit team member currently or use to serve in the Company as a director, manager or other position having major influence on the audit work in the Last Two Years? | No | Yes | 5. Does the Accountant provide the Company with non-audit service item that may directly affect audit the work? | No | Yes | 6. Does the accountant intermediate the stocks or other securities issued by the Company? | No | Yes | 7. Does the Accountant ever serve as the Company’s defender or represent the Company in coordinating conflicts with other third parties? | No | Yes |  |
| Assessment Item  | Assessment Results           | Independence |  |                                      |                    |              |   |    |     |   |    |     |   |    |     |  |    |     |   |    |     |   |    |     |  |    |     |  |
| 1. Does the Accountant has direct or major indirect financial interests with the Company?  | No                           | Yes          |  |                                      |                    |              |   |    |     |   |    |     |   |    |     |  |    |     |   |    |     |   |    |     |  |    |     |  |
| 2. Does the Accountant have financing or guarantee behaviors with the Company or the Company’s Directors?  | No                           | Yes          |  |                                      |                    |              |   |    |     |   |    |     |   |    |     |  |    |     |   |    |     |   |    |     |  |    |     |  |
| 3. Does the Accountant have close business relationship and potential employment relationship with the Company?  | No                           | Yes          |  |                                      |                    |              |   |    |     |   |    |     |   |    |     |  |    |     |   |    |     |   |    |     |  |    |     |  |
| 4. Does the Accountant and its audit team member currently or use to serve in the Company as a director, manager or other position having major influence on the audit work in the Last Two Years? | No                           | Yes          |  |                                      |                    |              |   |    |     |   |    |     |   |    |     |  |    |     |   |    |     |   |    |     |  |    |     |  |
| 5. Does the Accountant provide the Company with non-audit service item that may directly affect audit the work?  | No                           | Yes          |  |                                      |                    |              |   |    |     |   |    |     |   |    |     |  |    |     |   |    |     |   |    |     |  |    |     |  |
| 6. Does the accountant intermediate the stocks or other securities issued by the Company?  | No                           | Yes          |  |                                      |                    |              |   |    |     |   |    |     |   |    |     |  |    |     |   |    |     |   |    |     |  |    |     |  |
| 7. Does the Accountant ever serve as the Company’s defender or represent the Company in coordinating conflicts with other third parties?   | No                           | Yes          |  |                                      |                    |              |   |    |     |   |    |     |   |    |     |  |    |     |   |    |     |   |    |     |  |    |     |  |

| Assessment Item  | Implementation Status (Note)                         |  |   |    |     |  | Non-Implementation and its Reason(s) |         |                       |          |            |   |   |         |            |  |   |         |            |  |  |         |      |
|--|--|--|---|----|-----|--|--------------------------------------|---------|-----------------------|----------|------------|---|---|---------|------------|--|---|---------|------------|--|--|---------|------|
|  | Yes  | No   | Summary   |    |     |  |                                      |         |                       |          |            |   |   |         |            |  |   |         |            |  |  |         |      |
|  |  |  | 8. Is the Accountant related in kinship or marriage with the Company's Director, manager or other person having major influence on the audit work?  | No | Yes |  |                                      |         |                       |          |            |   |   |         |            |  |   |         |            |  |  |         |      |
| 4. Does the TWSE/TPEX listed companies arrange adequate Corporate Governance personnel and assign Corporate Governance supervisor to be responsible for corporate governance related affairs (including but not limited to providing information required by the Directors and/or Supervisors to execute the business, assist directors and supervisors to comply with laws and regulations, processing the Board Meeting and shareholders' meeting related matters pursuant to laws and regulation, generating minutes of the Board Meetings and shareholders' meetings, etc.)? | V  |  | On April 28, 2021 the Board of Directors of the Company has appointed the finance and accounting chief officer to be acting as the Corporate Governance Officer to handle matters related to the meetings of the Board of Directors and the shareholders' meetings, prepare the minutes of the Board of Directors and the shareholders' meetings, provide directors with necessary information for business execution, assist directors in continuing education and assist directors to follow the laws, etc.<br>The continuing education training of the Corporate Governance Officer in 2022 is summarized as follows: Total 12 hours <table><tr><th>Date</th><th>Host By</th><th>Training/Speech Title</th><th>Duration</th></tr><tr><td>05/04/2022</td><td>Taiwan Corporate Governance Association</td><td>2022 Insider Trading Prevention Seminar</td><td>3 hours</td></tr><tr><td>05/20/2022</td><td>Securities and Futures Market Development Foundation</td><td>Business challenges, response and layout of creating new corporate value with ESG</td><td>3 hours</td></tr><tr><td>12/06/2022</td><td>Accounting Research and Development Foundation</td><td>The latest "Internal Control Management Guidelines Amendment" and "Information Security" legal compliance and fraud prevention practices</td><td>6 hours</td></tr></table> |    |     |  | Date                                 | Host By | Training/Speech Title | Duration | 05/04/2022 | Taiwan Corporate Governance Association | 2022 Insider Trading Prevention Seminar | 3 hours | 05/20/2022 | Securities and Futures Market Development Foundation | Business challenges, response and layout of creating new corporate value with ESG | 3 hours | 12/06/2022 | Accounting Research and Development Foundation | The latest "Internal Control Management Guidelines Amendment" and "Information Security" legal compliance and fraud prevention practices | 6 hours | None |
| Date   | Host By  | Training/Speech Title  | Duration  |    |     |  |                                      |         |                       |          |            |   |   |         |            |  |   |         |            |  |  |         |      |
| 05/04/2022   | Taiwan Corporate Governance Association              | 2022 Insider Trading Prevention Seminar  | 3 hours   |    |     |  |                                      |         |                       |          |            |   |   |         |            |  |   |         |            |  |  |         |      |
| 05/20/2022   | Securities and Futures Market Development Foundation | Business challenges, response and layout of creating new corporate value with ESG  | 3 hours   |    |     |  |                                      |         |                       |          |            |   |   |         |            |  |   |         |            |  |  |         |      |
| 12/06/2022   | Accounting Research and Development Foundation       | The latest "Internal Control Management Guidelines Amendment" and "Information Security" legal compliance and fraud prevention practices | 6 hours   |    |     |  |                                      |         |                       |          |            |   |   |         |            |  |   |         |            |  |  |         |      |
| 5. Does the Company establish communication channel with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up an Interested Parties Zone on the Company's  | V  |  | The Company's website has established an Interested Parties Zone and public e-mail to safeguard the communication channel of the interested parties.  |    |     |  | None                                 |         |                       |          |            |   |   |         |            |  |   |         |            |  |  |         |      |

| Assessment Item  | Implementation Status (Note) |    |   | Non-Implementation and its Reason(s) |
|--|------------------------------|----|---|--------------------------------------|
|  | Yes                          | No | Summary   |                                      |
| website, and duly respond to important corporate social responsibility issues concerned by the interested parties?   |                              |    |   |                                      |
| 6. Does the Company appoint professional service agency to process affairs of the shareholders' meeting?   | V                            |    | The Company has entrusted the professional stock agent Masterlink Securities to handle the shareholders' meeting related affairs.   | None                                 |
| 7. Information disclosure  |                              |    |   |                                      |
| (1) Does the Company set up a website to disclose information concerning financial operations and corporate governance?  | V                            |    | The Company has established an external website (URL <a href="http://www.emc.com.tw">http://www.emc.com.tw</a> ) to disclose financial operations information and corporate governance information.   | None                                 |
| (2) Does the Company adopt other means of disclosing information (such as setting up an English website, assigning someone to take charge of the collection and disclosure of the Company's information, implementing the Spokesperson system, posting Corporate Conference process on the Company's website)? | V                            |    | Currently, the Company has a dedicated website and dedicated Spokesperson. The video/audio files and newsletter of Corporate Conference will also be posted on the Company's website for public references.   | None                                 |
| (3) Does the Company declare and file annual financial report within two months after the end of the fiscal year, and declare and file the financial reports and monthly Implementation Status for the first, second, and third quarter within the required deadline?  | V                            |    | The Company will disclose and file its annual financial report within two months after the end of each fiscal year 2021; and the financial reports and monthly business operation status for the first, second, and third quarters are all declared and filed before the required deadline. | None                                 |

| Assessment Item   | Implementation Status (Note) |       |  | Non-Implementation and its Reason(s)   |                  |       |         |                       |                  |          |            |     |   |   |   |     |                                  |   |   |          |               |     |   |   |   |      |   |  |   |          |               |      |   |  |  |               |
|---|------------------------------|-------|--|--|------------------|-------|---------|-----------------------|------------------|----------|------------|-----|---|---|---|-----|----------------------------------|---|---|----------|---------------|-----|---|---|---|------|---|--|---|----------|---------------|------|---|--|--|---------------|
|   | Yes                          | No    | Summary  |  |                  |       |         |                       |                  |          |            |     |   |   |   |     |                                  |   |   |          |               |     |   |   |   |      |   |  |   |          |               |      |   |  |  |               |
| 8. Does the Company possess other important information (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of the interested parties, trainings of the Directors and Supervisors, execution status of risks manage policies and risks measurement standards, execution status of customer policies, liability insurance purchased by the Company for the Directors and Supervisors, etc.) that can help in understanding the corporate governance operating status? | V                            |       | <div><div><div>1. In addition to common benefit such as health insurance, social security, group insurance and pension, employees of the Company also enjoy benefits by the Company such as bonuses for the year, employee bonus , regular health checkups, established medical room to care for employees’ health, employee travel allowances and club activities.</div><div>2. The Company has established a Spokesperson, Acting Spokesperson, Investment contact person and public e-mail as communication channels between the Company and the investors. The Company’s external website (URL <a href="http://www.emc.com.tw">http://www.emc.com.tw</a>) also has established an Interested Parties Zone to present various aspects concerned by the interested parties and related means of communication and response.</div><div>3. Education Training of Directors and Supervisors in 2022:</div></div><table><thead><tr><th>Title</th><th>Name</th><th>Month</th><th>Host By</th><th>Training/Speech Title</th><th>Duration (Hours)</th></tr></thead><tbody><tr><td rowspan="2">Chairman</td><td rowspan="2">YEH, I-Hau</td><td>May</td><td>Taiwan Corporate Governance Association</td><td>Business challenges, response and layout of creating new corporate value with ESG</td><td>3</td></tr><tr><td>May</td><td>Securities and Futures Institute</td><td>2022 Annual Insider Trading Prevention Promotion Conference</td><td>3</td></tr><tr><td rowspan="2">Director</td><td rowspan="2">YEN, Kuo-Lung</td><td>May</td><td>Taiwan Corporate Governance Association</td><td>Business challenges, response and layout of creating new corporate value with ESG</td><td>3</td></tr><tr><td>Aug.</td><td>Taiwan Corporate Governance Association</td><td>Trends and Challenges of Information Security Governance</td><td>3</td></tr><tr><td>Director</td><td>CHIU, Te-Chen</td><td>July</td><td>Taiwan Corporate Governance Association</td><td>Net Zero Trends: Practical Observations on ESG Decision-Making made by Board of Directors (Part I)</td><td></td></tr></tbody></table></div> | Title  | Name             | Month | Host By | Training/Speech Title | Duration (Hours) | Chairman | YEH, I-Hau | May | Taiwan Corporate Governance Association | Business challenges, response and layout of creating new corporate value with ESG | 3 | May | Securities and Futures Institute | 2022 Annual Insider Trading Prevention Promotion Conference | 3 | Director | YEN, Kuo-Lung | May | Taiwan Corporate Governance Association | Business challenges, response and layout of creating new corporate value with ESG | 3 | Aug. | Taiwan Corporate Governance Association | Trends and Challenges of Information Security Governance | 3 | Director | CHIU, Te-Chen | July | Taiwan Corporate Governance Association | Net Zero Trends: Practical Observations on ESG Decision-Making made by Board of Directors (Part I) |  | None provided |
| Title   | Name                         | Month | Host By  | Training/Speech Title  | Duration (Hours) |       |         |                       |                  |          |            |     |   |   |   |     |                                  |   |   |          |               |     |   |   |   |      |   |  |   |          |               |      |   |  |  |               |
| Chairman  | YEH, I-Hau                   | May   | Taiwan Corporate Governance Association  | Business challenges, response and layout of creating new corporate value with ESG                  | 3                |       |         |                       |                  |          |            |     |   |   |   |     |                                  |   |   |          |               |     |   |   |   |      |   |  |   |          |               |      |   |  |  |               |
|   |                              | May   | Securities and Futures Institute   | 2022 Annual Insider Trading Prevention Promotion Conference  | 3                |       |         |                       |                  |          |            |     |   |   |   |     |                                  |   |   |          |               |     |   |   |   |      |   |  |   |          |               |      |   |  |  |               |
| Director  | YEN, Kuo-Lung                | May   | Taiwan Corporate Governance Association  | Business challenges, response and layout of creating new corporate value with ESG                  | 3                |       |         |                       |                  |          |            |     |   |   |   |     |                                  |   |   |          |               |     |   |   |   |      |   |  |   |          |               |      |   |  |  |               |
|   |                              | Aug.  | Taiwan Corporate Governance Association  | Trends and Challenges of Information Security Governance   | 3                |       |         |                       |                  |          |            |     |   |   |   |     |                                  |   |   |          |               |     |   |   |   |      |   |  |   |          |               |      |   |  |  |               |
| Director  | CHIU, Te-Chen                | July  | Taiwan Corporate Governance Association  | Net Zero Trends: Practical Observations on ESG Decision-Making made by Board of Directors (Part I) |                  |       |         |                       |                  |          |            |     |   |   |   |     |                                  |   |   |          |               |     |   |   |   |      |   |  |   |          |               |      |   |  |  |               |

| Assessment Item | Implementation Status (Note) |    |                      |                 |      |   |   | Non-Implementation and its Reason(s) |  |
|-----------------|------------------------------|----|----------------------|-----------------|------|---|---|--------------------------------------|--|
|                 | Yes                          | No | Summary              |                 |      |   |   |                                      |  |
|                 |                              |    |                      |                 | July | Taiwan Corporate Governance Association | Net Zero Trends: Practical Observations on ESG Decision-Making made by Board of Directors (Part II) | 3                                    |  |
|                 |                              |    | Corporate director   | WEI, Chi-Lin    | Mar. | Taiwan Corporate Governance Association | Taiwan Corporate Governance Association   | 1.5                                  |  |
|                 |                              |    |                      |                 | May  | Taiwan Corporate Governance Association | Information security governance path under the challenge of legal compliance                        | 1.5                                  |  |
|                 |                              |    |                      |                 | July | Securities and Futures Institute        | Net Zero Trends: Practical Observations of ESG Decisions made by Board of Directors                 | 3                                    |  |
|                 |                              |    |                      |                 | Aug  | Taiwan Corporate Governance Association | Anti-avoidance rules against international tax planning   | 1.5                                  |  |
|                 |                              |    |                      |                 | Nov. | Taiwan Corporate Governance Association | Talking about corporate carbon thinking from the perspective of ESG development trend               | 1.5                                  |  |
|                 |                              |    |                      |                 | Dec, | Securities and Futures Institute        | Enterprise Ethical Management and Money Laundering Prevention                                       | 3                                    |  |
|                 |                              |    | Corporate director   | YEH, Tsung-Ying | May  | Securities and Futures Institute        | 2022 Annual Insider Trading Prevention Promotional Conference                                       | 3                                    |  |
|                 |                              |    |                      |                 | May  | Taiwan Corporate Governance Association | Business challenges, response and layout of creating new corporate value with ESG                   | 3                                    |  |
|                 |                              |    | Independent Director | LIN, Hsien-Ming | May  | Taiwan Corporate Governance Association | Business challenges, response and layout of creating new corporate value with ESG                   | 3                                    |  |

| Assessment Item | Implementation Status (Note) |    |                      |                |      |  |  | Non-Implementation and its Reason(s) |  |
|-----------------|------------------------------|----|----------------------|----------------|------|--|--|--------------------------------------|--|
|                 | Yes                          | No | Summary              |                |      |  |  |                                      |  |
|                 |                              |    |                      |                | July | Taipei Exchange (TPEX)                             | ESG Route map Industry Theme Promotional Conference  | 2                                    |  |
|                 |                              |    |                      |                | Aug. | Taiwan Corporate Governance Association            | Trends and Challenges of Information Security Governance   | 3                                    |  |
|                 |                              |    |                      |                | Sep. | Taiwan Corporate Governance Association            | Public relations handling principles for corporate legal events                                  | 3                                    |  |
|                 |                              |    |                      |                | Sep. | Taiwan Corporate Governance Association            | 2030/ 2050 Green Industrial Revolution   | 3                                    |  |
|                 |                              |    | Independent Director | SHAW, Ming-Fu  | May  | Taiwan Corporate Governance Association            | Business challenges, response and layout of creating new corporate value with ESG                | 3                                    |  |
|                 |                              |    |                      |                | July | Taipei Exchange (TPEX)                             | ESG Route map Industry Theme Promotional Conference  | 2                                    |  |
|                 |                              |    |                      |                | Aug. | Taiwan Corporate Governance Association            | Trends and Challenges of Information Security Governance   | 3                                    |  |
|                 |                              |    | Independent Director | TANG, Chuan-Yi | Aug. | Securities and Futures Institute                   | The value of information security in the post-epidemic era and the US-China trade war            | 3                                    |  |
|                 |                              |    |                      |                | Sep. | The Allied Association for Science Park Industries | Legal issues that directors and supervisors of public offering companies should pay attention to | 3                                    |  |
|                 |                              |    | Independent Director | Fa ng-Ch       | May  | Taiwan Corporate Governance                        | Business challenges, response and layout of creating new corporate                               | 3                                    |  |

| Assessment Item  | Implementation Status (Note) |    |  |  |       |                                       | Non-Implementation and its Reason(s)                        |   |  |  |
|--|------------------------------|----|--|--|-------|---------------------------------------|---|---|--|--|
|  | Yes                          | No | Summary  |  |       |                                       |   |   |  |  |
|  |                              |    |  |  |       | Association                           | value with ESG  |   |  |  |
|  |                              |    |  |  | June6 | Securities and Futures Institute      | 2022 Annual Insider Trading Prevention Promotion Conference | 3 |  |  |
|  |                              |    |  |  | Nov.  | Taiwan Academy of Banking and Finance | Corporate Governance Forum                                  | 3 |  |  |
|  |                              |    |  |  |       |                                       |   |   |  |  |
|  |                              |    | 4.If the Board Meeting convened by the Company involves personal interests of the Director(s) which are potentially damaging to the Company’s interests, the Director(s) shall uphold self-discipline to avoid the participation in voting or represent other Director(s) in exercising voting power.<br>5.The Company has purchased NT\$160,000,000 liability insurance for the Directors and managers, of which the related underwriting period and premiums has been reported in the Board Meeting on August 4, 2022. |  |       |                                       |   |   |  |  |
| 9. Please state the status of improvement for issues identified in the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the last fiscal year and propose priority enhancements and Procedures for those that have not yet improved. (This is N/A for the companies not listed as a rated Company):<br>The issues identified in the Company’s 2021 corporate governance evaluation results that have been improved: The annual report shall be completed at the end of next year and uploaded on the website via the Market Observation Post System of the TWSE (https://mops.twse.com.tw))<br>Priority enhancement in the future: The Performance Evaluation of the Board of Directors will be implemented by an independent third party. |                              |    |  |  |       |                                       |   |   |  |  |

Note: Explanations shall be specified in the "Summary" field regardless whether "Yes" or "No" was selected for the operating status.

**(5) Information Regarding Remuneration Committee Members**

| Criteria<br>Name/<br>Title                                     | Professional<br>Qualification and<br>Experiences   | Independence Status  | Number of<br>Other Public<br>Companies<br>Concurrently<br>Serving as an<br>Audit Committee<br>Member |
|--|--|--|--|
| LIN, Hsien-Ming<br>Independent Director<br>(Meeting Converner) | Chairman of a well-known electronics manufacturer in Taiwan, with rich industrial and commercial experience                                  | According to the requirements of the competent authority, when the Company elects Independent Directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the Company. | 1  |
| TANG, Chuan-Yi<br>Independent Director                         | Ph.D. in computer engineering/Chiao Tung University and is currently the president of the university with academic and management experience | According to the requirements of the competent authority, when the Company elects Independent Directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the Company. | 0  |
| LU, Fang-Chen<br>Independent Director                          | Ph.D. in IT engineering / Tsing Hua University, chairman of a Company, with business experience  | According to the requirements of the competent authority, when the Company elects Independent Directors, it has obtained a written statement from each independent director confirming the independence of himself and his relatives within the second degree relative to the Company. | 0  |



## (6) Remuneration Committee Meeting Status

1. The Company has a total of three (3) Remuneration Committee members
2. The fifth term of office of the Remuneration Committee members: LIN, Hsien-Ming and LU, Fang-Chen, tenures from July 02, 2021 to July 01, 2024; TANG, Chuan-Yi, tenures from August 3, 2021 to July 1, 2024. The Chairman of the Remuneration Committee convened 4 meetings (A) in 2022. The qualifications and attendance of the committee members were as follows:

| Title   | Name   | Attendance<br>in Person [B]  | By Proxy | Attendance rate (%)<br>[B/A] (Note)  | Notes |
|---|--|--|----------|--|-------|
| Convener  | LIN, Hsien-Ming  | 4  | 0        | 100%   |       |
| Independent Director  | TANG, Chuan-Yi   | 4  | 0        | 100%   |       |
| Independent Director  | LU, Fang-Cheng   | 4  | 0        | 100%   |       |
| The dates, sessions, motions and resolutions of the Remuneration Committee’s meetings in 2022, and the Company’s actions taken towards the Remuneration Committee’s opinions:   |  |  |          |  |       |
| Meeting Date  | Proposals  | Resolutions  |          | The Company’s response<br>to the Remuneration<br>Committee’s Opinion                           |       |
| The Fifth Meeting<br>Session No. 4<br>Mar. 22, 2022   | 1. Payment of manager's 2021 remuneration<br>2. Payment of 2021 employee’s bonus and directors' remuneration | The members of the Remuneration Committee unanimously approved all the resolutions |          | The Board of Directors approved all such resolutions recommended by the Remuneration Committee |       |
| The Fifth Meeting<br>Session No. 5<br>June 28, 2023   | 1. Payment of director’s 2021 remuneration   | The members of the Remuneration Committee unanimously approved all the resolutions |          | The Board of Directors approved all such resolutions recommended by the Remuneration Committee |       |
| The Fifth Meeting<br>Session No.6<br>August 04, 2022  | 1. Manager’s Remuneration adjustment   | The members of the Remuneration Committee unanimously approved all the resolutions |          | The Board of Directors approved all such resolutions recommended by the Remuneration Committee |       |
| The Fifth Meeting<br>Session No. 7<br>Dec. 22, 2022   | 1. Director and Manager Remuneration Planning Timeline   | The members of the Remuneration Committee unanimously approved all the resolutions |          | The Board of Directors approved all such resolutions recommended by the Remuneration Committee |       |
| Other mentionable items:  |  |  |          |  |       |
| 1. In the event of where the Board of Directors did not approve or correct the Remuneration Committee’s propose, the date, session number, agenda of the Board Meeting, the Board resolution and how the Company process the Remuneration Committee’s resolution shall be specified (if the remuneration authorized by the Board of Directors is better than that of proposed by the Remuneration Committee, please specify the differences and reason therefor): None. |  |  |          |  |       |
| 2. In the event of where the Remuneration Committee’s resolutions opposed or given qualified opinion by its member(s) with record(s) or written statement(s), the date, session number, agenda of the Remuneration Committee meeting, opinions of all members and how the members’ opinions were processed: None.   |  |  |          |  |       |

Note:

- (1) If a Remuneration Committee member left his/her position before the end of the year, the date he/she left the position shall be specified in the "Note" field and the actual attendance rate (%) shall be calculated

based on the number of Remuneration Committee meetings and his/her actual number of times of attendance during his/her term.

- (2) If there is a Remuneration Committee member re-election before the end of the year, the information of both previous and new Remuneration Committee members shall be filled in the “Note” field specifying who is the previous Remuneration Committee member, who is the new or re-elected Remuneration Committee member and the re-election date; and the actual attendance rate (%) shall be calculated based on the number of Remuneration Committee meetings and his/her actual number of times of attendance during his/her term.

**(7) Sustainable Development Implementation Status as Required by the Taiwan Financial Supervisory Commission**

| Assessment Item   | Implementation Status (Note1) |    |  | Non-Implementation and its reason(s) |
|---|-------------------------------|----|--|--------------------------------------|
|   | Yes                           | No | Summary  |                                      |
| 1. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors? | V                             |    | <p>1. Following the vision and mission of the Company's ESG policy, the Corporate Social Responsibility Committee (CSR Committee)" was established in 2014, and was renamed as the "ESG Committee (ESG Committee)" in 2021 as the sustainable development decision-making center. Two Independent Directors, the President and the Vice President serve as committee members, and an Independent Director serves as the convener to jointly review the Company's core operating capabilities and establish the medium and long-term sustainable development plans.</p> <p>2. Implementation Status</p> <p>(1) The Industrial Performance Management Office is a part-time unit that promotes sustainable development. It was approved by the ESG Committee on May 5, 2022 to serve as the secretary group, responsible for the cross-departmental communication platform of vertical integration and horizontal connection.</p> <p>(2) There are eight groups under the ESG Committee, including corporate governance, environmental management, health and safety, information security management, human rights and care, sustainable supply chain, green product design, corporate governance and ethics, and the team members are from various departments of the Company. The secretarial group is responsible for integrating relevant sustainability issues and assisting in introducing sustainability strategies into various departments for implementation.</p> <p>(3) In 2022, two ESG Committee meetings (May 05, Dec. 22) have been held, and the annual plans and performance results prepared by each working group will be submitted to the Board of Directors for approval after the meeting.</p> <p>3. The Company's Board of Directors shall review the proposals submitted by the ESG Committee every six months (including quarterly greenhouse gas inventory plan, TCFD information disclosure framework, annual corporate governance report, etc.), and the Board of Directors regularly reviews the Company's sustainable progress and urge the ESG Committee to make adjustments from time to time.</p> <p>The operation status of the "ESG Committee" this year is summarized as follows:</p> | None                                 |

|  |   |  | <table><tr><th>Meeting Date</th><th>Major Resolutions</th></tr><tr><td>2022/5/5</td><td>The six reports of this meeting:<br/>1. Greenhouse gas inventory plan<br/>2. TCFD Information Disclosure Framework<br/>3. Add the secretary group<br/>4. Annual key work plan<br/>5. Planning for the establishment of the Director of Information Security<br/>6. Check the inventory of energy-saving and carbon-reducing products<br/>Except for the climate risk management and control target, it is recommended to use the revenue or the number of people to try to calculate the project that can be normalized, and the rest items have been unanimously approved by all the participants of the meeting.</td></tr><tr><td>2022/12/22</td><td>The four reports of this meeting:<br/>1. 2022 Q3 greenhouse gas inventory plan<br/>2. 2022 Corporate Governance Report<br/>3. 2022 annual key work reports of each group<br/>4. Proposals on adjustment of energy saving and carbon reduction targets<br/>Approved by the unanimous consent of all the members present in the meeting. It is also recommended that the environmental management team include green electricity and carbon rights purchases in the plan as soon as possible.</td></tr></table> | Meeting Date | Major Resolutions | 2022/5/5 | The six reports of this meeting:<br>1. Greenhouse gas inventory plan<br>2. TCFD Information Disclosure Framework<br>3. Add the secretary group<br>4. Annual key work plan<br>5. Planning for the establishment of the Director of Information Security<br>6. Check the inventory of energy-saving and carbon-reducing products<br>Except for the climate risk management and control target, it is recommended to use the revenue or the number of people to try to calculate the project that can be normalized, and the rest items have been unanimously approved by all the participants of the meeting. | 2022/12/22 | The four reports of this meeting:<br>1. 2022 Q3 greenhouse gas inventory plan<br>2. 2022 Corporate Governance Report<br>3. 2022 annual key work reports of each group<br>4. Proposals on adjustment of energy saving and carbon reduction targets<br>Approved by the unanimous consent of all the members present in the meeting. It is also recommended that the environmental management team include green electricity and carbon rights purchases in the plan as soon as possible. |  |
|--|---|--|--|--------------|-------------------|----------|---|------------|--|--|
| Meeting Date   | Major Resolutions   |  |  |              |                   |          |   |            |  |  |
| 2022/5/5   | The six reports of this meeting:<br>1. Greenhouse gas inventory plan<br>2. TCFD Information Disclosure Framework<br>3. Add the secretary group<br>4. Annual key work plan<br>5. Planning for the establishment of the Director of Information Security<br>6. Check the inventory of energy-saving and carbon-reducing products<br>Except for the climate risk management and control target, it is recommended to use the revenue or the number of people to try to calculate the project that can be normalized, and the rest items have been unanimously approved by all the participants of the meeting. |  |  |              |                   |          |   |            |  |  |
| 2022/12/22   | The four reports of this meeting:<br>1. 2022 Q3 greenhouse gas inventory plan<br>2. 2022 Corporate Governance Report<br>3. 2022 annual key work reports of each group<br>4. Proposals on adjustment of energy saving and carbon reduction targets<br>Approved by the unanimous consent of all the members present in the meeting. It is also recommended that the environmental management team include green electricity and carbon rights purchases in the plan as soon as possible.  |  |  |              |                   |          |   |            |  |  |
| 2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to Company operation, and establish risk management related policy or strategy? (Note 2)<br>(The TWSE/GTSM Listed Companies should report the implementation status, not compliance or explanation.) | V   |  | <div>1. The disclosure information covers the Company's sustainable development performance at its main bases from January 2022 to December 2022. The boundary of risk assessment is mainly based on the Company, and the existing bases in Taiwan and mainland China are included in the scope.</div> <div>2. The ESG Committee conducts risk assessments related to important issues in accordance with the materiality principles of the sustainability report, communicates with internal and external stakeholders, and then establish risk management for effective identification, measurement, evaluation, supervision, and control based on the assessed risks strategies and response measures to reduce the impact of related risks. The report was submitted to the Board of Directors for reference on December 22, 2022.</div>   | None         |                   |          |   |            |  |  |

|  |  |  |             |                          |   |   |  |
|--|--|--|-------------|--------------------------|---|---|--|
|  |  |  |             |                          |   |   |  |
|  |  |  | Major Issue | Scope of Risk Assessment | Scope of Risk Assessment  | Risk Management Strategies and Countermeasures  |  |
|  |  |  | Environment | Environmental Risk       | Assess various environmental risk profiles that may result in regulatory revisions, regional power outages, water shortages, greenhouse effects, waste disposal, etc. | <p>*Establish environmental policies and manage them in accordance with the environmental safety and health management manual, adopted the ISO 14001 certification of the environmental management system, and establish an environmental management system that meets the requirements.</p> <p>*The institutionalized PDCA management cycle can effectively reduce the impact on the environment; at the same time, an energy-saving and carbon-reduction plan is formulated every year, and the progress of various goals is tracked and reviewed regularly to ensure the achievement of the goals.</p>   |  |
|  |  |  | Society     | Operational Risk         | Assess labor environment and product issues that may affect operational delays or interruptions, etc.   | <p>* There is an occupational safety and health policy, and the occupational safety and health management system ISO 45001 is adopted, and management is carried out in accordance with the environmental safety and health management manual.</p> <p>*Have a quality policy, and have adopted the quality system ISO 9001 certification, and manage according to the quality manual.</p> <p>*The management team holds regular monthly management meetings, and also has an occupational safety and health committee, which holds quarterly meetings.</p> <p>*ISO9001/ISO45001 system regularly holds management review meetings every year.</p> <p>*Supplier evaluation management mechanism: The Company is committed to the mutual development cycle of IC design and</p> |  |

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  | <p>supplier manufacturing, and establishes a long-term cooperative relationship with suppliers to become partners and co-prosperity. In addition to taking into account the supplier's delivery date and price, it also jointly produces and manufactures High-quality products that meet customer requirements; also continue to pay attention to suppliers' sustainable development and friendly environmental protection actions.</p> <p>The Company adopts five strategies of system management (ISO), monitoring and auditing (supplier auditing), risk management (system questionnaire filling and survey), continuous improvement (outsourcing meeting), and two-way communication (supplier conference, stakeholder questionnaire) in order to actively do the feasible study and require suppliers to implement social responsibilities and strive towards sustainable development.</p> <p>*Comply with various product and service laws and regulations regulated by the government, comply with the RoHS/REACH regulations on hazardous substances in the European Union, the TSCA Toxic Control Act in the United States, and the five persistent bio-accumulative toxic substances (PBTs) issued by the EPA.</p> <p>*Regularly conduct customer service satisfaction surveys every year to strengthen the cooperative relationship with customers. Products also comply with the policy of not using conflict minerals.</p> <p>* Establish a major infectious disease contingency plan, set up a "major infectious disease contingency and epidemic prevention team", evaluate relevant contingency items, formulate a response plan, continue to do a</p> |  |
|--|--|--|--|--|--|--|--|

|  |   |  |  |                           |  |  |      |
|--|---|--|--|---------------------------|--|--|------|
|  |   |  |  |                           |  | good job in internal epidemic prevention work, and reduce the possibility of cluster infection within the Company.   |      |
|  |   |  | Corporate Governance   | Information Security Risk | Assess the confidentiality, ethical , usability, legal compliance, etc. of the information system that may be affected. The system may suffer accidental or malicious damage and improper use, making the information security system unable to operate. | <ul style="list-style-type: none"> <li>* Establish information security policies and employee computer e-mail and network resource usage management methods, and manage them in accordance with the information security management manual.</li> <li>*Establish an information security management committee to report to the Board of Directors on an overview of information security governance once a year.</li> <li>*Regularly implement information security internal audit, education and training once a year.</li> </ul>  |      |
|  |   |  | Corporate Governance   | Financial Risk            | Assess the impact of changes in domestic and foreign industrial conditions on the Company's revenue, production costs, exchange rates, etc., and the possible impact on the Company's profit and loss and cash flow.                                     | <ul style="list-style-type: none"> <li>* Comply with the relevant provisions of "International Financial Reporting Standards (IFRS)", "International Accounting Standards (IAS)" and government regulations.</li> <li>* Regularly produce quarterly and annual financial reports.</li> <li>*Important financial issues are implemented by the Board of Directors in accordance with relevant regulations and internal control mechanisms are implemented to ensure that all personnel and operations of the Company truly abide by relevant laws and regulations.</li> </ul> |      |
| 3. Environmental Topic<br>(1) Has the Company set an environmental management system designed to industry characteristics? | V |  | The Company completed the ISO 14001:2015 verification in 2016, covering the Hsinchu headquarters and the Zhonghe plant. The current certificate is valid up to November 20, 2025. The relevant units are requested to fill in the environmental risk assessment every year, and also every quarter. Environmental protection regulations (international and Taiwan laws) will be reviewed, and an environmental management plan will be established for improvement, and an environmental management review meeting will be held with senior executives to regularly confirm the progress of implementation. |                           |  |  | None |
| (2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low               | V |  | <ol style="list-style-type: none"> <li>1. Since 2001, the paperless operation has been implemented successively to reduce the use of paper. From the record in 2011, from 1449 packs to 1105 packs in 2022, a total decrease of 23.74%.</li> <li>2. The existing electric lamps will be replaced with LED lamps one after another.</li> </ol>  |                           |  |  | None |

|  |  |   |   |  |  |                  |  |  |              |             |                     |  |  |   |                          |   |   |                              |   |  |      |
|--|--|---|---|--|--|------------------|--|--|--------------|-------------|---------------------|--|--|---|--------------------------|---|---|------------------------------|---|--|------|
| environmental impact?  |  |   | 3. Adjustment of the operating hours of the air conditioning equipments.<br>4. Recycling of packaging materials: such as trays / tubes / wafer boxes / cartons / buffer materials etc.<br>In the plant , when the warehouse destroys the scrapped products every quarter, the pallets after having been scrapped, the PKG packaging IC will be kept, and the manufacturer will be asked to recycle them from time to time. The percentage of pallets used in recycled products in 2022 is 6.07%.<br>The rest, such as tube strips/wafer boxes/cartons/buffer materials, etc., are kept in the warehouse area/storage area for on-site recycling.  |  |  |                  |  |  |              |             |                     |  |  |   |                          |   |   |                              |   |  |      |
| (3) Does the Company evaluate current and future climate change potential risks and opportunities and take procedures related to climate related topics? | V  |   | <table><tr><td colspan="3">Potential Risks:</td></tr><tr><td>Risk Factors</td><td>Risk Impact</td><td>Response Procedures</td></tr><tr><td>Increased severity and frequency of extreme weather events</td><td>Taiwan is an area frequently hit by typhoons.<br/>Flooding caused by typhoons and sudden heavy rainfall may disrupt the operations of Elan's locations and suppliers.<br/>Affect product quality and shipment<br/>Traffic interruption or wind and rain affect the work safety of colleagues.<br/>Taiwan is less prone to droughts, but water shortages may still occur due to the lack of rain for a long time.</td><td>Activate the emergency handling mechanism: remind colleagues in advance of the daily business response plan<br/>Initiation of the continuous secondary supplier backup plan<br/>Use online meeting visits</td></tr><tr><td>Average temperature rise</td><td>Year-to-year increases in long-term average temperatures, leading to heat damage or increased electricity use<br/>Increased electricity consumption increases operating costs and carbon emissions</td><td>Adjust the opening time of the air conditioner<br/>Outdoor lamps changed to solar lamps<br/>Water dispenser installation timer<br/>Inductive lighting<br/>Review the power consumption status in each area and adjust the lamps<br/>Continue to pay attention to power-saving products</td></tr><tr><td>Changes in rainfall patterns</td><td>Changes in long-term rainfall patterns, resulting in concentrated</td><td>Continue to pay attention to climate change and regularly review response measures</td></tr></table> |  |  | Potential Risks: |  |  | Risk Factors | Risk Impact | Response Procedures | Increased severity and frequency of extreme weather events | Taiwan is an area frequently hit by typhoons.<br>Flooding caused by typhoons and sudden heavy rainfall may disrupt the operations of Elan's locations and suppliers.<br>Affect product quality and shipment<br>Traffic interruption or wind and rain affect the work safety of colleagues.<br>Taiwan is less prone to droughts, but water shortages may still occur due to the lack of rain for a long time. | Activate the emergency handling mechanism: remind colleagues in advance of the daily business response plan<br>Initiation of the continuous secondary supplier backup plan<br>Use online meeting visits | Average temperature rise | Year-to-year increases in long-term average temperatures, leading to heat damage or increased electricity use<br>Increased electricity consumption increases operating costs and carbon emissions | Adjust the opening time of the air conditioner<br>Outdoor lamps changed to solar lamps<br>Water dispenser installation timer<br>Inductive lighting<br>Review the power consumption status in each area and adjust the lamps<br>Continue to pay attention to power-saving products | Changes in rainfall patterns | Changes in long-term rainfall patterns, resulting in concentrated | Continue to pay attention to climate change and regularly review response measures | None |
| Potential Risks:   |  |   |   |  |  |                  |  |  |              |             |                     |  |  |   |                          |   |   |                              |   |  |      |
| Risk Factors   | Risk Impact  | Response Procedures   |   |  |  |                  |  |  |              |             |                     |  |  |   |                          |   |   |                              |   |  |      |
| Increased severity and frequency of extreme weather events   | Taiwan is an area frequently hit by typhoons.<br>Flooding caused by typhoons and sudden heavy rainfall may disrupt the operations of Elan's locations and suppliers.<br>Affect product quality and shipment<br>Traffic interruption or wind and rain affect the work safety of colleagues.<br>Taiwan is less prone to droughts, but water shortages may still occur due to the lack of rain for a long time. | Activate the emergency handling mechanism: remind colleagues in advance of the daily business response plan<br>Initiation of the continuous secondary supplier backup plan<br>Use online meeting visits   |   |  |  |                  |  |  |              |             |                     |  |  |   |                          |   |   |                              |   |  |      |
| Average temperature rise   | Year-to-year increases in long-term average temperatures, leading to heat damage or increased electricity use<br>Increased electricity consumption increases operating costs and carbon emissions  | Adjust the opening time of the air conditioner<br>Outdoor lamps changed to solar lamps<br>Water dispenser installation timer<br>Inductive lighting<br>Review the power consumption status in each area and adjust the lamps<br>Continue to pay attention to power-saving products |   |  |  |                  |  |  |              |             |                     |  |  |   |                          |   |   |                              |   |  |      |
| Changes in rainfall patterns   | Changes in long-term rainfall patterns, resulting in concentrated  | Continue to pay attention to climate change and regularly review response measures  |   |  |  |                  |  |  |              |             |                     |  |  |   |                          |   |   |                              |   |  |      |



|  |  |  |   |  |  |  |
|--|--|--|---|--|--|--|
|  |  |  |   | rainfall and water scarcity differences  |  |  |
|  |  |  | Enhanced reporting obligations on emissions                   | In response to the corporate governance 3.0 blueprint, standardize the reporting obligations of listed companies on greenhouse gas emissions   | Participate in customer CDP carbon disclosure project<br>Purchasing more equipment with carbon reduction benefits, promoting energy saving and carbon reduction programs, and improving energy efficiency<br>In response to carbon reduction commitments, to plan green power purchase goals |  |
|  |  |  | Transition to low emission technologies (low carbon services) | Failed to develop digital low-carbon services  | In response to market trends and market demands, to research and develop key components with lower power consumption   |  |
|  |  |  | Opportunities:  |  |  |  |
|  |  |  | Opportunity Factors   | Description of Opportunities   | Response Procedures  |  |
|  |  |  | Utilize more efficient buildings                              | The new plant in Zhubei city is expected to adopt green building silver level/smart building platinum level/elevator power supply recycling/solar energy, which will contribute to the organization's greenhouse gas reduction | The new plant is expected to obtain green building/smart building certification/energy-saving glass, be friendly to the environment and reduce carbon emissions, and enhance corporate image   |  |
|  |  |  | Use low-carbon energy   | Actively promote energy saving and carbon reduction programs to improve energy efficiency.<br>Strengthen energy management measures to improve energy resource performance   | It is expected to introduce the ISO 5001 energy management system in 2024<br>Evaluate the purchase of renewable energy options   |  |
|  |  |  | Develop and/or increase low-carbon goods and services         | Customers continue to demand that key components and components need low power   | 1. Market planning/business units continue to collect market trends, customer  |  |

|  |   |  |  |   |   |      |
|--|---|--|--|---|---|------|
|  |   |  |  | consumption, high interference, waterproof, high and low temperature resistance, and industrial specifications  | requirements, and competitor roadmaps<br>2. Regularly hold technical development meetings and communicate with senior management/RD units about the development sequence of new products<br>3. RD evaluates/develops the highest priority development items   |      |
|  |   |  | Enter new markets  | Apply new technologies (ex: third-generation semiconductors) to develop new products, and successfully enter new markets with high efficiency and low power consumption (ex: gaming laptop power supply market) | 1. Market planning/business units continue to collect market trends, customer requirements, and competitor roadmaps<br>2. Regularly hold technical development meetings and communicate with senior management/RD units about the development sequence of new products<br>3. Actively looking for suitable suppliers (chip/package) |      |
|  |   |  | Reduce paper consumption   | Short-term increase in operating costs, but long-term promotion of service efficiency helps reduce operating costs  | Make good use of system resources to reduce paper consumption, digitize documents, quotations, orders, statements, shipping documents, product inspection sheets, product analysis reports, etc. are all provided in the form of electronic files   |      |
| (4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions | V |  | The Company started to compile the CSR report independently in 2013, and adopted the third-party verification, which includes the self-disclosure of greenhouse gas emissions, and the coverage is divided into the scope of the ESG report. |   |   | None |

|  |  |  |  |  |
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| <p>reduction, water usage reduction and other waste management policies?</p> |  |  | <p>(1) Greenhouse gases:<br/>The total greenhouse gas emissions (Category 1, Category 2) in 2022 will be 3,061.681 tonCO<sub>2</sub>-e, which is 63.878 tonCO<sub>2</sub>-e higher than the total greenhouse gas emissions in 2021 of 2,997.803 tonCO<sub>2</sub>-e.</p> <p>Category 1 is mainly the emissions of gasoline for official vehicles, refrigerants, diesel for emergency generators, gas in barrels in the kitchen, and septic tanks. The total direct greenhouse gas emissions in 2022 will be 154.839 ton CO<sub>2</sub>-e, compared with 132.517 tonCO<sub>2</sub>-e in 2021 , an increase of 16.66% compared with 2021, the main reason is that the food supply has returned to normal, and the refrigerant inventory has been added this year.</p> <p>Category 2 is mainly generated by electricity emissions. In 2022, the total indirect greenhouse gas emissions will be 2,906.842 tonCO<sub>2</sub>-e, an increase of 1.46% compared with 2,865.077 tonCO<sub>2</sub>-e in 2021. Analysis of the reasons: Although the total electricity consumption of the plant in Zhonghe and Hsinchu Headquarters has declined, Due to the impact of the Tainan, Kaohsiung office and the replacement of the leased location of Metanoia Communication, Inc., the leased area has increased, resulting in an increase in power consumption.</p> <p>Category 3, in addition to the previously disclosed emissions from waste disposal and removal, this year added raw material inventory, so the overall greenhouse gas emissions increased to 3,434.704 ton CO<sub>2</sub>-e.</p> <p>Elan Group's greenhouse gas emission intensity is based on the ratio of the Company's total headcount to the combined direct (Category 1) and energy indirect (Category 2) total greenhouse gas emissions to calculate the annual greenhouse gas production per employee. 2.403 ton CO<sub>2</sub>-e/ in 2022/person-year, which is 7.47% lower than the 2.597 ton CO<sub>2</sub>-e/person-year in 2021.</p> <p>(2) Water consumption:<br/>As the Company is an IC design Company, it mainly uses service water. Among them, only the Hsinchu headquarters is its own building, and the rest of the bases are leased office buildings. There is no independent electricity meter, and the water fee is directly incorporated into the management fee. Therefore, only Hsinchu is disclosed. part of the headquarters.<br/>The total water consumption in Hsinchu in 2022 were 19,735 degrees, a decrease of 10.28% compared with 21,996 degrees in 2021. The main reason is that in the second half of 2022, the subsidiary of the Company "Metanoia Communication, Inc." did not lease the Hsinchu factory building.</p> <p>(3) Waste:</p> |  |
|--|--|--|--|--|

|  |            |            |   |      |  |      |      |               |            |           |          |                   |            |           |         |                            |            |       |          |  |            |            |          |  |
|--|------------|------------|---|------|--|------|------|---------------|------------|-----------|----------|-------------------|------------|-----------|---------|----------------------------|------------|-------|----------|--|------------|------------|----------|--|
|  |            |            | <p>Elan Group's waste is mainly general waste and a small amount of hazardous waste generated during laboratory tests. The categories are divided into general waste (class D), resource recovery (class R), and a little hazardous waste (code C-0202, E-222, E-0217). In terms of waste disposal methods, general waste and confidential documents are treated by incineration; electronic components (code E-0222, E-0217) are treated by physical crushing; and code C-0202 waste acid liquid is treated by chemical neutralization.</p> <table><tr><td></td><td></td><td>2021</td><td>2022</td></tr><tr><td>General Waste</td><td>Category D</td><td>41.25 ton</td><td>39.78ton</td></tr><tr><td>Resource Recovery</td><td>Category R</td><td>9.274 ton</td><td>9.94ton</td></tr><tr><td>Hazardous Industrial Waste</td><td>Category C</td><td>0 ton</td><td>0.13 ton</td></tr><tr><td></td><td>Category E</td><td>6.7876 ton</td><td>7.774ton</td></tr></table> <p>The above-mentioned data are in plant-based statistics as of February 2023 and the ESG report has not yet been reviewed. It is expected to be verified by a third party in 2023 Q2.</p>  |      |  | 2021 | 2022 | General Waste | Category D | 41.25 ton | 39.78ton | Resource Recovery | Category R | 9.274 ton | 9.94ton | Hazardous Industrial Waste | Category C | 0 ton | 0.13 ton |  | Category E | 6.7876 ton | 7.774ton |  |
|  |            | 2021       | 2022  |      |  |      |      |               |            |           |          |                   |            |           |         |                            |            |       |          |  |            |            |          |  |
| General Waste  | Category D | 41.25 ton  | 39.78ton  |      |  |      |      |               |            |           |          |                   |            |           |         |                            |            |       |          |  |            |            |          |  |
| Resource Recovery  | Category R | 9.274 ton  | 9.94ton   |      |  |      |      |               |            |           |          |                   |            |           |         |                            |            |       |          |  |            |            |          |  |
| Hazardous Industrial Waste   | Category C | 0 ton      | 0.13 ton  |      |  |      |      |               |            |           |          |                   |            |           |         |                            |            |       |          |  |            |            |          |  |
|  | Category E | 6.7876 ton | 7.774ton  |      |  |      |      |               |            |           |          |                   |            |           |         |                            |            |       |          |  |            |            |          |  |
| 4. Social Topic<br>(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?   |            |            | <p>In addition to formulating work rules that comply with relevant laws and regulations, and approved by the Board of Directors, the Company has formulated a "human rights policy" to safeguard the basic human rights of employees, create an environment for adequate protection of human rights, and recognize and support the UN Universal Declaration of Human Rights (UDHR), and are committed to treating all workers with dignity and respect as understood by international human rights standards, including The International Bill of Human Rights, The International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, The UN Guiding Principles on Business and Human Rights (UNGPs), and The Ten Principles of The United Nations Global Compact (UNGC). We also align our actions with the Responsible Business Alliance (RBA) Code of Ethics and Business Conduct and other internationally recognized basic human rights, and requires all of our suppliers to follow the same standards to eliminate any violations and violations of human rights, treat and respect the Company's internal and external members with dignity, and abide by the labor-related laws and regulations where the Company is located.</p> | None |  |      |      |               |            |           |          |                   |            |           |         |                            |            |       |          |  |            |            |          |  |
| (2) Has the Company established appropriately managed employee welfare Procedures (include salary and Remuneration, leave and others), and link operational performance or achievements with employee salary and Remuneration? |            |            | <p>The Company has established work rules and related personnel management regulations, which cover the basic wages, working hours, vacations, pension benefits, labor health insurance benefits, and occupational accident Remuneration of the employees employed by the Company. Set up an employee welfare committee to handle various welfare matters: the Company's remuneration policy is based on personal ability, contribution to the Company, performance, and the correlation between business performance and business performance is positively correlated.</p>  | None |  |      |      |               |            |           |          |                   |            |           |         |                            |            |       |          |  |            |            |          |  |

|   |  |  |  |      |
|---|--|--|--|------|
| (3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?  |  |  | <p>1. The Company completed the ISO 45001:2018 certification in 2019, covering the Hsinchu headquarters and the Zhonghe plant. The current certification validity date is April 29, 2025.</p> <p>2. The Company has a first-level unit of occupational safety and health management, which conducts a risk assessment in the work area once a year, formulates a management plan, and holds a quarterly occupational safety and health meeting with senior managers and labor representatives for regular review and adjustment.</p> <p>3. Implementation results in 2022:</p> <p>3-1 Complete occupational safety and health education and training for 26 specific operators in 2022.</p> <p>3-2 The test results of the working environment in the plant are all in line with Taiwan's laws and regulations.</p> <p>3-3 Provide colleagues with free health checks every year, and the check items are more than those stipulated by laws and regulations.</p> <p>3-4 The occurrence rate of occupational disasters in the plant in the current year is 0.</p> <p>3-5 A total of 179 persons attended the Health Promotion Lectures.</p> <p>3-6 The number of participants in physicians' on-site service was 103.</p> <p>3-7 A total of 220 persons participated in the blood donation activities held in 2021.</p> <p>3-8 This year's weight loss activities have increased the participation of foreign workers and plant-based manufacturers, and the average weight loss per person has increased from 3.66 kg in 2021 to 3.69 kg in 2022.</p> <p>3-9 The Company provides a good pregnancy project for female labors, providing nursing rooms, parking spaces for pregnant women, books and maternity chairs.</p> | None |
| 4) Has the Company established effective career development training plans?   |  |  | The Company creates a good environment for employees' career development and establishes an effective career ability development training program.   | None |
| (5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labeling and set policies to protect consumers' or customers' rights and consumer appeal procedures? |  |  | <p>1. The marketing and labeling of the Company's products and services follows the international standards of "ISO 9001 Quality Management System" and "ISO 14001 Environmental Management System", and green products meet the requirements of international regulations such as RoHS/Reach/RMI.</p> <p>2. The Company formulates the relevant processes of the "customer service procedures" and the "customer complaint handling management procedures", and builds a customer service website, with business colleagues, communicates with customers from time to time, actively contacts and visits, and grasps needs; accepts customers appeal to protect the rights and interests of customers.</p> <p>3. The Company has established a personal data protection management system and policy, and has set up a personal data protection task force to manage and protect customer privacy. Through the internal audit of personal information, external verification, crisis prevention and education and training, we can check the customer's information.</p>  | None |
| (6) Does the Company set supplier management policy and request suppliers   |  |  | The Company has established the "Corporate Social Responsibility Management System and Promotion Plan" and "Supplier Management Procedures" to establish the screening conditions for  | None |

|   |   |  |  |                     |   |                |   |                   |   |                    |  |  |
|---|---|--|--|---------------------|---|----------------|---|-------------------|---|--------------------|--|--|
| to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?  |   |  | <p>suppliers to protect the environment, human rights, safety, health and sustainable development, and to provide suppliers with environmental protection. Requirements and expectations for safety and health risks, prohibition of child labor, labor management, non-hazardous labor fundamental rights, ethical standards, and ethical management.</p> <p>The Company has established a supplier training project. Through the selection of suppliers, audit training, performance evaluation, training and supplier conferences, based on cooperation, the requirements of sustainability are implemented in the daily management of the supply chain. The Company has cooperated with its supply chain in 2022 and 100% meet the following conditions.</p> <table><tr><td>Supplier Evaluation</td><td>All suppliers must pass supplier evaluation and comply with the Supplier Code of Ethics and Business Conduct.<br/>Suppliers of process-related raw materials must pass the ISO9001 quality management system certification, and suppliers must obtain the valid plant registration certificates issued by the government and the ISO14001 environmental management certification according to business categories.</td></tr><tr><td>Supplier Audit</td><td>The Company has established an audit team and guided improvement mechanism to trace and improve suppliers' deficiencies, and jointly improve product quality and technical capabilities, strengthen environmental protection, safety and hygiene performance, and introduce automation to increase production capacity.</td></tr><tr><td>Supplier Training</td><td>The Company will hold trainings from time to time. Through different forms of guidance and communication, the performance of environmental protection, safety and health can be effectively improved and in line with international norms. The courses include workplace hygiene, employee health, fire protection maintenance, carbon inventory, climate change, regulatory risks and business ethics etc. .</td></tr><tr><td>Suppliers' Meeting</td><td>The Company holds a suppliers' meeting every year to continuously convey the Company's sustainable concept and green product goals .</td></tr></table> | Supplier Evaluation | All suppliers must pass supplier evaluation and comply with the Supplier Code of Ethics and Business Conduct.<br>Suppliers of process-related raw materials must pass the ISO9001 quality management system certification, and suppliers must obtain the valid plant registration certificates issued by the government and the ISO14001 environmental management certification according to business categories. | Supplier Audit | The Company has established an audit team and guided improvement mechanism to trace and improve suppliers' deficiencies, and jointly improve product quality and technical capabilities, strengthen environmental protection, safety and hygiene performance, and introduce automation to increase production capacity. | Supplier Training | The Company will hold trainings from time to time. Through different forms of guidance and communication, the performance of environmental protection, safety and health can be effectively improved and in line with international norms. The courses include workplace hygiene, employee health, fire protection maintenance, carbon inventory, climate change, regulatory risks and business ethics etc. . | Suppliers' Meeting | The Company holds a suppliers' meeting every year to continuously convey the Company's sustainable concept and green product goals . |  |
| Supplier Evaluation   | All suppliers must pass supplier evaluation and comply with the Supplier Code of Ethics and Business Conduct.<br>Suppliers of process-related raw materials must pass the ISO9001 quality management system certification, and suppliers must obtain the valid plant registration certificates issued by the government and the ISO14001 environmental management certification according to business categories. |  |  |                     |   |                |   |                   |   |                    |  |  |
| Supplier Audit  | The Company has established an audit team and guided improvement mechanism to trace and improve suppliers' deficiencies, and jointly improve product quality and technical capabilities, strengthen environmental protection, safety and hygiene performance, and introduce automation to increase production capacity.   |  |  |                     |   |                |   |                   |   |                    |  |  |
| Supplier Training   | The Company will hold trainings from time to time. Through different forms of guidance and communication, the performance of environmental protection, safety and health can be effectively improved and in line with international norms. The courses include workplace hygiene, employee health, fire protection maintenance, carbon inventory, climate change, regulatory risks and business ethics etc. .     |  |  |                     |   |                |   |                   |   |                    |  |  |
| Suppliers' Meeting  | The Company holds a suppliers' meeting every year to continuously convey the Company's sustainable concept and green product goals .  |  |  |                     |   |                |   |                   |   |                    |  |  |
| 5. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire third party verification or statement of assurance? |   |  | <p>The content of the Company's "2019 Sustainability Report" also align our actions with the Core Option of the "Sustainability Reporting Standards (GRI Standards)" issued by the Global Reporting Initiative (GRI), echoing the "United Nations Sustainable Development Report", Sustainable Development Goals (SDGs)", compiled according to industry characteristics and regional references "Responsible Business Alliance (RBA)", Financial Supervisory Commission "Corporate Governance 3.0", the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) etc. Additionally, we also obtained the third-party independent assurance Type II moderate assurance level on reliability and quality from the BSI Pacific Limited according to AA1000 Assurance Standard.</p>  |                     |   |                |   |                   |   |                    |  |  |

6. If the Company has established its sustainable development code of practice according to “Listed Companies Sustainable Development Code of Practice,” please describe the operational status and differences: None

7. Other important information to facilitate better understanding of the Company’s implementation of sustainable development:

**Active disclosure of social responsibility information**

In order to implement corporate social responsibility information disclosure, the Company has officially issued the "2021 Annual Sustainability Report" in traditional, simplified and English versions, and placed it on the Company's external website and posted the information through the Market Observation Post System.

**Supporting Talent and Internship Program - College Students**

As a professional IC design company, ELAN believes that nurturing talent is the most direct and effective way to give back to society. Starting from campus recruitment, we offer internship opportunities to students through their schools, creating a win-win situation for both ELAN and the schools. This allows students to gain early exposure to the workplace and apply what they have learned in real-life scenarios, while injecting new vitality and creativity into MediaTek's organization. It also serves as a platform for us to discover suitable talents and hire outstanding interns as new members of our company. As of the end of 2022, we have provided 125 internship positions to college students. Our partner schools include National Chiao Tung University, National Taipei University of Technology, National Sun Yat-sen University, Chung Hua University, China University of Science and Technology, Yuanpei University of Medical Technology, Shih Chien University, National Kaohsiung University of Science and Technology, Ming Chi University of Technology, National Kaohsiung University of Science and Technology, and Kun Shan University.

**Collaboration between Industry, Academia, and Research Institutions to Foster Talents - Graduate and Undergraduate Students**

ELAN Corporation evaluates its own needs and selects appropriate professors from universities and academic research institutions to develop technical projects. In 2022, the company executed 13 projects with units such as the Academia Sinica, National Taiwan University, National Yang Ming Chiao Tung University, National Central University, and National Taipei University of Technology. It also provided scholarships for 18 doctoral, master's, and undergraduate students, and combined the research and development capabilities of academia and industry. This not only fills the company's technical gaps but also cultivates professional talents. ELAN will continue to commercialize research and development results, creating a win-win-win opportunity for industry, academia, and research.

**Implementing ecological conservation and overturning traditional experimental education-Students in remote elementary schools**

Elan agrees with Taiwan Good Foundation's philosophy of focusing on organic diet, land education, and hometown identity. Since 2020, it has participated in the "Shennong Project" for the third consecutive year, donating a total of 1 million yuan, mainly to assist Zhongxing Elementary School/Middle School in the Miaoli area He Elementary School develops unique cross-field teaching application courses, and friendly planting of the school field, making the field an extension of the classroom, so that students can get closer to the land and care for the earth.

**Response to Sugar-Apple (Sakya) Fruits Subscription - Supporting Local Farmers**

In response to the unilateral suspension of imports of Taiwan Sugar-Apple (Sakya) Fruits and Wax Apple fruits by mainland China in September 2021, it is estimated that 370,000 boxes of Sugar-Apple (Sakya) Fruits and Wax Apple fruits cannot be exported in 2022. Therefore, Elan Electronics responded to the subscription action of the Hsinchu Park Administration of the Ministry of Science and Technology, and used the "Good Release Sugar-Apple (Sakya) Fruits and Wax Apple fruits" group purchase platform operated by the Agricultural Science and Technology Research Institute. The employees of the Hsinchu headquarters and various subsidiaries subscribed a total of 200 boxes of Sugar-Apple (Sakya) Fruits and, supporting Taiwanese farmers and stabilizing the market.

**Sponsor Charity Evenings and Concerts - Local Organizations**

In the past two years, the COVID-19 pandemic has continued to rage in the whole world. Although the CDC command center has lowered the epidemic alert standard to the second level since July 2021, it stipulates that the upper limit of the number of gatherings: 50 people indoors and 100 people outdoors. Therefore, the non-profit organizations that the Company cooperates with all the year round have stopped holding garden parties for two years. Therefore, we sponsored the Hsinchu County Government's "Happy Zhu County Thanksgiving Charity New Year's Eve Gala" and the Heart Building Philharmonic Choir's "Let Love Shine Charity Concert" to expand social participation.

Note1 : If you check "Yes" for the implementation situation, please specify the important policies, strategies, Procedures and implementation situations adopted; if you check "No" for the implementation situation, please specify the "Non-Implementation and its reason(s)" column and explain the circumstances and reasons for discrepancies, and describe plans to adopt relevant policies, strategies and Procedures in the future.

However, regarding promotion projects 1 and 2, the TWSE/GTSM listed companies should describe the governance and supervision structure of sustainable development, including but not limited to management guidelines, strategy and goal formulation, review measures, etc. It also describes the Company's risk management policies or strategies for environmental, social and corporate governance issues related to operations, and its assessment status.

Note 2: The materiality principle refers to those environmental, social and corporate governance issues that have significant impact on the Company's investors and other stakeholders.

Note 3: For the method of disclosure, please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange.



**(8) Deviations from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons**

| Assessment Item  | Implementation Status (Note 1) |    |   | Non-Implementation and its Reason(s) |
|--|--------------------------------|----|---|--------------------------------------|
|  | Yes                            | No | Summary   |                                      |
| <b>1. Establishment of ethical operation policies and plans</b><br>(1) Does the Company set ethical operation policies authorized by the Board of Directors and specify the ethical operating policies and practices and the commitment of the Board of Directors and management level to actively implement operating policies practices in Articles of Association and external documents?<br>(2) Does the Company establish assessment mechanism for risk of unethical conducts, regularly analyze and evaluate business activities with high risk of unethical conducts within the scope of business, and formulates an unethical conducts prevention plan to at least covers the preventive Procedures for behaviors identified in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?<br>(3) Does the Company establish appropriate precautions against high-potential unethical conducts, stipulate operating procedures, code of conduct, punishment for violation and complaint filing system in various plans, implement accordingly and regularly review and revise the plan thereof? | V                              |    | (1) The Company has established the “Ethical Corporate Management Best Practice Principles” and “Ethical Corporate Management Best Practice Procedures and Code of Ethics and Business Conduct”, which were authorized by the Board of Directors; the management level actively implemented the ethical operating policies based on fair, honest, trustworthy and transparent principles of engaging operating activities.<br>(2) The Company has established the operating procedures, code of conduct, punishment for violation and complaint filing system in various plans in accordance to “Ethical Corporate Management Best Practice Principles”, “Ethical Corporate Management Best Practice Procedures and Code of Ethics and Business Conduct” and “allegation reporting system” and implement accordingly.<br>(3) The Company has established the “Ethical Corporate Management Best Practice Principles” and “Ethical Corporate Management Best Practice Procedures and Code of Ethics and Business Conduct” to prevent operating activities with higher risks of unethical conduct within its scope of business. | None                                 |
| <b>2. Implementation of ethical operation</b><br>(1) Does the Company evaluate ethical records of the counterparties, and specify provision of ethical conduct in the contract it entered into with its transaction counterparties?<br>(2) Does the Company establish dedicated unit under the Board of Directors to promote corporate ethical   | V                              |    | (1) The Company fully understood counterparties’ ethical operating conditions when entering into contract with others, and specified in the contract that the contract may be unconditionally terminated or rescind if the operating activities involve unethical conduct.<br>(2) The Company designates the president’s office as a unit responsible for promoting corporate ethical management. If an   | None                                 |

| Assessment Item   | Implementation Status (Note 1) |    |   | Non-Implementation and its Reason(s) |
|---|--------------------------------|----|---|--------------------------------------|
|   | Yes                            | No | Summary   |                                      |
| operation and regularly (at least once a year) report the status of its implementation of ethical operation policies and unethical conducts prevention plan and supervisory to the Board of Directors?  |                                |    | incident of dishonest behavior occurs, the president's office will report to the Board of Directors on its handling methods and follow-up review and improvement Procedures, and the annual ethical management implementation status will be reported to the Board of Directors on a regular basis every year. The operation and implementation of the ethical management unit in 2022 were reported to the Board of Directors on December 22, 2022.  |                                      |
| (3) Does the Company formulate, provide and implement policies to prevent conflict of interests and suitable channel to express opinion / statement?  | V                              |    | (3) In the event when Company's staff member performed the Company's business found that there is a conflict with the interests of his/her own or the juristic person it represents, or may result in the obtaining of improper interests by him/herself or him/herself spouse, parent(s), children or interested parties, he/she shall report the matter to his/her direct superior and the Company's dedicated unit, and the direct superior shall provide adequate guidance.   |                                      |
| (4) Does the Company establish effective accounting system and internal control system and have the internal audit unit formulating relevant audit plan based on the results of assessment on risk of unethical conduct, while examining the compliance with the unethical conduct prevention plan (or commissioning an accountant to perform the examination)? | V                              |    | (4) The Company has established effectively accounting system and internal control system; external accounts or secret account(s) are prohibited, and review were conducted to ensure that the design and implementation of the system continues to be effective. The internal audit unit regularly check compliance of the relevant systems according to the audit plan.   |                                      |
| (5) Does the Company regularly hold internal and/or external training on ethical operation?   | V                              |    | (5) Since 2018, newcomers' on-the-job training has included anti-corruption digital courses, the relevant training and online tests of which are subject to be completed 100% and updated regularly thereafter. In 2022, the Company held internal and external education trainings on ethical operations (including courses on compliance with ethical operations regulations, accounting systems, internal control systems and other relevant courses) with 664 man-count and total 9,472 man-hours.<br><br>At least once a year, the Company conducts education training |                                      |

| Assessment Item | Implementation Status (Note 1) |    |   | Non-Implementation and its Reason(s) |
|-----------------|--------------------------------|----|---|--------------------------------------|
|                 | Yes                            | No | Summary   |                                      |
|                 |                                |    | <p>on the prevention of insider trading, "operational procedures for handling important internal information" and related laws and regulations for current directors, managers and employees, and 3 months after taking office for new directors and managers. In-house education training is arranged, and for new employees, education training is provided during the newcomer education and training courses. On July 2, 2021, the Company has conducted a 3-hour education training for 13 new directors, managers and employees. The course content: case study of insider trading.</p> <p>The Company has amended the "Corporate Governance Code" and "Internal Important Information Processing Procedures" in 2022 to add regulations: "Company insiders' stock trading control measures from the day they learn of the Company's financial report or related performance content, including (but not limited to) directors are not allowed to trade their stocks during the closed period of 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report." In November 2022, the Company notified all directors of the expected meeting date of the Board of Directors in 2023, including the expected approval time of each quarterly and annual financial report, so that all directors can follow the aforementioned regulations.</p> <p>The Company has included in its 2022 internal training course - Financial Statement Analysis - the following promotional contents: "Stock trading control measures for Company insiders from the day they learn about the Company's financial report or related financial statements, including (but not limited to) directors are not allowed to transact their securities/stocks 30 days before disclosing the annual report and financial statements and within 15 days before disclosing the quarterly</p> |                                      |



| Assessment Item  | Implementation Status (Note 1) |    |         | Non-Implementation and its Reason(s) |
|--|--------------------------------|----|---------|--------------------------------------|
|  | Yes                            | No | Summary |                                      |
| its own Ethical Corporate Management Best Practice Principles)<br>As of the end of 2022, the Company did not incur any case of corruption, violation of business ethics and trust. |                                |    |         |                                      |

Note 1: Explanations shall be specified in the “Summary” field regardless of whether the assessment item is archived or not.

- (9) If the Company has established the corporate governance code and related regulations, it shall disclose the equity methods: The Company's "Code of Corporate Governance" and related regulations have been disclosed on the Company's website and Market Observation Post System. For enquiries, please refer to our URL (<http://www.emc.com.tw>) or Market Observation Post System (<http://mops.twse.com.tw>).
- (10) Other important information that may facilitate the understanding about the implementation status of the corporate governance operation shall also be disclosed: There are regulation concerning corporate governance under "Code of Corporate Governance" in the Company's external webpage.
- (11) Disclosure about the implementation of internal control system shall include the following items:
  1. Statement on Internal Control: (please see page 293)
  2. Where there is ad hoc audit on internal control system by outsourced accountant(s), the Accountant's audit report shall be disclosed: None.
- (12) Where, during the last fiscal year and as of the publishing date of the annual report, the Company and its staff members were sanctioned by law and/or the Company applied punitive Procedures on its staff members who violated provisions of the internal control system, if the result of the punishment may have a significant impact on shareholders' equity or the price of securities, the content of the punishment, the major deficiencies and improvement thereof shall be specified: None.
- (13) Important resolution adopted by shareholders' meeting and the Board Meeting during the last fiscal year and until the publishing date of the annual report:

**Major Resolutions of Shareholders' Meeting and the Implementation:**

| Date       | Item                              | Major resolutions   | Implementation status   |
|------------|-----------------------------------|---|---|
| 06.15.2022 | 2022 Annual Shareholders' Meeting | Acknowledgement:  |   |
|            |                                   | (1) Approval of the 2021 business report and financial statements                           | Actions to be taken according to the resolution   |
|            |                                   | (2) Approval of the proposal for distribution of 2021 retained earnings                     | Set July 07, 2022 as the reference date of the distribution of rights, and August 11, 2021 as the cash dividends pay day (cash dividend distributed per share was NT\$ 13.5). |
|            |                                   | Discussions:  |   |
|            |                                   | Amendment to the Articles of Association of the Company                                     | Actions to be taken according to the resolution   |
|            |                                   | Amendment to the Operational Procedures for Shareholders' Meeting                           | Actions to be taken according to the resolution   |
|            |                                   | Amendment to the Operational Procedures for Loaning of Company Funds                        | Actions to be taken according to the resolution   |
|            |                                   | Amendment to the Operational Procedures for Acquisition and Disposal of Assets              | Actions to be taken according to the resolution   |
|            |                                   | Proposal of Release the Prohibition on Directors from Participation in Competitive Business | Actions to be taken according to the resolution   |

## Major Resolutions of Board Meetings

| Date       | Item          | Major Resolutions  |
|------------|---------------|--|
| 03.22.2022 | Board Meeting | <ol style="list-style-type: none"> <li>1. Report the ESG Committee performance self-assessment results</li> <li>2. Report the self-assessment results of the Remuneration Committee performance assessment</li> <li>3. Adoption of the proposal raised by the Remuneration Committee for distribution of 2021 annual performance bonuses for managers,</li> <li>4. Adoption of the proposal raised by the Remuneration Committee for payment of 2021 Managers and employee bonus</li> <li>5. Proposal of Release the Prohibition on Directors from Participation in Competitive Business</li> <li>6. Adoption of the Proposal for amendment to the Company's "Operational Procedures for Acquisition and Disposal of Assets"</li> <li>7. Adoption of the Proposal for amendment to the Company's "Rules of Procedure for Shareholders' Meeting" and submit for discussion</li> <li>8. Adoption of the Proposal for amendment to the name of the Company's "Corporate Social Responsibility Code of Practice" to "Code of Practice for Sustainable Development"</li> <li>9. Adoption of the Proposal for amendment to the Company's "Corporate Governance Code"</li> <li>10. The internal control system of the Company in 2021 has been self-assessed and completed. As a result of the assessment, an internal control statement is issued</li> <li>11. Adoption of the proposal of appointment of an accountant from KPMG Taiwan to review and certify the Company's 2022 annual report and consolidated financial statements</li> </ol> |
| 05.05.2022 | Board Meeting | <ol style="list-style-type: none"> <li>1. Report on the Consolidated financial report for the first quarter of 2022</li> <li>2. Report by the ESG Committee: In response to the planning of "the TWSE/GTSM Listed Companies Sustainable Development Roadmap", the report completes the information disclosure of greenhouse gas inventory and verification</li> <li>3. Report by the ESG Committee: Report on TCFD information disclosure framework</li> <li>4. Proposal of capital increase by acquisition of Pixord Corp., Co., Ltd. 2022</li> <li>5. Proposal of application for a credit line from the bank</li> </ol>   |
| 06.28.2022 | Board Meeting | <ol style="list-style-type: none"> <li>1. Adoption of the Proposal of director remuneration payment for 2021 raised by the Remuneration Committee</li> </ol>   |
| 08.04.2022 | Board Meeting | <ol style="list-style-type: none"> <li>1. Report on subscription of directors and managers liability insurance</li> <li>2. Adoption of the proposal raised by the Remuneration Committee for salary adjustment for managers of the Company</li> <li>3. Adoption of the Company's consolidated financial report for the second quarter of 2022</li> <li>4. Adoption of the proposal of Capital Increase by acquisition of Kute Electronics Co., Ltd.</li> </ol>   |
| 11.03.2022 | Board Meeting | <ol style="list-style-type: none"> <li>1. Report on the completion of the greenhouse gas inventory and verification disclosure schedule</li> <li>2. Adoption of the Company's consolidated financial report for the third quarter of 2022</li> <li>3. Adoption of the Proposal for amendment to the Company's Articles of Incorporation</li> </ol>   |

| Date       | Item          | Major Resolutions   |
|------------|---------------|---|
|            |               | 4. Adoption of the Proposal for amendment to the Company's internal important information processing procedures<br>5. Adoption of the Proposal for amendment to the Company's Corporate Governance Code<br>6. Cooperate with the internal rotation of the CPA accounting firms to replace accountants<br>7. Proposal of application to each corresponding bank for providing the financing and accounts receivable credit line to the Company,  |
| 12.22.2022 | Board Meeting | 1. Corporate social responsibility implementation plan and results report<br>2. Risk management operation status report<br>3. Report on the operation and execution of the ethical management unit<br>4. Report on Communication with Stakeholders<br>5. Information security specific management plan status report<br>6. Report on the Implementation of Intellectual Property Management<br>7. Report the completion of the greenhouse gas inventory and verification disclosure schedule<br>8. Report on the disposal of shares in Weltronics Co., Ltd.<br>9. Proposal raised by the Remuneration Committee for a director and manager compensation plan schedule<br>10. Preparation of the 2023 annual audit plan<br>11. Adoption of the proposed for establishing the general principles of the Company's pre-approved non-confirmation service policy<br>12. Proposal of application for a credit line to the Entie Bank   |
| 01.31.2023 | Board Meeting | 1. Proposal of discussion about a compensation method for the tender abandoned by Fu Tai Construction Co., Ltd.   |
| 02.22.2023 | Board Meeting | 1. Report on the self-assessment results of the performance assessment of the Board of Directors<br>2. Report on the ESG Committee performance assessment self-evaluation results<br>3. Report on the self-assessment results of the Remuneration Committee performance assessment<br>4. Report on the Audit Committee performance assessment self-assessment results<br>5. Report on the completion of the greenhouse gas inventory and verification disclosure schedule<br>6. Adoption of the Company's 2022 annual consolidated financial statements, consolidated financial statements and business reports<br>7. Adoption of the proposal for distribution of 2022 Profits of the Company<br>8. Adoption of the proposal for distribution of 2022 Profits, the cash dividend distribution base date and the dividend distribution date<br>9. Adoption of the proposal for distribution of the employee bonus and director remuneration<br>10. Adoption of the proposal raised by the Remuneration Committee for distribution of annual performance bonuses for managers<br>11. Adoption of the proposal raised by the Remuneration Committee for Proposal from the Remuneration Committee: payment of the 2022 managers and employee bonus<br>12. Discuss the date and venue of the 2023 annual general shareholders' meeting of the Company<br>13. Adoption of the proposal for determining the period and location for accepting shareholder proposals<br>14. Adoption of the proposal for the 2022 internal control system of the |



| Date       | Item          | Major Resolutions  |
|------------|---------------|--|
|            |               | Company in 2022 and the submitted internal control statement<br>15. Adoption of the proposal of appointment of an accountant from KPMG Taiwan to review and certify the Company's 2023 annual report and consolidated financial statements   |
| 03.15.2023 | Board Meeting | 1. Adoption of the proposal for increasing the estimated construction cost of the factory office building in the International AI Smart Park in Hsinchu County<br>2. Adoption of the evaluation results for selecting the construction Company for building up the Zhubei AI Smart Park.<br>3. Adoption of the Proposal for amendment to the Company's Articles of Incorporation   |
| 05.04.2023 | Board Meeting | 1. Adoption of the 2023 Q1 Business Report and the Consolidated Financial Statements.<br>2. Adoption of the proposal raised by the Remuneration Committee for distribution of the directors remuneration<br>3. Report on the parent Company's greenhouse gas inventory and verification time schedule<br>4. Revision of the internal control system related to the management procedures for group companies, specific companies, and related party transactions, and submission for review.<br>5. Revision of the internal audit implementation regulations: Audit procedures for the management of related party transactions, to be submitted for review. |

(12) Where there are recorded or written statements during the last fiscal year and until the publishing date of the annual report regarding the Directors or Supervisors' opposing on important Board resolution(s), its main contents are: None.

(13) Summary of resignation and dismissal of financial statements related staff members (including Chairman, President, Chief Accounting Officer, Chief Financing Officer, Chief Audit Executive and Chief R & D Officer, etc.) during the last fiscal year and until the publishing date of the annual report: N/A.

#### 5. Audit Fee Information:

Range of Audit fee (please check-mark the corresponding range or fill in the amount)

Unit: NT\$ thousands

| Accounting Firm                        | Name of CPA    | Audit period            | Audit Fee | Non-audit Fees | Total | Note |
|--|----------------|-------------------------|-----------|----------------|-------|------|
| Klynveld Peat Marwick Goerdeler (KPMG) | CHOU, Pao-Lien | 01.01. 2022~12.31. 2022 | 4,460     | 1,003          | 5,463 |      |
|  | TSENG, Mei-Yu  | 01.01. 2022~12.31. 2022 |           |                |       |      |

Please indicate the Nature of the non-auditing fees: i.e. the offshore investment Company maintenance fees, tax consultation service charges and traveling expenses.

Note: If the Company changes its accountant or accounting firm in the current year, please list their audit periods separately and explain the reasons for replacement in the "remark" field, and disclose the information on audit and non-audit public fees paid in sequence. on-audit public fees should be annotated to explain its service content.

(1) Whether the non-auditing fees paid to the CPA, the CPA firm and its affiliates amount to 25% of the total auditing fees: No

- (2) The Nature of the non-auditing fees: i.e. the offshore investment Company maintenance fees, tax consultation service charges and traveling expenses.
- (3) If there is a change in accounting firm and the auditing fees in the year of such change is less than the auditing fees in the previous year: No change.
- (4) If the auditing fees was decrease by more than 10% comparing to that of in the previous year: None

6. **Information Regarding Change of Certified Public Accountant (CPA):** No change of CPA in the last two years and subsequent periods
7. **The Company's Chairman, President, Chief Financial Officer or Chief Accounting Officer who hold any positions in the Company's independent auditing firm or its affiliates during the last fiscal year:** None
8. **Any transfer of shareholdings and changes in equity pledge from the directors, managers and shareholder(s) holding more than 10% of the shares during the last fiscal year and until the publishing date of the annual report:**

(1) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

| Title                           | Name                | 2022                        |                                     | As of March 31, 2023        |                                     |
|---------------------------------|---------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
|                                 |                     | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Director Chairman and President | Yulong Investment   | -                           | -                                   | -                           | -                                   |
|                                 | YEH, I-Hau          | -                           | -                                   | -                           | -                                   |
| Director                        | YEN, Kuo-Lung       | -                           | -                                   | -                           | -                                   |
| Director                        | CHIU, Te-Chen       | -                           | -                                   | -                           | -                                   |
| Director                        | Zonglong Investment | -                           | -                                   | -                           | -                                   |
| Independent Director            | LIN, Hsien-Ming     | -                           | -                                   | -                           | -                                   |
| Independent Director            | SHAW, Ming-Fu       | -                           | -                                   | -                           | -                                   |
| Independent Director            | TANG, Chuan-Yi      | -                           | -                                   | -                           | -                                   |
| Independent Director            | LU, Fang-Cheng      | -                           | -                                   | -                           | -                                   |
| Manager                         | CHEN, I-lin         | -                           | -                                   | -                           | -                                   |

- (2) The counterparty of an equity pledge that is also a related party shall disclose name of the counterparty, the relationship with the Company, Director, Supervisor, and/or shareholder holding more than 10% of the shares and number of shares obtained or pledged:

- 2.1 Equity transfer information: N/A, because it is traded freely in the exchange market.
- 2.2 Equity pledge information: N/A.

## 9. Relationship among the Top Ten Shareholders:

| Name   | Current Shareholding |       | Spouse's/ minor's Shareholding |     | Shareholding by Nominee Arrangement |     | Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3) |                                | Note |
|--|----------------------|-------|--------------------------------|-----|-------------------------------------|-----|---|--------------------------------|------|
|  | Shares               | %     | Shares                         | %   | Shares                              | %   | Name  | Relationship                   |      |
| ELAN Investment Corp., Representative: YEH, I-Ming   | 12,438,199           | 4.09% | N/A                            | N/A | N/A                                 | N/A | -   | A subsidiary of the EMC        |      |
|  | 6,000,895            | 1.97% | N/A                            | N/A | N/A                                 | N/A | Yulong Investment   | Major Shareholder              |      |
| Nan Shan Life Insurance Representative: YI, Chung-Jao  | 11,359,000           | 3.74% | N/A                            | N/A | N/A                                 | N/A | -   | -                              |      |
|  | 0                    | 0%    | N/A                            | N/A | N/A                                 | N/A | -   | -                              |      |
| New Labor Pension Fund   | 11,313,165           | 3.72% | N/A                            | N/A | N/A                                 | N/A | -   | -                              |      |
| Yulong Investment Co., Ltd. Representative: CHEN, Hsio-Chu                                       | 7,083,059            | 2.33% | N/A                            | N/A | N/A                                 | N/A | YEH, I-Hau  | Major shareholders of EMC      |      |
|  | 0                    | 0%    | N/A                            | N/A | N/A                                 | N/A | YEH, I-Hau  | A second-degree relative (SDR) |      |
| YEH, I-Hau   | 6,000,895            | 1.97% | N/A                            | N/A | N/A                                 | N/A | Yulong Investment Co., Ltd.   | Major shareholder              |      |
| Citi-Bank Taiwan Ltd. in custody for Norges Bank   | 5,269,303            | 1.73% | N/A                            | N/A | N/A                                 | N/A | -   | -                              |      |
| Standard Chartered Bank in Custody for Schroders Robotech Fund                                   | 4,600,000            | 1.51% | N/A                            | N/A | N/A                                 | N/A | -   | -                              |      |
| JP Morgen Chase Bank N.A. Taipei Branch in custody for Vanguard International Equity Index Funds | 4,144,870            | 1.36% | N/A                            | N/A | N/A                                 | N/A | -   | -                              |      |
| JP Morgen Chase Bank N.A. Taipei Branch in custody for Vanguard Star Fund                        | 3,775,344            | 1.24% | N/A                            | N/A | N/A                                 | N/A | -   | -                              |      |
| Taipei Fubon Commercial Bank Co., Ltd. Representative: CHEN, Sheng-Te                            | 3,155,700            | 1.03% | N/A                            | N/A | N/A                                 | N/A | -   | -                              |      |
|  | 0                    | 0%    | N/A                            | N/A | N/A                                 | N/A | -   | -                              |      |

Note 1: The top ten shareholders shall be listed in full; corporate shareholder shall list its name and the names of its representative separately;

Note 2: The calculation of the shareholding percentage referred to the percentage of shares held in his/her/its own name, or under the name of his/her/its spouse, children under 20 years of age, or others;

Note 3: The relationship between above-listed juristic person shareholders and natural person shareholders shall be disclosed pursuant to the regulations governing the preparation of financial statements of the issuer.

**10. The number of shares held by the Company, the Company's directors, supervisors, managers, and businesses directly or indirectly controlled by the Company in the same joint venture, and the combined shareholding percentage**

Unit: Thousand shares/ %

| Affiliated Enterprises (Note)           | Ownership by the Company |         | Direct or Indirect Ownership by Directors, Supervisors, Managers |       | Total Ownership |         |
|---|--------------------------|---------|--|-------|-----------------|---------|
|   | Shares                   | %       | Shares   |       | Shares          | %       |
| Elan (HK)                               | 29,328                   | 100.00% |  |       | 29,328          | 100.00% |
| Elan Investment Corporation             | 50,000                   | 100.00% |  |       | 50,000          | 100.00% |
| Elan Information                        | 65                       | 100.00% |  |       | 65              | 100.00% |
| Jupu Electronic Co., Ltd.               | 784                      | 49.00%  |  |       | 784             | 49.00%  |
| Metanoia Communications Inc.            | 47,363                   | 46.89%  | 831  | 0.28% | 48,194          | 47.17%  |
| Avisonic Technology Corporation         | 17,517                   | 84.78%  | 646  | 3.13% | 18,163          | 87.91%  |
| Tongfu Investment Co., Ltd.             | 3,000                    | 46.73%  |  |       | 3,000           | 46.73%  |
| Brighten Heart Technology Co., Ltd.     | 1,805                    | 45.07%  |  |       | 1,805           | 45.07%  |
| PiXORD Corporation Co., Ltd.            | 11,240                   | 94.65%  | 395  | 3.33% | 11,635          | 97.98%  |
| Eminent Electronic Technology Co., Ltd. | 4,113                    | 18.50%  | 2,138  | 9.61% | 6,251           | 28.11%  |
| Top Taiwan X Venture Capital Co., Ltd.  | 24,000                   | 30.00%  |  |       | 24,000          | 30.00%  |
| Uniband Electronic Corporation          | 5,000                    | 24.69%  |  |       | 5,000           | 24.69%  |
| Finger Pro. Incorporation               | 600                      | 23.08%  |  |       | 600             | 23.08%  |
| Chimei Motor Electronics Co., Ltd.      | 9,250                    | 31.36%  |  |       | 9,250           | 31.36%  |

Note: Long-term equity investments of the Company using equity method.

## IV. Capital Overview

### 1. Capital and Shares: (1) Source of Capital

| Month/<br>Year | Par<br>Value<br>(NT\$) | Authorized Capital |                               | Paid-up Capital |                               | Remark  |  |  |
|----------------|------------------------|--------------------|-------------------------------|-----------------|-------------------------------|---|--|--|
|                |                        | Shares             | Amount<br>(NT\$<br>thousands) | Shares          | Amount<br>(NT\$<br>thousands) | Source of Capital   | Capital<br>Increased by<br>Assets Other<br>than Cash | Other  |
| May 1994       | 10                     | 100,000            | 1,000,000                     | 100,000         | 1,000,000                     | Established   | N/A  | N/A  |
| Aug. 1997      | 10                     | 110,600            | 1,106,000                     | 110,600         | 1,106,000                     | Retained Earnings Transferred to Capital 100,000<br>Employee bonus 6,000  | N/A  | Document No. (86)Tai-Cai-Zheng(1)-52750 issued on July 5, 1997         |
| Jul. 1998      | 10                     | 147,140            | 1,471,400                     | 147,140         | 1,471,400                     | Retained Earnings Transferred to Capital 331,800<br>Employee bonus 33,600 | N/A  | Document No. (87)Tai-Cai-Zheng(1)-52941 issued on June 18, 1998        |
| Sep. 1999      | 10                     | 164,854            | 1,648,540                     | 164,854         | 1,648,540                     | Retained Earnings Transferred to Capital 147,140<br>Employee bonus 30,000 | N/A  | Document No. (88)Tai-Cai-Zheng-63446 issued on July 12, 1999           |
| Jun. 2000      | 10                     | 220,810            | 2,208,102                     | 220,810         | 2,208,102                     | Retained Earnings Transferred to Capital 494,562<br>Employee bonus 65,000 | N/A  | Document No. (89)Tai-Cai-Zheng-35156 issued on May 2, 2000             |
| Jul. 2001      | 10                     | 450,000            | 4,500,000                     | 295,038         | 2,950,383                     | Retained Earnings Transferred to Capital 662,431<br>Employee bonus 79,850 | N/A  | Document No. (90)Tai-Cai-Zheng(1)-43780 issued on May 2, 2001          |
| Jul. 2002      | 10                     | 450,000            | 4,500,000                     | 329,239         | 3,292,391                     | Retained Earnings Transferred to Capital 295,038<br>Employee bonus 46,970 | N/A  | Document No. (91)Tai-Cai-Zheng-Yi-Zi-0910137334 issued on July 8, 2002 |
| Jul. 2003      | 10                     | 450,000            | 4,500,000                     | 330,792         | 3,307,923                     | Convert corporate bonds to shares 15,532                                  | N/A  | Document No. Yuan-Shang-Zi-0920020871 issued on July 30, 2003          |
| Oct. 2003      | 10                     | 450,000            | 4,500,000                     | 335,307         | 3,353,071                     | Convert corporate bonds to shares 45,148                                  | N/A  | Document No. Yuan-Shang-Zi-0920029312 issued on October 21, 2003       |
| Jan. 2004      | 10                     | 450,000            | 4,500,000                     | 338,311         | 3,383,114                     | Convert corporate bonds to shares 30,043                                  | N/A  | Document No. Yuan-Shang-Zi-0930001801 issued on January 29, 2004       |
| Apr. 2004      | 10                     | 450,000            | 4,500,000                     | 338,903         | 3,389,028                     | Convert corporate bonds to shares 5,914                                   | N/A  | Document No. Yuan-Shang-Zi-0930010383 issued on April 21, 2004         |
| Jul. 2004      | 10                     | 450,000            | 4,500,000                     | 343,235         | 3,432,348                     | Convert corporate bonds to shares 43,319                                  | N/A  | Document No. Yuan-Shang-Zi-09300199753 issued on July 27, 2004         |
| Sep. 2004      | 10                     | 450,000            | 4,500,000                     | 355,684         | 3,556,841                     | Retained Earnings Transferred to Capital 101,493<br>Employee bonus 23,000 | N/A  | Document No. Yuan-Shang-Zi-0930025813 issued on September 21, 2004     |
| Jan. 2005      | 10                     | 450,000            | 4,500,000                     | 364,625         | 3,646,253                     | Convert corporate bonds to shares 89,412                                  | N/A  | Document No. Yuan-Shang-Zi-0940001655 issued on January 20, 2005       |
| Apr. 2005      | 10                     | 450,000            | 4,500,000                     | 359,625         | 3,596,253                     | Capital reduction by Treasury Stock Retired (50,000)                      | N/A  | Document No. Yuan-Shang-Zi-0940011303 issued on April 28, 2005         |
| Oct. 2005      | 10                     | 450,000            | 4,500,000                     | 367,876         | 3,678,760                     | Retained Earnings Transferred to Capital 67,507<br>Employee bonus 15,000  | N/A  | Document No. Yuan-Shang-Zi-0940026465 issued on October 5, 2005        |

|           |    |         |           |         |           |  |     |   |
|-----------|----|---------|-----------|---------|-----------|--|-----|---|
| Aug. 2006 | 10 | 450,000 | 4,500,000 | 366,876 | 3,668,760 | Capital reduction by Treasury Stock Retired (10,000)                                     | N/A | Document No. Yuan-Shang-Zi-0950022570 issued on August 23, 2006   |
| Oct. 2006 | 10 | 450,000 | 4,500,000 | 371,755 | 3,717,548 | Retained Earnings Transferred to Capital 36,788<br>Employee bonus 12,000                 | N/A | Document No. Yuan-Shang-Zi-0950025887 issued on October 2, 2006   |
| Nov. 2006 | 10 | 450,000 | 4,500,000 | 361,785 | 3,617,848 | Capital reduction by Treasury Stock Retired (99,700)                                     | N/A | Document No. Yuan-Shang-Zi-0950029921 issued on November 15, 2006 |
| Oct. 2008 | 10 | 480,000 | 4,800,000 | 410,670 | 4,106,698 | Capital addition from merger 488,850   | N/A | Document No. Yuan-Shang-Zi-0970029807 issued on October 21, 2008  |
| Aug. 2009 | 10 | 480,000 | 4,800,000 | 415,936 | 4,159,360 | Employee stock option executed 11,480<br>Retained Earnings Transferred to Capital 41,182 | N/A | Document No. Yuan-Shang-Zi-0980023343 issued on August 26, 2009   |
| Jul. 2010 | 10 | 480,000 | 4,800,000 | 416,094 | 4,160,936 | Employee stock option executed 1,576   | N/A | Document No. Yuan-Shang-Zi-0990020694 issued on July 19, 2010     |
| Jul. 2011 | 10 | 480,000 | 4,800,000 | 416,343 | 4,163,428 | Employee stock option executed 2,492   | N/A | Document No. Yuan-Shang-Zi-21017 issued on July 21, 2011          |
| Oct. 2012 | 10 | 480,000 | 4,800,000 | 418,245 | 4,182,445 | Employee stock option executed 19,017  | N/A | Document No. Yuan-Shang-Zi-32156 issued on October 17, 2012       |
| Jan. 2013 | 10 | 480,000 | 4,800,000 | 418,938 | 4,189,381 | Employee stock option executed 6,936   | N/A | Document No. Yuan-Shang-Zi-1954 issued on January 17, 2013        |
| Apr. 2013 | 10 | 480,000 | 4,800,000 | 428,228 | 4,282,277 | Employee stock option executed 92,896  | N/A | Document No. Yuan-Shang-Zi-1020010764 issued on April 16, 2013    |
| Jul. 2013 | 10 | 480,000 | 4,800,000 | 432,599 | 4,325,985 | Employee stock option executed 43,708  | N/A | Document No. Yuan-Shang-Zi-1020020794 issued on July 15, 2013     |
| Oct. 2013 | 10 | 480,000 | 4,800,000 | 433,215 | 4,332,125 | Employee stock option executed 6,140   | N/A | Document No. Yuan-Shang-Zi-1020031608 issued on October 18, 2013  |
| Apr. 2014 | 10 | 480,000 | 4,800,000 | 435,121 | 4,351,214 | Employee stock option executed 19,089  | N/A | Document No. Zhu-Shang-Zi-1030010997 issued on April 18, 2014     |
| May 2014  | 10 | 480,000 | 4,800,000 | 438,598 | 4,385,978 | Employee stock option executed 34,764  | N/A | Document No. Zhu-Shang-Zi-1030014030 issued on May 19, 2014       |
| Oct. 2014 | 10 | 480,000 | 4,800,000 | 439,335 | 4,393,348 | Capital addition by employee stock option 7,370  | N/A | Document No. Zhu-Shang-Zi-1030030508 issued on October 20, 2014   |
| Dec. 2014 | 10 | 480,000 | 4,800,000 | 441,145 | 4,411,448 | Employee stock option executed 18,100  | N/A | Document No. Zhu-Shang-Zi-1030038314 issued on December 26, 2014  |
| Aug. 2016 | 10 | 480,000 | 4,800,000 | 434,115 | 4,341,148 | Capital reduction by Treasury Stock Retired (70,300)                                     | N/A | Document No. Zhu-Shang-Zi-1050023250 issued on August 16, 2016    |
| Aug. 2018 | 10 | 480,000 | 4,800,000 | 303,880 | 3,038,804 | Capital reduction 1,302,344  | N/A | Document No. Zhu-Shang-Zi-1070025345 issued on August 29, 2018    |

Type of Stock:

Unit: share

| Share Type               | Authorized Capital             |                  |              | Note |
|--------------------------|--------------------------------|------------------|--------------|------|
|                          | Issued Shares<br>(TWSE stocks) | Un-issued Shares | Total Shares |      |
| Registered common stocks | 303,880,392                    | 176,119,608      | 480,000,000  | —    |

## (2) Status of Shareholders

As of April 02, 2023

| Item                      | Government<br>Agencies | Financial<br>Institutions | Other<br>Juridical<br>Persons | Domestic<br>Natural<br>Persons | Foreign<br>Institutions &<br>Natural<br>Persons | Total       |
|---------------------------|------------------------|---------------------------|-------------------------------|--------------------------------|---|-------------|
| Number of<br>Shareholders | -                      | 10                        | 284                           | 55,568                         | 267   | 56129       |
| Shareholding<br>(shares)  | -                      | 21,204,300                | 73,727,400                    | 133,076,368                    | 75,872,324                                      | 303,880,392 |
| Percentage                | -                      | 6.98%                     | 24.26%                        | 43.79%                         | 24.97%  | 100%        |

Note: The Company has no mainland China shareholders.

Note: The primary TWSE/GTSM listed companies shall disclose the percentage of shareholding funded by mainland China investment; “mainland China investment” shall, as identified in Article 3 of the “Regulations Governing the Permission for People from the Mainland Area to Invest in Taiwan”, refer to the individuals, juristic person, group, other agencies or the Company it invested in the third region.

## (3) Shareholding Distribution Status

As of April 02, 2023

| Class of Shareholding<br>(Unit: Share) | Number of<br>Shareholders | Shareholding<br>(Shares) | Percentage |
|--|---------------------------|--------------------------|------------|
| 1 ~ 999                                | 24,410                    | 3,894,395                | 1.28       |
| 1,000 ~ 5,000                          | 27,185                    | 51,418,683               | 16.92      |
| 5,001 ~ 10,000                         | 2,557                     | 19,428,063               | 6.39       |
| 10,001 ~ 15,000                        | 729                       | 9,244,857                | 3.04       |
| 15,001 ~ 20,000                        | 344                       | 6,295,750                | 2.07       |
| 20,001 ~ 30,000                        | 306                       | 7,746,643                | 2.55       |
| 30,001 ~ 50,000                        | 233                       | 9,136,443                | 3.01       |
| 50,001 ~ 100,000                       | 174                       | 12,703,945               | 4.18       |
| 100,001 ~ 200,000                      | 77                        | 11,099,892               | 3.66       |
| 200,001 ~ 400,000                      | 30                        | 8,614,606                | 2.83       |
| 400,001 ~ 600,000                      | 15                        | 7,523,241                | 2.48       |
| 600,001 ~ 800,000                      | 15                        | 1,0278,303               | 3.38       |
| 800,001 ~ 1,000,000                    | 10                        | 9,263,417                | 3.05       |
| 1,000,001 or over                      | 44                        | 137,232,154              | 45.16      |
| Total                                  | 56,129                    | 303,880,392              | 100        |

#### (4) List of Major Shareholders

As of April 02, 2023

| Shareholder's Name   | Shareholding |            |
|--|--------------|------------|
| Name of Major Shareholders   | Shares       | Percentage |
| Elan Investment Corp.  | 12,438,199   | 4.09%      |
| Nan Shan Life Insurance  | 11,359,000   | 3.73%      |
| New Labor Pension Fund   | 11,313,165   | 3.72%      |
| Yulong Investment Co., Ltd.  | 7,083,059    | 2.33%      |
| YEH, I-Hau   | 6,000,895    | 1.97%      |
| Citi-Bank Taiwan Ltd.<br>in custody for Norges Bank  | 5,269,303    | 1.73%      |
| Standard Chartered Bank in Custody for Schrodgers Robotech Fund                                  | 4,600,000    | 1.51%      |
| JP Morgen Chase Bank N.A. Taipei Branch in custody for Vanguard International Equity Index Funds | 4,144,870    | 1.36%      |
| JP Morgen Chase Bank N.A. Taipei Branch in custody for Vanguard Star Fund                        | 3,775,344    | 1.24%      |
| Taipei Fubon Commercial Bank Co., Ltd.   | 3,155,700    | 1.03%      |

#### (5) Market Price, Net Worth, Earnings and Dividends per Share in the Last Two Years

Unit: NT\$

| Year                            |  |                   | 2021         | 2022         | As of March 31, 2023<br>Note (8) |
|---------------------------------|--|-------------------|--------------|--------------|----------------------------------|
| Items                           |  |                   |              |              |                                  |
| Market price per Share Note (1) | Highest Market Price                         |                   | 228.5        | 181.5        | 114.5                            |
|                                 | Lowest Market Price                          |                   | 134          | 75.4         | 86                               |
|                                 | Average Market Price                         |                   | 176.85       | 123.74       | 102.11                           |
| Net Worth per Share Note (2)    | Before distribution                          |                   | 36.11        | 31.66        | 26.73                            |
|                                 | After distribution                           |                   | 22.61        | 25.66        | 26.73                            |
| Earnings per Share              | Weighted Average Shares (thousand shares)    |                   | 289,323      | 284,595      | 284,585                          |
|                                 | Earnings per share (Note 3)                  | Before adjustment | 17.64        | 7.56         | 1.08                             |
|                                 |  | After adjustment  | —            | —            | -                                |
| Dividends per Share (Note 9)    | Cash dividends                               |                   | 13.81        | 6.00         | -                                |
|                                 | Stock dividends                              | —                 | —            | -            | -                                |
|                                 |  | —                 | —            | -            | -                                |
|                                 | Accumulated Undistributed dividends (Note 4) |                   | —            | —            | -                                |
| Return on Investment            | Price / Earnings Ratio (Note 5)              |                   | 10.03        | 16.37        | -                                |
|                                 | Price /Dividend Ratio (Note 6)               |                   | 13.10        | 20.62        | -                                |
|                                 | Cash Dividend Yield (Note 7)                 |                   | <b>7.63%</b> | <b>4.85%</b> | -                                |

Note 1: List the highest and lowest market prices of each year and calculate average market price base on trading value and trading volume of each year.

Note 2: Please fill in the number of shares that have been issued as of the end of the year according to the distribution decided by the shareholders meeting. Profit distribution proposal of year 2022 has been approved by the board of directors on February 22, 2023. The net value per share has been recorded as the distributed amount as of March 31, 2023.

Note 3: If there are retrospective adjustments due to circumstances such as stock grants, both pre-adjustment and post-adjustment earnings per share shall be listed.

Note 4: If the equity securities issuance conditions stipulated that dividends that have not been paid in the current year can be accumulated to be paid in the surplus year, the accumulated unpaid dividends as of the current year shall be separately disclosed.

Note 5: Price / Earnings Ratio = average closing price per share of the year / earnings per share.

Note 6: Price /Dividend Ratio = average closing price per share of the year / cash dividends per share.

Note 7: Cash Dividend Yield = cash dividend per share / average closing price per share of the year.



Note 8: Shall fill in information of the year as of the publishing date of the annual reports.

Note 9: Dividend per share shall be filled in according to profit distribution of the year and the distribution resolution to be adopted by a shareholders' meeting in the following year.

## **(6) Dividend Policy and Implementation Status**

### **(1) Dividend policy**

The Company's dividends policies, taking into consideration the future demand of funds, overall internal and external environmental changes and shareholders' cash inflow demand, stipulated that if there is a surplus after the annual closing, 10% statutory surplus reserve will be contributed first, in addition to pay the profit-seeking enterprise income tax make up for previous annual losses pursuant to the laws, and the decreased shareholders equity amount of the year will be recognized in special reserve. Any remaining, together with the accumulated undistributed earnings carrying forward from the previous year, will be subject to resolution to be adopted by a shareholders' meeting for the distribution proposal adopted by the Board of Directors. The distribution ratio is as follows:

The amount of surplus to be distributed for the current year shall not be less than 50% of the cumulative distributable surplus; considering the funding demand for future expansion plan and investment, the cash dividend shall not be less than 10% of total dividends.

### **(2) Proposed Distribution of Dividend at the shareholders' meeting**

The Company's profit distribution proposal in 2022 was approved by the 14th meeting of the 10th session of the Board of Directors in 2023. It is planned to distribute NT\$1,823,282,352 in dividends for shareholders from the distributable surplus, and distribute cash dividends of NT\$6 per share. The above dividend distribution plan was resolved by the Board of Directors to distribute NT\$3 per share in cash before the end of April and October 2023 respectively (i.e. the amount of each distribution is NT\$911,641,176). It is planned to authorize the Chairman of the Board of Directors to handle the base date of dividend distribution and the date of dividend distribution. The first time dividend distribution base date is April 6, and the dividend distribution date is April 26. The second time dividend distribution base date and dividend distribution date will be determined separately in future.

### **(3) Any anticipated material changes in dividend policies shall be explained: N/A.**

## **(7) The impact of stock grants to be proposed at the shareholders' meeting on the Company's business performance and earnings per share**

N/A, because the Company did not disclosure 2022 financial forecast information pursuant to document number Tai-Cai-Zheng (1)-OO371 issued on 1 February 2000, provided that the Company is not required to disclose such information.

## **(8) Employee Bonus and Directors' and Supervisors' Remuneration**

1. Information relating to employee bonus and the Directors and Supervisors' remuneration is stipulated in the Articles of Association:

If earnings are available for distribution at the end of a fiscal year, 10% of net earnings – that is, after offsetting any loss from prior year(s) and paying all taxes and dues – shall be set aside as legal reserve and appropriated in accordance with the law. However, this is

N/A if the statutory surplus reserve has reached the same amount as the Company's paid-up capital. In addition, special reserve shall be recognized according to the Company's Operating requirements and statutory provisions. The remaining net earnings can be distributed along with prior accumulated unappropriated retained earnings. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. The dividend distribution ratio is as follows: The amount of surplus to be distributed for the current year shall not be less than 50% of the cumulative distributable surplus; the cash dividend shall not be less than 10% of total dividends.

The Company shall, if there surplus of the year, contribute no less than 10% as employee bonus and no more than 2% as Directors' remuneration, provided that, if the Company still has accumulated loss, the amount for making up the previous losses shall be reserved first.

2. The Estimated Basis for Calculating the Employee Bonus and Directors' and Supervisors' Remuneration of the period and if the actual distribution amount is different from the estimated amount: For this period, the Company relied on the Articles of Association and past references of actual Directors and Supervisors' remuneration payment to estimate possible payment amount for the employee bonus and directors' remuneration. Any difference between the actual payment amount and the estimated amount will be treated according to "Changes in Accounting Estimates" and listed as profit or loss of the following year.
3. Profit Distribution for Employee Compensation and Directors' and Supervisors' Remuneration approved in Board of Directors Meeting:

The proposal for the 2021 profit distribution of the Company has been adopted at the resolution made by the Board of Directors' Meeting on February 22, 2023, which is still not yet adopted by the shareholders' meeting.

Recommended Distribution of Employee Compensation and Directors' Remuneration:

Unit: NT\$ thousands; Thousand Shares

| Items                   | Amount  | Share distribution<br>– in Cash/Stock |        |        | Remuneration  | Any difference with the recognized estimated expenses of the year? |
|-------------------------|---------|---------------------------------------|--------|--------|---|--|
|                         |         | Cash Distribution                     | Amount | Shares | Proportion to the sum of Net Income After Taxes plus employee bonus |  |
| Employee Compensation   | 334,000 | 0                                     | 0      | 0      | 0   | None   |
| Directors' Remuneration | 0       | 0                                     | 0      | 0      | 41,000  |  |

4. Actual distribution of remuneration for employees, directors and supervisors in the previous year:  
The proposal for distribution of 2021 profits was adopted at the Board of Directors' Meeting on February 12, 2022 and approved at the Annual Shareholders' Meeting on June 15, 2022. The actual distributed employee compensation and Directors Supervisors remunerations was in the line with the recommended resolution of the Board of Directors.

The actual distribution is as follows:

Unit: NT\$ thousands; Thousand Shares

| Items \ Amount                          | Cash Distribution | Share distribution-<br>In Cash/Stock |        |                                  | Remuneration | Differences between the expenses recognized with the original amount proposed by the Board of Directors |
|---|-------------------|--------------------------------------|--------|----------------------------------|--------------|---|
|   |                   | Amount                               | Shares | Proportion to profit transferred |              |   |
| Employee Compensation                   | 728,000           | 0                                    | 0      | 0                                | 0            | None  |
| Directors and Supervisors' Remuneration | 0                 | 0                                    | 0      | 0                                | 93,000       |   |

(1) The Company's Buyback (Repurchase) of Stock:

|  |                                 |
|--|---------------------------------|
| Repurchase Times   | The 13 <sup>th</sup> time       |
| Purpose of Repurchase  | Transfer of shares to Employees |
| Repurchase Period  | 08/06/2021~10/05/2021           |
| Price Range of Repurchase  | 140-200                         |
| Type and Quantity of Shares repurchased  | Common Stock                    |
| Number of shares repurchased   | 6,857,000股                      |
| Ratio of the Repurchased quantity to the scheduled buy-back quantity ( % )   | 68.57%                          |
| Ratio of repurchased quantity to the scheduled repurchase quantity and the number of shares that have been cancelled and transferred | 0 share                         |
| Number of shares held at the time of reporting   | Common Stock 6,857,000 Shares   |
| Ratio of the cumulative number of shares held by the Company to the total number of issued shares (%)                                | 2.26%                           |

r2. Corporate Bonds: N/A.

3. Preferred Stock: N/A.

4 Issuance of Global Depositary Receipt: N/A.

5. Employee Stock Options:

- (1) The progress of the Company's outstanding Employee Stock Options as of the publishing date of the annual reports and its impact on shareholders' equity shall be disclosed: The Company has no outstanding employee stock option certificate.
- (2) Name of the managers who acquired Employee Stock Options and top 10 employees who acquired stock option certificates, and the detailed of the Employee Stock Options acquisition as of the publishing date of the annual reports: N/A.
- (3) Status of restricted stock awards: N/A.

6. Status of New Shares Issuance in Connection with Mergers and Acquisitions: N/A.

7. Funding Plans and Implementation: N/A.

## V. Operational Highlights

### 1. Business Activities

#### (1) Business Scope

(1) Main areas of business operations

Research, development, production, manufacturing, and sales of the following products:

- (a) Touchscreen Controller
- (b) Touchscreen Controller with Pen
- (c) Touchpad Module
- (d) Pointing Stick
- (e) Biometric chip (including fingerprint and face recognition)

(2) 2022 Main Products, Revenue and Weight

| Scope of Business            | Revenue<br>(thousand dollars) | Weight<br>(%) |
|------------------------------|-------------------------------|---------------|
| Consumer touch IC            | 3,209,732                     | 24.63         |
| Notebook input device module | 9,207,630                     | 70.66         |
| Network communications IC    | 111,142                       | 0.85          |
| Others                       | 501,980                       | 3.86          |
| Total                        | 13,030,484                    | 100.00        |

(3) New Products Development

The new products planned to be developed by the Company:

- Regional dimming control chips for automotive displays
- Touch driver integrated chips for automotive displays
- Active pen control chip that supports multiple protocols of the stylus
- Precise touch chip for mobile phones
- Support large size QHD touch display integration (LTDI) solution
- Support AI touch and pressure-sensitive touchpad control chip

#### (2) Industry Overview

##### (1) Relevance of the upstream, midstream and downstream of the industry

Taiwan's semiconductor industry has completed an upstream and downstream system, a unique professional division of labor model, the world's No. 1 output value in foundry and IC testing, and the world's No. 2 output value in IC design. Its overall development plays an important role in the world, and the most important feature is its division of labor, which is also the most important factor that has driven the development of Taiwan's semiconductor industry for more than 50 years.

Compared to the IC manufacturers in the United States, Japan, Korea and other countries that adopt an integrated operation of upstream, midstream and downstream, Taiwan adopts a highly specialized division of labor, and the areas from IC design, mask manufacturing, wafer manufacturing, cutting, packaging, and testing can be divided independently into individual industries. The vertical division of labor system has been become a complete system after years of integration, so that the benefits of the semiconductor industries are

emerging under a specific model of concentrating the resources in the area of a single industry. At present, the Taiwan Semiconductor Industry Association announced that the output value of Taiwan's IC industry in 2022 were about 4.84 trillion New Taiwan Dollars, an annual increase of 18.5%, which is higher than 3.2% of the global semiconductor market. Looking forward to 2023, the output value of Taiwan's IC industry is expected to drop to NT\$4.56 trillion, an annual decrease of 5.6% is mainly due to the poor overall economy, which has caused the impact of weak buying sentiment in the consumer market. Therefore, generally speaking, it is not only an important economic lifeline of Taiwan, but also plays a very important role in the global semiconductor and downstream consumer and automotive industries.

## **(2) Product development trend and competition**

In response to the development trend of the market, the Company promotes the growth of operations by increasing product functions and improving product specifications, such as haptic feedback (Haptic Pad), large-size touchpad, specification upgrade of the new version of Window 11, the penetration rate of MOC (Match On Chip) with high unit price has been upgraded, and the embedded touch panel of single-layer touch function chip (SLOC) and the LTDI (Large Touch Display Integrated Circuits) for the integration of touch and driver chips. At the same time, EMC has invested in the development and application of touch technology for a long time, and has patents in the United States, Japan, China and Taiwan.

Secondly, the application of biometric recognition chips in smart phones is very mature, and the competition situation is relatively fierce. In consideration of the overall operation growth, the Company strengthens the application of fingerprint recognition and develops towards diversified application products. The Company focuses on the fields of application of the notebook computers and it is expected that it will be one of the best-selling products of the Company with the most obvious growth in 2023.

At the same time, non-laptop applications are also actively developed. Firstly, in order to expand the application of fingerprint recognition and drive operational growth, the Company is actively entering into the smart card market. Identification cards, ID cards, etc. have great market potential in the future. Although the current market has not yet been started, the continuous improvement of cost-effective value of the product to attract brand customers is still ongoing. In order to enhance market competitiveness, the Company seeks to support encryption and payment with high added value and increase anti-counterfeiting fingerprints and other functions as product requirements to provide clients with the best market competitiveness. .

Finally, the advanced driver assistance system (ADAS) is the focus of the Company's active implementation of the business. Combined with the reinvestment Company, it jointly develops ADAS-related products that demand driving safety, including Camera Module, Sensor Fusion algorithm and external components, etc., provide high-quality overall solutions for electric buses and large buses, paving the way for entering the automotive electronics market.

### **Current Product Lines of Elan and Affiliated Companies**

#### **The Company's products are divided into two main categories and five product lines:**

The two main product categories are touch and non-touch, and the revenue of the touch products is the main driving force for the operation in 2022 accounting for the revenue up to 75%. The five product lines include touchscreen controller, Touch Pad module and fingerprint recognition chip of the touch products, and microcontroller (MCU) and point stick

of the of the non-touch products.

**Touchscreen Chips:**

These chips are applied to products such as smart phones, tablets, notebook computers, AIO PC, E-books, etc. In addition, Smart Cabin has been introduced into automotive electronics, touch, fingerprint and Local Dimming technology applications of Mini LED.

**Touch Pad Modules and Chips:** These products are mainly applied in notebook computers.

**Biometric Recognition Chips:**

This product is applicable in a wide range covering smart phones, notebooks, tablets, smart cards, PC peripherals, etc. At present, the Company is actively rushing into the car market and will use capacitive and optical fingerprint recognition chips with high value-added support encryption and add the payment function and anti-spoofing fingerprints to the products in order to provide our clients with the best market competitiveness and maximize our revenue and profits.

**Microcontroller IC (MCU):**

This product is mainly applied in large and small electric appliances, safety system, communication peripherals such as chargers, high-end interactive toys, mobile phones, electronic dictionaries, language learning machines, optical mice, keyboard controllers, and other markets.

**Pointing Stick:**

This product is mainly applied in notebook computers

**(3) Research and Development**

- (1) Research and Development Expenses by the Elan Microelectronics in the Past Two Years

Unit: NT\$ thousands

| Items \ Year                      | 2022       | 2021       |
|-----------------------------------|------------|------------|
| Research and Development expenses | 2,165,151  | 2,315,472  |
| Net Income                        | 13,030,484 | 18,327,973 |
| Proportion to Net Income          | 17%        | 13%        |

Source: CPA's report

- (2) The following technology or products are successfully developed:
- Smart watch touch control chip with low power consumption/high sensitivity/high anti-noise
  - Notebook touch screen solution supporting flexible OLED panels
  - Support LCD display area backlight control chip
  - Touch driver integrated chip supporting amorphous silicon panel (a-Si)
  - Gaming mouse control chip
  - Support large-scale touch driver integration solutions
- (3) Affiliates: Products and planned product developments of Metanoia Communications, Avisonic Technology and PiXORD etc.
- **Metanoia Communications:**  
The main products include ICs and solutions for VDSL2 /VDSL35b system, ICs and solutions for G.fast system, and VDSL2/VDSL35b/G.fast SFP

modules.

Moreover, the Company has successively launched 5G sub-6G RF chips and 5G sub-6G and mmWave digital baseband chips. At the same time, it has also developed physical layer software and EVB hardware reference designs based on O-RAN option 7.2, providing customers with various 5G RU, CPE Solutions with Small Cells.

In the future, the Company will continue to develop a 5G single-chip SOC with more complete functions, integrating Networking CPU, 5G baseband chip and 5G network interface to become a single SOC. At the same time, it will provide integrated solutions for software and hardware, so that Metanoia Communications can operate in 5G O -The RAN industry continues to provide high-performance and low-power 5G single-chip SOCs, lower-cost EVB hardware reference designs, and complete physical layer (PHY Layer) software, continuing to lead other competitors and giving priority to the 5G market.

- **Avisonic Technology:**

Avisonic Technology's current main products include: (1) fisheye lens image calibration processing ICs; (2) megapixel high-resolution image processing ICs; (3) AI Box application on advanced driver-assistance systems (ADAS).

New products planned to be developed: (1) Chip IC: In order to strengthen the application of in-vehicle intelligent imaging, we will continue to develop the intelligent identification technology Advanced Driver Assistance Systems (ADAS) market for in-vehicle imaging, and expect to provide drivers with safety and front protection when driving forward at medium and low speeds in the future and automatic when reversing. The image ranging converts the bird's-eye view to allow the driver to park safely; (2) Artificial intelligence application solution: In response to the needs of artificial intelligence, we provide a complete application solution of artificial intelligence box to shorten the development time of customers, and meet the diverse characteristics of future market needs to enhance the competitive advantage of products.

- **PiXORD:**

Current products include: (1) 5 Mega Pixel 360-degree Fisheye H.264 IP Camera); (2) Dual Lens Panoramic Dome Network Camera; (3) 2 Mega Pixel Low Lux Outdoor Bullet Network Camera) (4) VDSL2 Point to Point Long Distance Media Converter; (5) Artificial Intelligence Traffic Detection System.

- **Eminent Electronic Technology Co. Ltd.:**

The main products include (1) Ambient light sensor (2) Proximity sensor (3) Ambient light-proximity sensor three-in-one module (4) LED ambient light under OLED screen-Proximity sensor (5) RGB color temperature sensor (6) TWS in-ear detection sensor and (7) AR/VR wearable detection sensor.

#### **(4) Long-term and short-term business development plan**

##### **(1) Short-term development plan**

###### **A. Marketing strategy:**

- (a) To provide customers with the best platform backed by the most competitive cost-effective and engineering support to help customers in gaining a broader market share.
- (b) To require the business marketing personnel to work deeper into the

industry and face customer demand directly, in order to master the overall industrial supply chain, understand the key demand of the market, identify customers who can generate business energy, and seek cooperation and collaboration with muscle of the industry. At the same time, establish office in the main markets with after-sales service engineers ready at all time to provide customer with the best services in line with business demands.

B. Product development direction:

- (a) The development of touch-and-display 2-in-1 integrated ICs for smart phones was completed: and equipped with pen function, while the touch-control ICs with pen function can also apply to both hard and soft OLED panels, which will effectively reduce costs and improve performance. At the same time, the Company seeks market difference through touch-control ICs with pen functions to emphasize market difference and gain more branding customers. All of these are various IC solutions for smart phones.
- (b) Introduce touch pads with gloves and waterproof operation, touch screens and driver chips into the automotive market
- (c) A fingerprint recognition solution with low power consumption and anti-fake fingerprints to protect personal information. This move will help expand business opportunities in smart phones, notebook computers, credit cards, financial cards, employee access cards, and automotive electronics.
- (d) The Touch Pad solution with active pen provides users with the best solution when online learning is currently prevailing.
- (e) Complete the development of a highly integrated point stick solution. This differentiated integration solution is expected to help expand the market share of point sticks.
- (f) Completion of the development and support of large-size FHD touch display integration (LTDI) solutions, and the introduction of embedded touch pad devices will help expand the application level of the market.
- (g) Provide Mini-LED area dimming technology under strong outdoor light, so that the image quality of the car screen is not affected by light.

C. Production strategies:

Strengthen the planning and management for automation of the entire production process to improve output efficiency of the modules and achieve rapid delivery. Maintain close cooperative relationship with upstream, midstream and downstream players in the semiconductor industry, and ensure close cooperation with each other, for the purpose of effectively reduce inventory by various counter Procedures through motorized operations and activate optimal production efficiency.

D. Operating strategies:

- (a) More flexible product sales strategies: The use of modular, single-chip and other sales approaches etc. are the key sales approaches for continuous implementation, in order to strengthen market expansion, increase revenue scale effectively, meet customer demands and further enhance deeper understanding of the market.
- (b) Concentration: In order to cope with the increasingly fierce competition in the overall market, the Company focuses on the competitive and profitable application markets.
- (c) Performance optimization: Maximized performance: All of the



Company's products are activated with touch performance, and the competitive pen function and anti-fake fingerprint function are introduced into various terminal consumer products, with the goal of increasing the product's gross profit margin.

- (d) Close cooperation with well-known brands, ODMs and related supply chains customers: strengthen cooperative programs with branding customers while diversifying by collaborating with ODMs and customer resources of upstream, midstream, and downstream supply chains to improve operating performance.

E. Financial strategy:

Seeking cooperation opportunities in the industry's upstream, mid-stream and downstream supply chains to achieve corporate financial benefits by means of investment, to increase product complementarities and drive revenue growth by combining the resources of both companies, while achieving maximum effectiveness in fund utilization through sound financial operation.

**(2) Long-term development plan**

A. Marketing strategy:

- (a) With Taiwan in Asia as the operating headquarters, as the center of strategic planning, the deployment of a global marketing network and channel system, including the world's well-known brand manufacturers such as laptops, smart phones and tablets, are important customers of the Company, and flexible Using our own energy and the marketing and technical support capabilities of the agency distribution system, and combining with the cooperation of well-known companies in the United States, Japan and mainland China, we will jointly develop new application markets to strive for products to become the most important market leader and provide a full range of marketing and complete after-sales service to drive revenue growth to increase market visibility and market share
- (b) Actively establish the Company's own elite talent pool, to enhance international marketing capabilities and strengthen technical support, and obtain cooperative opportunities with world-class manufacturers.

B. Product development direction:

- (a) Continue the collaboration with multiple renowned platform industry players in U.S. and Japan to launch products that respond to the latest demands of the market, which will be applied in smart phones, tablet PCs, notebooks, smart home appliances and other products, in order to cost effectively promote the increase in volume and price.
- (b) Actively collaborate with affiliate(s) of joint venture(s) and related IoT technology companies to jointly develop AI technology related platforms and the trending products such as MiniLED/Micro LED etc. as well as to invest in automotive electronics, smart home, smart city, smart transportation, video surveillance, and wearable product etc. different fields.

C. Production strategies:

- (a) Continuously improve product yields to improve product quality, reduce production costs, and effectively increase gross margins.
- (b) Establish a close cooperative relationship or strategic alliance with the outsource factories to ensure sufficient production capacity.

- D. Operating strategies:
- (a) Focus on competitive products and expand their application range, emphasize differentiated competitive strategies, effectively use self-developed microcontrollers and digital signal processor technologies of various bits, combined with external advanced development technologies, or authorize or Through cooperation and other methods, we will launch highly integrated chips and modularized products and application platforms with price and quality competitiveness, and strategically cooperate with leading manufacturers in various fields to create a win-win situation and expand the scale of operations.
  - (b) Strategic alliances: leverage on external strength, seek related upstream and downstream industries with similar goals, work together to achieve coexistence and common prosperity.
- E. Financial strategies:
- Fully utilize, in line with the continuous expansion of business scale, various types of financial instruments in the capital market to obtain lower-cost working capital and strengthen the financial structure.

## 2. Market and Sales Overview

### (1) Market analysis:

#### (1) Sales (Service) region of major products in the Last Two Years

Unit: NT\$ thousands

| Year<br>Region \ sales | 2022         |                | 2021         |                |
|------------------------|--------------|----------------|--------------|----------------|
|                        | Sales amount | Percentage (%) | Sales amount | Percentage (%) |
| Taiwan                 | 1,043,560    | 8.01           | 1,598,129    | 8.72           |
| China                  | 2,459,068    | 18.87          | 2,580,977    | 14.08          |
| Hong Kong              | 9,302,571    | 71.39          | 13,878,610   | 75.72          |
| Other Area             | 225,285      | 1.73           | 270,257      | 1.48           |
| Total Net Sales        | 13,030,484   | 100.00         | 18,327,973   | 100.00         |

In the year 2022 it has been a relatively difficult year for the global notebook computer market. The main reason was due to external factors such as the deterioration of the overall economy, rising inflation, sharp interest rate hikes, the Russia-Ukraine war, lockdown in China cities, and the weak consumer market's consumption capacity, resulting in an increase in inventory in the corresponding supply chain. Globalization was the top priority of industrial supply chain manufacturers in the second half of last year. Due to the obvious decrease in overall market demand, the total demand of notebooks has been decreased by double digits annually to 194 million units. The Company's main source of revenue is the notebook market, which has been significantly affected.

However, global notebook products are still moving towards product specifications and function upgrades, and the Company is also developing products that meet market demand in line with the industry trend of notebooks. In 2023, when the consumption capacity of the notebook market has not yet recovered, there is no reason to be optimistic. General market research institutions estimate that the total sales volume will decrease by about 10% annually. In response to this market situation, the Company has strengthened the functions and specifications of its products upgrade, introduce products with competitive advantages as specifications, in order to in a position to face the differentiated competition and increase

market share.

At the same time, we found that the notebook market still has great potential, especially product function upgrades, replacement of existing products, promotion and introduction of products with low penetration rates, and there is still a space for improvement of products with low market share.

The penetration rate of fingerprint recognition products in notebooks is still low, especially MOC (Match On chip, which checks the fingerprint first and then unlocks the device) with a higher average unit price. Under the premise that the outlook is still bullish, we expect that in the next two to three future years, it will cover most of the market and achieve a leading position in the market. The haptic feedback touch panel (Haptic Pad) was shipped for the first time last year, which contributed hundreds of millions New Taiwan Dollars in revenue. It will continue to do so in 2023. Brand customers will use more models of Haptic Pad, which will help revenue growth; The introduction of large-size touch panels will help increase the average unit price, and the active promotion and introduction of single-layer in-cell touch panels (SLOC) will help the revenue of touch screen chips. It is still severe, and there is still keen competition on external markets. The Company is still endeavoring to actively strengthen the chip design technology engineering part, effectively reduce costs, and hope to help improve operating effectiveness.

As for the point stick products applied in notebooks, the Company currently ranks first in the world in terms of market share and mainly supplies to the largest notebook manufacturers in the world. At the same time, the Company has also completed a new generation of thinner pointing device sensor chips, which is conducive to the increase of the average selling price.

The Company's microcontroller products will continue to develop the chip platforms with lower power consumption, provide the best solutions to customers, and strengthen cooperation with solution companies who offer professional and customized electronic product design and development services for enterprises or individuals in mainland China, and provide control chips with the best cost performance.

The Company's customers cover all major brands in the world, including customers in America, Japan, Korea, Taiwan and China. The Company has a dominant position in the sub-industry of spare parts in the notebook market. In 2023, we will continue to do our best effort to reach the goal of expanding higher market share and better operating performance.

## (2) Market share

The Company is a professional IC design Company with a full range of integrated solutions. It has a strong research and development (R&D) team and invests more than 12% in R & D each year. It is an IC design Company that focuses on research and development of new products. The quality of products developed by the Company is recognized by the customers; the proportion of revenue from global tier-one manufacturer customers accounted for more than half of the total revenue. The touch control notebook ICs accounted for nearly half of the world's market share. At present, the Company has three products that ranks first in the world, namely stylus notebook screen IC, touch pad module and point stick. The market share of the first two items is about 50%, and the market share of pointing devices is expected to exceed 70%.

According to the data from IEK of ITRI, output value of Taiwan's IC design industry reached NT\$1,23 Trillion (US\$41.3 billion) in 2022; the proportion that the Company accounted for was approximately 1.4%, the proportion of the Company is about 1.05%.

(3) Future supply, demand and growth of the market

What really affects semiconductors is the changes in terminal market demand. It is obvious that the main demand for semiconductors is the largest consumer electronics, including smart phones, laptops, tablets and television sets etc. Due to the considerable changes in the general economic environment in 2022, external factors such as rising inflation and sharp interest rate hikes, and an environment where everything is rising, the consumption capacity of the entire consumer market has been affected. Due to the active stocking of manufacturers in the past years and the market reversal, the inventory is high, so the entire supply chain is busy destocking in the second half of 2022. By the first half of 2023, there has been obvious progress in destocking. The consumption capacity on markets in future is subject to the operating results in 2023.

However, in general, various consumer products will obviously have more and more functions, which will inevitably require more and more powerful chip blessings. In addition, many consumer electronic products are still looking for the best cost-effective solutions, such as AR. /VR--- etc. The demand for chips is unabated and ever increasing. The number of semiconductor chips used in electric vehicles with the most development potential is more than double that of general fuel vehicles. Not only electric cars, but also large buses are also seeking electrification and artificial intelligence (AI) function. The future prospects of electric buses are relatively promising.

Therefore, there is no doubt that the prospect of semiconductors is still very promising, and the long-term market demand is still undoubtedly established. Immediately afterwards, the application of artificial intelligence can be said to be the next wave of huge business opportunities after smart phones, PCs, and tablets. At the beginning, the Company has a plan which is aiming to get the existing products provided with AI-functions. At present, the AI function has been gradually introduced into the existing application products of notebooks, mobile phones, and smart cards, and plans to be introduced into automobile-related products in future. Generally speaking, it can enhance the competitiveness of energy of the chip products, so as to drive the growth of the Company's business operations.

(4) Competitive niches:

- A. Possession of strong R & D team and huge patented technologies;
- B. Master the key technologies and IP of the products with important competitive advantages;
- C. Specialized AI technical services, effective product integration and provision of customer & technical engineering supports;
- D. Provide modularized solution that is different from the peers' operating models. The differentiated sales strategies effectively enhanced closer relationships with the customers;
- E. The Company has a close cooperative relationship with the world's Top-5 major notebook brand customers, and has a good trade channel working close together with our well-established distribution agents and global sales offices at home and abroad;
- F. Collaboration and mass production experience with domestic and foreign smart phone module manufacturers, touch control manufacturers, panel manufacturers and notebook ODMs.

(5) Favorable and unfavorable factors of development in the long term:

A. Favorable factors

- The Company focused on the wide global markets and are not limited to certain regional markets, which combined with renowned platforms providers and specification makers in the United States and Japan, and conducted comprehensive contacts with tier-one brands and customers in China to gain purchase orders. The focus of market development in 2023 is to continue to strengthen the modular sales model, strengthen product functions and drive the increase in average selling prices, strengthen the market expansion of non-notebook products, which is conducive to the increase in revenue, and actively strive for global brands, the penetration rate of large manufacturers using the Company's chip products, as well as first-tier brand customers in mainland China, etc.
- Flexible business strategies: modularized, single-chip or chipset methods of sales are available.
- Touch applications have clearly penetrated into various consumer electronic products, and the penetration rate has been increasing year by year. The Company has a considerable number of semiconductor-related technologies that can be widely used in various consumer electronic products, just in line with the development trend of the market.
- Own a strong research and development (R & D) team and hundreds of patented technologies.
- Close to the market: outsource production in the vast consumer market, achieve the goal of rapid delivery, and strengthen customer service.
- Complete system of production chain: Fully maintain close cooperative relations with upstream, midstream and downstream manufacturers in the semiconductor industry.
- Long-term collaboration with upstream, midstream, and downstream supply chains of the customers: understand the requirements of production and process nodes, reduce processing time, reduce peripheral costs and increase production efficiency.
- In response to the demand for market price/function ratio: As the market is increasingly competitive, continue to provide cost-effective products has always been the goal of the Company. At the same time, with regard to the different requirements of product features in different markets, the Company also provides a diversified product range to provide different product solutions in response to customer demand.
- Product diversification: low impact from the economic environment, broad distribution channels, low impact from changes in a single market, and a stable customer base.
- Consumer electronic digitalization has become the mainstream of the market. Since the establishment of the Company, it has oriented towards consumer electronics and the market, and realized that consumer electronics is already the mainstream industry in the future. Therefore, the continuous introduction of new products helps the Company in meeting the market demand.

B. Unfavorable factors

- The IC design industry is highly dependent on wafer production capacity and is susceptible to wafer manufacturer. Although the current wafer production capacity is no longer tight, the short-term consumer market is weak, and brand customers place fewer orders. In the short term, IC design companies are relatively hard to operate. The wafer manufacturing factories are at full capacity, and IC design companies must pay higher costs in order to obtain capacity supply. However, after 2023, the global wafer production capacity will continue to be increased, and IC design companies will have more options, the situation is expected to be considerably improved.

- In addition to the IC foundry, the overall semiconductor upstream, midstream and downstream supply chain and the Company's supply chain dedicated to module products such as printed circuit boards, connectors, resistors, etc. are very important and indispensable, so keep all relevant close supply chain cooperation is critical.
- The amount of development funds invested in artificial intelligence-related applications is relatively high, the application environment is in the thriving period, the product life cycle is short and the changes are rapid, creating pressure on product development. At present, we focus mainly on products to be applied together with AI functions, in order to use the product function to build the threshold of competition and eliminate competition obstacles.
- Insufficient domestic R & D manpower and foreign semiconductor companies have come to Taiwan one after another to exploit the new markets and looking for local talented manpower resources. Under the circumstances of very few talented manpower resources are available at present, recruiting new employees has become a headache for enterprises.
- Competition and price war among domestic and foreign IC design companies have become increasingly fierce; the increasing pressure on product prices created operating pressure.

(6) Counter Procedures:

- To control the evolution of market trends and develop appropriate strategies. Due to weak market consumption capability, the market demand for notebooks is still expected to decrease this year compared to that in last year, and is generally estimated to be nearly 10%. We have observed that the notebook industry will also enter the embedded panel (In Cell) industry model in 2023. The integration of touch chips and driver chips will make notebooks thinner and thinner. At the same time, the market opportunities for single-layer On Cell, Haptic Pad is gradually recognized by brand manufacturers, the market demand is increasing, and the penetration rate of MOC (Match-On-Chip) fingerprints is also increasing. These new opportunities, which represent an increase in the average selling price of chip or module products, will be substantially beneficial to operations.  
Furthermore, in order to meet the ever increasing demands of the LED/Micro LED products, the Company has cooperated with the investment Company Macroblock to develop related control chips, which will be used in notebooks, tablets, game consoles, automobiles, wearable products and other markets. The Company cooperate with Chimei Motor Electronics, a reinvested Company, to jointly promote the advanced driver assistance system (Adas) in the automotive market, especially in the short term, there will be achievements in the electric bus market. And there is the artificial intelligence (AI) era coming, the huge potential business will once again lead the prospects of the semiconductor industry. In order to respond to the development trend of the market, the Company still adheres to Differentiated Business Strategies, such as capacitive biometric sensing IC, adding anti-spoof function, which can be applied to the Smartphone and notebook computer industry and enter a brand-new financial industry targeting credit cards, debit cards, and personal social security cards. The credit card fingerprint function market has not yet emerged. However, we continue to insist on reducing chip costs and seeking the best cost-effectiveness to win the recognition of customers.  
All product developments are aiming at application products such as smart phones, notebooks and tablets, while seeking new application areas to develop the market. At the same time, the Company is actively investing in the field of artificial intelligence (AI) in order to improve its future product development, effectively enhance the added value of its IC products, strengthen its competitiveness, and further drive its operation and innovation.
- Flexible business strategies: modularized, single-chip or chipset methods of sales

are available. Among them, the modularized sales model can enhance closer collaboration with system manufacturers and establish competition threshold.

- Continuous recruit specialized R & D talents, implement localization strategies, increase overall engineering manpower, reduce related operating costs, build the strength of R & D teams, and achieve the goal of shortening product development timelines.
- Expanding the market through strategic alliances with domestic and foreign peers or related players to accelerate revenue and profit growth.
- Build marketing channels, expand marketing outlets at home and abroad, and actively develop new customers.
- Understand the market development trends, understand the needs of end-users and consumers, and respond to their needs in order to achieve the goal of profit growth; strengthen the application of products, and enrich the service mechanism of the application engineering manpower so that the Company can coexist and prosper with customers.

## **(2) Important Fields of Application and Manufacturing Processes of Main Products**

### **(1) Major Products and Their Important Fields of Application**

At present, the Company has two major product categories and five product lines. The two product categories are touch control and non-touch control. The touch control category includes touch screen ICs, touch pad module, and Biometric recognition ICs. The non-touch control category includes MCU and a point stick. All related production processes are carried out by the Company from IC design, to outsourcing the photo mask Company to make the photo mask, to transfer to the wafer plant for the various fabrication (such as exposure to UV-light, etching, etc.), to perform wafer testing and packaging testing before ship to the customer for production. All production time varies according to various required IC functions, precision, etc.

#### **A. Touch application products:**

Touch application products include touch screen IC and touch module products, which are the key sources of income of the Company in 2022 and 2023. It is divided into two categories and one of them is the touch screen ICs, and its major application products include smart phones, tablet computers and notebook computers, E-books, AIO. PC and innovative products to be used on the automotive market in the future.

#### **B. Touch Pad module:**

Mainly used on notebook PCs.

#### **C. Biometric recognition ICs:**

In 2022, fingerprint recognition chips will be mostly used in laptops, and will continue to increase and promote brand customers to adopt MOC (Match-On-Chip), which will increase product sales and help increase average selling prices with information security appeals. Due to fingerprint recognition chips can be used in a wide range of applications, such as smart phones, laptops, tablets, smart cards, and PC peripherals, etc., To seek application industries that are niche, have low market penetration, and have good development prospects will be the focus of future efforts.

#### **D. MCU IC:**

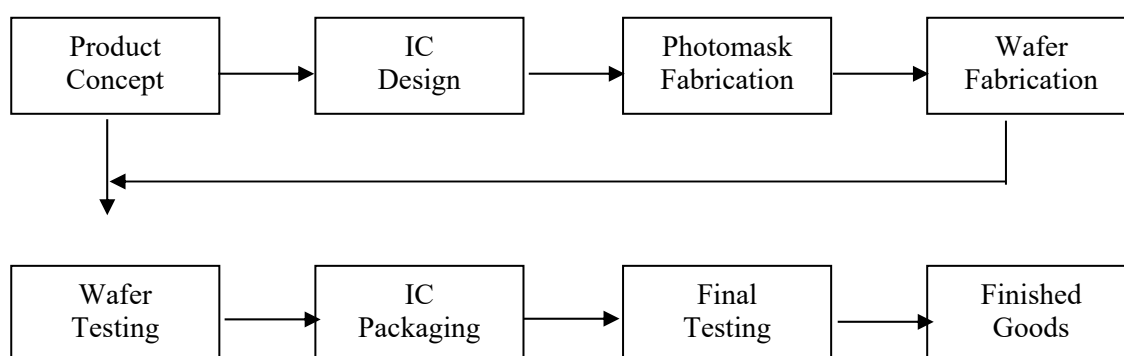
The main core technologies of the Company's MCU IC products include: 8-bit RISC processor and 16-bit MCU with DSP computing function and development platform, which are mainly used in small and large home appliances, security

systems, and communications peripherals such as chargers, high-end interactive toys, mobile phones, electronic dictionaries, language learning machines, optical mice, keyboard control ICs and other markets. MCU has been dominated by foreign IC manufacturers. The product lines developed by the Company are competitively priced, and the development tools such as OTP, MTP, and ICE are quite complete, allowing the customers to quickly market their products and achieve “Time to Market” requirements. In the future, more engineering talents will be recruited, and the Company will seek collaboration with more solution companies to provide customers with overall solutions and achieve a customer-corporation-consumer win-win-win situation.

E. Pointing stick products:

Point stick products are mainly applied in notebook computers, it has successively completed high-anti-noise and anti-RFI pointing device sensing chips. In 2021, it will continue to expand its market share and improve operational performance.

(2) Major Products and Their Production Processes



(3) Supply Status of Main Materials

The Company's main raw materials are wafers and photo masks. The Company's main collaborating professional wafer foundries are UMC, EMC, Vanguard International Semiconductor, Key foundry etc. We are endeavoring to diversify and establish cooperative relations with domestic and foreign semiconductor fabrication plants (fabs) to respond to market changes at any time. The quality, process technology and delivery control of these professional wafer foundries are quite excellent. In addition, in the photo mask part, the main collaboration partners are Taiwan Mask and Toppan Chunghwa Electronics Corporation (TCE), which are all long-term cooperative manufacturers with no concern in supply shortage or interruption.



**(4) Major Suppliers and Customers**

**(1) List of Major Customers (Major suppliers refer to those commanding 10%-plus share of annual order volume.)**

**Major Customers in the Last Two Calendar Years (consolidated basis)**

Unit: NT\$ thousands

| Item | 2021                |            |             |                      | 2022                |            |             |                      | As of the previous quarter of 2023 (Note 2) |           |  |                      |
|------|---------------------|------------|-------------|----------------------|---------------------|------------|-------------|----------------------|---|-----------|--|----------------------|
|      | Company Name        | Amount     | Percent (%) | Relation with Issuer | Company Name        | Amount     | Percent (%) | Relation with Issuer | Company Name                                | Amount    | Proportion to net sales revenue of the year as of the previous quarter of the year (%) | Relation with Issuer |
| 1    | Ultra Source        | 8,183,120  | 44.65       | N/A                  | Ultra Source        | 4,767,158  | 36.58       | N/A                  | Ultra Source                                | 780,279   | 32.44  | N/A                  |
| 2    | Silicon Application | 3,709,758  | 20.24       | N/A                  | Silicon Application | 3,705,475  | 28.44       | N/A                  | Silicon Application                         | 732,270   | 30.45  | N/A                  |
|      | Others              | 6,435,095  | 35.11       |                      | Others              | 4,557,851  | 34.98       |                      | Others                                      | 892,589   | 37.11  |                      |
|      | Net Sales Revenue   | 18,327,973 | 100.00      |                      | Net Sales Revenue   | 13,030,484 | 100.00      |                      | Net Sales Revenue                           | 2,405,138 | 100  |                      |

Note 1: Specify the name, sales amount and proportion to sales revenue of the customer whose sales amount accounted for more than 10% of the total sales revenue in the past two years. If the customer name cannot be disclosed due to the contractual agreement or the transaction counterparty is a non-related individual, a code can be used in lieu thereof.

Note 2: As of the date of publishing the annual reports, listed Company or Company of which stocks have been traded at the securities firm shall disclose the most recent financial information certified by CPA.

**(2) Major Suppliers (Major suppliers refer to those commanding 10%-plus share of annual order volume)**

**Major Suppliers in the Last Two Calendar Years (consolidated basis)**

Unit: NT\$ thousands

| Item | 2021 (Note 3)           |           |             |                      | 2022 (Note 3)           |           |             |                      | As of the previous quarter of 2023 (Note 2, (Note 3)) |         |  |                      |
|------|-------------------------|-----------|-------------|----------------------|-------------------------|-----------|-------------|----------------------|---|---------|--|----------------------|
|      | Company Name            | Amount    | Percent (%) | Relation with Issuer | Company Name            | Amount    | Percent (%) | Relation with Issuer | Company Name  | Amount  | Proportion to net sales revenue of the year as of the h previous quarter of the year (%) | Relation with Issuer |
| 1    | United Microelectronics | 2,074,992 | 22.66       | N/A                  | United Microelectronics | 2,227,077 | 29.26       | N/A                  | United Microelectronics                               | 3,762   | 0.43   | N/A                  |
| 2    | Tetron Electronics      | 571,032   | 6.24        | N/A                  | Tetron Electronics      | 512,537   | 6.73        | N/A                  | Tetron Electronics                                    | 114,302 | 12.94  | N/A                  |
| 3    | Taiwan PCB              | 259,929   | 2.84        | N/A                  | Taiwan PCB              | 368,698   | 4.84        | N/A                  | Taiwan PCB  | 91,132  | 10.32  | N/A                  |
|      | Others                  | 6,251,764 | 68.26       |                      | Others                  | 4,502,849 | 59.17       |                      | Others  | 674,165 | 76.31  |                      |
|      | Net purchase amount     | 9,157,717 | 100         |                      | Net purchase amount     | 7,611,161 | 100         |                      | Net purchase amount                                   | 883,361 | 100  |                      |

Note 1: Specify the name, sales amount and proportion to sales revenue of the suppliers whose sales amount accounted for more than 10% of the total sales revenue in the past two years. If the customer name cannot be disclosed due to the contractual agreement or the transaction counterparty is a non-related individual, a code can be used in lieu thereof.

Note 2: As of the date of publishing the annual reports, listed Company or Company of which stocks have been traded at the securities firm shall disclose the most recent financial information certified by CPA.

Note 3: Including finished goods purchased.

### (5) Production and Sales in the Last Two Years

#### 1. Production and sales value (consolidated basis):

Unit: 1,000pcs, NT\$ thousands

| Year<br>Output                | 2021     |           |            | 2022     |          |           |
|-------------------------------|----------|-----------|------------|----------|----------|-----------|
|                               | Capacity | Quantity  | Amount     | Capacity | Quantity | Amount    |
| Major products                |          |           |            |          |          |           |
| Consumer touch control IC     | —        | 514,553   | 5,534,839  | —        | 304,712  | 4,174,811 |
| Notebook input devices module | —        | 327,489   | 6,987,091  | —        | 188,969  | 5,116,260 |
| Network communication IC      | —        | 519       | 63,399     | —        | 608      | 133,325   |
| Others                        | —        | 161,443   | 275,916    | —        | 167,708  | 372,418   |
| Total                         |          | 1,004,004 | 12,861,245 |          | 661,997  | 9,796,814 |

#### 2. Shipments and Sales (consolidated basis):

Unit: 1,000pcs, NT\$ thousands

| Year<br>Shipments & Sales     | 2021     |           |         |            | 2022     |           |          |            |
|-------------------------------|----------|-----------|---------|------------|----------|-----------|----------|------------|
|                               | Local    |           | Export  |            | Local    |           | Export   |            |
|                               | Capacity | Quantity  | Amount  | Capacity   | Quantity | Amount    | Capacity | Quantity   |
| Major products                |          |           |         |            |          |           |          |            |
| Consumer touch control IC     | 45,837   | 1,404,680 | 251,429 | 4,794,757  | 34,453   | 827,845   | 127,398  | 2,381,887  |
| Notebook input devices module | 414      | 47,560    | 163,211 | 11,484,553 | 373      | 67,093    | 102,084  | 9,140,537  |
| Network communication IC      | 158      | 47,620    | 27      | 45,467     | 171      | 65,592    | 29       | 45,550     |
| Others                        | 24,409   | 98,269    | 80,806  | 405,067    | 2,610    | 83,030    | 67,618   | 418,950    |
| Total                         | 70,818   | 1,598,129 | 495,473 | 16,729,844 | 37,607   | 1,043,560 | 297,129  | 11,986,924 |

### 3. Human Resources

Consolidated number of employees, average years of service, age and academic distribution ratio in the last two years:

| Year                     |                          | 2021       | 2022       | March 31, 2023 |
|--------------------------|--------------------------|------------|------------|----------------|
| Number of employees      | Managers                 | 238        | 256        | 255            |
|                          | Technicians              | 315        | 315        | 296            |
|                          | General staffs           | 759        | 779        | 776            |
|                          | Total                    | 1,312      | 1,350      | 1,327          |
| Average age              |                          | 37.36      | 38.29      | 38.51          |
| Average years of service |                          | 10.4 years | 10.6 years | 10.9 years     |
| Education                | Ph.D.                    | 1.3%       | 1.3%       | 1.4%           |
|                          | Masters                  | 43.5%      | 44.1%      | 44.3%          |
|                          | Bachelor's Degree        | 36.7%      | 38.3%      | 38.8%          |
|                          | Senior High School       | 1.7%       | 1.8%       | 2.0%           |
|                          | Below Senior High School | 16.8%      | 14.5%      | 13.5%          |

#### 4. Environmental Protection Expenditure

The Company has always attached great importance to environmental protection; its pollution prevention performance is good, and there was no sanction received due to environmental pollution and violation.

(1) The losses or penalty caused by environmental pollution (including Remuneration and environmental protection audit results that indicate violation of the environmental protection laws and regulations, and the date of prosecution, prosecution number, provision of law violated, content of the provision of law violated, and content of the prosecution thereof) during the last fiscal year and until the publishing date of the annual report, and disclose the amount and counter Procedures that might incur at present and in the future. If it cannot be reasonably estimated, please explain why it cannot be reasonably estimated: N/A.

(2) Work environment and employee personal safety protection Procedures:

The Company's working environment is excellent and is the only integrated circuit (IC) design Company that has won the Distinguished Green Landscaping Award of Hsinchu Science Park Bureau for the 16th consecutive year. In addition, the Company has always attached importance to matters concerning employees' health and safety, such as:

1. Employee health checkups;
2. Established Safety & Health Office and medical room for labor safety health education and environmental protection management;
3. Invite lecture with expertise to hold several health promotion seminars;
4. Hire professional medical practitioners to the Company on monthly basis to perform on-site health services and provide health advice to the employees;
5. Hold safety and health training every six months;
6. Hold weight loss classes and weight loss competitions to promote employee health;
7. Drinking water quality testing;
- 8.. The Company commissions professional manufacturers to overhaul and report firefighting facilities on yearly basis;
9. Conduct employees' firefighting training every six months.
10. Conduct CO<sub>2</sub> measurement for the workplace environment every six months to safeguard employee health;
11. The measurement results of the working environment in the plant are all meet the requirements of the prevailing applicable laws and regulations of Taiwan and the detection value is close to 0.
12. The Company has established a special project for pregnant female employees, providing them nursing rooms, parking spaces, books and maternity chairs.
13. Obtained ISO 14001 Environmental System Certification. Environmental policies: prevention of pollution, Company-wide full participation, commitment to environmental protection, continuous improvement;
14. The Corporate Social Responsibility Report has been introduced since 2014; the greenhouse gases inspections were commenced since 2014; and a KPI performance indicator of at least 1% in energy conservation and carbon reduction per year was set;
15. The Company has obtained the OHSAS 18001 Occupational Safety and Health Management System certification in May 2016. Additionally, the Company has completed the ISO 45001:2018 certification in 2019, covering the Hsinchu headquarters and Zhonghe plant. The current certification validity date is April 29, 2025.
16. In 2018, the Company participated in the prize issued by the Health Promotion Administration of the Ministry of Health and Welfare and won the "Gender-Friendly Health Award".
17. In 2019, the Company participated in the healthy workplace selection held by the Health Promotion Administration of the Ministry of Health and Welfare and won the "Creative Healthy Workplace Award".

## 5. Labor Relations

The Company's labor relations are harmonious and there was no major loss due to labor disputes.

- (1) Current important employer-employee agreement and its implementation status

### 1. Employee benefit Procedures

- (1) In addition to the cafeteria, exercise is, fitness equipment area and medical room facilities established by the Company, employees also enjoy health insurance, group insurance, pension benefits, regular health checkups, and health management services provided by professional medical personnel. In addition, the benefits provided by the Company also include: bonuses of the year, employees' Remuneration, club activities subsidy, New Year gift certificates, etc.
- (2) The Company has established the Employee Welfare Committee pursuant to laws and selected the Welfare Committee to handle employee welfare issues. The source of its benefits is 1% capital contribution at the time of establishment and 0.5% and 0.12% contributed from monthly salary and revenue, respectively. The Welfare Committee is responsible in setting annual plan and budget, holding Welfare Committee meetings on a regular basis to discuss, resolve and organize various welfare activities, and to disclose the income and expenses of the welfare funds. The welfare provided by the Welfare Committee include: birthday gifts, travel subsidies, wedding subsidies, funeral subsidies and maternity subsidies.

### 2. Employee education and training

In order to enrich the knowledge and skills of our staff members and enhance their morale and quality, the Company has established a dedicated unit to plan the training for all staff members and provide external training opportunities in accordance with their professionalism, in order to combine the growth of staff members with the development of the Company to create a joint corporate vision.

Complete training system -

- (1) New recruit training: Company profile, environmental guide, quality system, labor laws, workplace human rights, labor safety and health training, fire drills, corporate social responsibility, etc.
- (2) Professional technical training: Including R&D technology, industry know-how, workstation skills assessment, quality inspection, green environment, internal audit and control, legal management, certificate courses required to promote the system, and deepen professional skills
- (3) Management skills training: departmental personnel management, problem solving, cross-departmental teamwork, innovative spirit.
- (4) Introduce MTP management ability training courses, digital learning at the online study platform CWLC Leader Campus, where provides comprehensive professional and management training, reserve key talents, and connect with the successor development plan
- (5) Arrange from time to time celebrity speeches, humanities and art lectures, labor safety and health lectures, providing epidemic prevention news etc.

Multiple learning channels-

- (1) Internal training:  
The Company will invite well-known experts in the industry, academy, and various professional fields to give lectures in the Company, providing new

industry knowledge, legal knowledge, and general information that keep pace with the times

- (2) Dispatched training:  
Encourage colleagues to continuously improve their professional capabilities, participate in courses/seminars organized by external organizations according to the needs of job development, and provide training subsidies
- (3) Knowledge inheritance:  
Organize series work experience sharing courses within and across departments to promote cross-departmental teamwork from time to time
- (4) Interlibrary cooperation:  
Cooperate with SOC Alliance, Industrial Technology Research Institute, National Yang Ming Chiao Tung University and other institutions to promote to establish an industrial information exchange and interaction knowledge management website: build a knowledge management website to assist colleagues in obtaining technical documents to achieve uninterrupted knowledge inheritance

**Consolidated employee training and training execution status of the Company of the last fiscal year (2022)**

Unit: NT\$ / number of person / hours

| Items                         | Expenses  | Number of persons | Hours |
|-------------------------------|-----------|-------------------|-------|
| Technology and R & D category | 997,041   | 68                | 271   |
| Management category           | 68,182    | 761               | 4,012 |
| Production QC category        | 62,200    | 683               | 708   |
| General Knowledge category    | 21,950    | 275               | 688   |
| Total                         | 1,149,373 | 1,787             | 5,679 |

Certificate(s) obtained by the chief financing, accounting and auditing officers:

| Job title                      | Name         | Date      | Certificate Name  | Certificate No. |
|--------------------------------|--------------|-----------|---|-----------------|
| Chief auditor                  | CHUNG, I-Mei | Mar. 2006 | Internal Auditor of The Institute of Internal Auditors-Chinese Taiwan | 9420032         |
| Financial & Accounting Officer | CHEN, Yi-Lin | Dec. 2009 | CPA of the Republic of China  | (98) -000085    |

### 3. Pension system

- (1) Pension fund contribution:
  - A. The Company has formulated an employee retirement plan and established a Retirement Reserve Supervision Committee. The Company contributes 2% of the monthly salary to the retirement reserve funds pursuant to the “Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds” and deposits in the Retirement Reserve Account at Taiwan bank.
  - B. The Company, pursuant to the Labor Pension Act, also deposits the 6% contribution from monthly salary of those employees who are eligible for pension as identified by the Labor Pension Act to each individual pension account.
- (2) Pension system:
  - A. Mandatory retirement:
    - a. Those who reached the age of 65; or
    - b. Those who suffer from the loss of mind or physical disability and unfit to work.
  - B. Volunteer retirement:

- a. Those who have served over 25 years; or
- b. Those who have served over 15 years and reached the age of 55; or
- c. Those who have served over 10 years and reached the age of 60.
- C. Base point: average salary of the last 6 months prior to the retirement.
- (3) Retirement benefits: For those who have reached the years of service applicable for pension pursuant to the Labor Standards Act shall receive 2 base points for each full year; for those who have served for more than 15 years shall receive additional 1 base point for each full year; the total number of base points is limited to 45 points.

#### **4. Agreements between employee / employer and the safeguarding of employees' rights and interests**

The Company has not established a written agreement with the employee. Employees can freely express various advices for the Company through the quarterly employee-employer meeting, annual meeting with employees, employee suggestion boxes, e-mail, internal network systems, etc.; the Manpower Performance Management Department gathers opinions from employees and distributes them, based on their opinions, to the responsible units for reply, and be processed pursuant to Employees' Code of Work after reporting to the President; the protection of the rights and interests of employees are subject to the Employees' Code of Work and the relevant regulations of the competent authorities.

- (2) The losses incurred due to industrial disputes (including labor inspection results that indicate violation of the Labor Standards Act, and the date of prosecution, prosecution number, provision of law violated, content of the provision of law violated, and content of the prosecution thereof) during the last fiscal year and until the publishing date of the annual report, and disclose the amount and counter Procedures that might incur at present and in the future. If it cannot be reasonably estimated, please explain why it cannot be reasonably estimated: N/A.

#### **6. Information Regarding Security Management:**

- (1) Describe the information security risk management framework, the information security policy, the specific management plan and the resources invested in the information security management, etc.:

##### **Information Security Risk Management Framework**

In order for the information security management to operate effectively and sustainably, ELAN Microelectronics established the "Information Security Management Committee", which is mainly responsible for reviewing the formulation of relevant policies, policies, systems and promotion of the organization of information security management, and regularly report the information security governance status to the Board of Directors. The President serves as the chairman, the Executive VP serves as the deputy chairman, and the head of the Information Management Department serves as the management representative. The Information Security Management Committee established functional teams based on professional division of labor to execute information security operations and to promote and implement information security policy. The information security risk management policy was reported at the board meeting on December 22, 2022, and the said information security risk is also listed for risk management.

##### **Information Security Policy:**

Elan Electronics considers the relationship between the development trend of information security

management at home and abroad and the core business of the enterprise, and continuously strengthens and improves the information security management system to ensure the security of Company data, systems, equipment and networks, and avoid accidental or malicious damage and improper use, making the information security system run continuously and stably.

In response to increasingly important information security issues, ELAN Electronics Corporation has adjusted and configured an information environment with complete data protection function to ensure the security of internal and client data, as shown in the following table:

| Items   | Description  |
|---|--|
| Firewall  | Separate and define internal and external networks to prevent abnormal network attacks and online behaviors.   |
| Intrusion Prevention System (IPS)                                   | Through the related modules, prevent the unknown illegal invasion and destruction from the outside.)   |
| Internet Antivirus System   | Through this module, the packets entering and leaving the Internet can be filtered in real time to avoid being infected by website viruses or malicious programs.  |
| Web URL Filtering System  | Restricting employees to only browse certain categories of web pages can prevent data leakage and prevent employees from browsing inappropriate websites when they go to work, which affects work efficiency.  |
| Application Control System  | Regulating the network applications that employees can use when browsing the Internet can avoid data leakage and abnormal network traffic caused by bad applications.  |
| Spam Filtering System   | Significantly reduces the amount of spam entering the Company. Contains email antivirus module, which can effectively filter malicious emails with embedded viruses.   |
| Email Backup System   | Back up all incoming and outgoing emails for email tracking and archiving purposes, in line with regulatory requirements, and provide colleagues with lost emails.   |
| Mail Audit System   | Through setting filter conditions, you can perform precise email auditing to solve the problem of sensitive data leakage.  |
| DLP Data Leakage Prevention System and Endpoint Protection          | Through computer peripheral control, the outflow of important Company data can be avoided.<br>Record the access actions of peripheral devices, and filter whether there is any information security hazard behavior.   |
| Vulnerability Scan  | Regularly scan computer system vulnerabilities and perform patching to ensure that each system has no security concerns.   |
| MPLS IP-VPN +VDI Home Office Environment                            | Provide a safe and stable VPN connection between locations across the strait and three places, and a home connection environment that considers information security during the epidemic   |
| Next-Generation Antivirus, Endpoint Detection and Response Software | Installed on all computer equipment distributed by the Company, and replaces virus codes with user behavior to prevent information security hazards caused by computer viruses and hacker attacks in real time. In addition, the architecture is upgraded to assist the manufacturer's MDR security monitoring.  |
| Antivirus Software  | It is installed on all computer equipment distributed by the Company to prevent computer viruses from attacking client computers and causing information security hazards.   |
| Intranet Behavior Intelligence Analysis Security Monitoring System  | Self-learning AI systems can protect the cloud, enterprise networks, IoT and industrial systems from various cyber threats and security vulnerabilities, including insider threats, ransom ware, latent and silent attacks. In addition, the information security outsourcing service MDR of this equipment is added, which greatly improves the level of security monitoring. |
| Log Archive Audit System  | Syslog records storage/audit/query system, integrates various LOGs to assist   |



|   |  |
|---|--|
|   | enterprises in presenting evidence, LOG centralized management meets auditing needs, and completely restores historical information security events  |
| External website protection                                       | Import the Company's external websites that are most vulnerable to external attacks into the cloud web application firewall service, in order to provide high-level information security protection to configure a firewall for external websites. |
| Two-factor authentication (2FA) Password authentication mechanism | In order to improve the security of external websites, a Two-factor authentication (2FA) password authentication protection mechanism has been introduced.   |

The Company has full-time information security personnel responsible for handling the Company's information security business.

The continuous improvement of the information security configuration will focus on the zero-trust information security configuration. In addition to the Two-factor authentication (2FA) password authentication protection mechanism that has been introduced this year, it will continue to test the management of an privileged account (i.e. a login credential to a server, firewall, or another administrative account) and evaluate the feasibility of the introduction.

- (2) List the losses, possible impacts and countermeasures caused by major information security incidents in the most recent year and up to the date of publication of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: N/A.

## 7. Important Contracts

| Agreements                                 | Counterparty                   | Period                                      | Major Contents   | Restriction |
|--|--------------------------------|---|--|-------------|
| Technology Licensing                       | ARM                            | 2018/12/30~                                 | ARM Cortex-M4 Perpetual License  | N/A         |
| Technology Licensing                       | NXP                            | 2021/6/29~2030/6/28                         | Product Development Agreement  |             |
| Commissioned Development                   | Industrial Technology Research | 2013/12/01 ~2024/02/28                      | Commissioned Service and Licensing Contract  | N/A         |
| Joint Appointment Turnkey Contract         | Lianqi Development Co., Ltd.   | 2019/9/23 ~ Project warranty period expires | National Chiao Tung University/<br>Tainan Campus:<br>Joint-Appointment Turnkey Contract for The New Construction of Zhiyuan Building-Industry-School Space No. 5 | N/A         |
| Joint Appointment Turnkey Contract         | National Chiao Tung University | 2019/2/1~2039/1/31                          | National Chiao Tung University/<br>Tainan Campus:<br>Joint-Appointment Turnkey Contract for The New Construction of Zhiyuan Building-Industry-School Space No. 5 | N/A         |
| Joint Appointment Turnkey Contract         | Lianqi Development Co., Ltd.   | 2019/9/23 ~ Project warranty period expires | National Chiao Tung University/<br>Tainan Campus:<br>Joint-Appointment Turnkey Contract for The New Construction of Zhiyuan Building-Industry-School Space No. 6 | N/A         |
| Joint Lease for Self-Construction Contract | National Chiao Tung University | 2019/2/1~2039/1/31                          | National Chiao Tung University/<br>Tainan Campus:<br>Joint-Appointment Turnkey Contract for The New Construction of Zhiyuan Building-Industry-School Space No. 6 | N/A         |
| Land Establishment Superficies Contract    | Hsinchu County Government      | 2022/3~2041/3                               | Hsinchu County International AI Smart Park Industrial Zone (1)   | N/A         |
| House Lease Agreement                      | Advantech Foundation           | 2022/8/1~2026/7/31                          | House Lease Agreement  | N/A         |
| House Lease Agreement                      | Altus Technology Inc           | 2022/2/1~2042/01/31                         | House Lease Agreement  | N/A         |

|   |   |  |   |     |
|---|---|--|---|-----|
| Test cooperation                                | Orient Semiconductor Electronics, Ltd.                              | 2022/7/1~ 2024/6/30  | Letter of Intent for Packaging and Testing (Turnkey) Cooperation  | N/A |
| Test cooperation                                | Orient Semiconductor Electronics, Ltd.                              | 2023/1/1 ~   | Supplementary Agreement (3)   |     |
| Planning and Design and Engineering Supervision | JJP Architects  | 2022/7/16~ 2021/9/11   | Office Building Planning and Design and Engineering Supervision   | N/A |
| Research and Development Project                | Taipei Computer Association   | 2023/12/1~2025/5/31  | A+ Enterprise Innovation Research and Development Plan Contract   | N/A |
| R & D project cooperation                       | Lextar Electronics Corporation / Chimei Motor Electronics Co., Ltd. | 2023/12/1~2025/5/31  | A+ Enterprise Innovation Research and Development Plan - Forward-looking technology R & D project cooperation contract  | N/A |
| Software Resale Agreement                       | Deloitte & Touche Taiwan  | 2022/3/30~2025/5/29  | Purchase the software license of the software mentioned in the contract from SAP Taiwan Co., Ltd., and SAP Taiwan Co., Ltd. authorizes Deloitte & Touche Taiwan to resale Supplier Software License | N/A |
| Construction Contract                           | Best Giving Construction Co., Ltd.                                  | 2023/4/28~To obtain the user license as the completion point | General contractor for the new construction of the Elan Group headquarters building in the Hsinchu County International AI Smart Park Industrial Zone (1)   | N/A |

## VI. Financial Information

### 1. Five-Year Financial Summary

#### (1) Condensed Balance Sheet and Income Statement

##### 1. Condensed Balance Sheet from 2018 to 2022 (Consolidated)

Unit: NT\$ thousands

| Year<br>Item  |                     | Financial Summary for the Last Five Years |            |            |            |            | Financial information as of March 31, 2023 (Note 3) |
|---|---------------------|---|------------|------------|------------|------------|---|
|   |                     | 2018                                      | 2019       | 2020       | 2021       | 2022       |   |
| Current assets  |                     | 7,447,785                                 | 8,006,975  | 11,178,791 | 12,069,961 | 8,722,281  | 8,467,753   |
| Property, plants and equipment (Note 2)                   |                     | 767,874                                   | 760,537    | 872,781    | 952,324    | 990,675    | 995,101   |
| Intangible assets   |                     | 225,319                                   | 304,219    | 449,557    | 424,650    | 604,707    | 808,400   |
| Other assets (Note 2)                                     |                     | 55,439                                    | 271,869    | 303,238    | 1,070,233  | 979,728    | 962,090   |
| Total assets  |                     | 9,803,147                                 | 11,246,892 | 14,452,190 | 16,933,008 | 13,324,830 | 13,576,855  |
| Current liabilities                                       | Before distribution | 2,828,645                                 | 3,057,941  | 4,561,646  | 4,852,757  | 2,618,782  | 4,412,475   |
|   | After distribution  | 4,348,047                                 | 5,033,164  | 7,296,570  | 8,955,142  | 4,442,064  | 4,412,475   |
| Non-current liabilities                                   |                     | 391,744                                   | 585,799    | 617,488    | 1,106,383  | 1,083,826  | 1,042,397   |
| Total liabilities   | Before distribution | 3,220,389                                 | 3,643,740  | 5,179,134  | 5,959,140  | 3,702,608  | 5,454,872   |
|   | After distribution  | 4,739,791                                 | 5,618,963  | 7,914,058  | 10,061,525 | 5,525,890  | 5,454,872   |
| Equity attributable to shareholders of the parent Company |                     | 6,627,180                                 | 7,668,931  | 9,050,622  | 10,742,974 | 8,889,697  | 7,453,675   |
| Capital stock   |                     | 3,038,804                                 | 3,038,804  | 3,038,804  | 3,038,804  | 3,038,804  | 3,038,804   |
| Capital surplus   |                     | 444,033                                   | 375,945    | 519,638    | 631,181    | 838,428    | 838,428   |
| Retained earnings   | Before distribution | 3,005,648                                 | 4,153,247  | 5,517,815  | 7,984,380  | 6,107,872  | 4,591,076   |
|   | After distribution  | 1,592,604                                 | 2,178,024  | 2,782,891  | 3,881,995  | 4,284,590  | 4,591,076   |
| Other equity interest                                     |                     | 172,023                                   | 129,910    | 3,340      | 195,094    | 11,078     | 91,852  |
| Treasury stock  |                     | 33,328                                    | 28,975     | 28,975     | 1,106,485  | 1,106,485  | 1,106,485   |
| Non-controlling interest                                  |                     | (44,422)                                  | (65,779)   | 222,434    | 230,894    | 732,525    | 668,308   |
| Total equity  | Before distribution | 6,582,758                                 | 7,603,152  | 9,273,056  | 10,973,868 | 9,622,222  | 8,121,983   |
|   | After distribution  | 5,063,356                                 | 5,627,929  | 6,538,132  | 6,871,483  | 7,798,940  | 8,121,983   |

Note 1: Financial information of the above-listed years has been certified by the Accountant.

Note 2: If there is an asset revaluation, the revaluation date and revaluation surplus shall be listed.

Note 3: 2023 Q1 financial information has been certified by the CPA.

Note 4: IFRS 9 and IFRS 15 was adopted on January 1, 2018 without retroactively restate consolidated balance sheets issued before the year of 2017. IFRS 16 was adopted on January 1, 2019 without retroactively restate consolidated balance sheets issued before the year of 2018.

## 2. Condensed Statement of Comprehensive Income from 2018 to 2022 (Consolidated)

Unit: NT\$ thousands

| Year<br>Item   | Financial Summary for The Last Five Years |           |            |            |            | Financial<br>information as of<br>March 31, 2023<br>(Note 2) |
|--|---|-----------|------------|------------|------------|--|
|  | 2018                                      | 2019      | 2020       | 2021       | 2022       |  |
| Operating revenue  | 8,651,332                                 | 9,487,977 | 15,099,690 | 18,327,973 | 13,030,484 | 2,405,138  |
| Gross Profit   | 3,944,177                                 | 4,416,688 | 7,054,196  | 9,116,400  | 5,987,244  | 980,132  |
| Operating Income (Loss)  | 1,730,288                                 | 2,081,426 | 4,217,199  | 5,665,225  | 2,784,461  | 211,873  |
| Non-operating income and expenses  | 139,780                                   | 728,234   | (323,507)  | 395,924    | (81,489)   | 64,087   |
| Net profit before tax  | 1,870,068                                 | 2,809,660 | 3,893,692  | 6,061,149  | 2,702,972  | 275,960  |
| Income before tax from continuing operations                                   | 1,531,702                                 | 2,464,742 | 3,193,038  | 5,027,538  | 2,033,413  | 242,624  |
| Income (Loss) on discontinued operations                                       | 0   | 0         | 0          | 0          | 0          | 0  |
| Net Income (Loss)  | 1,531,702                                 | 2,464,742 | 3,193,038  | 5,027,538  | 2,033,413  | 242,624  |
| Other comprehensive income (loss) (income after tax)                           | 29,148                                    | 29,792    | (33,401)   | 290,561    | (109,380)  | 80,419   |
| Total comprehensive income (loss)  | 1,560,850                                 | 2,494,534 | 3,159,637  | 5,318,099  | 1,924,033  | 323,043  |
| Net income attributable to shareholders of the parent Company                  | 1,559,580                                 | 2,496,744 | 3,245,811  | 5,102,446  | 2,151,676  | 306,486  |
| Net income attributable to non-controlling interest                            | (27,878)                                  | (32,002)  | (52,773)   | (74,908)   | (118,263)  | (63,862)   |
| Comprehensive income (loss) attributable to shareholders of the parent Company | 1,588,903                                 | 2,526,686 | 3,213,221  | 5,393,243  | 2,041,861  | 387,260  |
| Comprehensive income (loss) attributable to non-controlling interest           | (28,053)                                  | (32,152)  | (53,584)   | (75,144)   | (117,828)  | (64,217)   |
| Earnings per share   | 4.16                                      | 8.57      | 11.14      | 17.64      | 7.56       | 1.08   |

Note 1: Financial information of the above-listed years has been certified by the Accountant.

Note 2: 2023 Q1 financial information has been certified by the Accountant.

Note 3: IFRS 9 and IFRS 15 was adopted on January 1, 2018 without retroactively restate consolidated balance sheets issued before the year of 2017. IFRS 16 was adopted on January 1, 2019 without retroactively restate consolidated balance sheets issued before the year of 2018.

### 3. Condensed Balance Sheet from 2018 to 2022 (Parent-company-only)

Unit: NT\$ thousands

| Year<br>Item  |                     | Financial Summary for The Last Five Years |            |            |            |            |
|---|---------------------|---|------------|------------|------------|------------|
|   |                     | 2018                                      | 2019       | 2020       | 2021       | 2022       |
| Current assets  |                     | 6,620,611                                 | 7,020,098  | 9,511,286  | 9,893,402  | 6,628,634  |
| Property, plants and equipment (Note 2)                   |                     | 761,937                                   | 755,686    | 836,016    | 864,262    | 894,619    |
| Intangible assets   |                     | 202,743                                   | 223,170    | 310,651    | 279,425    | 246,944    |
| Other assets (Note 2)                                     |                     | 58,722                                    | 225,662    | 240,769    | 1,054,663  | 934,035    |
| Total assets  |                     | 9,517,947                                 | 10,903,241 | 13,928,586 | 16,233,203 | 12,191,701 |
| Current liabilities                                       | Before distribution | 2,505,043                                 | 2,673,761  | 4,293,321  | 4,410,717  | 2,288,839  |
|   | After distribution  | 4,024,445                                 | 4,648,984  | 7,028,245  | 8,513,102  | 4,112,121  |
| Non-current liabilities                                   |                     | 385,724                                   | 560,549    | 584,643    | 1,079,512  | 1,013,165  |
| Total liabilities   | Before distribution | 2,890,767                                 | 3,234,310  | 4,877,964  | 5,490,229  | 3,302,004  |
|   | After distribution  | 4,410,169                                 | 5,209,533  | 7,612,888  | 9,592,614  | 5,125,286  |
| Equity attributable to shareholders of the parent Company |                     | 6,627,180                                 | 7,668,931  | 9,050,622  | 10,742,974 | 8,889,697  |
| Capital stock   |                     | 3,038,804                                 | 3,038,804  | 3,038,804  | 3,038,804  | 3,038,804  |
| Capital surplus   |                     | 444,033                                   | 375,945    | 519,638    | 631,181    | 838,428    |
| Retained earnings   | Before distribution | 3,005,648                                 | 4,153,247  | 5,517,815  | 7,984,380  | 6,107,872  |
|   | After distribution  | 1,592,604                                 | 2,178,024  | 2,782,891  | 3,881,995  | 4,284,590  |
| Other equity interest                                     |                     | 172,023                                   | 129,910    | 3,340      | 195,094    | 11,078     |
| Treasury stock  |                     | 33,328                                    | 28,975     | 28,975     | 1,106,485  | 1,106,485  |
| Non-controlling interest                                  |                     | -   | -          | -          | -          | -          |
| Total equity  | Before distribution | 6,627,180                                 | 7,668,931  | 9,050,622  | 10,742,974 | 8,889,697  |
|   | After distribution  | 5,107,778                                 | 5,693,708  | 6,315,698  | 6,640,589  | 7,066,415  |

Note 1: Financial information of the above-listed years has been certified by the Accountant.

Note 2: If there is an asset revaluation, the revaluation date and revaluation surplus shall be listed.

Note 3: IFRS 9 and IFRS 15 was adopted on January 1, 2018 without retroactively restate unconsolidated balance sheets issued before the year of 2017. IFRS 16 was adopted on January 1, 2019 without retroactively restate consolidated balance sheets issued before the year of 2018.

**4. Condensed Statement of Comprehensive Income from 2018 to 2022**  
**(Parent-company-only)**

Unit: NT\$ thousands

| Item \ Year  | Financial Summary for The Last Five Years |           |            |            |            |
|--|---|-----------|------------|------------|------------|
|  | 2018                                      | 2019      | 2020       | 2021       | 2022       |
| Operating revenue  | 8,432,996                                 | 9,309,465 | 14,678,422 | 17,742,077 | 12,435,555 |
| Gross Profit   | 3,858,659                                 | 4,356,033 | 6,890,595  | 8,918,005  | 5,813,831  |
| Operating Income (Loss)  | 1,769,576                                 | 2,137,455 | 4,128,151  | 5,635,829  | 2,951,809  |
| Non-operating income and expenses  | 115,093                                   | 697,727   | (220,672)  | 455,525    | (156,717)  |
| Net profit before tax  | 1,884,669                                 | 2,835,182 | 3,907,479  | 6,091,354  | 2,795,092  |
| Income before tax from continuing operations                                   | 1,559,580                                 | 2,496,744 | 3,245,811  | 5,102,446  | 2,151,676  |
| Income (Loss) on discontinued operations                                       | 0   | 0         | 0          | 0          | 0          |
| Net Income (Loss)  | 1,559,580                                 | 2,496,744 | 3,245,811  | 5,102,446  | 2,151,676  |
| Other comprehensive income (loss) (income after tax)                           | 29,323                                    | 29,942    | (32,590)   | 290,797    | (109,815)  |
| Total comprehensive income (loss)  | 1,588,903                                 | 2,526,686 | 3,213,221  | 5,393,243  | 2,041,861  |
| Net income attributable to shareholders of the parent Company                  | 1,559,580                                 | 2,496,744 | 3,245,811  | 5,102,446  | 2,151,676  |
| Net income attributable to non-controlling interest                            | -   | -         | -          | -          | -          |
| Comprehensive income (loss) attributable to shareholders of the parent Company | 1,588,903                                 | 2,526,686 | 3,213,221  | 5,393,243  | 2,041,861  |
| Comprehensive income (loss) attributable to non-controlling interest           | -   | -         | -          | -          | -          |
| Earnings per share   | 4.16                                      | 8.57      | 11.14      | 17.64      | 7.56       |

Note 1: Financial information of the above-listed years has been certified by the Accountant.

Note 2: IFRS 9 and IFRS 15 was adopted on January 1, 2018 without retroactively restate unconsolidated balance sheets issued before the year of 2017. IFRS 16 was adopted on January 1, 2019 without retroactively restate consolidated balance sheets issued before the year of 2018.

**(2) Condensed Balance Sheet and Income Statement - Taiwan's Financial Accounting Standards**

1. Condensed Balance Sheet - Taiwan's Financial Accounting Standards: The Company has adopted International Financial Reporting Standards in preparing financial information for five years; therefore, the Company will not prepare separate financial information base on Taiwan's Financial Accounting Standards.
2. Condensed Income Statement - Taiwan's Financial Accounting Standards: The Company has adopted International Financial Reporting Standards in preparing financial information for five years; therefore, the Company will not prepare separate financial information base on Taiwan's Financial Accounting Standards.

3. Names and audit opinions of the Certified Public Accountants for the last five (5) years:

| Year | Accounting Firm | CPA                            | Audit Opinion       |
|------|-----------------|--------------------------------|---------------------|
| 2018 | KPMG            | TSENG, Mei-Yu ; GAU, Wei-Chuan | Unqualified opinion |
| 2019 | KPMG            | CHOU, Pao-Lien; TSENG, Mei-Yu  | Unqualified opinion |
| 2020 | KPMG            | CHOU, Pao-Lien; TSENG, Mei-Yu  | Unqualified opinion |
| 2021 | KPMG            | CHOU, Pao-Lien; TSENG, Mei-Yu  | Unqualified opinion |
| 2022 | KPMG            | CHOU, Pao-Lien; TSENG, Mei-Yu  | Unqualified opinion |

## 2. Five Year Financial Analysis

### (1) Financial Analysis (Consolidated)

| Year (Note 1)<br>Item (Note 3) |   | Financial Analysis for the Last Five Years |          |          |          |          | As of<br>March<br>31, 2023<br>(Note 2) |
|--------------------------------|---|--|----------|----------|----------|----------|--|
|                                |   | 2018                                       | 2019     | 2020     | 2021     | 2022     |  |
| Financial structure (%)        | Debt Ratio  | 32.85                                      | 32.40    | 35.84    | 35.19    | 27.49    | 40.18                                  |
|                                | Ratio of long-term capital to property, plant and equipment | 908.29                                     | 1,076.73 | 1,133.22 | 1,268.50 | 1,080.68 | 920.95                                 |
| Solvency (%)                   | Current ratio   | 263.30                                     | 261.84   | 245.06   | 248.72   | 333.07   | 191.90                                 |
|                                | Quick ratio   | 221.07                                     | 215.86   | 205.47   | 200.38   | 188.35   | 115.24                                 |
|                                | Interest earned ratio (times)                               | 403.08                                     | 297.78   | 682.67   | 616.66   | 195.00   | 79.11                                  |
| Operating performance          | Accounts receivable turnover (times)                        | 8.09                                       | 8.00     | 8.83     | 9.12     | 10.16    | 11.23                                  |
|                                | Average collection period                                   | 45   | 46       | 41       | 40       | 36       | 32                                     |
|                                | Inventory turnover (times)                                  | 3.29                                       | 3.27     | 4.18     | 3.76     | 2.04     | 1.42                                   |
|                                | Accounts payable turnover (times)                           | 5.03                                       | 4.73     | 5.37     | 5.21     | 5.80     | 7.41                                   |
|                                | Average days in sales                                       | 111  | 112      | 87       | 97       | 179      | 256                                    |
|                                | Property, plant and equipment turnover (times)              | 12.84                                      | 12.42    | 18.49    | 20.08    | 13.41    | 9.69                                   |
|                                | Total assets turnover (times)                               | 0.87                                       | 0.90     | 1.18     | 1.17     | 0.86     | 0.72                                   |
| Profitability                  | Return on total assets (%)                                  | 15.40                                      | 23.49    | 24.88    | 32.09    | 13.51    | 7.30                                   |
|                                | Return on stockholders' equity (%)                          | 22.03                                      | 34.75    | 37.84    | 49.66    | 19.75    | 10.94                                  |
|                                | Pre-tax income to paid-in capital (%)                       | 61.54                                      | 92.46    | 128.13   | 199.46   | 88.95    | 36.32                                  |
|                                | Profit ratio (%)  | 17.70                                      | 25.98    | 21.15    | 27.43    | 15.61    | 10.09                                  |
|                                | Earnings per share (NT\$)                                   | 4.16                                       | 8.57     | 11.14    | 17.64    | 7.56     | 1.08                                   |
| Cash Flow                      | Cash flow ratio (%)   | 64.18                                      | 54.01    | 72.48    | 108.44   | 29.25    | 43.69                                  |
|                                | Cash flow adequacy ratio (%)                                | 102.01                                     | 99.93    | 120.28   | 132.81   | 86.18    | 85.65                                  |
|                                | Cash reinvestment ratio (%)                                 | 9.07                                       | 2.35     | 12.63    | 19.69    | (26.09)  | 18.15                                  |
| Leverage                       | Operating leverage  | 4.30                                       | 3.87     | 2.96     | 2.66     | 2.62     | 9.21                                   |
|                                | Financial leverage  | 1  | 1        | 1        | 1        | 1.01     | 1.02                                   |

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

- Financial structure :  
Current income tax liabilities in 2022 were decreased, and the debt-to-asset ratio in 2022 was decreased compared with that in 2021.
- Solvency:  
Due to the decrease in current liabilities such as accounts payable and current income tax liabilities in 2022, the current ratio in 2022 was increased compared with that in 2021. Because the pre-tax net profit in 2022 was decreased compared with 2021, the interest coverage ratio in 2022 was decreased compared with that in 2021.



3. Operating Performance:

Due to the impact of slowing market demand in 2022, the sales speed of products has slowed down, and the inventory turnover rate in 2022 was decreased compared with that in 2021.

Because the sales revenue in 2022 was lower than that in 2021, the turnover rate of real estate, plant and equipment and the turnover rate of total assets were both lower than those in 2021

4. Profitability:

Because the after-tax net profit in 2022 was decreased compared with 2021, the ratio related to profitability in 2022 was decreased compared with that in 2021.

5. Cash Flow:

Due to the decrease in cash inflow from operating activities in 2022 and the increase in inventory in 2022, both the cash flow ratio and the cash flow allowable ratio in 2022 were lower than in those in 2021.

Due to the higher amount of dividends distributed in 2021 in 2022 years, the cash reinvestment ratio in 2022 is lower than that in 2021.

**(2) Financial Analysis (Parent-company-only)**

| Year (Note 1)<br>Item (Note 3) |   | Financial Analysis for the Last Five Years |          |          |          |          |
|--------------------------------|---|--|----------|----------|----------|----------|
|                                |   | 2018                                       | 2019     | 2020     | 2021     | 2022     |
| Financial structure (%)        | Debt Ratio  | 30.37                                      | 29.66    | 35.02    | 33.82    | 27.08    |
|                                | Ratio of long-term capital to property, plant and equipment | 920.40                                     | 1,089.01 | 1,152.52 | 1,367.93 | 1,106.94 |
| Solvency (%)                   | Current ratio   | 264.29                                     | 262.56   | 221.54   | 224.30   | 289.61   |
|                                | Quick ratio   | 221.26                                     | 212.73   | 182.24   | 174.29   | 137.22   |
|                                | Interest earned ratio (times)                               | 235,585                                    | 924.51   | 1,300.89 | 735.43   | 249.70   |
| Operating performance          | Accounts receivable turnover (times)                        | 8.40                                       | 8.26     | 8.81     | 9.01     | 10.32    |
|                                | Average collection period                                   | 43   | 44       | 41       | 41       | 35       |
|                                | Inventory turnover (times)                                  | 3.46                                       | 3.42     | 4.36     | 3.88     | 2.08     |
|                                | Accounts payable turnover (times)                           | 4.94                                       | 4.66     | 5.23     | 5.04     | 5.56     |
|                                | Average days in sales                                       | 105  | 107      | 84       | 94       | 176      |
|                                | Property, plant and equipment turnover (times)              | 12.64                                      | 12.27    | 18.44    | 20.87    | 14.14    |
|                                | Total assets turnover (times)                               | 0.87                                       | 0.91     | 1.18     | 1.18     | 0.87     |
| Profitability                  | Return on total assets (%)                                  | 16.07                                      | 24.48    | 26.16    | 33.88    | 15.20    |
|                                | Return on stockholders' equity (%)                          | 22.31                                      | 34.93    | 38.83    | 51.56    | 21.92    |
|                                | Pre-tax income to paid-in capital (%) (Note 7)              | 62.02                                      | 93.30    | 128.59   | 200.45   | 91.98    |
|                                | Profit ratio (%)  | 18.49                                      | 26.82    | 22.11    | 28.76    | 17.30    |
|                                | Earnings per share (NT\$)                                   | 4.16                                       | 8.57     | 11.14    | 17.64    | 7.56     |
| Cash Flow                      | Cash flow ratio (%)   | 69.31                                      | 59.87    | 73.48    | 114.93   | 51.54    |
|                                | Cash flow adequacy ratio (%)                                | 114.69                                     | 107.14   | 120.53   | 127.94   | 84.74    |
|                                | Cash reinvestment ratio (%)                                 | 7.57                                       | 0.87     | 10.88    | 17.88    | (26.08)  |
| Leverage                       | Operating leverage  | 3.63                                       | 3.28     | 2.68     | 2.41     | 3.14     |
|                                | Financial leverage  | 1  | 1        | 1        | 1        | 1        |

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Solvency:

Due to the decrease in current liabilities such as accounts payable and current income tax liabilities in 2022, the current ratio in 2022 was increased compared with that in 2021.

Because the amount of inventory in 2022 was increased compared with that in 2021, the quick ratio in 2022 was decreased compared with that in 2021.

Because the pre-tax net profit in 2022 was decreased compared with that in 2021, the interest coverage ratio in 2022 was decreased compared with that in 2021.

2. Operating Performance:

Due to the impact of slowing market demand in 2022, the sales speed of products has slowed down, and the inventory turnover rate in 2022 has decreased compared with that in 2021.

Because the sales revenue in 2022 was lower than that in 2021, the turnover rate of real estate, plant and equipment and the turnover rate of total assets were both lower than those in 2021.

3. Profitability:

Because the after-tax net profit in 2022 was decreased compared with that in 2021, the ratios related to profitability in 2022 were decreased compared with that in 2021.

4. Cash Flow:

Due to the decrease in cash inflow from operating activities in 2022 and the increase in inventory in 2022, both the cash flow ratio and the cash flow allowable ratio in 2022 were lower than those in 2021.

Due to the higher distribution of 2021 dividends in 2022, the cash reinvestment ratio in 2022 was lower than that in 2021.

5. Leverage:

Because the operating profit in 2022 was decreased compared with that in 2021, the operating leverage in 2022 was increased compared with that in 2021.

Note 1: Financial information of the above-listed years has been certified by the Accountant.

Note 2: 2021 Q1 Financial information certified by the Accountant.

Note 3: Financial ratio formula:

1. Financial structure

- (1) Debt to assets ratio = total liabilities / total assets.
- (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plants and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Liquidity ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Interest protection multiples = earnings before interest and taxes / interest expenses of the period.

3. Operating performance

- (1) Receivables (including accounts receivable and note receivable from business operations) turnover ratio = net sales revenue / average receivables (including accounts receivable and note receivable from business operations) balance of each period.
- (2) Average collection period = 365 / receivables turnover ratio.
- (3) Inventory turnover ratio = cost of goods sold / average inventory.
- (4) Accounts payable (including accounts payable and note payable from business operations) turnover ratio

= cost of goods sold / average accounts payable (including accounts payable and note payable from business operations) balance of each period.

- (5) Days sales of inventory =  $365 / \text{inventory turnover ratio}$ .
- (6) Property, plants and equipment turnover ratio = net sales revenue / average net property, plants and equipment.
- (7) Total assets turnover ratio = net sales revenue / average total assets.

#### 4. Profitability

- (1) Return on asset =  $[\text{post-tax profit or loss} + \text{interest expenses} \times (1 - \text{tax rate})] / \text{average total assets}$ .
- (2) Return on equity =  $\text{post-tax profit or loss} / \text{average total equity}$ .
- (3) Net profit margin =  $\text{post-tax profit or loss} / \text{net sales revenue}$
- (4) Earnings per share =  $(\text{profit or loss attributable to owner(s) of the parent Company} - \text{preference share dividends}) / \text{weighted-average number of shares issued}$ . (Note 4)

#### 5. Cash Flow

- (1) Cash flow ratio =  $\text{net cash flow from operating activities} / \text{current liabilities}$ .
- (2) Net cash flow adequacy ratio =  $\text{net cash flow from operating activities in the last 5 years} / (\text{capital expenditures} + \text{increase in inventory} + \text{cash dividends}) \text{ in the last 5 years}$ .
- (3) Cash reinvestment ratio =  $(\text{net cash flows from operating activities} - \text{cash dividends}) / (\text{gross property, plants and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$ . (Note 5)

#### 6. Leverage

- (1) Operating leverage =  $(\text{net operating income} - \text{changes in operating costs and expenses}) / \text{operating profit}$  (Note 6).
- (2) Financial leverage =  $\text{operating profit} / (\text{operating profit} - \text{interest expenses})$ .

Note 4: The calculation formula for the above-mentioned earnings per share shall be measured with the following precautions:

1. Shall be based on weighted-average number of common shares instead of number of shares issued as of the end of the year.
2. Where there is capital addition or treasury share transaction, weighted-average number of shares shall be calculated after considering the circulation period.
3. Where there is Retained Earnings Transferred to Capital or Capital Increase by Capital Surplus, when calculating the earnings per share for the previous year and mid-year, it shall be retrospectively adjusted according to the proportion of capital increase without considering the issuing period of the capital increase.
4. If the preference share is a non-convertible cumulative preference share, its dividends (paid or not) of the year shall be subtracted from net profit after tax or added to net loss after tax. If the preference share is non-cumulative, the preference dividends shall be deducted from net profit after tax if there is a net profit after tax; if it is a loss, there is no need for adjustment.

Note 5: The following precautions shall be paid when measuring cash flow analysis:

1. Net cash flow from operating activities referred to the net cash inflow from operating activities shown in the cash flow statement.
2. Capital expenditure referred to the annual cash outflows for capital investment.
3. The increase in inventory is only listed when the ending balance is greater than the beginning balance. If the inventory decreases at the end of the year, the increase in inventory will be regarded as zero.
4. Cash dividends include cash dividends of common shares and preference shares.
5. Gross property, plants and equipment referred to the total property, plant and equipment before accumulated depreciation.

Note 6: The issuer shall classify various operating costs and operating expenses into fixed and variable categories. If estimation or subjective judgment are involved, the issuer shall pay attention to its rationality and maintain consistency.

Note 7: If the Company's shares have no face value or if the face value of each share is not NT\$10, the aforementioned calculation of ratio involving paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owner(s) of the parent Company.

- (3) **Financial analysis** - Taiwan's Financial Accounting Standards: The Company has adopted International Financial Reporting Standards in preparing financial information for five fiscal years; therefore, the Company will not prepare separate financial information base on Taiwan's Financial Accounting Standards.

### **3. Audit Committee's Review Report**

#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2022 Financial Statements and Consolidated Financial Statements, which were audited by the Certified Public Accountants (CPA) CHOU, Pao-Lian and TSENG, Mei-Yu of Klynveld Peat Marwick Goerdeler (KPMG) who issued an audit report, together with business report and the profit distribution proposal for Audit Committee's review. The Audit Committee hereby confirmed that there are no discrepancies and reported as above pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and submitted for your kind approval.

**Elan Microelectronics Corporation**

Convener of the Audit Committee:

Dated: February 22, 2023

### Independent Auditors' Report

To the Board of Directors  
ELAN MICROELECTRONICS CORPORATION:

#### Opinion

We have audited the financial statements of ELAN MICROELECTRONICS CORPORATION (“the Company”), which comprise the statement of financial position as of December 31, 2022 and 2021, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### Other Matter

We did not audit the financial statements of Top Taiwan X Venture Capital Co., Ltd., which represented investment in accounted for using the equity method of the Company. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Top Taiwan X Venture Capital Co., Ltd., is based solely on the report of another auditor. The investment in Top Taiwan X Venture Capital Co., Ltd. accounted for using the equity method constituted 1.95% and 2.08% of the total assets at December 31, 2022 and 2021, respectively, and the related share of profit of associates accounted for using the equity method constituted (1.76)% and 0.51% of the total profit before tax for the years ended December 31, 2022 and 2021, respectively.

## Key Audit Matters

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

### 1. Valuation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

### 2. Revenue recognition

Refer to Note 4(o) and 6(p) for accounting policy of revenue recognition.

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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



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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

February 22, 2023

#### **Notes to Readers**

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

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

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

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| Assets              |  | December 31, 2022 |            | December 31, 2021 |            | Liabilities and Equity |   | December 31, 2022   |             | December 31, 2021 |             |            |     |
|---------------------|--|-------------------|------------|-------------------|------------|------------------------|---|---|-------------|-------------------|-------------|------------|-----|
|                     |  | Amount            | %          | Amount            | %          |                        |   | Amount  | %           | Amount            | %           |            |     |
| Current assets:     |  |                   |            |                   |            | Current liabilities:   |   |   |             |                   |             |            |     |
| 1100                | Cash and cash equivalents (notes 6(a) and (s))   | \$                | 1,477,970  | 12                | 2,910,238  | 18                     | 2170  | Accounts payable (notes 6(s) and 7)   | 686,908     | 6                 | 1,692,409   | 10         |     |
| 1110                | Current financial assets at fair value through profit or loss (notes 6(b) and (s))                 |                   | 193,032    | 2                 | 160,028    | 1                      | 2206  | Employee bonus payable (note 6(r))  | 375,000     | 3                 | 821,000     | 5          |     |
| 1172                | Notes and accounts receivable, net (notes 6(c) and (s))  |                   | 592,624    | 5                 | 1,707,040  | 11                     | 2230  | Current tax liabilities   | 290,950     | 2                 | 979,161     | 6          |     |
| 1181                | Accounts receivable due from related parties (notes 6(c), (s) and 7)                               |                   | 18,520     | -                 | 42,649     | -                      | 2280  | Current lease liabilities (notes 6(k) and (s))                              | 13,508      | -                 | 11,706      | -          |     |
| 1200                | Other receivables (notes 6(c), (s) and 7)  |                   | 621,937    | 5                 | 1,156,907  | 7                      | 2300  | Other current liabilities (notes 6(s), 7 and 9)                             | 922,473     | 8                 | 906,441     | 6          |     |
| 1310                | Inventories, net (note 6(d))   |                   | 3,455,970  | 28                | 2,202,115  | 14                     |   |   | 2,288,839   | 19                | 4,410,717   | 27         |     |
| 1410                | Prepayments and other current assets   |                   | 31,891     | -                 | 3,825      | -                      | 2570  | Deferred tax liabilities (note 6(m))  | 2,523       | -                 | 1,067       | -          |     |
| 1476                | Current financial assets at amortized cost (notes 6(a), (s) and 8)                                 |                   | 236,690    | 2                 | 1,710,600  | 11                     | 2580  | Non-current lease liabilities (notes 6(k) and (s))                          | 687,339     | 5                 | 671,682     | 4          |     |
|                     |  |                   | 6,628,634  | 54                | 9,893,402  | 62                     | 2640  | Net defined benefit liability, non-current (note 6(l))                      | 307,965     | 3                 | 394,795     | 3          |     |
| Non-current assets: |  |                   |            |                   |            | 2645                   | Guarantee deposits received (note 6(s))                       | 9,345   | -           | 10,797            | -           |            |     |
| 1510                | Non-current financial assets at fair value through profit or loss (notes 6(b) and (s))             |                   | 1,185,788  | 10                | 1,009,519  | 6                      | 2650  | Credit balance of investments accounted for using equity method (note 6(f)) | 5,993       | -                 | 1,171       | -          |     |
| 1517                | Non-current financial assets at fair value through other comprehensive income (notes 6(e) and (s)) |                   | 305,591    | 3                 | 491,824    | 3                      |   |   | 1,013,165   | 8                 | 1,079,512   | 7          |     |
| 1535                | Non-current financial assets at amortised cost, net (notes 6(a), (s) and 8)                        |                   | 7,400      | -                 | 7,200      | -                      |   | Total liabilities   | 3,302,004   | 27                | 5,490,229   | 34         |     |
| 1551                | Investments accounted for using equity method (notes 6(f) and (g))                                 |                   | 1,996,090  | 17                | 2,492,260  | 15                     | Equity attributable to owners of parent: (notes 6(f) and (n)) |   |             |                   |             |            |     |
| 1600                | Property, plant and equipment (note 6(h))  |                   | 894,619    | 7                 | 864,262    | 5                      | 3100  | Capital stock   | 3,038,804   | 25                | 3,038,804   | 19         |     |
| 1755                | Right-of-use assets (note 6(i))  |                   | 826,553    | 7                 | 829,693    | 5                      | 3200  | Capital surplus   | 838,428     | 7                 | 631,181     | 4          |     |
| 1780                | Intangible assets (note 6(j))  |                   | 246,944    | 2                 | 279,425    | 2                      | Retained earnings:  |   |             |                   |             |            |     |
| 1840                | Deferred tax assets (note 6(m))  |                   | 44,846     | -                 | 39,994     | -                      | 3310  | Legal reserve   | 2,679,726   | 22                | 2,159,576   | 13         |     |
| 1900                | Other non-current assets (note 6(s))   |                   | 55,236     | -                 | 177,776    | 1                      | 3350  | Undistributed earnings  | 3,428,146   | 28                | 5,824,804   | 36         |     |
| 1960                | Prepaid investment (note 6(f))   |                   | -          | -                 | 147,848    | 1                      |   |   | 6,107,872   | 50                | 7,984,380   | 49         |     |
|                     |  |                   | 5,563,067  | 46                | 6,339,801  | 38                     | 3400  | Other equity  | 11,078      | -                 | 195,094     | 1          |     |
|                     |  |                   |            |                   |            |                        | 3500  | Treasury shares   | (1,106,485) | (9)               | (1,106,485) | (7)        |     |
|                     |  |                   |            |                   |            |                        |   | Total equity  | 8,889,697   | 73                | 10,742,974  | 66         |     |
| Total assets        |  | \$                | 12,191,701 | 100               | 16,233,203 | 100                    | Total liabilities and equity                                  |   | \$          | 12,191,701        | 100         | 16,233,203 | 100 |

(English Translation of Financial Statements Originally Issued in Chinese)

**ELAN MICROELECTRONICS CORPORATION****Statements of Comprehensive Income****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

|   | <b>2022</b>         |            | <b>2021</b>         |           |
|---|---------------------|------------|---------------------|-----------|
|   | <b>Amount</b>       | <b>%</b>   | <b>Amount</b>       | <b>%</b>  |
| 4000 <b>Operating revenue</b> (notes 6(p) and 7)  | \$12,435,555        | 100        | 17,742,077          | 100       |
| 5000 <b>Operating costs</b> (notes 6(d) and 7)  | <u>6,609,214</u>    | <u>53</u>  | <u>8,820,971</u>    | <u>50</u> |
| 5900 <b>Gross profit from operations</b>  | 5,826,341           | 47         | 8,921,106           | 50        |
| 5920 Add: Realized (unrealized) profit from sales   | <u>(12,510)</u>     | <u>-</u>   | <u>(3,101)</u>      | <u>-</u>  |
| <b>Gross profits</b>  | <u>5,813,831</u>    | <u>47</u>  | <u>8,918,005</u>    | <u>50</u> |
| 6000 <b>Operating expenses:</b> (notes 6(c), (j), 7, 9 and 12)  |                     |            |                     |           |
| 6100 Selling expenses   | 785,591             | 6          | 906,782             | 5         |
| 6200 Administrative expenses  | 314,107             | 3          | 415,016             | 2         |
| 6300 Research and development expenses  | 1,768,219           | 14         | 1,967,455           | 11        |
| 6450 Impairment gain determined in accordance with IFRS 9   | <u>(5,895)</u>      | <u>-</u>   | <u>(7,077)</u>      | <u>-</u>  |
|   | <u>2,862,022</u>    | <u>23</u>  | <u>3,282,176</u>    | <u>18</u> |
| 6900 <b>Operating income</b>  | <u>2,951,809</u>    | <u>24</u>  | <u>5,635,829</u>    | <u>32</u> |
| 7000 <b>Non-operating income and expenses:</b>  |                     |            |                     |           |
| 7100 Interest income (note 6(q))  | 25,317              | -          | 23,054              | -         |
| 7010 Other income (notes 6(q) and 7)  | 139,459             | 1          | 50,460              | -         |
| 7020 Other gains and losses (notes 6(g) and (q))  | 89,250              | 1          | 153,593             | 1         |
| 7050 Finance costs  | <u>(11,239)</u>     | <u>-</u>   | <u>(8,294)</u>      | <u>-</u>  |
| 7070 Share of gain(loss) of subsidiaries and associates accounted for using equity method (note 6(f))   | <u>(399,504)</u>    | <u>(3)</u> | <u>236,712</u>      | <u>1</u>  |
|   | <u>(156,717)</u>    | <u>(1)</u> | <u>455,525</u>      | <u>2</u>  |
| 7900 <b>Profit before tax</b>   | 2,795,092           | 23         | 6,091,354           | 34        |
| 7950 Less: Income tax expenses (note 6(m))  | <u>643,416</u>      | <u>5</u>   | <u>988,908</u>      | <u>6</u>  |
| <b>Net profit</b>   | <u>2,151,676</u>    | <u>18</u>  | <u>5,102,446</u>    | <u>28</u> |
| 8300 <b>Other comprehensive income (loss):</b>  |                     |            |                     |           |
| 8310 <b>Items that may not be reclassified subsequently to profit or loss:</b>  |                     |            |                     |           |
| 8311 Losses on remeasurements of defined benefit plans  | 73,884              | 1          | (27,049)            | -         |
| 8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income   | <u>(186,233)</u>    | <u>(1)</u> | <u>235,262</u>      | <u>1</u>  |
| 8330 Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified               | 317                 | -          | 82,910              | -         |
| 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>(112,032)</u>    | <u>-</u>   | <u>291,123</u>      | <u>1</u>  |
| 8360 <b>Items that may be reclassified subsequently to profit or loss:</b>  |                     |            |                     |           |
| 8361 Exchange differences on translation of foreign financial statements  | 2,207               | -          | (323)               | -         |
| 8380 Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | 10                  | -          | (3)                 | -         |
| 8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss   | <u>-</u>            | <u>-</u>   | <u>-</u>            | <u>-</u>  |
| Components of other comprehensive income that will be reclassified to profit or loss  | <u>2,217</u>        | <u>-</u>   | <u>(326)</u>        | <u>-</u>  |
| 8300 <b>Other comprehensive income (loss), net</b>  | <u>(109,815)</u>    | <u>-</u>   | <u>290,797</u>      | <u>1</u>  |
| 8500 <b>Comprehensive income</b>  | <u>\$ 2,041,861</u> | <u>18</u>  | <u>\$ 5,393,243</u> | <u>29</u> |
| <b>Earnings per share (expressed in dollars)</b> (note 6(o))  |                     |            |                     |           |
| 9710 Basic earnings per share   | <u>\$ 7.56</u>      |            | <u>17.64</u>        |           |
| 9850 Diluted earnings per share   | <u>\$ 7.44</u>      |            | <u>17.34</u>        |           |

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

**ELAN MICROELECTRONICS CORPORATION****Statements of Changes in Equity****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

|   | Ordinary<br>shares  | Capital<br>surplus | Retained earnings |                                     | Other equity  |   | Treasury shares    | Total equity     |
|---|---------------------|--------------------|-------------------|-------------------------------------|---|---|--------------------|------------------|
|   |                     |                    | Legal<br>reserve  | Unappropriated<br>retained earnings | Exchange<br>differences on<br>translation of<br>foreign financial<br>statements | Unrealized gains<br>(losses) from financial<br>assets measured at fair<br>value through other<br>comprehensive income |                    |                  |
| <b>Balance at January 1, 2021</b>   | \$ 3,038,804        | 519,638            | 1,825,597         | 3,692,218                           | (6,597)   | 9,937   | (28,975)           | 9,050,622        |
| Net profit  | -                   | -                  | -                 | 5,102,446                           | -   | -   | -                  | 5,102,446        |
| Other comprehensive income  | -                   | -                  | -                 | (27,093)                            | (326)   | 318,216   | -                  | 290,797          |
| Total comprehensive income  | -                   | -                  | -                 | 5,075,353                           | (326)   | 318,216   | -                  | 5,393,243        |
| Appropriation and distribution of retained earnings:  |                     |                    |                   |                                     |   |   |                    |                  |
| Legal reserve appropriated  | -                   | -                  | 333,979           | (333,979)                           | -   | -   | -                  | -                |
| Cash dividends of ordinary share  | -                   | -                  | -                 | (2,734,924)                         | -   | -   | -                  | (2,734,924)      |
| Purchase of treasury share  | -                   | -                  | -                 | -                                   | -   | -   | (1,077,510)        | (1,077,510)      |
| Other changes in capital surplus:   |                     |                    |                   |                                     |   |   |                    |                  |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries                                      | -                   | 111,944            | -                 | -                                   | -   | -   | -                  | 111,944          |
| Changes in ownership interests in subsidiaries  | -                   | (401)              | -                 | -                                   | -   | -   | -                  | (401)            |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income by subsidiaries | -                   | -                  | -                 | 126,136                             | -   | (126,136)   | -                  | -                |
| <b>Balance at December 31, 2021</b>   | 3,038,804           | 631,181            | 2,159,576         | 5,824,804                           | (6,923)   | 202,017   | (1,106,485)        | 10,742,974       |
| Net profit  | -                   | -                  | -                 | 2,151,676                           | -   | -   | -                  | 2,151,676        |
| Other comprehensive income  | -                   | -                  | -                 | 74,201                              | 2,217   | (186,233)   | -                  | (109,815)        |
| Total comprehensive income  | -                   | -                  | -                 | 2,225,877                           | 2,217   | (186,233)   | -                  | 2,041,861        |
| Appropriation and distribution of retained earnings:  |                     |                    |                   |                                     |   |   |                    |                  |
| Legal reserve appropriated  | -                   | -                  | 520,150           | (520,150)                           | -   | -   | -                  | -                |
| Cash dividends of ordinary share  | -                   | -                  | -                 | (4,102,385)                         | -   | -   | -                  | (4,102,385)      |
| Other changes in capital surplus:   |                     |                    |                   |                                     |   |   |                    |                  |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries                                      | -                   | 171,792            | -                 | -                                   | -   | -   | -                  | 171,792          |
| Changes in ownership interests in subsidiaries  | -                   | 35,455             | -                 | -                                   | -   | -   | -                  | 35,455           |
| <b>Balance at December 31, 2022</b>   | <u>\$ 3,038,804</u> | <u>838,428</u>     | <u>2,679,726</u>  | <u>3,428,146</u>                    | <u>(4,706)</u>  | <u>15,784</u>   | <u>(1,106,485)</u> | <u>8,889,697</u> |

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

|  | 2022                | 2021               |
|--|---------------------|--------------------|
| <b>Cash flows from operating activities:</b>   |                     |                    |
| Profit before tax  | \$ 2,795,092        | 6,091,354          |
| Adjustments:   |                     |                    |
| Adjustments to reconcile profit:   |                     |                    |
| Depreciation expense   | 110,485             | 88,331             |
| Amortization expense   | 108,953             | 92,034             |
| Expected credit gain   | (5,895)             | (7,077)            |
| Net profit on financial assets at fair value through profit or loss                                      | 104,598             | (200,710)          |
| Interest expense   | 11,239              | 8,294              |
| Interest income  | (25,317)            | (23,054)           |
| Dividend income  | (93,807)            | (27,433)           |
| Share of loss (profit) of subsidiaries and associates accounted for using equity method                  | 399,504             | (236,712)          |
| (Gain) loss on disposal of property, plant and equipment   | (2,698)             | 51                 |
| Gain on disposal of investment properties  | -                   | (6,254)            |
| Loss on adjustments to lease   | 160                 | -                  |
| Impairment loss and disposal loss on inventory   | 144,731             | 105,789            |
| Other operating costs  | 107,740             | -                  |
| Reversal of impairment loss  | -                   | (3,930)            |
| Others   | 30,231              | 3,103              |
| <b>Total adjustments to reconcile profit</b>   | <b>889,924</b>      | <b>(207,568)</b>   |
| <b>Changes in operating assets and liabilities:</b>  |                     |                    |
| Decrease in notes and accounts receivable  | 1,144,440           | 383,267            |
| Increase in inventories  | (1,398,586)         | (628,776)          |
| Decrease in other receivables  | 535,004             | 299,656            |
| (Increase) decrease in other current assets  | (28,066)            | 4,348              |
| Decrease in notes and accounts payable   | (1,005,501)         | (118,832)          |
| (Decrease) increase in other current liabilities   | (418,735)           | 30,125             |
| Decrease in net defined benefit liability  | (12,944)            | (14,529)           |
| <b>Total adjustments</b>   | <b>(294,464)</b>    | <b>(252,309)</b>   |
| Cash inflow generated from operations  | 2,500,628           | 5,839,045          |
| Interest received  | 25,283              | 23,170             |
| Interest paid  | (11,239)            | (8,294)            |
| Income taxes paid  | (1,335,023)         | (784,831)          |
| <b>Net cash flows from operating activities</b>  | <b>1,179,649</b>    | <b>5,069,090</b>   |
| <b>Cash flows from (used in) investing activities:</b>   |                     |                    |
| Dividends received   | 825,177             | 170,140            |
| Decrease in financial assets at amortized cost   | 1,473,710           | 985,450            |
| Acquisition of current financial assets at fair value through profit or loss                             | (109,616)           | (20,000)           |
| Proceeds from disposal of current financial assets at fair value through profit or loss                  | 82,105              | 351,606            |
| Acquisition of non-current financial assets at fair value through profit or loss                         | (353,706)           | (240,162)          |
| Proceeds from capital reduction and liquidation of financial assets at fair value through profit or loss | 44,548              | 15,803             |
| Acquisition of investments accounted for using equity method   | (439,811)           | (59,703)           |
| Decrease (increase) in prepayments for investments   | 147,848             | (147,848)          |
| Proceeds from disposal of subsidiaries   | -                   | 33,111             |
| Proceeds from capital reduction of investments accounted for using equity method                         | 30,000              | 3,930              |
| Acquisition of property, plant and equipment   | (127,824)           | (94,923)           |
| Acquisition of intangible assets   | (74,154)            | (59,908)           |
| Decrease (increase) in refundable deposits   | 14,800              | (160,524)          |
| <b>Net cash flows from investing activities</b>  | <b>1,513,077</b>    | <b>776,972</b>     |
| <b>Cash flows used in financing activities:</b>  |                     |                    |
| Decrease in guarantee deposits received  | (1,452)             | (92)               |
| Payment of lease liabilities   | (21,157)            | (179,864)          |
| Cash dividends paid  | (4,102,385)         | (2,734,924)        |
| Payments to acquire treasury shares  | -                   | (1,077,510)        |
| <b>Net cash flows used in financing activities</b>   | <b>(4,124,994)</b>  | <b>(3,992,390)</b> |
| <b>Net (decrease) increase in cash and cash equivalents</b>  | <b>(1,432,268)</b>  | <b>1,853,672</b>   |
| <b>Cash and cash equivalents at the beginning of period</b>  | <b>2,910,238</b>    | <b>1,056,566</b>   |
| <b>Cash and cash equivalents at the end of period</b>  | <b>\$ 1,477,970</b> | <b>2,910,238</b>   |

(English Translation of Financial Statements Originally Issued in Chinese)

**ELAN MICROELECTRONICS CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2022 and 2021**

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

**(1) Company history**

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

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

The financial statements were authorized for issuance by the Board of Directors on February 22, 2023.

**(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. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| <b>Standards or Interpretations</b>  | <b>Content of amendment</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” | <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> | Effective date to be determined by IASB |

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

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized bellows. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(Continued)



**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(a) Statement of Compliance

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial instruments at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

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

(ii) Foreign operations

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

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

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

(Continued)

## ELAN MICROELECTRONICS CORPORATION

### Notes to the Financial Statements

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

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

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

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

#### 3) Fair value through profit or loss (FVTPL)

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

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

#### 4) Impairment of financial assets

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

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

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

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

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

(Continued)

## ELAN MICROELECTRONICS CORPORATION

### Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

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

3) Treasury shares

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

4) Other financial liabilities

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

(h) Investments in associates

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

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

(Continued)



## ELAN MICROELECTRONICS CORPORATION

### Notes to the Financial Statements

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

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

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

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

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

In a business combination achieved in stages, the Company 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 Company 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 Company 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.

(Continued)



**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(i) Investment in subsidiaries

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

- 1) Buildings: 2~50 years
- 2) Machineries and equipment: 2~6 years
- 3) Transportation and office equipment: 1~6 years

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(k) Leases

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

(i) As a lessee

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

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

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

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

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

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

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

5) there are any lease modifications

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

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

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

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

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in 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.

(ii) As a lessor

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

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(l) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

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

(m) Impairment – non derivative financial assets

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

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

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

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

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

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

(n) Provisions

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

(o) Revenue from contracts with customers

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

(i) Sale of goods

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

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

(ii) Services

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

(iii) Financing components

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

(p) Government grants

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

(q) Employee benefits

(i) Defined contribution plan

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

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

(ii) Defined benefit plan

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

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## ELAN MICROELECTRONICS CORPORATION

### Notes to the Financial Statements

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

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

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

#### (iii) Short-term employee benefits

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

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

#### (r) Income taxes

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

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

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

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

(Continued)



**ELAN MICROELECTRONICS CORPORATION**  
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- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

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

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

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(s) **Business acquisition**

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

The Company adopted the acquisition method for its merger of Chimei Motor Electronics Co., Ltd. (Chimei), wherein the goodwill was based on the fair value of the consideration transferred on the acquisition date, including the amount attributable to any non-controlling interests in the acquiree, less identifiable assets acquired and assumed, in which the net amount of the liability (usually the fair value) has been measured.

(Continued)



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**Notes to the Financial Statements**

(t) Earnings per share

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

(u) Operating segments

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

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

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is judgment of whether the Company has substantive control over its investees, please refer to the 2022 annual consolidated financial statements.

The relevant information on uncertainties of assumptions and estimates, which has significant risks that will cause major adjustments in the following year, is deemed an inventory evaluation. As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the sales price. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

**(6) Explanation of significant accounts:**

**(a) Cash and cash equivalents**

|   | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---|------------------------------|------------------------------|
| Petty cash  | \$ 74                        | 74                           |
| Checking and demand deposits  | 977,896                      | 1,153,974                    |
| Time deposits with maturities of three months or less   | 744,090                      | 3,473,990                    |
| Less: Restricted deposits (recorded as current and non-current financial assets measured at amortized cost) (Note h)          | (99,590)                     | (7,200)                      |
| Time deposits (recorded as current financial assets measured at amortized cost) with original maturities of over three months | <u>(144,500)</u>             | <u>(1,710,600)</u>           |
|   | <b><u>\$ 1,477,970</u></b>   | <b><u>2,910,238</u></b>      |

- (i) Please refer to Note 6(s) for the interest rate risk and fair value sensitivity analysis of the financial assets and liabilities of the Company.
- (ii) The Company did not recognize impairment loss on financial assets measured at amortized cost for the years ended December 31, 2022 and 2021. Other information relating to credit risk is provided in Note 6(s).

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

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|------------------------------|------------------------------|
| Mandatorily measured at fair value through profit or loss: |                              |                              |
| Current:   |                              |                              |
| Listed stocks  | \$ 4,298                     | 6,691                        |
| Certificates of beneficial interest                        | 115,241                      | 93,768                       |
| Short-term commercial papers                               | <u>73,493</u>                | <u>59,569</u>                |
| Subtotal   | <u>193,032</u>               | <u>160,028</u>               |
| Non-current:   |                              |                              |
| Listed stocks  | 952,323                      | 832,465                      |
| Unlisted funds   | <u>233,465</u>               | <u>177,054</u>               |
| Subtotal   | <u>1,185,788</u>             | <u>1,009,519</u>             |
| Total  | <b><u>\$ 1,378,820</u></b>   | <b><u>1,169,547</u></b>      |

On March 1, 2022, the Company participated in the cash capital increase of Chimei Motor Electronics Co., Ltd. (Chimei), wherein its shareholding in Chimei increased from 5% to 31.36%, which was reclassified from financial assets at fair value through profit or loss to investments accounted for using equity method, obtaining four of the seven seats in Chimei's Board, resulting in the Company to have control over Chimei and its subsidiaries.

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**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(c) Notes and accounts receivable

|   | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---|------------------------------|------------------------------|
| Notes receivable  | \$ 193                       | -                            |
| Accounts receivable - fair value through other comprehensive income | 410,234                      | 1,124,190                    |
| Accounts receivable - measured at amortized cost                    | 222,549                      | 653,226                      |
| Less: Loss allowance  | <u>(21,832)</u>              | <u>(27,727)</u>              |
|   | <b><u>\$ 611,144</u></b>     | <b><u>1,749,689</u></b>      |

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

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

|                            | <b>December 31, 2022</b>         |  |                                 |
|----------------------------|----------------------------------|--|---------------------------------|
|                            | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average loss<br/>rate</b> | <b>Expected<br/>credit loss</b> |
| Current                    | \$ 586,661                       | 0.39%                                      | 2,304                           |
| 1 to 30 days past due      | 27,016                           | 1.62%                                      | 438                             |
| 31 to 60 days past due     | 227                              | 10.65%                                     | 24                              |
| 61 to 90 days past due     | 25                               | 75.98%                                     | 19                              |
| More than 90 days past due | <u>19,047</u>                    | 50%~100%                                   | <u>19,047</u>                   |
|                            | <b><u>\$ 632,976</u></b>         |  | <b><u>21,832</u></b>            |

|                            | <b>December 31, 2021</b>         |  |                                 |
|----------------------------|----------------------------------|--|---------------------------------|
|                            | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average loss<br/>rate</b> | <b>Expected<br/>credit loss</b> |
| Current                    | \$ 1,678,376                     | 0.35%                                      | 5,858                           |
| 1 to 30 days past due      | 59,249                           | 1.78%                                      | 1,053                           |
| 31 to 60 days past due     | 21,344                           | 11.21%                                     | 2,392                           |
| 61 to 90 days past due     | 52                               | 55.56%                                     | 29                              |
| More than 90 days past due | <u>18,395</u>                    | 50%~100%                                   | <u>18,395</u>                   |
|                            | <b><u>\$ 1,777,416</u></b>       |  | <b><u>27,727</u></b>            |

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**ELAN MICROELECTRONICS CORPORATION**  
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The movement in the allowance for notes and accounts receivable was as follows:

|                                       | <b>2022</b>             | <b>2021</b>          |
|---------------------------------------|-------------------------|----------------------|
| Balance at January 1                  | \$ 27,727               | 34,804               |
| Impairment loss recognized (reversed) | <u>(5,895)</u>          | <u>(7,077)</u>       |
| Balance at December 31                | <u><b>\$ 21,832</b></u> | <u><b>27,727</b></u> |

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

| <b>December 31, 2022</b> |                                  |                           |                            |   |                                   |                   |
|--------------------------|----------------------------------|---------------------------|----------------------------|---|-----------------------------------|-------------------|
| <b>Purchaser</b>         | <b>Accounts<br/>derecognized</b> | <b>Factoring<br/>Line</b> | <b>Advanced<br/>Amount</b> | <b>Amount<br/>Recognized in<br/>Other<br/>Receivables</b> | <b>Range of<br/>Interest Rate</b> | <b>Collateral</b> |
| Financial Institution    | <u>\$ 586,619</u>                | <u>2,929,200</u>          | <u>-</u>                   | <u>586,619</u>  | <u>0.05%~0.10%</u>                | None              |

| <b>December 31, 2021</b> |                                  |                           |                            |   |                                   |                   |
|--------------------------|----------------------------------|---------------------------|----------------------------|---|-----------------------------------|-------------------|
| <b>Purchaser</b>         | <b>Accounts<br/>derecognized</b> | <b>Factoring<br/>Line</b> | <b>Advanced<br/>Amount</b> | <b>Amount<br/>Recognized in<br/>Other<br/>Receivables</b> | <b>Range of<br/>Interest Rate</b> | <b>Collateral</b> |
| Financial Institution    | <u>\$ 1,057,830</u>              | <u>2,807,200</u>          | <u>-</u>                   | <u>1,057,830</u>  | <u>0.05%~0.10%</u>                | None              |

The Company has deducted the advanced amount from the accounts receivable in accordance with the condition of derecognition as of December 31, 2022 and 2021. The remaining amount has been reclassified into other receivables. The Company did not recognize impairment loss on other receivables for the years ended December 31, 2022 and 2021, and other information on credit risk is disclosed in Note 6(s).

(d) Inventories

|                  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|------------------|------------------------------|------------------------------|
| Raw materials    | \$ 1,600,692                 | 739,243                      |
| Work in progress | 1,574,416                    | 1,207,372                    |
| Finished goods   | <u>280,862</u>               | <u>255,500</u>               |
|                  | <u><b>\$ 3,455,970</b></u>   | <u><b>2,202,115</b></u>      |

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

The details of the cost of sales are as follows:

|                              | <u>2022</u>                | <u>2021</u>             |
|------------------------------|----------------------------|-------------------------|
| Inventory that has been sold | \$ 6,362,750               | 8,715,916               |
| Write-down of inventories    | 144,799                    | 105,789                 |
| Others                       | <u>101,665</u>             | <u>(734)</u>            |
|                              | <u><u>\$ 6,609,214</u></u> | <u><u>8,820,971</u></u> |

As of December 31, 2022 and 2021, the Company had not provided any inventories as collateral for its loans.

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

|  | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|--|------------------------------|------------------------------|
| Equity investments at fair value through other comprehensive income: |                              |                              |
| Listed stocks  | 292,495                      | 470,855                      |
| Emerging stocks  | <u>13,096</u>                | <u>20,969</u>                |
|  | <u><u>\$ 305,591</u></u>     | <u><u>491,824</u></u>        |

(i) The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities were held for long-term strategic purposes instead of for trading.

(ii) For market risk, please refer to note 6(s).

(iii) As of December 31, 2022 and 2021, the Company had not provided any financial assets at fair value through other comprehensive income as collateral for its loans.

(f) Investments accounted for using equity method

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

|   | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|---|------------------------------|------------------------------|
| Subsidiaries  | \$ 1,749,401                 | 2,145,562                    |
| Associates  | <u>246,689</u>               | <u>346,698</u>               |
| Investments accounted for using equity method                   | <u><u>\$ 1,996,090</u></u>   | <u><u>2,492,260</u></u>      |
| Credit balance of investments accounted for using equity method | <u><u>\$ 5,993</u></u>       | <u><u>1,171</u></u>          |

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(i) Subsidiaries

A summary of the Company's financial information for its subsidiaries at the reporting date was as follows:

|   | <u>2022</u>         | <u>2021</u>    |
|---|---------------------|----------------|
| The Company's share of gain of subsidiaries accounted for using equity method | \$ <u>(348,782)</u> | <u>205,625</u> |

Please refer to the consolidated financial statements for the year ended December 31, 2022 for further details.

(ii) Associates

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

|  |  |  | <u>December 31, 2022</u> |                          | <u>December 31, 2021</u> |                          |
|--|--|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | <u>Nature of the relationship</u>                            | <u>Main operating location / Registered Country of the Company</u> | <u>Amount</u>            | <u>Share-holding (%)</u> | <u>Amount</u>            | <u>Share-holding (%)</u> |
| Tong Fu Investment Corporation         | Investment holding   | R.O.C.   | \$ 26,070                | 46.73                    | 26,070                   | 46.73                    |
| Lighting Device Technologies Corp.     | Research, design, develop, manufacture and sale on LED chips | R.O.C.   | 11,712                   | 45.07                    | 11,712                   | 45.07                    |
| Top Taiwan X Venture Capital Co., Ltd. | Venture capital  | R.O.C.   | 210,000                  | 30.00                    | 240,000                  | 30.00                    |
| Uniband Electronic Corp.               | Manufactures and sells electronic devices                    | R.O.C.   | 50,000                   | 24.69                    | 50,000                   | 24.69                    |
| Finger Pro. Incorporation              | Manufactures and sells electronic devices                    | R.O.C.   | 6,000                    | 23.08                    | 6,000                    | 23.08                    |
|  |  |  | <u>\$ 303,782</u>        |                          | <u>333,782</u>           |                          |

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

|   | <u>2022</u>        | <u>2021</u>   |
|---|--------------------|---------------|
| The Company's share of gain of associates accounted for using equity method | \$ <u>(50,722)</u> | <u>31,087</u> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

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

|  | <u>2022</u>               | <u>2021</u>          |
|--|---------------------------|----------------------|
| Attributable to the Company:             |                           |                      |
| Profit (loss) from continuing operations | \$ (50,722)               | 31,087               |
| Other comprehensive income (loss)        | <u>10</u>                 | <u>(3)</u>           |
| Comprehensive income (loss)              | <u><u>\$ (50,712)</u></u> | <u><u>31,084</u></u> |

(iii) Pledges

As of December 31, 2022 and 2021, the Company had not provided any investments accounted for using the equity method as collateral for its loans.

(g) Loss control of subsidiaries

- (i) The Group had sold 86.96% of its shares in RisingStar, wherein the proceeds of \$20,111 thousand on February 9, 2021, resulted in a loss of control over RisingStar. Therefore, the \$1,343 thousand gain on disposal of a subsidiary had been recognized as other gains and losses under other comprehensive income.

- 1) The carrying amounts of assets and liabilities of RisingStar on the date of disposal were as follows:

|                               |                         |
|-------------------------------|-------------------------|
| Cash and cash equivalents     | \$ 10,945               |
| Accounts receivables          | 8,431                   |
| Prepayments                   | 186                     |
| Property, plant and equipment | 245                     |
| Intangible assets             | 1,860                   |
| Guarantee deposits            | 93                      |
| Other payables                | <u>(177)</u>            |
| Carrying amount of net assets | <u><u>\$ 21,583</u></u> |

- 2) Gain on disposal of a subsidiary

|  |                        |
|--|------------------------|
| Cash received                                | \$ 20,111              |
| Carrying amount of net assets                | (21,583)               |
| Carrying amount of non-controlling interests | <u>2,815</u>           |
| Gain on disposal                             | <u><u>\$ 1,343</u></u> |

- 3) Net cash flows from disposal of a subsidiary

|  |                        |
|--|------------------------|
| Cash received                                      | \$ 20,111              |
| Less: Carrying amount of cash and cash equivalents | <u>(10,945)</u>        |
|  | <u><u>\$ 9,166</u></u> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
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- (ii) The Group had sold 61.16% of its shares in Bruckewell, wherein the proceeds of \$13,000 thousand on December 29, 2021, resulted in a loss of control over Bruckewell. Therefore, the \$4,911 thousand gain on disposal of a subsidiary had been recognized as other gains and losses under other comprehensive income.

- 1) The carrying amounts of assets and liabilities of Bruckewell on the date of disposal were as follows:

|                               |                         |
|-------------------------------|-------------------------|
| Cash and cash equivalents     | \$ 2,529                |
| Accounts receivables          | 2,748                   |
| Other receivables             | 138                     |
| Inventories                   | 6,411                   |
| Prepayments                   | 299                     |
| Property, plant and equipment | 7,910                   |
| Intangible assets             | 511                     |
| Guarantee deposits            | 798                     |
| Accounts payable              | (2,372)                 |
| Other current liabilities     | <u>(5,748)</u>          |
| Carrying amount of net assets | <u><u>\$ 13,224</u></u> |

- 2) Gain on disposal of a subsidiary

|  |                        |
|--|------------------------|
| Cash received                                | \$ 13,000              |
| Carrying amount of net assets                | (13,224)               |
| Carrying amount of non-controlling interests | <u>5,135</u>           |
| Gain on disposal                             | <u><u>\$ 4,911</u></u> |

- 3) Net cash flows from disposal of a subsidiary

|  |                         |
|--|-------------------------|
| Cash received                                      | \$ 13,000               |
| Less: Carrying amount of cash and cash equivalents | <u>(2,529)</u>          |
|  | <u><u>\$ 10,471</u></u> |

(Continued)



**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(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, 2022   | \$ 230,790        | 1,178,183        | 523,174                        | 128,285                                    | 33,979                                | 2,094,411        |
| Additions                       | -                 | 1,169            | 41,252                         | 19,519                                     | 65,884                                | 127,824          |
| Derecognized                    | -                 | (16,880)         | (4,640)                        | (1,850)                                    | -                                     | (23,370)         |
| Reclassification                | -                 | 2,541            | 14,662                         | 1,474                                      | (20,996)                              | (2,319)          |
| Balance as of December 31, 2022 | <u>\$ 230,790</u> | <u>1,165,013</u> | <u>574,448</u>                 | <u>147,428</u>                             | <u>78,867</u>                         | <u>2,196,546</u> |
| Balance as of January 1, 2021   | \$ 230,790        | 1,162,385        | 503,223                        | 119,222                                    | 29,540                                | 2,045,160        |
| Additions                       | -                 | 10,465           | 46,099                         | 14,644                                     | 23,715                                | 94,923           |
| Derecognized                    | -                 | -                | (39,191)                       | (5,581)                                    | -                                     | (44,772)         |
| Reclassification                | -                 | 5,333            | 13,043                         | -  | (19,276)                              | (900)            |
| Balance as of December 31, 2021 | <u>\$ 230,790</u> | <u>1,178,183</u> | <u>523,174</u>                 | <u>128,285</u>                             | <u>33,979</u>                         | <u>2,094,411</u> |
| Accumulated depreciation:       |                   |                  |                                |  |                                       |                  |
| Balance as of January 1, 2022   | \$ -              | 714,779          | 410,800                        | 104,570                                    | -                                     | 1,230,149        |
| Depreciation                    | -                 | 22,010           | 47,030                         | 11,082                                     | -                                     | 80,122           |
| Derecognized                    | -                 | (1,858)          | (4,636)                        | (1,850)                                    | -                                     | (8,344)          |
| Balance as of December 31, 2022 | <u>\$ -</u>       | <u>734,931</u>   | <u>453,194</u>                 | <u>113,802</u>                             | <u>-</u>                              | <u>1,301,927</u> |
| Balance as of January 1, 2021   | \$ -              | 694,485          | 412,034                        | 102,625                                    | -                                     | 1,209,144        |
| Depreciation                    | -                 | 20,294           | 37,906                         | 7,526                                      | -                                     | 65,726           |
| Derecognized                    | -                 | -                | (39,140)                       | (5,581)                                    | -                                     | (44,721)         |
| Balance as of December 31, 2021 | <u>\$ -</u>       | <u>714,779</u>   | <u>410,800</u>                 | <u>104,570</u>                             | <u>-</u>                              | <u>1,230,149</u> |
| Carrying value:                 |                   |                  |                                |  |                                       |                  |
| Balance as of December 31, 2022 | <u>\$ 230,790</u> | <u>430,082</u>   | <u>121,254</u>                 | <u>33,626</u>                              | <u>78,867</u>                         | <u>894,619</u>   |
| Balance as of December 31, 2021 | <u>\$ 230,790</u> | <u>463,404</u>   | <u>112,374</u>                 | <u>23,715</u>                              | <u>33,979</u>                         | <u>864,262</u>   |

As of December 31, 2022 and 2021, the Company had not provided any property, plant and equipment as collateral for its loans.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(i) Right-of-use assets

The Company leases many assets including land, buildings, machinery and office equipment. Information about leases for which the Company 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, 2022                   | \$ 842,736        | 6,347            | 948                                    | 17,335                      | 867,366        |
| Additions                                       | -                 | 28,283           | -                                      | -                           | 28,283         |
| Derecognized                                    | -                 | -                | -                                      | (7,273)                     | (7,273)        |
| Balance as of December 31, 2022                 | <u>\$ 842,736</u> | <u>34,630</u>    | <u>948</u>                             | <u>10,062</u>               | <u>888,376</u> |
| Balance as of January 1, 2021                   | \$ 186,882        | -                | 948                                    | 10,334                      | 198,164        |
| Additions                                       | 655,854           | 6,347            | -                                      | 7,001                       | 669,202        |
| Balance as of December 31, 2021                 | <u>\$ 842,736</u> | <u>6,347</u>     | <u>948</u>                             | <u>17,335</u>               | <u>867,366</u> |
| Accumulated depreciation and impairment losses: |                   |                  |  |                             |                |
| Balance at January 1, 2022                      | \$ 27,705         | 529              | 448                                    | 8,991                       | 37,673         |
| Depreciation                                    | 22,008            | 4,510            | 316                                    | 3,529                       | 30,363         |
| Derecognized                                    | -                 | -                | -                                      | (6,213)                     | (6,213)        |
| Balance as of December 31, 2022                 | <u>\$ 49,713</u>  | <u>5,039</u>     | <u>764</u>                             | <u>6,307</u>                | <u>61,823</u>  |
| Balance at January 1, 2021                      | \$ 11,164         | -                | 132                                    | 3,772                       | 15,068         |
| Depreciation                                    | 16,541            | 529              | 316                                    | 5,219                       | 22,605         |
| Balance as of December 31, 2021                 | <u>\$ 27,705</u>  | <u>529</u>       | <u>448</u>                             | <u>8,991</u>                | <u>37,673</u>  |
| Book value:                                     |                   |                  |  |                             |                |
| Balance as of December 31, 2022                 | <u>\$ 793,023</u> | <u>29,591</u>    | <u>184</u>                             | <u>3,755</u>                | <u>826,553</u> |
| Balance as of December 31, 2021                 | <u>\$ 815,031</u> | <u>5,818</u>     | <u>500</u>                             | <u>8,344</u>                | <u>829,693</u> |

The Company leased the superficies of “Hsinchu County International AI Smart Park Industrial Zone(1)-3” on April 30, 2021, with the royalty of \$15,800 thousand per year. The leased land will be calculated and adjusted based on the announced land price during the contract period. The Company recognized right-of-use assets and lease liabilities amounting to \$655,854 thousand, respectively.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the 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, 2022   | \$ 160,600        | 99,478                        | 256,279                      | 516,357        |
| Additions                       | -                 | 5,444                         | 68,710                       | 74,154         |
| Reclassifications               | -                 | -                             | 2,318                        | 2,318          |
| Derecognized                    | -                 | (38,993)                      | (30,347)                     | (69,340)       |
| Balance as of December 31, 2022 | <u>\$ 160,600</u> | <u>65,929</u>                 | <u>296,960</u>               | <u>523,489</u> |
| Balance as of January 1, 2021   | \$ 160,600        | 91,929                        | 214,883                      | 467,412        |
| Additions                       | -                 | 13,973                        | 45,935                       | 59,908         |
| Reclassifications               | -                 | -                             | 900                          | 900            |
| Derecognized                    | -                 | (6,424)                       | (5,439)                      | (11,863)       |
| Balance as of December 31, 2021 | <u>\$ 160,600</u> | <u>99,478</u>                 | <u>256,279</u>               | <u>516,357</u> |
| Accumulated amortization:       |                   |                               |                              |                |
| Balance as of January 1, 2022   | \$ -              | 78,689                        | 158,243                      | 236,932        |
| Additions                       | -                 | 17,020                        | 91,933                       | 108,953        |
| Derecognized                    | -                 | (38,993)                      | (30,347)                     | (69,340)       |
| Balance as of December 31, 2022 | <u>\$ -</u>       | <u>56,716</u>                 | <u>219,829</u>               | <u>276,545</u> |
| Balance as of January 1, 2021   | \$ -              | 67,080                        | 89,681                       | 156,761        |
| Additions                       | -                 | 18,033                        | 74,001                       | 92,034         |
| Derecognized                    | -                 | (6,424)                       | (5,439)                      | (11,863)       |
| Balance as of December 31, 2021 | <u>\$ -</u>       | <u>78,689</u>                 | <u>158,243</u>               | <u>236,932</u> |
| Book value:                     |                   |                               |                              |                |
| Balance as of December 31, 2022 | <u>\$ 160,600</u> | <u>9,213</u>                  | <u>77,131</u>                | <u>246,944</u> |
| Balance as of December 31, 2021 | <u>\$ 160,600</u> | <u>20,789</u>                 | <u>98,036</u>                | <u>279,425</u> |

(i) The amortization of intangible assets recognized under operation costs and operating expenses for the years ended 2022 and 2021 were \$108,953 thousand and \$92,034 thousand, respectively.

(ii) Impairment testing for goodwill

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

The carrying amounts of goodwill were as follow:

|  | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|--|------------------------------|------------------------------|
| Laptop input device business cash-generating units | <u>\$ 160,600</u>            | <u>160,600</u>               |

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

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

|                             | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|-----------------------------|------------------------------|------------------------------|
| Average revenue growth rate | 1.2 %                        | 4.1 %                        |
| Discount rate               | 12.34 %                      | 7.88 %                       |

The key assumptions represents the management's valuation of the future industry trends, wherein the external, internal and also historical information, were considered. There was no impairment loss incurred as of December 31, 2022 and 2021.

(k) Lease liabilities

The lease liabilities were as follows:

|             | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|-------------|------------------------------|------------------------------|
| Current     | <b>\$ 13,508</b>             | <b>11,706</b>                |
| Non-current | <b>\$ 687,339</b>            | <b>671,682</b>               |

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

The amounts recognized in profit or loss were as follows:

|  | <b>2022</b>      | <b>2021</b>  |
|--|------------------|--------------|
| Interest on lease liabilities  | <b>\$ 11,236</b> | <b>8,294</b> |
| Expenses relating to short-term leases   | <b>\$ 9,309</b>  | <b>9,734</b> |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | <b>\$ 763</b>    | <b>874</b>   |

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

|                               | <b>2022</b>      | <b>2021</b>    |
|-------------------------------|------------------|----------------|
| Total cash outflow for leases | <b>\$ 42,465</b> | <b>198,766</b> |

(i) Real estate leases

The Company leases land and buildings for its office space. The lease of land typically run for a period of 20 to 40 years, and of buildings for 2 to 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.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(ii) Other leases

The Company leases machinery and equipment, with lease terms of 1 to 3 years. These leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. The Company leases its office and transportation equipment, with lease terms ranging from 1 to 3 years. In some cases, the Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term. These leases are short-term or leases of low-value items which the Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(l) Employee benefits

(i) Defined benefit plans

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

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|------------------------------|------------------------------|
| Present value of defined benefit obligations | \$ 410,994                   | 483,711                      |
| Fair value of plan assets                    | <u>(103,029)</u>             | <u>(88,916)</u>              |
| Net defined benefit liabilities              | <b><u>\$ 307,965</u></b>     | <b><u>394,795</u></b>        |

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$103,029 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

2) Movements in present value of the defined benefit obligations

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

|  | <b>2022</b>       | <b>2021</b>    |
|--|-------------------|----------------|
| Defined benefit obligations at January 1                     | \$ 483,711        | 468,361        |
| Current service cost and interest cost                       | 3,748             | 4,492          |
| Remeasurements of net defined benefit liabilities (assets)   |                   |                |
| — Actuarial loss (gain) arising from demographic assumptions | -                 | 12,714         |
| — Actuarial loss (gain) arising from financial assumptions   | (51,734)          | 7,139          |
| — Actuarial loss (gain) arising from experience adjustments  | (15,059)          | 8,049          |
| Benefits paid  | (9,672)           | (17,044)       |
| Defined benefit obligations at December 31                   | <b>\$ 410,994</b> | <b>483,711</b> |

3) Movements of plan assets

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

|  | <b>2022</b>       | <b>2021</b>   |
|--|-------------------|---------------|
| Fair value of plan assets at January 1                     | \$ 88,916         | 86,086        |
| Interest income  | 565               | 655           |
| Remeasurements of net defined benefit liabilities (assets) |                   |               |
| — Return on plan assets excluding interest income          | 7,091             | 853           |
| Contributions paid by the employer                         | 15,779            | 15,698        |
| Benefits paid  | (9,322)           | (14,376)      |
| Fair value of plan assets at December 31                   | <b>\$ 103,029</b> | <b>88,916</b> |

4) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for the years ended December 31, 2022 and 2021, were as follows:

|   | <b>2022</b>     | <b>2021</b>  |
|---|-----------------|--------------|
| Current service costs   | \$ 817          | 1,082        |
| Net interest of net liabilities for defined benefit obligations | 2,366           | 2,755        |
|   | <b>\$ 3,183</b> | <b>3,837</b> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

|                                   | <u>2022</u>            | <u>2021</u>         |
|-----------------------------------|------------------------|---------------------|
| Operating cost                    | \$ 270                 | 333                 |
| Selling expenses                  | 199                    | 243                 |
| Administration expenses           | 274                    | 334                 |
| Research and development expenses | <u>2,440</u>           | <u>2,927</u>        |
|                                   | <u><b>\$ 3,183</b></u> | <u><b>3,837</b></u> |

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

The Company's remeasurement of net defined benefit liabilities (assets) recognized in other comprehensive income for the years ended December 31, 2022 and 2021, were as follows:

|                        | <u>2022</u>               | <u>2021</u>          |
|------------------------|---------------------------|----------------------|
| Balance at January 1   | \$ 33,907                 | 6,858                |
| Recognized             | <u>(73,884)</u>           | <u>27,049</u>        |
| Balance at December 31 | <u><b>\$ (39,977)</b></u> | <u><b>33,907</b></u> |

- 6) Actuarial assumptions

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

|                             | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|-----------------------------|------------------------------|------------------------------|
| Discount rate               | 1.750%                       | 0.625%                       |
| Future salary increase rate | 5.000%                       | 5.000%                       |

The expected allocation payment to be made by the Company to the defined benefit plans for one-year period after the reporting date was \$5,807 thousand.

As of December 31, 2022 and 2021, the weighted-average lifetime of the defined benefits plans were 13.94 years and 14.89 years.

- 7) Sensitivity analysis

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

|                               | <u>Impact on the defined benefit obligations</u> |                              |
|-------------------------------|--|------------------------------|
|                               | <u>Increase by<br/>0.25%</u>                     | <u>Decrease by<br/>0.25%</u> |
| December 31, 2022             |  |                              |
| Discount rate                 | \$ (10,392)                                      | 10,769                       |
| Future salary increasing rate | 10,156   | (9,858)                      |

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

|                               | <b>Impact on the defined benefit obligations</b> |                              |
|-------------------------------|--|------------------------------|
|                               | <b>Increase by<br/>0.25%</b>                     | <b>Decrease by<br/>0.25%</b> |
| December 31, 2021             |  |                              |
| Discount rate                 | (14,131)   | 14,687                       |
| Future salary increasing rate | 13,742   | (13,311)                     |

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company's expenses incurred from the contributions to the Bureau of Labor Insurance for the and years ended December 31, 2022 and 2021 were as follows:

|                                   | <b>2022</b>      | <b>2021</b>   |
|-----------------------------------|------------------|---------------|
| Operating cost                    | \$ 7,975         | 7,550         |
| Selling expenses                  | 5,007            | 4,797         |
| Administration expenses           | 4,768            | 4,604         |
| Research and development expenses | 43,840           | 39,529        |
|                                   | <b>\$ 61,590</b> | <b>56,480</b> |

(m) Income taxes

(i) The components of income tax were as follow:

|                      | <b>2022</b>       | <b>2021</b>    |
|----------------------|-------------------|----------------|
| Current tax expense  | \$ 646,812        | 995,858        |
| Deferred tax expense | (3,396)           | (6,950)        |
| Income tax expense   | <b>\$ 643,416</b> | <b>988,908</b> |

(Continued)



**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

Reconciliation of income tax and profit before tax for the years ended December 31, 2022 and 2021 is as follows:

|  | <u><b>2022</b></u>         | <u><b>2021</b></u>      |
|--|----------------------------|-------------------------|
| Income before income tax   | <u><b>\$ 2,795,092</b></u> | <u><b>6,091,354</b></u> |
| Income tax using the Company's domestic tax rate                 | \$ 559,018                 | 1,218,271               |
| Suspension of tax-exempt gain on disposal of domestic securities | 579                        | 1,018                   |
| Prior year's income tax adjustment                               | 45,074                     | 9,787                   |
| Investment tax credit  | (53,249)                   | (39,587)                |
| Change in unrecognized temporary differences                     | 6,300                      | (191,300)               |
| Investment income from domestic securities                       | 60,081                     | (26,803)                |
| Additional tax on undistributed earnings                         | 25,613                     | 28,396                  |
| Others   | -                          | (10,874)                |
| Total  | <u><b>\$ 643,416</b></u>   | <u><b>988,908</b></u>   |

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

|   | <u><b>December 31,<br/>2022</b></u> | <u><b>December 31,<br/>2021</b></u> |
|---|-------------------------------------|-------------------------------------|
| Realized valuation losses on long-term investment | \$ 41,200                           | 36,100                              |
| Tax-deductible loss carry forward                 | 89,900                              | 92,100                              |
| Provision for decline in value of inventories     | 36,000                              | 34,900                              |
| Others  | 5,000                               | 2,700                               |
|   | <u><b>\$ 172,100</b></u>            | <u><b>165,800</b></u>               |

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

2) Recognized deferred tax assets and liabilities

Movements of recognized deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

Deferred Tax Liabilities:

|                              | <b>Fair<br/>Value Gains</b> |
|------------------------------|-----------------------------|
| Balance at January 1, 2022   | \$ (1,067)                  |
| Recognized in profit or loss | (1,456)                     |
| Balance at December 31, 2022 | <u><u>\$ (2,523)</u></u>    |
| Balance at January 1, 2021   | \$ (1,244)                  |
| Recognized in profit or loss | 177                         |
| Balance at December 31, 2021 | <u><u>\$ (1,067)</u></u>    |

Deferred Tax Assets:

|                              | <b>Decline in Value<br/>of Inventories</b> | <b>Others</b>       | <b>Total</b>         |
|------------------------------|--|---------------------|----------------------|
| Balance at January 1, 2022   | \$ 34,985                                  | 5,009               | 39,994               |
| Recognized in profit or loss | 1,044                                      | 3,808               | 4,852                |
| Balance at December 31, 2022 | <u><u>\$ 36,029</u></u>                    | <u><u>8,817</u></u> | <u><u>44,846</u></u> |
| Balance at January 1, 2021   | \$ 31,043                                  | 2,178               | 33,221               |
| Recognized in profit or loss | 3,942                                      | 2,831               | 6,773                |
| Balance at December 31, 2021 | <u><u>\$ 34,985</u></u>                    | <u><u>5,009</u></u> | <u><u>39,994</u></u> |

(iii) The Company's tax returns for the year through 2020 were assessed by the tax authorities.

(n) Capital and other equity

As of December 31, 2022 and 2021, the authorized capital of the Company amounted to \$4,800,000 thousand, divided into 303,880 thousand ordinary shares, with a par value of \$10 per share. The issued shares were composed of common stocks only and have been fully paid up.

(i) Capital surplus

The balances of capital surplus were as follows:

|   | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---|------------------------------|------------------------------|
| Additional paid-in capital  | \$ 231,051                   | 231,051                      |
| Treasury share transactions   | 509,478                      | 337,686                      |
| Difference arising from subsidiary's share price and its carrying value | <u>97,899</u>                | <u>62,444</u>                |
|   | <u><u>\$ 838,428</u></u>     | <u><u>631,181</u></u>        |

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## ELAN MICROELECTRONICS CORPORATION

### Notes to the Financial Statements

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

The Company's Article of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. Aside from the aforesaid legal reserve, the Company may appropriate another sum as a special reserve according to operation needs and legal requirements, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval. For dividends of at least 50% of current period earnings and undistributed prior period earnings, the cash dividends shall not be less than 10% of the total amount dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Rule 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 special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriations of earnings for 2021 and 2020 had been approved in the shareholders' meeting held on June 15, 2022 and July 2, 2021, respectively. The Company declared cash dividends of \$13.81 and \$9.00 per share, amounting to \$4,102,385 thousand and \$2,734,924 thousand, respectively, for the year 2021 and 2020.

There was no difference between the actual distribution and the estimation in the financial statements of 2021 and 2020.

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**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

The appropriation of earnings for 2022 had been approved at the Board meeting on February 22, 2023. The cash dividend of \$6.00 per share, amounting to \$1,823,282 thousand for the year 2022.

(iii) Treasury shares

|                                 | <b>December 31, 2022</b>     |                     | <b>December 31, 2021</b>     |                  |
|---------------------------------|------------------------------|---------------------|------------------------------|------------------|
|                                 | <b>Shares (in thousands)</b> | <b>Amounts</b>      | <b>Shares (in thousands)</b> | <b>Amounts</b>   |
| Shares transferred to employees | 6,857                        | \$ 1,077,510        | 6,857                        | 1,077,510        |
| Shares held by subsidiaries     | 12,438                       | 28,975              | 12,438                       | 28,975           |
|                                 | <b>19,295</b>                | <b>\$ 1,106,485</b> | <b>19,295</b>                | <b>1,106,485</b> |

- 1) The Company purchased shares as treasury stock for the purpose of transferring to employees in accordance with the requirements under section 28(2) of the Securities and Exchange Act. The movements of treasury stock were as follow:

|                   | <b>2022</b>                  |                     | <b>2021</b>                  |                  |
|-------------------|------------------------------|---------------------|------------------------------|------------------|
|                   | <b>Shares (in thousands)</b> | <b>Amounts</b>      | <b>Shares (in thousands)</b> | <b>Amounts</b>   |
| Beginning balance | 6,857                        | \$ 1,077,510        | -                            | -                |
| Increase          | -                            | -                   | 6,857                        | 1,077,510        |
| Ending balance    | <b>6,857</b>                 | <b>\$ 1,077,510</b> | <b>6,857</b>                 | <b>1,077,510</b> |

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and should not hold any shareholder rights before their transfer.

- 2) Elan Investment Corp., a subsidiary of the Company, invested in Elantech before the Company acquired Elantech, and held the Company's stock after the Company's acquisition of Elantech. For the years ended December 31, 2022 and 2021, the information on the Company's stock held by Elan Investment Corp. was as follows:

|                             | <b>For the years ended December 31</b> |                         |                           |                              |                         |                           |
|-----------------------------|--|-------------------------|---------------------------|------------------------------|-------------------------|---------------------------|
|                             | <b>2022</b>                            |                         |                           | <b>2021</b>                  |                         |                           |
|                             | <b>Shares (in thousands)</b>           | <b>Acquisition cost</b> | <b>Total market value</b> | <b>Shares (in thousands)</b> | <b>Acquisition cost</b> | <b>Total market value</b> |
| Opening balance             | 12,438                                 | \$ 28,975               | 2,114,494                 | 12,438                       | 28,975                  | 1,660,500                 |
| Effects of valuation change | -                                      | -                       | (1,044,809)               | -                            | -                       | 453,994                   |
| Ending balance              | <b>12,438</b>                          | <b>\$ 28,975</b>        | <b>1,069,685</b>          | <b>12,438</b>                | <b>28,975</b>           | <b>2,114,494</b>          |

The Company transferred cash dividend revenue received by Elan Investment Corp. amounting to \$171,792 thousand and \$111,944 thousand to capital surplus-treasury stock in 2022 and 2021, respectively.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(iv) Other equity

The movements of other equity were as follows:

|  | For the years ended December 31, 2022                             |   |               |
|--|---|---|---------------|
|  | Foreign exchange<br>differences arising from<br>foreign operation | Unrealized gains<br>(losses) from financial<br>assets measured at fair<br>value through other<br>comprehensive income | Total         |
| Balance as of January 1  | \$ (6,923)  | 202,017   | 195,094       |
| Exchange differences on foreign operations:  |   |   |               |
| The Company  | 1,664   | -   | 1,664         |
| Subsidiaries   | 543   | -   | 543           |
| Associates   | 10  | -   | 10            |
| Unrealized gains (losses) from financial assets<br>measured at fair value through other<br>comprehensive income: |   |   |               |
| The Company  | -   | (186,233)   | (186,233)     |
| Balance as of December 31  | <u>\$ (4,706)</u>   | <u>15,784</u>   | <u>11,078</u> |

|  | For the years ended December 31, 2021                             |   |                |
|--|---|---|----------------|
|  | Foreign exchange<br>differences arising from<br>foreign operation | Unrealized gains<br>(losses) from financial<br>assets measured at fair<br>value through other<br>comprehensive income | Total          |
| Balance as of January 1  | \$ (6,597)  | 9,937   | 3,340          |
| Foreign exchange differences:  |   |   |                |
| The Company  | (247)   | -   | (247)          |
| Subsidiaries   | (76)  | -   | (76)           |
| Associates   | (3)   | -   | (3)            |
| Unrealized gains (losses) from financial assets<br>measured at fair value through other<br>comprehensive income: |   |   |                |
| The Company  | -   | 235,262   | 235,262        |
| Subsidiaries   | -   | 82,954  | 82,954         |
| Subsidiaries-disposal  | -   | (126,136)   | (126,136)      |
| Balance as of December 31  | <u>\$ (6,923)</u>   | <u>202,017</u>  | <u>195,094</u> |

(o) Earnings per share

The Company's earnings per share for the years ended December 31, 2022 and 2021 were calculated as follows:

(i) Basic earnings per share:

|   | 2022                | 2021             |
|---|---------------------|------------------|
| Net profit attributable to ordinary shareholders of the Company       | <u>\$ 2,151,676</u> | <u>5,102,446</u> |
| Weighted average number of ordinary shares outstanding (in thousands) | <u>284,585</u>      | <u>289,323</u>   |
| Earnings per share  | <u>\$ 7.56</u>      | <u>17.64</u>     |

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(ii) Diluted earnings per share:

|  | <u>2022</u>         | <u>2021</u>      |
|--|---------------------|------------------|
| Net profit attributable to ordinary shareholders of the Company (diluted)      | <u>\$ 2,151,676</u> | <u>5,102,446</u> |
| Weighted average number of ordinary shares outstanding (in thousands)          | 284,585             | 289,323          |
| Effect of dilutive potential ordinary shares (in thousands)                    |                     |                  |
| — employee share bonus   | <u>4,566</u>        | <u>5,005</u>     |
| Weighted average number of ordinary shares outstanding (diluted)(in thousands) | <u>289,151</u>      | <u>294,328</u>   |
| Diluted earnings per share   | <u>\$ 7.44</u>      | <u>17.34</u>     |

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

|   | <u>2022</u>          | <u>2021</u>       |
|---|----------------------|-------------------|
| Taiwan                                    | \$ 906,714           | 1,456,666         |
| Mainland China                            | 2,322,925            | 2,306,918         |
| Hong Kong                                 | 9,089,669            | 13,758,326        |
| America                                   | 3,002                | 6,267             |
| Europe                                    | 3,317                | 3,317             |
| Other                                     | <u>109,928</u>       | <u>210,583</u>    |
|   | <u>\$ 12,435,555</u> | <u>17,742,077</u> |
| Main products:                            |                      |                   |
| Consumer Touch Control Integrated Circuit | \$ 3,195,350         | 6,193,142         |
| Laptop Input Device                       | 9,203,681            | 11,528,096        |
| Development and other income              | <u>36,524</u>        | <u>20,839</u>     |
|   | <u>\$ 12,435,555</u> | <u>17,742,077</u> |

(ii) Contract balances

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

(q) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

|                                    | <u>2022</u>      | <u>2021</u>   |
|------------------------------------|------------------|---------------|
| Interest income from bank deposits | <u>\$ 25,317</u> | <u>23,054</u> |

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(ii) Other income

|                   | <u>2022</u>       | <u>2021</u>   |
|-------------------|-------------------|---------------|
| Rent income       | \$ 6,656          | 8,413         |
| Dividend income   | 93,807            | 27,433        |
| Government grants | 5,000             | 3,993         |
| Others            | 33,996            | 10,621        |
| Total             | <u>\$ 139,459</u> | <u>50,460</u> |

(iii) Other gains and losses

|  | <u>2022</u>      | <u>2021</u>    |
|--|------------------|----------------|
| Foreign exchange losses  | \$ 194,089       | (54,759)       |
| Loss on adjustments to lease   | (160)            | -              |
| Gains (losses) on financial asset at fair value through profit or loss | (104,598)        | 200,710        |
| Gains (losses) on disposal of property, plant and equipment            | 2,698            | (51)           |
| Gains on disposal of investment property                               | -                | 6,254          |
| Reversal of impairment loss  | -                | 3,930          |
| Miscellaneous disbursement   | (2,779)          | (2,491)        |
| Total  | <u>\$ 89,250</u> | <u>153,593</u> |

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

According to the Company's Articles of Incorporation, once the Company has annual profit, it should appropriate no less than 10% of the profit as employees compensation and less than 2% as directors' and supervisors' remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2022 and 2021, the amounts of employees' bonuses were estimated at \$334,000 thousand and \$728,000 thousand, respectively. The amounts of compensation to directors and supervisors were estimated at \$41,000 thousand and \$93,000 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These bonuses and compensation were expensed under operating costs or operating expenses during 2022 and 2021. Related information would be available at the Market Observation Post System website. There were no differences between the distribution amounts of bonuses and compensation decided by the Board mentioned above and the estimated amounts of the Company's Consolidated Financial Statements for 2022 and 2021.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

As of December 31, 2022 and 2021, 83% and 86%, respectively, of accounts receivable were due from the ten largest customers. Thus, credit risk was significantly concentrated.

3) Receivables and debt securities

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

Other financial assets at amortized cost, including time deposits with maturities of more than three months and other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f). There was no loss allowance provision for the years ended December 31, 2022 and 2021, respectively.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including 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/>months</u> | <u>6-12<br/>months</u> | <u>1-2<br/>years</u> | <u>2-5<br/>years</u> | <u>Over<br/>5 years</u> |
|--------------------------------------|----------------------------|---|----------------------------|------------------------|----------------------|----------------------|-------------------------|
| <b>December 31, 2022</b>             |                            |   |                            |                        |                      |                      |                         |
| Non-derivative financial liabilities |                            |   |                            |                        |                      |                      |                         |
| Notes and accounts payable           | \$ 686,908                 | 686,908                                 | 686,908                    | -                      | -                    | -                    | -                       |
| Other payable                        | 548,834                    | 548,834                                 | 548,834                    | -                      | -                    | -                    | -                       |
| Lease liabilities                    | <u>700,847</u>             | <u>909,294</u>                          | <u>8,043</u>               | <u>12,611</u>          | <u>18,078</u>        | <u>50,176</u>        | <u>820,386</u>          |
|                                      | <u>\$ 1,936,589</u>        | <u>2,145,036</u>                        | <u>1,243,785</u>           | <u>12,611</u>          | <u>18,078</u>        | <u>50,176</u>        | <u>820,386</u>          |
| <b>December 31, 2021</b>             |                            |   |                            |                        |                      |                      |                         |
| Non-derivative financial liabilities |                            |   |                            |                        |                      |                      |                         |
| Notes and accounts payable           | \$ 1,692,409               | 1,692,409                               | 1,692,409                  | -                      | -                    | -                    | -                       |
| Other payables                       | 464,540                    | 464,540                                 | 464,540                    | -                      | -                    | -                    | -                       |
| Lease liabilities                    | <u>683,388</u>             | <u>906,267</u>                          | <u>7,248</u>               | <u>11,364</u>          | <u>16,891</u>        | <u>40,933</u>        | <u>829,831</u>          |
|                                      | <u>\$ 2,840,337</u>        | <u>3,063,216</u>                        | <u>2,164,197</u>           | <u>11,364</u>          | <u>16,891</u>        | <u>40,933</u>        | <u>829,831</u>          |

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

|                               | December 31, 2022   |                  |           | December 31, 2021   |                  |           |
|-------------------------------|---------------------|------------------|-----------|---------------------|------------------|-----------|
|                               | Foreign<br>currency | Exchange<br>rate | TWD       | Foreign<br>currency | Exchange<br>rate | TWD       |
| <u>Financial assets:</u>      |                     |                  |           |                     |                  |           |
| <u>Monetary item</u>          |                     |                  |           |                     |                  |           |
| USD                           | \$ 60,525           | 30.73            | 1,859,933 | 134,173             | 27.68            | 3,713,909 |
| <u>Financial liabilities:</u> |                     |                  |           |                     |                  |           |
| <u>Monetary item</u>          |                     |                  |           |                     |                  |           |
| USD                           | 31,453              | 30.73            | 966,551   | 63,423              | 27.68            | 1,755,549 |

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the retranslation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD as of December 31, 2022 and 2021 would have increased (decreased) the net profit after tax by \$35,735 thousand and \$78,264 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variables remaining constant. The analysis is performed on the same basis in 2022 and 2021.

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. The foreign exchange gain (including realized and unrealized portions) amounted to \$194,089 thousand and loss amounted to \$54,759 thousand for the years ended December 31, 2022 and 2021, respectively.

(iv) Interest rate analysis

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

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

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**ELAN MICROELECTRONICS CORPORATION**  
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If the interest rate increases/decreases by 0.5%, the Company's net income will increase/decrease by \$49 thousand and \$317 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining unchanged. This was mainly due to the Company's time deposits and borrowings at variable rates.

(v) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses of the changes in the securities price at the reporting date were performed on the same basis for the profit and loss as illustrated below:

| Prices of securities at the reporting date | 2022                                 |            | 2021                                 |            |
|--|--------------------------------------|------------|--------------------------------------|------------|
|  | Other comprehensive income after tax |            | Other comprehensive income after tax |            |
|  |                                      | Net income |                                      | Net income |
| Increase 5%                                | \$ 12,224                            | 36,340     | 19,673                               | 33,566     |
| Decrease 5%                                | \$ (12,224)                          | (36,340)   | (19,673)                             | (33,566)   |

(vi) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

|   | December 31, 2022 |            |         |           |           |
|---|-------------------|------------|---------|-----------|-----------|
|   | Book value        | Fair Value |         |           |           |
|   |                   | Level 1    | Level 2 | Level 3   | total     |
| Financial assets at fair value through profit or loss (current and non-current) | \$ 1,378,820      | 94,324     | 98,708  | 1,185,788 | 1,378,820 |
| Financial assets at fair value through other comprehensive income               |                   |            |         |           |           |
| Stocks  | 305,591           | -          | 292,495 | 13,096    | 305,591   |
| Accounts receivable   | 410,234           | -          | -       | -         | -         |
| Subtotal  | 715,825           | -          | 292,495 | 13,096    | 305,591   |
| Financial assets measured at amortized cost                                     |                   |            |         |           |           |
| Cash and cash equivalents   | 1,477,970         | -          | -       | -         | -         |
| Notes and accounts receivable   | 222,742           | -          | -       | -         | -         |
| Other receivables   | 621,937           | -          | -       | -         | -         |
| Financial assets measured at amortized cost (current and non-current)           | 244,090           | -          | -       | -         | -         |
| Guarantee deposits  | 55,236            | -          | -       | -         | -         |
| Subtotal  | 2,621,975         | -          | -       | -         | -         |
| Total   | \$ 4,716,620      | 94,324     | 391,203 | 1,198,884 | 1,684,411 |

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**ELAN MICROELECTRONICS CORPORATION**  
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|   |                     | December 31, 2022 |                |                  |                  |
|---|---------------------|-------------------|----------------|------------------|------------------|
|   |                     | Fair Value        |                |                  |                  |
|   | Book value          | Level 1           | Level 2        | Level 3          | total            |
| Financial liabilities measured at amortized cost                                |                     |                   |                |                  |                  |
| Notes and accounts payable  | \$ 686,908          | -                 | -              | -                | -                |
| Other payables  | 548,834             | -                 | -              | -                | -                |
| Lease liabilities (current and non-current)                                     | 700,847             | -                 | -              | -                | -                |
| Guarantee deposits received   | 9,345               | -                 | -              | -                | -                |
| Total   | <u>\$ 1,945,934</u> | <u>-</u>          | <u>-</u>       | <u>-</u>         | <u>-</u>         |
|   |                     | December 31, 2021 |                |                  |                  |
|   |                     | Fair Value        |                |                  |                  |
|   | Book value          | Level 1           | Level 2        | Level 3          | total            |
| Financial assets at fair value through profit or loss (current and non-current) |                     |                   |                |                  |                  |
|   | <u>\$ 1,169,547</u> | <u>81,967</u>     | <u>78,061</u>  | <u>1,009,519</u> | <u>1,169,547</u> |
| Financial assets at fair value through other comprehensive income               |                     |                   |                |                  |                  |
| Stocks  | 491,824             | -                 | 470,855        | 20,969           | 491,824          |
| Accounts receivable   | <u>1,124,190</u>    | <u>-</u>          | <u>-</u>       | <u>-</u>         | <u>-</u>         |
| Subtotal  | <u>1,616,014</u>    | <u>-</u>          | <u>470,855</u> | <u>20,969</u>    | <u>491,824</u>   |
| Financial assets measured at amortized cost                                     |                     |                   |                |                  |                  |
| Cash and cash equivalents   | 2,910,238           | -                 | -              | -                | -                |
| Notes and accounts receivable   | 653,226             | -                 | -              | -                | -                |
| Other receivables   | 1,156,907           | -                 | -              | -                | -                |
| Financial assets measured at amortized cost (current and non-current)           | 1,717,800           | -                 | -              | -                | -                |
| Guarantee deposits  | <u>177,776</u>      | <u>-</u>          | <u>-</u>       | <u>-</u>         | <u>-</u>         |
| Subtotal  | <u>6,615,947</u>    | <u>-</u>          | <u>-</u>       | <u>-</u>         | <u>-</u>         |
| Total   | <u>\$ 9,401,508</u> | <u>81,967</u>     | <u>548,916</u> | <u>1,030,488</u> | <u>1,661,371</u> |
| Financial liabilities measured at amortized cost                                |                     |                   |                |                  |                  |
| Notes and accounts payable  | \$ 1,692,409        | -                 | -              | -                | -                |
| Other payables  | 464,540             | -                 | -              | -                | -                |
| Lease liabilities (current and non-current)                                     | 683,388             | -                 | -              | -                | -                |
| Guarantee deposits received   | <u>10,797</u>       | <u>-</u>          | <u>-</u>       | <u>-</u>         | <u>-</u>         |
| Total   | <u>\$ 2,851,134</u> | <u>-</u>          | <u>-</u>       | <u>-</u>         | <u>-</u>         |

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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.

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

3) Transfers between Level 1 and Level 2

There were no transfers of financial instruments made between any level for the years ended December 31, 2022 and 2021.

4) Reconciliation of Level 3 fair values

|   | <b>Non derivative<br/>mandatorily<br/>measured at<br/>fair 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, 2022                        | \$ 1,009,519  | 20,969   | 1,030,488               |
| Total gains and losses recognized:                      |   |  |                         |
| In profit or loss                                       | (115,907)   | -  | (115,907)               |
| In other comprehensive income                           | -   | (7,873)  | (7,873)                 |
| Purchased   | 353,706   | -  | 353,706                 |
| Disposal  | (20,882)  | -  | (20,882)                |
| Capital reduction for redistribution<br>to shareholders | (40,648)  | -  | (40,648)                |
| Ending Balance, December 31, 2022                       | <u><u>\$ 1,185,788</u></u>  | <u><u>13,096</u></u>   | <u><u>1,198,884</u></u> |

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|   | <b>Non derivative<br/>mandatorily<br/>measured at<br/>fair 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, 2021  | \$ 587,275  | 13,732   | 601,007          |
| Total gains and losses recognized:                                      |   |  |                  |
| In profit or loss   | 197,885   | -  | 197,885          |
| In other comprehensive income   | -   | 7,237  | 7,237            |
| Purchased   | 240,162   | -  | 240,162          |
| Capital reduction and liquidation for<br>redistribution to shareholders | (15,803)  | -  | (15,803)         |
| Ending Balance, December 31, 2021                                       | <u>\$ 1,009,519</u>   | <u>20,969</u>  | <u>1,030,488</u> |

For the years ended December 31, 2022 and 2021, the total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

|   | <u>2022</u>  | <u>2021</u> |
|---|--------------|-------------|
| Total gains and losses recognized:  |              |             |
| In profit or loss, and presented in “other gains<br>and losses”   | \$ (115,907) | 197,827     |
| In other comprehensive income, and presented in<br>“unrealized gains and losses from financial<br>assets at fair value through other<br>comprehensive income” | (7,873)      | 7,237       |

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

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

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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 profit or loss - equity investments without an active market | Market Comparison Method   | <ul style="list-style-type: none"> <li>Price-to-book ratio (December 31, 2022 and December 31, 2021: 1.09 and 1.28)</li> <li>Liquidity discount (December 31, 2022 and December 31, 2021: 30% and 30%)</li> </ul> | <ul style="list-style-type: none"> <li>The estimated fair value would increase (decrease) if:</li> <li>the price-to-book ratio were higher (lower);</li> <li>the liquidity discount were lower (higher);</li> <li>the price-to-earnings ratio were higher (lower); or</li> <li>the price-to-book assets ratio were higher (lower).</li> <li>The estimated fair value would increase (decrease) if net asset value 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   |  |

- 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:

|   |                     | Increase or decrease | Profit or loss |             |
|---|---------------------|----------------------|----------------|-------------|
|   | Input               |                      | Favorable      | Unfavorable |
| December 31, 2022                                     |                     |                      |                |             |
| Financial assets at fair value through profit or loss |                     |                      |                |             |
| Equity investments without an active market           | Valuation multiples | 10%                  | 350            | (350)       |
|   | Liquidity discount  | 10%                  | 125            | (125)       |
| December 31, 2021                                     |                     |                      |                |             |
| Financial assets at fair value through profit or loss |                     |                      |                |             |
| Equity investments without an active market           | Valuation multiples | 10%                  | 387            | (387)       |
|   | Liquidity discount  | 10%                  | 166            | (166)       |

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(t) Financial risk management

(i) Overview

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Risk Management framework

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

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

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

#### 2) Investments

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

#### (iv) Liquidity risk

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

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

#### (v) Market risk

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

##### 1) Currency risk

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

##### 2) Interest rate risk

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

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3) Other market price risk

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

(u) Capital management

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

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of all equity (i.e. ordinary shares, capital surplus, retained earnings, and other equity) and net liabilities. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

After being approved by the Board of Directors, the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under the Company's share option program. Buy-and-sell decisions are made on a specific transaction basis by the Board of Directors.

The Company's debt-to-equity ratios at the end of the reporting period as at December 31, 2022 and 2021 were as follows:

|                                 | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities               | \$ 3,302,004                 | 5,490,229                    |
| Less: cash and cash equivalents | <u>(1,477,970)</u>           | <u>(2,910,238)</u>           |
| Net debt                        | <b><u>\$ 1,824,034</u></b>   | <b><u>2,579,991</u></b>      |
| Total equity                    | <b><u>\$ 8,889,697</u></b>   | <b><u>10,742,974</u></b>     |
| Debt-to-equity ratio            | <b><u>20.52 %</u></b>        | <b><u>24.02 %</u></b>        |

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

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, were as follows:

- (i) For right-of-use assets under leases, please refer to note 6(i).

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(ii) Reconciliation of liabilities arising from financing activities were as follows:

|  | <b>January 1,<br/>2022</b> | <b>Cash flows</b> | <b>Non-cash changes</b>                  |                             |               | <b>December<br/>31, 2022</b> |
|--|----------------------------|-------------------|--|-----------------------------|---------------|------------------------------|
|  |                            |                   | <b>Foreign<br/>exchange<br/>movement</b> | <b>Interest<br/>expense</b> | <b>Others</b> |                              |
| Lease liabilities                              | \$ 683,388                 | (21,157)          | -  | 11,235                      | 27,381        | 700,847                      |
| Guarantee deposits<br>received                 | 10,797                     | (1,452)           | -  | -                           | -             | 9,345                        |
| Total liabilities from<br>financial activities | <u>\$ 694,185</u>          | <u>(22,609)</u>   | <u>-</u>                                 | <u>11,235</u>               | <u>27,381</u> | <u>710,192</u>               |

|  | <b>January 1,<br/>2021</b> | <b>Cash flows</b> | <b>Non-cash changes</b>                  |                             |                | <b>December<br/>31, 2021</b> |
|--|----------------------------|-------------------|--|-----------------------------|----------------|------------------------------|
|  |                            |                   | <b>Foreign<br/>exchange<br/>movement</b> | <b>Interest<br/>expense</b> | <b>Others</b>  |                              |
| Lease liabilities                              | \$ 185,756                 | (179,864)         | -  | 8,294                       | 669,202        | 683,388                      |
| Guarantee deposits<br>received                 | 10,889                     | (92)              | -  | -                           | -              | 10,797                       |
| Total liabilities from<br>financial activities | <u>\$ 196,645</u>          | <u>(179,956)</u>  | <u>-</u>                                 | <u>8,294</u>                | <u>669,202</u> | <u>694,185</u>               |

**(7) Related-party transactions:**

(a) Names and relationship with related parties

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

| <b>Name of related party</b>             | <b>Relationship with the Company</b>   |
|--|--|
| Elan H.K. Microelectronics Corporation   | A subsidiary   |
| Elan Investment Corp.                    | A subsidiary   |
| Metanoia Communications Inc.             | A subsidiary   |
| Avisonic Technology Corp.                | A subsidiary   |
| Eminent Electronic Technology Corp. Ltd. | A subsidiary   |
| PiXORD Corporation                       | A subsidiary   |
| JPUP Electron Co., Ltd.                  | A subsidiary   |
| Bruckewell Technology Co., Ltd.          | Bruckewell was originally a subsidiary of the Company. However, the Company sold its shares on December 29, 2021; hence, it was excluded from the related party. |

All directors, supervisors, president and vice president of the Company's key management personnel

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(b) Significant transactions with related parties

(i) Sales

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

|                        | <b>2022</b>              | <b>2021</b>           |
|------------------------|--------------------------|-----------------------|
| Subsidiaries-Elan H.K. | <u><u>\$ 407,307</u></u> | <u><u>560,243</u></u> |

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

(ii) Raw materials purchasing services and other operating income

|                         | <b>2022</b>             | <b>2021</b>         |
|-------------------------|-------------------------|---------------------|
| Subsidiaries-Metanoia   | \$ 1,051                | 759                 |
| Subsidiaries-Avisonic   | 308                     | 450                 |
| Subsidiaries-Eminent    | 10,416                  | 3,203               |
| Subsidiaries-Bruckewell | -                       | 15                  |
|                         | <u><u>\$ 11,775</u></u> | <u><u>4,427</u></u> |

(iii) Rent income

|                       | <b>2022</b>            | <b>2021</b>         |
|-----------------------|------------------------|---------------------|
| Subsidiaries-PiXORD   | \$ 1,629               | 1,629               |
| Subsidiaries-Avisonic | 1,363                  | 1,363               |
| Subsidiaries-Metanoia | 1,757                  | 3,515               |
| Subsidiaries-Eminent  | 1,906                  | 1,906               |
|                       | <u><u>\$ 6,655</u></u> | <u><u>8,413</u></u> |

(iv) Purchases and operating expenses

The amounts of purchases by the Company from related parties and operating expenses paid to related parties were as follows:

|                         | <b>2022</b>            | <b>2021</b>         |
|-------------------------|------------------------|---------------------|
| Subsidiaries-JPUP       | \$ 3,939               | 5,087               |
| Subsidiaries-Bruckewell | -                      | 857                 |
|                         | <u><u>\$ 3,939</u></u> | <u><u>5,944</u></u> |

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

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(v) Commission expenses

The Company's related parties provided overseas marketing and aftersales services to their customers, and thus the Company makes commission payments based on the amount of sales made. The amounts of commission expenses recognized in operating expenses (marketing expenses) during 2022 and 2021 were as follows:

|                        | <u>2022</u>       | <u>2021</u>    |
|------------------------|-------------------|----------------|
| Subsidiaries-ELAN H.K. | \$ <u>286,737</u> | <u>390,658</u> |

(vi) Receivable from related parties

The receivables from related parties were as follows:

| <u>Accounts</u>     | <u>Types of related parties</u> | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|---------------------|---------------------------------|------------------------------|------------------------------|
| Accounts receivable | Subsidiaries-Elan H.K.          | \$ 18,365                    | 41,504                       |
| Accounts receivable | Subsidiaries-Eminent            | 155                          | 1,145                        |
| Other receivables   | Subsidiaries-Metanoia           | 3,943                        | 2,934                        |
| Other receivables   | Subsidiaries-Avisonic           | 188                          | 2,103                        |
| Other receivables   | Subsidiaries-PiXORD             | 435                          | 427                          |
| Other receivables   | Subsidiaries-Eminent            | <u>5,777</u>                 | <u>40,758</u>                |
|                     |                                 | <u>\$ 28,863</u>             | <u>88,871</u>                |

(vii) Payables to related parties

The payables to related parties were as follows:

| <u>Accounts</u>  | <u>Types of related parties</u> | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|------------------|---------------------------------|------------------------------|------------------------------|
| Accounts payable | Subsidiaries-JPUP               | \$ 440                       | 921                          |
| Accounts payable | Subsidiaries-Elan H.K.          | 11,225                       | 28,406                       |
| Other payables   | Subsidiaries                    | <u>-</u>                     | <u>1</u>                     |
|                  |                                 | <u>\$ 11,665</u>             | <u>29,328</u>                |

(c) Key management personnel compensation

|                              | <u>2022</u>      | <u>2021</u>    |
|------------------------------|------------------|----------------|
| Short-term employee benefits | \$ 81,013        | 147,024        |
| Post-employment benefits     | <u>171</u>       | <u>151</u>     |
|                              | <u>\$ 81,184</u> | <u>147,175</u> |

The short-term employee benefits include remuneration to employees and directors. Please refer to Note 6(r) for further details.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

| <b>Pledged assets</b>  | <b>Pledged to secure</b>                                | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|---|------------------------------|------------------------------|
| Current financial assets at amortized cost (Certificate Deposit)     | Guarantee of the creditors of the purchase transactions | \$ 92,190                    | -                            |
| Non-current financial assets at amortized cost (Certificate Deposit) | Use land guarantee for Hsinchu Science Park Bureau      | 7,400                        | 7,200                        |
|  |   | <b>\$ 99,590</b>             | <b>7,200</b>                 |

**(9) Commitments and contingencies:**

- (a) The Company entered into performance guarantee agreements with financial institutions for the Company's obligation to pay for the goods purchased and the tax payable on bonded raw materials, commodities, fuel, and semi-finished products shipped outside the bond areas for domestic sales, demonstration, repair or testing. As of December 31, 2022 and 2021, the financial institutions had issued performance guarantees amounting to \$3,000 thousand and \$6,000 thousand, respectively.
- (b) As of December 31, 2022 and 2021, the refundable notes payable for short-term borrowings amounted to \$2,770,000 thousand and \$19,054\$2,650,000 thousand, respectively.
- (c) As of December 31, 2022 and 2021, the refundable notes payable for lease amounted to \$600 thousand.
- (d) The Company entered into non-infringement guarantee agreements with some customers (guarantees) to provide a guarantee regarding the selling of touchpad module products.
- (e) As of December 31, 2022, the Company signed long-term borrowing contracts with several financial institution, with credit lines totaling \$8,944,000 thousand.
- (f) The Company signed capacity guarantee contracts with a supplier, stipulating the minimum quantity to be purchased by the Company. As of December 31, 2022, the Company paid the security deposit of \$27,000 thousand in accordance with the contract, which was recognized under 「other current assets」 and 「other non-current assets」.

In addition, the Company evaluated the refundable deposit paid in the capacity guarantee contracts in 2022, wherein a portion of it was written off and recognized as cost of goods sold due to having the probability of not being recovered.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(g) Government grant

To implement the project “Elan Electronic Smart Supply Chain AI Application” under the guidance from the Ministry of Economic Affairs, the Company entered into a program contract with the Taiwan Small and Medium Enterprise Counseling Foundation in order to receive a grant amounting to \$9,000 thousand. The project runs between April 1, 2020 and March 31, 2022. The Company recognizes income based on the progress of the project. As of 2022 and 2021, the subsidy recognized, amounting to \$5,000 thousand and \$3,993 thousand respectively, was classified as other income. As of December 31, 2022 and December 31, 2021, the Company had entrusted financial institutions to guarantee that the Company would fulfill its obligations specified in the project contract. The financial institutions have issued performance guarantee amounting to \$0 thousand and \$4,000 thousand, respectively.

Based on the implementation of "Advanced AI Driver Assistance System (ADAS) and Smart Cockpit System Development Plan" by the Ministry of Economic Affairs, the Company entered into a project agreement with Taipei Computer Business Association and obtained the subsidy of \$91,730 thousand. According to the agreement, the Company will recognize the income based on the progress of the project, which runs between December 1, 2022 and May 31, 2025. As of December 31, 2022, the subsidy of \$23,620 thousand, which had been received by the Company was recognized as "Other Current Liabilities". The financial institutions have issued performance guarantee amounting to 23,620 thousand.

(h) Royalty fee

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

(i) Litigation and actions

As of December 31, 2022, the pending litigation of the Company was as follows:

- (i) On December 2, 2020, the Company filed an appeal with the Beijing Intellectual Property Court against Shenzhen Goodix Technology Co., Ltd. (hereinafter referred to as Goodix) and Beijing Xingyitongda Technology Co., Ltd. for an infringement of the Company's PRC Patent No. ZL03158451.9. The Company appealed to the Court to prohibit the defendant from using, manufacturing and selling the product, and requested for damage compensation amounting to CNY\$25 million. The Company filed an 「Application to Withdraw the Complaint」 to the court on November 29, 2022, and the court issued a civil ruling approving the withdrawal of the lawsuit on December 7, and the case concluded.

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

- (ii) On December 23, 2020, the Company filed an appeal with Taiwan Intellectual Property Court against Goodix and Shouhon Technology Co., Ltd. for an infringement of the Company's ROC Patent No. I556033. The Company appealed to the Court to prohibit the defendant from using, manufacturing and selling the product. On November 30, 2022, the court rejected the appeal made by the Company in the 10th instance. Since the Company did not make any further appeal thereafter, the case was deemed closed.
- (iii) On May 11 and 13, 2021, the Company and its subsidiary Elan Microelectronics (Shenzhen) Co., Ltd. (hereinafter referred to as Elan Shenzhen) received litigation documents which indicated Goodix filed an appeal with Inner Mongolia Hohhot Intermediate People's Court against the Company and Elan Shenzhen for patent infringement. and requested for damage compensation amounting to CNY\$30.5 million. The Company had appointed a lawyer to make an objection against jurisdiction to the Court within the defense period, but the Court dismissed the action on July 22, 2021. The Company and Elan Shenzhen had appealed to the Supreme People's Court within the defense period. However, on January 28, 2022, the Supreme People's Court denied the appeal. The case was on trial in Hohhot Intermediate People's Court on July 8, 2022. The Court inquired and listened to the opinions of both sides based on the evidence provided by Goodix. The subsequent court session will be notified later. After the evaluation, the Company judges that the products don't infringe the patent right and expects no significant influence on its finance and business as the case is still on trial.
- (j) As of December 31, 2022, the total amount of building contract signed by the Company was \$43,000 thousand and the payable amount in the following years was \$19,054 thousand.

**(10) Losses due to major disasters: None.**

**(11) Subsequent events: None.**

**(12) Others:**

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

|                            | For the years ended December 31 |                    |           |                 |                    |           |
|----------------------------|---------------------------------|--------------------|-----------|-----------------|--------------------|-----------|
|                            | 2022                            |                    |           | 2021            |                    |           |
|                            | Operating costs                 | Operating expenses | Total     | Operating costs | Operating expenses | Total     |
| Employee benefits          |                                 |                    |           |                 |                    |           |
| Salaries and wages         | \$ 281,228                      | 1,484,069          | 1,765,297 | 327,676         | 1,848,860          | 2,176,536 |
| Labor and health insurance | 30,846                          | 101,506            | 132,352   | 28,137          | 92,907             | 121,044   |
| Pension expenses           | 8,245                           | 56,528             | 64,773    | 7,883           | 52,434             | 60,317    |
| Remuneration of directors  | -                               | 44,990             | 44,990    | -               | 96,740             | 96,740    |
| Others                     | 21,715                          | 37,973             | 59,688    | 25,946          | 40,103             | 66,049    |
| Depreciation               | 38,828                          | 71,657             | 110,485   | 31,095          | 57,236             | 88,331    |
| Amortization               | 6,589                           | 102,364            | 108,953   | 2,895           | 89,139             | 92,034    |

(Continued)

**ELAN MICROELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

For the years ended December 31, 2022 and 2021, the total numbers of employees and employee benefits were as follows:

|  | <b>2022</b>            | <b>2021</b>           |
|--|------------------------|-----------------------|
| Number of employees                              | <u><u>1,018</u></u>    | <u><u>1,039</u></u>   |
| Number of directors who were not employees       | <u><u>7</u></u>        | <u><u>7</u></u>       |
| The average employee benefits                    | <u><u>\$ 2,000</u></u> | <u><u>2,349</u></u>   |
| The average salaries and wages                   | <u><u>\$ 1,746</u></u> | <u><u>2,109</u></u>   |
| The adjustment rate of average employee salaries | <u><u>(17.21)%</u></u> | <u><u>18.09 %</u></u> |
| Supervisors' remuneration                        | <u><u>\$ -</u></u>     | <u><u>-</u></u>       |

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

- (a) Directors and executive officers: Compensation to directors and executives, pursuant to the Company's Articles of Incorporation, shall be determined with reference to industry peers, individual performance, accomplishment, and contribution. The payment shall be reviewed by the Compensation Committee and approved by the Board of Directors.
- (b) Employee compensation: The salary and wage of employees, pursuant to the Company's Articles of Incorporation, shall be determined with reference to the Company's overall operating performance, employees' seniority, capability, and performance.
- (c) Performance and holiday bonuses of employees: Employee bonuses shall be determined based on individual performance and the Company's overall operating performance.
- (d) Annual employee salary adjustment: Annual adjustment to employee salary shall be determined with reference to the Company's overall operating performance, domestic economic growth rate, price index, the annual salary adjustment standards, and individual performance.

(Continued)



## ELAN MICROELECTRONICS CORPORATION

### Notes to Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2022:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

| Name of holder                    | Category and name of security                       | Relationship with company | Account title   | Ending balance           |                |                             |            | Note |
|-----------------------------------|---|---------------------------|---|--------------------------|----------------|-----------------------------|------------|------|
|                                   |   |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value |      |
| Elan Microelectronics Corporation | Harvatek Corporation                                | -                         | Current financial assets at fair value through profit or loss                 | 244                      | 4,298          | 0.12%                       | 4,298      |      |
| Elan Microelectronics Corporation | KGI Victory Money Market Fund                       | -                         | Current financial assets at fair value through profit or loss                 | 7,658                    | 90,026         | -                           | 90,026     |      |
| Elan Microelectronics Corporation | Diversified FX Trading Segregated Portfolio         | -                         | Current financial assets at fair value through profit or loss                 | 218                      | 25,215         | -                           | 25,215     |      |
| Elan Microelectronics Corporation | Global Strategic FX Arbitrage Note                  | -                         | Current financial assets at fair value through profit or loss                 | 95                       | 29,194         | -                           | 29,194     |      |
| Elan Microelectronics Corporation | Multi-Manager FX Trading Note (M2)                  | -                         | Current financial assets at fair value through profit or loss                 | 44                       | 13,569         | -                           | 13,569     |      |
| Elan Microelectronics Corporation | Global Strategic FX Arbitrage Note (USD)(SERIES II) | -                         | Current financial assets at fair value through profit or loss                 | 100                      | 30,730         | -                           | 30,730     |      |
| Elan Microelectronics Corporation | ThroughTek Co., Ltd.                                | -                         | Non-current financial assets at fair value through other comprehensive income | 1,077                    | 13,096         | 4.14%                       | 13,096     |      |
| Elan Microelectronics Corporation | Macroblock, Inc.                                    | -                         | Non-current financial assets at fair value through other comprehensive income | 3,500                    | 292,495        | 7.87%                       | 292,495    |      |
| 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                      | 6,157          | 0.94%                       | 6,157      |      |
| 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 VI VENTURE CAPITAL CO., LTD.             | -                         | Non-current financial assets at fair value through profit or loss             | 168                      | 1,354          | 2.17%                       | 1,354      |      |
| Elan Microelectronics Corporation | TOP TAIWAN VII VENTURE CAPITAL CO., LTD.            | -                         | Non-current financial assets at fair value through profit or loss             | 888                      | 13,285         | 6.12%                       | 13,285     |      |
| Elan Microelectronics Corporation | TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.           | -                         | Non-current financial assets at fair value through profit or loss             | 1,811                    | 21,667         | 4.17%                       | 21,667     |      |
| Elan Microelectronics Corporation | Midastouch Research Corporation                     | -                         | Non-current financial assets at fair value through profit or loss             | 2,500                    | 3,425          | 8.16%                       | 3,425      |      |
| Elan Microelectronics Corporation | TOP TAIWAN IX VENTURE CAPITAL CO., LTD.             | -                         | Non-current financial assets at fair value through profit or loss             | 3,500                    | 61,710         | 6.25%                       | 61,710     |      |
| Elan Microelectronics Corporation | InnoBridge Venture Capital                          | -                         | Non-current financial assets at fair value through profit or loss             | 800                      | 2,406          | 11.35%                      | 2,406      |      |

**ELAN MICROELECTRONICS CORPORATION**  
**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 | 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                    | 29,198         | 10.00%                      | 29,198     |      |
| Elan Microelectronics Corporation | TOP TAIWAN XI VENTURE CAPITAL CO., LTD.        | -                         | Non-current financial assets at fair value through profit or loss | 4,063                    | 69,732         | 6.25%                       | 69,732     |      |
| Elan Microelectronics Corporation | Genius Vision Digital Inc.                     | -                         | Non-current financial assets at fair value through profit or loss | 495                      | -              | 1.54%                       | -          |      |
| Elan Microelectronics Corporation | Lyra Semiconductor Incorporated                | -                         | Non-current financial assets at fair value through profit or loss | 1,440                    | -              | 5.87%                       | -          |      |
| Elan Microelectronics Corporation | TOP TAIWAN XII VENTURE CAPITAL CO., LTD.       | -                         | Non-current financial assets at fair value through profit or loss | 25,000                   | 278,683        | 18.52%                      | 278,683    |      |
| Elan Microelectronics Corporation | Cruise 10 Co., Ltd                             | -                         | Non-current financial assets at fair value through profit or loss | 625                      | 4,304          | 5.26%                       | 4,304      |      |
| Elan Microelectronics Corporation | Waltop International Corporation               | -                         | Non-current financial assets at fair value through profit or loss | 20                       | -              | 0.24%                       | -          |      |
| Elan Microelectronics Corporation | Vertex Growth (SG) LP                          | -                         | Non-current financial assets at fair value through profit or loss | -                        | 226,526        | -                           | 226,526    |      |
| Elan Microelectronics Corporation | Taiwania Capital Buffalo Fund V, LP.           | -                         | Non-current financial assets at fairvalue through profit or loss  | -                        | 48,127         | 3.19%                       | 48,127     |      |
| Elan Microelectronics Corporation | TOP TAIWAN XIII VENTURE CAPITAL CO., LTD       | -                         | Non-current financial assets at fairvalue through profit or loss  | 15,000                   | 130,265        | 17.44%                      | 130,265    |      |
| Elan Microelectronics Corporation | TOP TAIWAN XIV VENTURE CAPITAL CO., LTD.       | -                         | Non-current financial assets at fairvalue through profit or loss  | 29,000                   | 282,010        | 13.30%                      | 282,010    |      |
| Elan Microelectronics Corporation | Vertex Growth II(SG) LP                        | -                         | Current financial assets at fair value through profit or loss     | -                        | 6,939          | -                           | 6,939      |      |
| Elan Investment Corp.             | FSITC US Top 100 Bond Fund Acc TWD             | -                         | Current financial assets at fair value through profit or loss     | 1,500                    | 13,731         | -                           | 13,731     |      |
| Elan Investment Corp.             | FSITC Global Wealthy Nations Bond Fund Acc TWD | -                         | Non-current financial assets at fair value through profit or loss | 2,629                    | 23,203         | -                           | 23,203     |      |
| Elan Investment Corp.             | FSITC TaiwanCore Strategic Construction Fund   | -                         | Current financial assets at fair value through profit or loss     | 1,000                    | 8,940          | -                           | 8,940      |      |
| Elan Investment Corp.             | FSITC Global Video Gaming & eSports Fund       | -                         | Current financial assets at fair value through profit or loss     | 500                      | 4,460          | -                           | 4,460      |      |
| Elan Investment Corp.             | FSITC Global Health & Weight Loss Fund         | -                         | Current financial assets at fair value through profit or loss     | 500                      | 4,345          | -                           | 4,345      |      |
| Elan Investment Corp.             | Nomura Global Short Duration Bond Fund TWD     | -                         | Current financial assets at fair value through profit or loss     | 9,484                    | 96,992         | -                           | 96,992     |      |
| Elan Investment Corp.             | Nomura Global Financial Bond Fund Acc TWD      | -                         | Current financial assets at fair value through profit or loss     | 3,589                    | 34,439         | -                           | 34,439     |      |
| Elan Investment Corp.             | Taishin Global Multi-asset Fund of Funds A TWD | -                         | Current financial assets at fair value through profit or loss     | 1,000                    | 10,620         | -                           | 10,620     |      |

**ELAN MICROELECTRONICS CORPORATION**  
**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. | Taishin Global Disruptive Innovation Fund                  | -                         | Current financial assets at fair value through profit or loss                 | 1,500                    | 16,680         | -                           | 16,680     |      |
| Elan Investment Corp. | Taishin North American Income Trust Fund-A                 | -                         | Current financial assets at fair value through profit or loss                 | 1,943                    | 50,083         | -                           | 50,083     |      |
| Elan Investment Corp. | Taishin ESG Emerging Markets Bond Fund A TWD               | -                         | Current financial assets at fair value through profit or loss                 | 3,003                    | 24,880         | -                           | 24,880     |      |
| Elan Investment Corp. | Taishin Short Duration Emerging High Yield Bond Fund A-TWD | -                         | Current financial assets at fair value through profit or loss                 | 4,200                    | 40,843         | -                           | 40,843     |      |
| Elan Investment Corp. | Elan Microelectronics Corporation                          | Subsidiary                | Current financial assets at fair value through profit or loss                 | 12,438                   | 1,069,685      | 4.09%                       | 1,069,685  |      |
| Elan Investment Corp. | Panther Technology Co., Ltd.                               | -                         | Current financial assets at fair value through profit or loss                 | 1,396                    | 25,263         | 3.88%                       | 25,263     |      |
| Elan Investment Corp. | RISE Technology Com  | -                         | Non-current financial assets at fair value through other comprehensive income | 769                      | -              | 3.23%                       | -          |      |
| Elan Investment Corp. | Finemat Applied Materials Co., Ltd                         | -                         | Non-current financial assets at fair value through other comprehensive income | 8,900                    | 249,210        | 13.41%                      | 249,210    |      |
| Elan Investment Corp. | Linkinwave-Preferred shares                                | -                         | Non-current financial assets at fair value through other comprehensive income | -                        | -              | -                           | -          |      |
| Elan Investment Corp. | Pica 8-Preferred shares                                    | -                         | Non-current financial assets at fair value through profit or loss             | 342                      | -              | 1.75%                       | -          |      |
| Elan Investment Corp. | Arplanet Digital Technology Co., Ltd.                      | -                         | Non-current financial assets at fair value through profit or loss             | 128                      | 1,308          | 2.70%                       | 1,308      |      |
| Elan Investment Corp. | ZQAM Communications Corporation-Preferred shares           | -                         | Non-current financial assets at fair value through profit or loss             | 250                      | 943            | 1.07%                       | 943        |      |
| Elan Investment Corp. | e-Formula Technologies, Inc.                               | -                         | Non-current financial assets at fair value through profit or loss             | 550                      | 5,077          | 2.53%                       | 5,077      |      |
| 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                      | 6,679          | 1.13%                       | 6,679      |      |
| Elan Investment Corp. | Cognito Health International Inc.                          | -                         | Non-current financial assets at fair value through profit or loss             | 1,010                    | -              | 1.13%                       | -          |      |
| Elan Investment Corp. | Taiwan Intelligent Connect Co., Ltd.-Preferred shares      | -                         | Non-current financial assets at fair value through profit or loss             | 10,000                   | 1,490          | 14.29%                      | 1,490      |      |
| Elan Investment Corp. | Genius Vision Digital Inc.                                 | -                         | Non-current financial assets at fair value through profit or loss             | 370                      | -              | 1.16%                       | -          |      |

- (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

## ELAN MICROELECTRONICS CORPORATION

### Notes to Consolidated Financial Statements

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

| 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                | 407,307 | 3.28 %                              | Open Account 45 Days | -   |               | 18,365                              | 2.90%   |      |

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

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

(ix) Trading in derivative instruments: None

(b) Information on investees:

The followings are the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

| Name of investor                  | Name of investee                         | Location                | Main businesses and products  | Original investment amount |                   | Balance as of December 31, 2022 |                         |                | Net income (losses) of investee | Share of profits/losses of investee | Note |
|-----------------------------------|--|-------------------------|---|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|------|
|                                   |  |                         |   | December 31, 2022          | December 31, 2021 | 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 %                | 316,154        | 120,742                         | 120,742                             | Note |
| Elan Microelectronics Corporation | Elan Investment Corp.                    | Taipei, Taiwan          | Investment holding  | 500,000                    | 500,000           | 50,000                          | 100.00 %                | 921,312        | (313,723)                       | (313,723)                           | 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 %                | 15,413         | (1,809)                         | (1,809)                             | Note |
| Elan Microelectronics Corporation | JUPU Electronic Co., Ltd.                | New Taipei City, Taiwan | Wholesale and installation of electronic devices, data storage and equipment process  | 7,840                      | 7,840             | 784                             | 49.00 %                 | (3,246)        | (4,235)                         | (2,075)                             | 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 | 665,865                    | 460,516           | 47,363                          | 46.89 %                 | 217,692        | (161,033)                       | (79,796)                            | Note |
| Elan Microelectronics Corporation | Avionics Technology Corp.                | Hsin-Chu, Taiwan        | Research, design, develop, manufacture and sale on digital image-process chips  | 194,226                    | 194,226           | 17,517                          | 84.78 %                 | (2,747)        | (25,451)                        | (22,313)                            | Note |
| Elan Microelectronics Corporation | Tong fu Investment Corp.                 | Hsin-Chu, Taiwan        | Investment holding  | 26,070                     | 26,070            | 3,000                           | 46.73 %                 | -              | -                               | -                                   |      |
| Elan Microelectronics Corporation | Lighting Device Technologies Corp.       | Hsin-Chu, Taiwan        | Research, design, develop, manufacture and sale on LED chips  | 11,712                     | 11,712            | 1,805                           | 45.07 %                 | -              | -                               | -                                   |      |
| Elan Microelectronics Corporation | PiXORD Corporation                       | Hsin-Chu, Taiwan        | Research, design, develop, manufacture and sale on Webcam and server  | 117,062                    | 163,599           | 11,240                          | 94.65 %                 | 29,752         | (38,669)                        | (37,467)                            | 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                           | 18.50 %                 | 30,971         | (51,549)                        | (9,571)                             | Note |
| Elan Microelectronics Corporation | TOP TAIWAN X VENTURE CAPITAL CO., LTD.   | Taipei, Taiwan          | Venture capital   | 210,000                    | 240,000           | 24,000                          | 30.00 %                 | 237,906        | (164,313)                       | (49,187)                            |      |
| Elan Microelectronics Corporation | Uniband Electronic Corp.                 | Hsin-Chu, Taiwan        | Manufactures and sells electronic devices   | 50,000                     | 50,000            | 5,000                           | 24.69 %                 | 8,783          | (1,699)                         | (420)                               |      |
| Elan Microelectronics Corporation | Finger Pro. Incorporation                | Hsin-Chu, Taiwan        | Manufactures and sells electronic devices   | 6,000                      | 6,000             | 600                             | 23.08 %                 | -              | -                               | -                                   |      |
| Elan Microelectronics Corporation | Chimei Motor Electronic CO., LTD.        | Taipei, Taiwan          | Image recognition, automotive electronic manufacturing and wholesaling business   | 228,650                    | 29,450            | 9,250                           | 31.36 %                 | 218,106        | 2,614                           | (3,885)                             |      |
| Elan Investment Corp.             | Avionics Technology Corp.                | Hsin-Chu, Taiwan        | Research, design, develop, manufacture and sale on digital image-process chips  | 6,463                      | 6,463             | 646                             | 3.13 %                  | (56)           | (25,451)                        | (824)                               | 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  | 4,065                      | -                 | 395                             | 3.33 %                  | 1,047          | (38,669)                        | (485)                               | Note |

## ELAN MICROELECTRONICS CORPORATION

### Notes to Consolidated Financial Statements

| Name of investor                  | Name of investee                           | Location              | Main businesses and products  | Original investment amount |                   | Balance as of December 31, 2022 |                         |                | Net income (losses) of investee | Share of profits/losses of investee | Note |
|-----------------------------------|--|-----------------------|---|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|------|
|                                   |  |                       |   | December 31, 2022          | December 31, 2021 | Shares (thousands)              | Percentage of ownership | Carrying value |                                 |                                     |      |
| 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                     | 10,211            | 831                             | 0.82 %                  | 3,831          | (161,033)                       | (1,899)                             | 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                           | 9.61 %                  | 16,532         | (51,549)                        | (4,972)                             | Note |
| Elan H.K.                         | Power Asia Investment Corporation          | Republic of Mauritius | Investment business   | 89,572                     | 89,572            | 2,861                           | 100.00 %                | 28,015         | 2,786                           | 2,786                               | Note |
| Metanoia Communications Inc.      | Metanoia Communications Europe             | France                | Provide technical support and information service   | 18,410                     | 9,908             | 571                             | 100.00 %                | 9,088          | (5,332)                         | (5,332)                             | Note |
| Chimei Motor Electronic CO., LTD. | CHIMEI MOTOR ELECTRONICS (SAMOA) CO., LTD. | Somoa                 | Investment holding  | 37,145                     | 22,336            | 1,250                           | 100.00 %                | 13,817         | (3,596)                         | (3,158)                             |      |

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

(c) Information on investment in mainland China:

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

| 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, 2022 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) recognized | Carrying value as of December 31, 2022 | Accumulated inward remittance of earnings as of December 31, 2022 |
|--|---|---------------------------------|----------------------|---|------------------|--------|---|-------------------------------------|-------------------------|---------------------------------------|--|---|
|  |   |                                 |                      |   | Outflow          | Inflow |   |                                     |                         |                                       |  |   |
| Elan Microelectronics (Shanghai) Co., Ltd. | Provide technical support and information service   | 52,095                          | ( 2 )                | 52,095  | -                | -      | 52,095  | 544                                 | 100.00%                 | 544                                   | 19,247                                 | -   |
| Elan Microelectronics (Shenzhen) Co., Ltd. | Provide technical support and information service   | 34,670                          | ( 2 )                | 34,670  | -                | -      | 34,670  | 2,199                               | 100.00%                 | 2,199                                 | 8,282                                  | -   |
| Gianteye Technology (Shanghai) CO., LTD.   | Development of advanced driver assistance systems and wholesale of automotive electronic products | 37,145                          | ( 2 )                | 22,336  | 14,809           | -      | 37,145  | (3,647)                             | 100.00%                 | (3,209)                               | 13,789                                 | -   |

Note 1: Method of investment:

- (1) Direct investment in Mainland China.
- (2) Indirect investment in Mainland China through a holding company established in other countries (Power Asia Investment Corporation).
- (3) Others

Note 2: The investment income (losses) from Elan Shanghai and Elan Shenzhen are calculated on the reviewed financial statements in the same period.

(ii) Limitation on investment in Mainland China:

| Company Name                      | Accumulated Investment in Mainland China as of December 31, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|-----------------------------------|--|--|---------------------------|
| Elan Microelectronics Corporation | 86,765(USD2,500,000)   | 98,333(USD2,500,000)   | 5,333,818                 |
| Chimei Motor Electronic Co., LTD. | 37,145(USD1,250,000)   | 37,247(USD1,250,000)   | 197,717                   |

Note: The investment limit was calculated on the official document No. 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".

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

(d) Major shareholders:

No shareholders owned more than 5% equity interest in the Company.

**(14) Segment information:**

Please refer to the consolidated financial statements of 2022.

**Representation Letter**

The entities that are required to be included in the combined financial statements of ELAN MICROELECTRONICS CORPORATION as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ELAN MICROELECTRONICS CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: ELAN MICROELECTRONICS CORPORATION

Chairman: Yeh, I-Hau

Date: February 22, 2023

## **Independent Auditors' Report**

To the Board of Directors of  
ELAN MICROELECTRONICS CORPORATION:

### **Opinion**

We have audited the consolidated financial statements of ELAN MICROELECTRONICS CORPORATION (“the Company”), and its subsidiaries (together referred to as “the Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Other Matter**

We did not audit the financial statements of Top Taiwan X Venture Capital Co., Ltd., which represented investment in accounted for using the equity method of the Group. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Top Taiwan X Venture Capital Co., Ltd., is based solely on the report of another auditor. The investment in Top Taiwan X Venture Capital Co., Ltd. accounted for using the equity method constituted 1.79% and 1.99% of the consolidated total assets on December 31, 2022 and 2021, respectively, and the related share of profit of associates accounted for using the equity method constituted (1.82)% and 0.51% of the consolidated total profit before tax for the years then ended, respectively.



The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion with other matter paragraph.

### **Key Audit Matters**

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

#### **1. Inventory valuation**

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

#### **2. Revenue recognition**

Refer to Note 4(n) and 6(t) for accounting policy of revenue recognition.

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
February 22, 2023

#### **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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

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

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

|                            |  | December 31, 2022    |            | December 31, 2021 |            |  |  | December 31, 2022    |            | December 31, 2021 |            |
|----------------------------|--|----------------------|------------|-------------------|------------|--|--|----------------------|------------|-------------------|------------|
|                            |  | Amount               | %          | Amount            | %          |  |  | Amount               | %          | Amount            | %          |
| <b>Assets</b>              |  |                      |            |                   |            | <b>Liabilities and Equity</b>  |  |                      |            |                   |            |
| <b>Current assets:</b>     |  |                      |            |                   |            | <b>Current liabilities:</b>  |  |                      |            |                   |            |
| 1100                       | Cash and cash equivalents (notes 6(a) and (w))   | \$ 2,663,688         | 20         | 4,254,507         | 25         | 2100   | Short-term borrowings (notes 6(l), (w) and 9)      | \$ 80,000            | 1          | 30,000            | -          |
| 1110                       | Current financial assets at fair value through profit or loss (notes 6(b) and (w))                 | 522,248              | 4          | 772,628           | 4          | 2170   | Accounts payable (note 6(w))                       | 721,448              | 6          | 1,706,452         | 10         |
| 1136                       | Current financial assets at amortised cost, net (notes 6(a), (w) and 8)                            | 266,390              | 2          | 1,725,450         | 10         | 2206   | Employee bonus payable (note 6(v))                 | 375,000              | 3          | 821,000           | 5          |
| 1170                       | Notes and accounts receivable, net (notes 6(c) and (w))  | 719,408              | 6          | 1,794,193         | 11         | 2230   | Current tax liabilities                            | 309,291              | 2          | 1,020,464         | 6          |
| 1200                       | Other receivables (notes 6(c) and (w))   | 760,826              | 6          | 1,176,985         | 7          | 2280   | Current lease liabilities (notes 6(n) and (w))     | 29,525               | -          | 21,687            | -          |
| 1310                       | Inventories, net (note 6(d))   | 3,730,924            | 28         | 2,314,145         | 14         | 2325   | Current preference share liabilities (note 6(m))   | 40,000               | -          | -                 | -          |
| 1410                       | Prepayments and other current assets (note 9)  | 58,797               | -          | 32,053            | -          | 2399   | Other current liabilities (note 6(w))              | 1,063,518            | 8          | 1,253,154         | 8          |
|                            |  | 8,722,281            | 66         | 12,069,961        | 71         |  |  | 2,618,782            | 20         | 4,852,757         | 29         |
| <b>Non-current assets:</b> |  |                      |            |                   |            | <b>Non-Current liabilities:</b>                                      |  |                      |            |                   |            |
| 1510                       | Non-current financial assets at fair value through profit or loss (notes 6(b) and (w))             | 1,475,757            | 11         | 1,577,319         | 9          | 2570   | Deferred tax liabilities                           | 3,365                | -          | 1,067             | -          |
| 1517                       | Non-current financial assets at fair value through other comprehensive income (notes 6(e) and (w)) | 305,591              | 3          | 491,824           | 3          | 2580   | Non-current lease liabilities (notes 6(n) and (w)) | 705,770              | 5          | 671,682           | 4          |
| 1536                       | Non-current financial assets at amortized cost (notes 6(a), (w) and 8)                             | 7,400                | -          | 7,200             | -          | 2640   | Net defined benefit liability, non-current         | 309,479              | 2          | 396,993           | 2          |
| 1551                       | Investments accounted for using equity method (note 6(f))  | 246,691              | 2          | 346,697           | 2          | 2645   | Guarantee deposits received (note 6(w))            | 65,212               | -          | 36,641            | -          |
| 1600                       | Property, plant and equipment (note 6(i))  | 990,675              | 7          | 952,324           | 6          |  |  | 1,083,826            | 7          | 1,106,383         | 6          |
| 1755                       | Right-of-use assets (note 6(j))  | 860,010              | 6          | 838,550           | 5          | <b>Total liabilities</b>   |  | 3,702,608            | 27         | 5,959,140         | 35         |
| 1780                       | Intangible assets (notes 6(g) and (k))   | 604,707              | 5          | 424,650           | 3          | <b>Equity attributable to owners of parent: (notes 6(f) and (q))</b> |  |                      |            |                   |            |
| 1840                       | Deferred tax assets  | 45,688               | -          | 39,994            | -          | 3100   | Capital stock                                      | 3,038,804            | 23         | 3,038,804         | 18         |
| 1900                       | Other non-current assets (notes 6(w) and 9)  | 66,030               | -          | 184,489           | 1          | 3200   | Capital surplus                                    | 838,428              | 7          | 631,181           | 4          |
|                            |  | 4,602,549            | 34         | 4,863,047         | 29         |  | Retained earnings:                                 |                      |            |                   |            |
|                            |  |                      |            |                   |            | 3310   | Legal reserve                                      | 2,679,726            | 20         | 2,159,576         | 13         |
|                            |  |                      |            |                   |            | 3350   | Undistributed earnings                             | 3,428,146            | 26         | 5,824,804         | 34         |
|                            |  |                      |            |                   |            |  |  | 6,107,872            | 46         | 7,984,380         | 47         |
|                            |  |                      |            |                   |            | 3400   | Other equity                                       | 11,078               | -          | 195,094           | 1          |
|                            |  |                      |            |                   |            | 3500   | Treasury shares                                    | (1,106,485)          | (8)        | (1,106,485)       | (7)        |
|                            |  |                      |            |                   |            | <b>Total equity attributable to owners of parent:</b>                |  | 8,889,697            | 68         | 10,742,974        | 63         |
|                            |  |                      |            |                   |            | 36XX   | Non-controlling interests                          | 732,525              | 5          | 230,894           | 2          |
|                            |  |                      |            |                   |            |  | <b>Total equity</b>                                | 9,622,222            | 73         | 10,973,868        | 65         |
| <b>Total assets</b>        |  | <b>\$ 13,324,830</b> | <b>100</b> | <b>16,933,008</b> | <b>100</b> |  | <b>Total liabilities and equity</b>                | <b>\$ 13,324,830</b> | <b>100</b> | <b>16,933,008</b> | <b>100</b> |

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

|      |  | 2022                |            | 2021             |           |
|------|--|---------------------|------------|------------------|-----------|
|      |  | Amount              | %          | Amount           | %         |
| 4000 | <b>Total operating revenue</b> (notes 6(t) and 14)   | \$ 13,030,484       | 100        | 18,327,973       | 100       |
| 5000 | <b>Total operating costs</b> (notes 6(d) and (o))  | <u>7,043,240</u>    | <u>54</u>  | <u>9,212,132</u> | <u>50</u> |
| 5900 | <b>Gross profit from operations</b>  | 5,987,244           | 46         | 9,115,841        | 50        |
| 5920 | Add: Realized profit from sales  | -                   | -          | 559              | -         |
| 5950 | <b>Gross profits</b>   | <u>5,987,244</u>    | <u>46</u>  | <u>9,116,400</u> | <u>50</u> |
| 6000 | <b>Operating expenses:</b> (notes 6(c), (o), (r) and 12)   |                     |            |                  |           |
| 6100 | Selling expenses   | 587,057             | 4          | 612,778          | 3         |
| 6200 | Administrative expenses  | 457,021             | 4          | 529,698          | 3         |
| 6300 | Research and development expenses  | 2,165,151           | 17         | 2,315,472        | 13        |
| 6450 | Impairment gains determined in accordance with IFRS 9  | <u>(6,446)</u>      | <u>-</u>   | <u>(6,773)</u>   | <u>-</u>  |
|      |  | <u>3,202,783</u>    | <u>25</u>  | <u>3,451,175</u> | <u>19</u> |
| 6900 | <b>Net Operating income</b>  | <u>2,784,461</u>    | <u>21</u>  | <u>5,665,225</u> | <u>31</u> |
| 7000 | <b>Non-operating income and expenses:</b>  |                     |            |                  |           |
| 7100 | Interest income (note 6(u))  | 34,464              | -          | 18,824           | -         |
| 7010 | Other income (notes 6(g) and (u))  | 144,776             | 1          | 60,228           | -         |
| 7020 | Other gains and losses (notes 6(h) and (u))  | (196,074)           | (1)        | 295,630          | 2         |
| 7050 | Finance costs (notes 6(m) and (n))   | (13,933)            | -          | (9,845)          | -         |
| 7770 | Shares of gain (loss) of subsidiaries and associates accounted for using equity method (note 6(f))   | <u>(50,722)</u>     | <u>-</u>   | <u>31,087</u>    | <u>-</u>  |
|      |  | <u>(81,489)</u>     | <u>-</u>   | <u>395,924</u>   | <u>2</u>  |
| 7900 | <b>Profit before income tax</b>  | 2,702,972           | 21         | 6,061,149        | 33        |
| 8110 | Less: Income tax expenses (note 6(p))  | <u>669,559</u>      | <u>5</u>   | <u>1,033,611</u> | <u>6</u>  |
|      | <b>Net profit</b>  | <u>2,033,413</u>    | <u>16</u>  | <u>5,027,538</u> | <u>27</u> |
| 8300 | <b>Other comprehensive income (loss):</b> (notes 6(f) and (q))   |                     |            |                  |           |
| 8310 | <b>Items that may not be reclassified subsequently to profit or loss:</b>  |                     |            |                  |           |
| 8311 | Gains (losses) on remeasurements of defined benefit plans  | 74,491              | 1          | (27,149)         | -         |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income   | <u>(186,233)</u>    | <u>(1)</u> | <u>318,216</u>   | <u>2</u>  |
| 8349 | Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss   | -                   | -          | -                | -         |
|      | Components of other comprehensive income that will not be reclassified to profit or loss   | <u>(111,742)</u>    | <u>-</u>   | <u>291,067</u>   | <u>2</u>  |
| 8360 | <b>Items that may be reclassified subsequently to profit or loss:</b>  |                     |            |                  |           |
| 8361 | Exchange differences on translation of foreign financial statements  | 2,352               | -          | (503)            | -         |
| 8370 | Shares of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | 10                  | -          | (3)              | -         |
| 8399 | Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss   | -                   | -          | -                | -         |
|      | Components of other comprehensive income that will be reclassified to profit or loss   | <u>2,362</u>        | <u>-</u>   | <u>(506)</u>     | <u>-</u>  |
| 8300 | <b>Other comprehensive income (loss), net</b>  | <u>(109,380)</u>    | <u>-</u>   | <u>290,561</u>   | <u>2</u>  |
| 8500 | <b>Comprehensive income</b>  | <u>\$ 1,924,033</u> | <u>16</u>  | <u>5,318,099</u> | <u>29</u> |
|      | <b>Net profit (loss) attributable to:</b>  |                     |            |                  |           |
| 8610 | Owners of parent   | \$ 2,151,676        | 17         | 5,102,446        | 27        |
| 8620 | Non-controlling interests  | <u>(118,263)</u>    | <u>(1)</u> | <u>(74,908)</u>  | <u>-</u>  |
|      |  | <u>\$ 2,033,413</u> | <u>16</u>  | <u>5,027,538</u> | <u>27</u> |
|      | <b>Comprehensive income (loss) attributable to:</b>  |                     |            |                  |           |
| 8710 | Owners of the parent   | \$ 2,041,861        | 17         | 5,393,243        | 29        |
| 8720 | Non-controlling interests  | <u>(117,828)</u>    | <u>(1)</u> | <u>(75,144)</u>  | <u>-</u>  |
|      |  | <u>\$ 1,924,033</u> | <u>16</u>  | <u>5,318,099</u> | <u>29</u> |
|      | <b>Earnings per share (expressed in dollars)</b> (note 6(s))   |                     |            |                  |           |
| 9710 | Basic earnings per share   | \$ <u>7.56</u>      |            | <u>17.64</u>     |           |
| 9850 | Diluted earnings per share   | \$ <u>7.44</u>      |            | <u>17.34</u>     |           |

See accompanying notes to financial statements.

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

Consolidated Statements of Changes in Equity  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

|   | Equity attributable to owners of parent |                 |                   |                                  |   |   |                 |   |                           |              |
|---|---|-----------------|-------------------|----------------------------------|---|---|-----------------|---|---------------------------|--------------|
|   |   |                 |                   |                                  | Other equity  |   |                 |   |                           |              |
|   |   |                 | 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 | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
|   | Ordinary shares                         | Capital surplus | Legal reserve     | Unappropriated retained earnings |   |   |                 |   |                           |              |
| Balance at January 1, 2021  | \$ 3,038,804                            | 519,638         | 1,825,597         | 3,692,218                        | (6,597)   | 9,937   | (28,975)        | 9,050,622                                     | 222,434                   | 9,273,056    |
| Net profit  | -                                       | -               | -                 | 5,102,446                        | -   | -   | -               | 5,102,446                                     | (74,908)                  | 5,027,538    |
| Other comprehensive income  | -                                       | -               | -                 | (27,093)                         | (326)   | 318,216   | -               | 290,797                                       | (236)                     | 290,561      |
| Total comprehensive income  | -                                       | -               | -                 | 5,075,353                        | (326)   | 318,216   | -               | 5,393,243                                     | (75,144)                  | 5,318,099    |
| Appropriation and distribution of retained earnings:  |   |                 |                   |                                  |   |   |                 |   |                           |              |
| Legal reserve   | -                                       | -               | 333,979           | (333,979)                        | -   | -   | -               | -   | -                         | -            |
| Cash dividends on ordinary shares   | -                                       | -               | -                 | (2,734,924)                      | -   | -   | -               | (2,734,924)                                   | -                         | (2,734,924)  |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries                      | -                                       | 111,944         | -                 | -                                | -   | -   | -               | 111,944                                       | -                         | 111,944      |
| Purchase of treasury share  | -                                       | -               | -                 | -                                | -   | -   | (1,077,510)     | (1,077,510)                                   | -                         | (1,077,510)  |
| Issuance of shares for non-controlling interests  | -                                       | -               | -                 | -                                | -   | -   | -               | -   | 90,097                    | 90,097       |
| Changes in non-controlling interests  | -                                       | (401)           | -                 | -                                | -   | -   | -               | (401)   | (6,493)                   | (6,894)      |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                                       | -               | -                 | 126,136                          | -   | (126,136)   | -               | -   | -                         | -            |
| Balance at December 31, 2021  | 3,038,804                               | 631,181         | 2,159,576         | 5,824,804                        | (6,923)   | 202,017   | (1,106,485)     | 10,742,974                                    | 230,894                   | 10,973,868   |
| Net profit  | -                                       | -               | -                 | 2,151,676                        | -   | -   | -               | 2,151,676                                     | (118,263)                 | 2,033,413    |
| Other comprehensive income  | -                                       | -               | -                 | 74,201                           | 2,217   | (186,233)   | -               | (109,815)                                     | 435                       | (109,380)    |
| Total comprehensive income  | -                                       | -               | -                 | 2,225,877                        | 2,217   | (186,233)   | -               | 2,041,861                                     | (117,828)                 | 1,924,033    |
| Appropriation and distribution of retained earnings:  |   |                 |                   |                                  |   |   |                 |   |                           |              |
| Legal reserve appropriated  | -                                       | -               | 520,150           | (520,150)                        | -   | -   | -               | -   | -                         | -            |
| Cash dividends of ordinary share  | -                                       | -               | -                 | (4,102,385)                      | -   | -   | -               | (4,102,385)                                   | -                         | (4,102,385)  |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries                      | -                                       | 171,792         | -                 | -                                | -   | -   | -               | 171,792                                       | -                         | 171,792      |
| Issuance of shares for non-controlling interests  | -                                       | -               | -                 | -                                | -   | -   | -               | -   | 304,546                   | 304,546      |
| Changes in non-controlling interests  | -                                       | 35,455          | -                 | -                                | -   | -   | -               | 35,455  | 314,913                   | 350,368      |
| Balance at December 31, 2022  | \$ 3,038,804                            | 838,428         | 2,679,726         | 3,428,146                        | (4,706)   | 15,784  | (1,106,485)     | 8,889,697                                     | 732,525                   | 9,622,222    |

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

Consolidated Statements of Cash Flows  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

|  | 2022                | 2021               |
|--|---------------------|--------------------|
| <b>Cash flows from operating activities:</b>   |                     |                    |
| Profit before tax  | \$ 2,702,972        | 6,061,149          |
| Adjustments:   |                     |                    |
| Adjustments to reconcile profit:   |                     |                    |
| Depreciation expense   | 166,503             | 128,163            |
| Amortization expense   | 160,130             | 129,186            |
| Expected credit gain   | (6,446)             | (6,773)            |
| Net loss (profit) on financial assets at fair value through profit or loss                               | 416,264             | (345,647)          |
| Interest expense   | 13,933              | 9,845              |
| Interest income  | (34,464)            | (18,824)           |
| Dividend income  | (93,807)            | (33,674)           |
| Share-based payment transactions   | 1,363               | 1,057              |
| Share of profit of associates accounted for using equity method  | 50,722              | (31,087)           |
| Loss on disposal of property, plant and equipment  | 438                 | 346                |
| Gain on disposal of investments  | -                   | (6,254)            |
| Gain on a bargain purchase   | -                   | (1,201)            |
| Gain on adjustments to lease   | (160)               | -                  |
| Impairment loss and disposal loss on inventory   | 168,586             | 121,362            |
| Other operating costs  | 107,740             | -                  |
| Reversal of impairment loss  | -                   | (3,930)            |
| Others   | 17,724              | -                  |
| <b>Total adjustments to reconcile profit</b>   | <b>968,526</b>      | <b>(57,431)</b>    |
| <b>Changes in operating assets and liabilities:</b>  |                     |                    |
| Decrease in notes and accounts receivable  | 1,114,428           | 363,617            |
| Increase in inventories  | (1,452,465)         | (659,265)          |
| Increase in prepayments and other current assets   | (8,036)             | (9,164)            |
| Decrease in other receivables  | 471,264             | 297,585            |
| Decrease in notes and accounts payable   | (1,004,765)         | (117,843)          |
| Increase (decrease) in other current liabilities   | (649,577)           | 216,936            |
| Decrease in net defined benefit liability  | (13,023)            | (19,612)           |
| Cash inflow generated from operations  | 2,129,324           | 6,075,972          |
| Interest received  | 34,169              | 18,941             |
| Interest paid  | (13,295)            | (9,845)            |
| Income taxes paid  | (1,384,129)         | (822,498)          |
| <b>Net cash flows from operating activities</b>  | <b>766,069</b>      | <b>5,262,570</b>   |
| <b>Cash flows from (used in) investing activities:</b>   |                     |                    |
| Dividends received   | 114,206             | 37,682             |
| Proceeds from disposal of non-current financial assets at fair value through other comprehensive income  | -                   | 130,744            |
| Acquisition of current financial assets at fair value through profit or loss                             | (125,152)           | (218,318)          |
| Proceeds from disposal of current financial assets at fair value through profit or loss                  | 285,256             | 432,035            |
| Acquisition of non-current financial assets at fair value through profit or loss                         | (353,706)           | (240,162)          |
| Proceeds from disposal of non-current financial assets at fair value through profit or loss              | 3,900               | -                  |
| Proceeds from capital reduction and liquidation of financial assets at fair value through profit or loss | 40,648              | 15,803             |
| Decrease in financial assets at amortized cost   | 1,458,860           | 1,010,200          |
| Net cash flow from acquisition of subsidiaries   | 53,108              | 2,337              |
| Proceeds from disposal of subsidiaries   | -                   | 19,637             |
| Proceeds from capital reduction of investments accounted for using equity method                         | 30,000              | 3,930              |
| Acquisition of property, plant and equipment   | (169,384)           | (153,479)          |
| Proceeds from disposal of property, plant and equipment  | 1,098               | 2                  |
| Acquisition of intangible assets   | (88,903)            | (105,775)          |
| Decrease (increase) in refundable deposits   | 3,921               | (158,038)          |
| (Increase) decrease in other non-current assets  | (2,091)             | 2,175              |
| <b>Net cash flows from investing activities</b>  | <b>1,251,761</b>    | <b>778,773</b>     |
| <b>Cash flows from (used in) financing activities:</b>   |                     |                    |
| Increase in short-term borrowings  | 62,000              | 10,000             |
| Decrease in short-term borrowings  | (12,000)            | (20,000)           |
| Repayments of long-term debt   | (24,679)            | -                  |
| Increase (decrease) in guarantee deposits received   | 28,570              | (2,778)            |
| Payment of lease liabilities   | (38,827)            | (193,516)          |
| Cash dividends paid  | (3,930,593)         | (2,622,980)        |
| Payments to acquire treasury shares  | -                   | (1,077,510)        |
| Change in non-controlling interests  | 304,546             | 90,097             |
| <b>Net cash flows used in financing activities</b>   | <b>(3,610,983)</b>  | <b>(3,816,687)</b> |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                      | <b>2,334</b>        | <b>(490)</b>       |
| <b>Net (decrease) increase in cash and cash equivalents</b>  | <b>(1,590,819)</b>  | <b>2,224,166</b>   |
| <b>Cash and cash equivalents at the beginning of period</b>  | <b>4,254,507</b>    | <b>2,030,341</b>   |
| <b>Cash and cash equivalents at the end of period</b>  | <b>\$ 2,663,688</b> | <b>4,254,507</b>   |

See accompanying notes to financial statements.



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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2022 and 2021**

(expressed in thousands of New Taiwan Dollar unless otherwise specified)

**(1) Company history**

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on February 22, 2023.

**(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. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”

(Continued)



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

- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| <b>Standards or Interpretations</b>  | <b>Content of amendment</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” | <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> | Effective date to be determined by IASB |

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.

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(Continued)

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

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost; and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(Continued)

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

(ii) List of subsidiaries in the consolidated financial statements

| Name of investor                      | Name of subsidiary  | Principal activity  | Shareholding      |                   | Note   |
|---------------------------------------|---|---|-------------------|-------------------|--------|
|                                       |   |   | December 31, 2022 | December 31, 2021 |        |
| The Company                           | Elan Investment Corp.                                       | Investment holding  | 100.00 %          | 100.00 %          | -      |
| 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 | 47.71 %           | 51.57 %           | note 4 |
| The Company and Elan Investment Corp. | Avisonic Technology Corp. (Avisonic)                        | Research, design, develop, manufacture and sale on digital image-process chips  | 87.91 %           | 87.91 %           | note 1 |
| The Company                           | JUPU ELECTRONIC Co., Ltd. (JUPU)                            | Wholesale and installation of electronic devices, data storage and equipment process  | 49.00 %           | 49.00 %           | note 2 |
| The Company and Elan Investment Corp. | PiXORD Corporation (PiXORD)                                 | Research, design, develop, manufacture and sale on Webcam and server  | 97.98 %           | 98.23 %           | note 7 |
| 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  | 28.11 %           | 28.74 %           | note 3 |
| The Company                           | Elan (H.K.)   | Sale and after-sales service  | 100.00 %          | 100.00 %          | -      |
| The Company                           | Elan Information  | After-sales service and provide new informational skills  | 100.00 %          | 100.00 %          | -      |
| Elan (H.K.)                           | Power Asia  | Investment holding  | 100.00 %          | 100.00 %          | -      |
| Power Asia                            | Elan Shanghai   | Provide technical support and information service   | 100.00 %          | 100.00 %          | -      |
| Power Asia                            | Elan Shenzhen   | Provide technical support and information service   | 100.00 %          | 100.00 %          | -      |
| MetaCom                               | Metanoia EU   | Provide technical support and information service   | 100.00 %          | 100.00 %          | note 5 |
| The Company                           | Chimei Motor Electronics Co., Ltd. (Chimei)                 | Image recognition, automotive electronic manufacturing and wholesaling business   | 31.36 %           | 5.00 %            | note 6 |
| Chimei                                | Chimei Motor Electronics (SAMOA) Co., Ltd. (Chimei (SAMOA)) | Investment holding  | 100.00 %          | 100.00 %          | note 6 |
| Chimei (SAMOA)                        | Gianteye Technology (Shanghai) Co., Ltd.                    | Develops advanced driver assistance systems and wholesales automotive electronic products.  | 100.00 %          | 100.00 %          | note 6 |

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Note 1: On August 30, 2021, the Group's ownership increased to 87.91% after participating in the capital increase of Avisonic.

Note 2: The Company obtained 3 out of 5 Board seats and gained control over JUPU..

Note 3: The Company obtained 3 out of 5 Board seats and gained control over Eminent. In addition, Eminent issued shares resulting from the exercise of employee stock options on June 22, 2022 and April 19, 2021, and increased capital on August 16, 2021. The Group's ownership decreased to 28.11%.

Note 4: On November 7, 2022, the Group's shareholding percentage was decreased to 47.71% after participating in the capital increase of Metanoia.

Note 5: On April 28, 2021, MetaCom acquired 100.00% equity of Metanoia EU, thus, the investee has been included in the consolidated financial statements since then.

Note 6: On March 1, 2022, the Company acquired equity interest from 5% to 31.36% in Chimei Motor Electronics Co., Ltd. by participating in a cash capital increase and obtained four of the seven seats on the Board of Directors. Therefore, Chimei Motor Electronics Co., Ltd. and its subsidiaries are considered to be subsidiaries over which the Company has control and are included in the consolidated financial statements since then.

Note 7: On September 2, 2022, the Group's shareholding percentage was decreased to 97.98% after participating in the capital increase of PiXORD.

#### (c) Foreign currencies

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

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

##### (ii) Foreign operations

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

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

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

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

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

#### 5) Derecognition of financial assets

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

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

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

4) Other financial liabilities

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

5) Derecognition of financial liabilities

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

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

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

6) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

(h) Investments in associates

Associates are those entities in which the 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 statements 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. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

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.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment)

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(or retained earnings) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

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.

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.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 2~50 years
- 2) Machinery and equipment: 2~6 years
- 3) Office and transportation equipment: 1~10 years

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

(j) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modification

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

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

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

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

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

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- 4) there is no substantive change in 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.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(ii) As a lessor

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

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

(k) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

|                    |           |
|--------------------|-----------|
| Technical know-how | 1~5 years |
| Computer software  | 1~6 years |

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

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

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

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

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

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

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

(m) Provisions

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

(n) Revenue from contracts with customers

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

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(i) Sale of goods

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

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Services

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

(iii) Financing components

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

(o) Government grants

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

(p) Employee benefits

(i) Defined contribution plans

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

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

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### Notes to the Consolidated Financial Statements

The Group that belongs to overseas firms (excluding Elan Information, Power Asia and CHIMEI(SAMOA), which adopts the defined contribution pension plan) should contribute pension fund based on the local pension regulations and recognized the pension contributed as expense for that period. Subsidiaries in China should comply with the regulations of the Government in the People's Republic of China. The corporate contributes retirement annuity funds based on the statutory rate on authorized employees' payroll and the pension expenses are recognized in profit or loss for the year.

#### (ii) Defined benefit plans

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

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

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

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

#### (iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

#### (q) Income taxes

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

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

- (r) Business acquisition

For those acquisitions occurring after 1 January 2013 (inclusive), goodwill is measured using ROC GAAP.

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## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

The Group adopted the acquisition method for its merger of Chimei Motor Electronics Co., Ltd. (Chimei), wherein the goodwill was based on the fair value of the consideration transferred on the acquisition date, including the amount attributable to any non-controlling interests in the acquiree, less identifiable assets acquired and assumed, in which the net amount of the liability (usually the fair value) has been measured.

(s) Earnings per share

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

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

Judgment of whether the Group has substantive control over its investees

The Group holds 24.69% of the outstanding voting shares of Uniband Electronic Corp. and is the single largest shareholder of the investee. Although the remaining 75.31% of Uniband Electronic Corp.'s shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of Uniband Electronic Corp.'s directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence on Uniband Electronic Corp.

The Group holds 23.08% of the outstanding voting shares of Finger Pro. Incorporation and is the single largest shareholder of the investee. Although the remaining 76.92% of Finger Pro. Incorporation's shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of Finger Pro. Incorporation's directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence on Finger Pro. Incorporation.

The relevant information on uncertainties of assumptions and estimates, which has significant risks that will cause major adjustments in the following year, is deemed an inventory evaluation. As inventories are measured at the lower of cost and net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at each reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the sales price. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(d).

**(6) Explanation of significant accounts:**

**(a) Cash and cash equivalents**

|   | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---|------------------------------|------------------------------|
| Petty cash  | \$ 1,099                     | 755                          |
| Checking and demand deposits  | 1,965,777                    | 2,477,962                    |
| Time deposits   | 970,602                      | 3,508,440                    |
| Less: Restricted deposits (recorded as current and non-current financial assets measured at amortized cost) (Note h)  | (99,590)                     | (7,200)                      |
| Time deposits (recorded as financial assets measured at amortized cost) with original maturities of over three months | (174,200)                    | (1,725,450)                  |
|   | <b><u>\$ 2,663,688</u></b>   | <b><u>4,254,507</u></b>      |

The Group did not recognize impairment loss on current and non-current financial assets at amortized cost for the years ended December 31, 2022 and 2021. Please refer to note 6(w) for the information on credit risk of the Group.

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

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

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|------------------------------|------------------------------|
| Mandatorily measured at fair value through profit or loss: |                              |                              |
| Current:   |                              |                              |
| Listed stocks  | \$ 4,298                     | 6,691                        |
| Certificates of beneficial interest                        | 444,457                      | 706,368                      |
| Short-term commercial papers                               | <u>73,493</u>                | <u>59,569</u>                |
| Subtotal   | <u>522,248</u>               | <u>772,628</u>               |
| Non-current:   |                              |                              |
| Listed stocks  | 249,210                      | 523,342                      |
| Non-publicly traded stocks                                 | 993,082                      | 876,923                      |
| Unlisted funds   | <u>233,465</u>               | <u>177,054</u>               |
| Subtotal   | <u>1,475,757</u>             | <u>1,577,319</u>             |
| Total  | <b><u>\$ 1,998,005</u></b>   | <b><u>2,349,947</u></b>      |

On March 1, 2022, the Group participated in the cash capital increase of Chimei Motor Electronics Co., Ltd. (Chimei), wherein its shareholding in Chimei increased from 5% to 31.36%, obtaining four of the seven seats in Chimei's Board, resulting in the Group to have control over Chimei and its subsidiaries, and derecognized from financial assets at fair value through profit or loss to investments accounted for using equity method and incorporated into consolidated financial statements from that date.

(c) Notes and accounts receivable

|   | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---|------------------------------|------------------------------|
| Notes receivable  | \$ 1,890                     | 5,550                        |
| Accounts receivable - fair value through other comprehensive income | 410,234                      | 1,125,227                    |
| Accounts receivable - measured at amortized cost                    | 330,105                      | 691,897                      |
| Less: Loss allowance  | <u>(22,821)</u>              | <u>(28,481)</u>              |
|   | <b><u>\$ 719,408</u></b>     | <b><u>1,794,193</u></b>      |

The Group has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such accounts receivable was 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 receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The loss allowance provisions were determined as follows:

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

| <b>December 31, 2022</b>   |                              |                                   |                             |
|----------------------------|------------------------------|-----------------------------------|-----------------------------|
|                            | <b>Gross carrying amount</b> | <b>Weighted-average loss rate</b> | <b>Expected credit loss</b> |
| Current                    | \$ 678,875                   | 0.33%                             | 2,252                       |
| 1 to 30 days past due      | 42,562                       | 1.62%                             | 690                         |
| 31 to 60 days past due     | 234                          | 10.68%                            | 25                          |
| 61 to 90 days past due     | 1,062                        | 75.99%                            | 807                         |
| More than 90 days past due | 19,496                       | 50%~100%                          | 19,047                      |
|                            | <b>\$ 742,229</b>            |                                   | <b>22,821</b>               |

| <b>December 31, 2021</b>   |                              |                                   |                             |
|----------------------------|------------------------------|-----------------------------------|-----------------------------|
|                            | <b>Gross carrying amount</b> | <b>Weighted-average loss rate</b> | <b>Expected credit loss</b> |
| Current                    | \$ 1,674,675                 | 0.20%                             | 3,377                       |
| 1 to 30 days past due      | 98,805                       | 1.78%                             | 1,756                       |
| 31 to 60 days past due     | 27,414                       | 11.21%                            | 3,072                       |
| 61 to 90 days past due     | 3,385                        | 55.56%                            | 1,881                       |
| More than 90 days past due | 18,395                       | 50%~100%                          | 18,395                      |
|                            | <b>\$ 1,822,674</b>          |                                   | <b>28,481</b>               |

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

|                                       | <b>2022</b>      | <b>2021</b>   |
|---------------------------------------|------------------|---------------|
| Balance at January 1                  | \$ 28,481        | 35,254        |
| Acquisitions                          | (6,446)          | (6,773)       |
| Impairment loss recognized (reversed) | 1,046            | -             |
| Effect of changes in exchange rates   | (260)            | -             |
| Balance at December 31                | <b>\$ 22,821</b> | <b>28,481</b> |

The Group entered into non-recourse factoring agreements with different financial institutions to sell its accounts receivable. Under the agreements, the Group does not have the responsibility to assume the default risk of the transferred accounts receivable. The Group derecognized the above accounts receivable 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 accounts receivable from the financial institutions were recognized as “other receivables” upon the derecognition of those accounts receivable.

| <b>December 31, 2022</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    | \$ 586,619                   | 2,929,200             | -                      | 586,619                                       | 0.05%~0.10%                   | None              |

(Continued)

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

| December 31, 2021     |                          |                   |                    |   |                           |            |
|-----------------------|--------------------------|-------------------|--------------------|---|---------------------------|------------|
| Purchaser             | Accounts<br>derecognized | Factoring<br>Line | Advanced<br>Amount | Amount<br>Recognized in<br>Other<br>Receivables | Range of<br>Interest Rate | Collateral |
| Financial Institution | \$ <u>1,060,125</u>      | <u>2,862,560</u>  | <u>-</u>           | <u>1,060,125</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 December 31, 2022 and 2021. The remaining amount has been reclassified into other receivables. The Group did not recognize impairment loss on other receivables for the years ended December 31, 2022 and 2021. Please refer to note 6(w) for the information on credit risk of the Group.

(d) Inventories

|                  | December 31,<br>2022 | December 31,<br>2021 |
|------------------|----------------------|----------------------|
| Raw materials    | \$ 1,710,468         | 750,079              |
| Work in progress | 1,653,579            | 1,260,834            |
| Finished goods   | <u>366,877</u>       | <u>303,232</u>       |
|                  | <u>\$ 3,730,924</u>  | <u>2,314,145</u>     |

The details of the cost of sales were as follows:

|                              | 2022                | 2021             |
|------------------------------|---------------------|------------------|
| Inventory that has been sold | \$ 6,772,989        | 9,091,598        |
| Write-down of inventories    | 168,586             | 121,362          |
| Others                       | <u>101,665</u>      | <u>(828)</u>     |
|                              | <u>\$ 7,043,240</u> | <u>9,212,132</u> |

As of December 31, 2022 and 2021, the Group did not provide any inventories as collateral for its loans.

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

|  | December 31,<br>2022 | December 31,<br>2021 |
|--|----------------------|----------------------|
| Equity investments at fair value through other comprehensive income: |                      |                      |
| Emerging stocks  | \$ 13,096            | 20,969               |
| Listed stocks  | <u>292,495</u>       | <u>470,855</u>       |
|  | <u>\$ 305,591</u>    | <u>491,824</u>       |

- (i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

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

- (ii) The Group sold its shares in 2021. The shares sold had a fair value of \$130,744 thousand, wherein the Group realized a gain of \$126,136 thousand, which was reclassified from other comprehensive income to retained earnings.
- (iii) For market risk, please refer to note 6(w).
- (iv) As of December 31, 2022 and 2021, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral for its loans.
- (f) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date was as follows:

|            | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|------------|------------------------------|------------------------------|
| Associates | <b><u>\$ 246,691</u></b>     | <b><u>346,697</u></b>        |

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

|  | Nature of the relationship with the Group   | Main operating location / Registered Country of the Company | <b>December 31, 2022</b> |                   | <b>December 31, 2021</b> |                   |
|--|---|---|--------------------------|-------------------|--------------------------|-------------------|
|  |   |   | Amount                   | Share-holding (%) | Amount                   | Share-holding (%) |
| Tong Fu Investment Corporation         | Investment holding  | R.O.C.  | \$ 26,070                | 46.73             | 26,070                   | 46.73             |
| Lighting Device Technologies Corp.     | Research, design, develop, manufacture and sale on LED chips  | R.O.C.  | 11,712                   | 45.07             | 11,712                   | 45.07             |
| Top Taiwan X Venture Capital Co., Ltd. | Venture capital   | R.O.C.  | 210,000                  | 30.00             | 240,000                  | 30.00             |
| Uniband Electronic Corp.               | Manufactures and sells electronic devices   | R.O.C.  | 50,000                   | 24.69             | 50,000                   | 24.69             |
| Finger Pro. Incorporation              | Manufactures and sells electronic devices   | R.O.C.  | 6,000                    | 23.08             | 6,000                    | 23.08             |
| RONG CHENG Technology                  | Manufactures and sells electronic devices, computers and its related products, manufactures optical instruments | R.O.C.  | 77,706                   | 38.46             | 77,706                   | 38.46             |
|  |   |   | <b><u>\$ 381,488</u></b> |                   | <b><u>411,488</u></b>    |                   |

- (i) Associates

A summary of the Group's shares of gain of associates accounted for using equity method for the years ended December 31, 2022 and 2021 was as follows:

|  | <b>2022</b>               | <b>2021</b>          |
|--|---------------------------|----------------------|
| Shares of gain of associates accounted for using equity method | <b><u>\$ (50,722)</u></b> | <b><u>31,087</u></b> |

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

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

|  | <u>2022</u>               | <u>2021</u>          |
|--|---------------------------|----------------------|
| Attributable to the Group:               |                           |                      |
| Profit (loss) from continuing operations | \$ (50,722)               | 31,087               |
| Other comprehensive (loss) income        | <u>10</u>                 | <u>(3)</u>           |
| Comprehensive income (loss)              | <u><u>\$ (50,712)</u></u> | <u><u>31,084</u></u> |

(ii) Pledges

As of December 31, 2022 and 2021, the Group had not provided any investments accounted for using the equity method as collateral for its loans.

(g) Business combinations

- (iii) 1) On March 1, 2022, the Group obtained control over Chimei Motor Electronics Co., Ltd. and began to incorporate it into the consolidated financial statements. The Group holds the equity in the Company from 5% to 31.36%, which is mainly engaged in the manufacturing and wholesale of image recognition and automotive electronics products. The Group expects to improve its management synergy after the acquisition.
- 2) The following table summarized the consideration paid for Chimei 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.

|   | <u>March 1, 2022</u>     |
|---|--------------------------|
| Consideration paid by cash                    | \$ 199,200               |
| Fair value of pre-existing interest in Chimei | 22,800                   |
| Non-controlling interest in the acquisition   | <u>351,727</u>           |
|   | <u><u>\$ 573,727</u></u> |
| Current assets                                |                          |
| Cash and cash equivalents                     | \$ 252,308               |
| Accounts receivables (note 6(c))              | 28,349                   |
| Other receivables                             | 14                       |
| Inventories                                   | 136,619                  |
| Prepayments                                   | 7,130                    |
| Non-current assets                            |                          |
| Property, plant and equipment (note 6(i))     | 10,669                   |
| Intangible assets (note 6(k))                 | 187,515                  |
| Guarantee deposits                            | 1,685                    |

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

Current liabilities

|                   |          |
|-------------------|----------|
| Accounts payables | (21,476) |
| Other payables    | (25,858) |

Non-current liabilities

|   |                   |
|---|-------------------|
| Long-term borrowing                     | (24,679)          |
| reference share liabilities non-current | (40,000)          |
| Total identifiable net assets acquired  | <u>\$ 512,276</u> |
| Goodwill                                | <u>\$ 61,451</u>  |

3) Note cash flows from acquisition of a subsidiary

|                            |                  |
|----------------------------|------------------|
| Consideration paid by cash | \$ 252,308       |
| Less: Cash paid            | (199,200)        |
|                            | <u>\$ 53,108</u> |

- 4) Chimei contributed the sales and net profits \$115,135 thousand and \$2,614 thousand respectively from the acquisition date to December 31, 2022. If the acquisition happened on January 1, 2022, the management estimated that the Group of sales and net income will be \$13,049,202 thousand and \$2,036,461 thousand respectively. In determining the amount, the management assumed that the acquisition occurred on January 1, 2022 and assumed that the provisional fair value adjustment was the same at the acquisition date.

- (iv) 1) To expand European operations and provide technical support and services, the Group acquired 100.00% shares of Metanoia Communication Europe (Metanoia EU) at an investment cost of \$34 thousand (EUR\$1 thousand) and obtained control over it on April 28, 2021.
- 2) The following table summarizes the acquisition-date fair value of major class of consideration transferred.

|   | <u>April 28, 2021</u> |
|---|-----------------------|
| Consideration paid by cash                | <u>\$ 34</u>          |
| Current assets                            |                       |
| Cash and cash equivalents                 | \$ 2,371              |
| Accounts receivables                      | 50                    |
| Prepayments and other current assets      | 1                     |
| Non-current assets                        |                       |
| Property, plant and equipment (note 6(i)) | 250                   |
| Current liabilities                       |                       |
| Other current liabilities                 | (1,437)               |
| Total identifiable net assets acquired    | <u>\$ 1,235</u>       |

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

- 3) The Group recognized gain on a bargain purchase of \$1,201 thousand due to the acquisition of Metanoia EU, please refer to note 6(u).

(h) Loss control of subsidiaries

The Group had sold 86.96% of its shares in RisingStar, wherein the proceeds of \$20,111 thousand on February 9, 2021, resulted in a loss of control over RisingStar. Therefore, the \$1,343 thousand gain on disposal of a subsidiary had been recognized as other gains and losses under other comprehensive income.

- (i) The carrying amounts of assets and liabilities of RisingStar on the date of disposal were as follows:

|   |                         |
|---|-------------------------|
| Cash and cash equivalents                 | \$ 10,945               |
| Accounts receivables                      | 8,431                   |
| Prepayments                               | 186                     |
| Property, plant and equipment (note 6(i)) | 245                     |
| Intangible assets (note 6(k))             | 1,860                   |
| Guarantee deposits                        | 93                      |
| Other payables                            | <u>(177)</u>            |
| Carrying amount of net assets             | <u><u>\$ 21,583</u></u> |

- (ii) Gain on disposal of a subsidiary

|  |                        |
|--|------------------------|
| Cash received                                | \$ 20,111              |
| Carrying amount of net assets                | (21,583)               |
| Carrying amount of non-controlling interests | <u>2,815</u>           |
| Gain on disposal                             | <u><u>\$ 1,343</u></u> |

- (iii) Net cash flows from disposal of a subsidiary

|  |                        |
|--|------------------------|
| Cash received                                      | \$ 20,111              |
| Less: Carrying amount of cash and cash equivalents | <u>(10,945)</u>        |
|  | <u><u>\$ 9,166</u></u> |

- (iv) The Group had sold 61.16% of its shares in Bruckewell, wherein the proceeds of \$13,000 thousand on December 29, 2021, resulted in a loss of control over Bruckewell. Therefore, the \$4,911 thousand gain on disposal of a subsidiary had been recognized as other gains and losses under other comprehensive income.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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- 1) The carrying amounts of assets and liabilities of Bruckewell on the date of disposal were as follows:

|   |                         |
|---|-------------------------|
| Cash and cash equivalents                 | \$ 2,529                |
| Accounts receivables                      | 2,748                   |
| Other receivables                         | 138                     |
| Inventories                               | 6,411                   |
| Prepayments                               | 299                     |
| Property, plant and equipment (note 6(i)) | 7,910                   |
| Intangible assets (note 6(k))             | 511                     |
| Guarantee deposits                        | 798                     |
| Accounts payables                         | (2,372)                 |
| Other current liabilities                 | <u>(5,748)</u>          |
| Carrying amount of net assets             | <u><u>\$ 13,224</u></u> |

- 2) Gain on disposal of a subsidiary

|  |                        |
|--|------------------------|
| Cash received                                | \$ 13,000              |
| Carrying amount of net assets                | (13,224)               |
| Carrying amount of non-controlling interests | <u>5,135</u>           |
| Gain on disposal                             | <u><u>\$ 4,911</u></u> |

- 3) Net cash flows from disposal of a subsidiary

|  |                         |
|--|-------------------------|
| Cash received                                      | \$ 13,000               |
| Less: Carrying amount of cash and cash equivalents | <u>(2,529)</u>          |
|  | <u><u>\$ 10,471</u></u> |

- (i) Property, plant and equipment

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

|                                       | <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<br/>and<br/>prepayments<br/>on<br/>construction</u> | <u>Total</u>            |
|---------------------------------------|--------------------------|-------------------------|--|--|---|-------------------------|
| Cost:                                 |                          |                         |  |  |   |                         |
| Balance at January 1, 2022            | \$ 230,790               | 1,178,182               | 671,578                                | 164,413  | 33,979  | 2,278,942               |
| Acquisitions                          | -                        | -                       | 1,322                                  | 8,868  | 479   | 10,669                  |
| Additions                             | -                        | 1,170                   | 64,386                                 | 37,781   | 66,047  | 169,384                 |
| Derecognized                          | -                        | (16,880)                | (11,514)                               | (7,364)  | -   | (35,758)                |
| Reclassification                      | -                        | 2,541                   | 14,663                                 | 941  | (21,195)  | (3,050)                 |
| Effect of movements in exchange rates | <u>-</u>                 | <u>-</u>                | <u>91</u>                              | <u>123</u>   | <u>-</u>  | <u>214</u>              |
| Balance at December 31, 2022          | <u><u>\$ 230,790</u></u> | <u><u>1,165,013</u></u> | <u><u>740,526</u></u>                  | <u><u>204,762</u></u>                              | <u><u>79,310</u></u>  | <u><u>2,420,401</u></u> |

(Continued)

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

|                                       | <b>Land</b>       | <b>Buildings</b> | <b>Machinery<br/>and<br/>equipment</b> | <b>Office and<br/>transportation<br/>equipment</b> | <b>Equipment<br/>awaiting<br/>examination<br/>and<br/>prepayments<br/>on<br/>construction</b> | <b>Total</b>     |
|---------------------------------------|-------------------|------------------|--|--|---|------------------|
| Balance at January 1, 2021            | \$ 230,790        | 1,162,385        | 575,934                                | 160,230  | 30,451  | 2,159,790        |
| Acquisitions                          | -                 | -                | 250                                    | -  | -   | 250              |
| Additions                             | -                 | 10,464           | 102,689                                | 16,611   | 23,715  | 153,479          |
| Effect of disposal of subsidiaries    | -                 | -                | (6,884)                                | (4,901)  | -   | (11,785)         |
| Derecognized                          | -                 | -                | (41,538)                               | (7,767)  | -   | (49,305)         |
| Reclassification                      | -                 | 5,333            | 41,119                                 | 214  | (20,187)  | 26,479           |
| Effect of movements in exchange rates | -                 | -                | 8                                      | 26   | -   | 34               |
| Balance at December 31, 2021          | <u>\$ 230,790</u> | <u>1,178,182</u> | <u>671,578</u>                         | <u>164,413</u>                                     | <u>33,979</u>   | <u>2,278,942</u> |
| Depreciation:                         |                   |                  |  |  |   |                  |
| Balance at January 1, 2022            | \$ -              | 714,779          | 474,786                                | 137,053  | -   | 1,326,618        |
| Depreciation                          | -                 | 22,010           | 79,536                                 | 17,884   | -   | 119,430          |
| Derecognized                          | -                 | (1,858)          | (7,290)                                | (7,351)  | -   | (16,499)         |
| Effect of disposal of subsidiaries    | -                 | -                | 76                                     | 101  | -   | 177              |
| Balance at December 31, 2022          | <u>\$ -</u>       | <u>734,931</u>   | <u>547,108</u>                         | <u>147,687</u>                                     | <u>-</u>  | <u>1,429,726</u> |
| Balance at January 1, 2021            | \$ -              | 694,485          | 456,020                                | 136,504  | -   | 1,287,009        |
| Depreciation                          | -                 | 20,294           | 61,917                                 | 9,933  | -   | 92,144           |
| Effect of disposal of subsidiaries    | -                 | -                | (1,733)                                | (1,897)  | -   | (3,630)          |
| Derecognized                          | -                 | -                | (41,269)                               | (7,688)  | -   | (48,957)         |
| Reclassification                      | -                 | -                | (172)                                  | 172  | -   | -                |
| Effect of movements in exchange rates | -                 | -                | 23                                     | 29   | -   | 52               |
| Balance at December 31, 2021          | <u>\$ -</u>       | <u>714,779</u>   | <u>474,786</u>                         | <u>137,053</u>                                     | <u>-</u>  | <u>1,326,618</u> |
| Carrying amount:                      |                   |                  |  |  |   |                  |
| Balance at December 31, 2022          | <u>\$ 230,790</u> | <u>430,082</u>   | <u>193,418</u>                         | <u>57,075</u>                                      | <u>79,310</u>   | <u>990,675</u>   |
| Balance at December 31, 2021          | <u>\$ 230,790</u> | <u>463,403</u>   | <u>196,792</u>                         | <u>27,360</u>                                      | <u>33,979</u>   | <u>952,324</u>   |

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

(j) Right-of-use assets

The Group leases many assets including land, buildings, machinery and office equipment. Information about leases for which the Group as a lessee was 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 at January 1, 2022            | \$ 842,737        | 42,070           | 948                                    | 19,179                      | 904,934        |
| Additions                             | -                 | 71,374           | -                                      | -                           | 71,374         |
| Derecognized                          | -                 | (35,722)         | -                                      | (9,117)                     | (44,839)       |
| Effect of movements in exchange rates | -                 | (32)             | -                                      | -                           | (32)           |
| Balance at December 31, 2022          | <u>\$ 842,737</u> | <u>77,690</u>    | <u>948</u>                             | <u>10,062</u>               | <u>931,437</u> |
| Balance at January 1, 2021            | \$ 186,883        | 36,203           | 948                                    | 12,179                      | 236,213        |
| Additions                             | 655,854           | 6,347            | -                                      | 7,000                       | 669,201        |
| Derecognized                          | -                 | (612)            | -                                      | -                           | (612)          |
| Effect of movements in exchange rates | -                 | 132              | -                                      | -                           | 132            |
| Balance at December 31, 2021          | <u>\$ 842,737</u> | <u>42,070</u>    | <u>948</u>                             | <u>19,179</u>               | <u>904,934</u> |
| Accumulated depreciation:             |                   |                  |  |                             |                |
| Balance at January 1, 2022            | \$ 27,706         | 27,446           | 448                                    | 10,784                      | 66,384         |
| Depreciation                          | 22,007            | 21,220           | 316                                    | 3,530                       | 47,073         |
| Derecognized                          | -                 | (33,872)         | -                                      | (8,007)                     | (41,879)       |
| Effect of movements in exchange rates | -                 | (151)            | -                                      | -                           | (151)          |
| Balance at December 31, 2022          | <u>\$ 49,713</u>  | <u>14,643</u>    | <u>764</u>                             | <u>6,307</u>                | <u>71,427</u>  |
| Balance at January 1, 2021            | \$ 11,165         | 14,045           | 132                                    | 4,950                       | 30,292         |
| Depreciation                          | 16,541            | 13,328           | 316                                    | 5,834                       | 36,019         |
| Effect of movements in exchange rates | -                 | 73               | -                                      | -                           | 73             |
| Balance at December 31, 2021          | <u>\$ 27,706</u>  | <u>27,446</u>    | <u>448</u>                             | <u>10,784</u>               | <u>66,384</u>  |
| Carrying amount:                      |                   |                  |  |                             |                |
| Balance at December 31, 2022          | <u>\$ 793,024</u> | <u>63,047</u>    | <u>184</u>                             | <u>3,755</u>                | <u>860,010</u> |
| Balance at December 31, 2021          | <u>\$ 815,031</u> | <u>14,624</u>    | <u>500</u>                             | <u>8,395</u>                | <u>838,550</u> |

The Group leased the superficies of “Hsinchu County International AI Smart Park Industrial Zone (1)-3” on April 30, 2021, with the royalty of \$15,800 thousand per year. The leased land will be calculated and adjusted based on the announced land price during the contract period. The Group recognized right-of-use assets and lease liabilities amounting to \$655,854 thousand, respectively.

(Continued)

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

(k) 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 at January 1, 2022         | \$ 176,838        | 281,058                       | 265,155                      | 723,051        |
| Acquisitions                       | 61,451            | 187,144                       | 371                          | 248,966        |
| Additions                          | -                 | 18,159                        | 70,744                       | 88,903         |
| Derecognized                       | -                 | (38,993)                      | (31,799)                     | (70,792)       |
| Reclassifications                  | -                 | -                             | 2,318                        | 2,318          |
| Balance at December 31, 2022       | <u>\$ 238,289</u> | <u>447,368</u>                | <u>306,789</u>               | <u>992,446</u> |
| Balance at January 1, 2021         | \$ 176,838        | 230,769                       | 233,204                      | 640,811        |
| Additions                          | -                 | 57,438                        | 48,337                       | 105,775        |
| Effect of disposal of subsidiaries | -                 | -                             | (3,684)                      | (3,684)        |
| Reclassifications                  | -                 | (25)                          | 900                          | 875            |
| Derecognized                       | -                 | (7,124)                       | (13,602)                     | (20,726)       |
| Balance at December 31, 2021       | <u>\$ 176,838</u> | <u>281,058</u>                | <u>265,155</u>               | <u>723,051</u> |
| Accumulated amortization:          |                   |                               |                              |                |
| Balance at January 1, 2022         | \$ -              | 134,420                       | 163,981                      | 298,401        |
| Additions                          | -                 | 65,004                        | 95,126                       | 160,130        |
| Derecognized                       | -                 | (38,993)                      | (31,799)                     | (70,792)       |
| Balance at December 31, 2022       | <u>\$ -</u>       | <u>160,431</u>                | <u>227,308</u>               | <u>387,739</u> |
| Balance at January 1, 2021         | \$ -              | 92,014                        | 99,240                       | 191,254        |
| Additions                          | -                 | 49,530                        | 79,656                       | 129,186        |
| Effect of disposal of subsidiaries | -                 | -                             | (1,313)                      | (1,313)        |
| Derecognized                       | -                 | (7,124)                       | (13,602)                     | (20,726)       |
| Balance at December 31, 2021       | <u>\$ -</u>       | <u>134,420</u>                | <u>163,981</u>               | <u>298,401</u> |
| Carrying amount:                   |                   |                               |                              |                |
| Balance at December 31, 2022       | <u>\$ 238,289</u> | <u>286,937</u>                | <u>79,481</u>                | <u>604,707</u> |
| Balance at December 31, 2021       | <u>\$ 176,838</u> | <u>146,638</u>                | <u>101,174</u>               | <u>424,650</u> |

- (i) For the years ended December 31, 2022 and 2021, the Group did not recognize any impairment loss. The amortization of intangible assets was included in the statement of comprehensive income:

|                    | <u>2022</u>       | <u>2021</u>    |
|--------------------|-------------------|----------------|
| Operating costs    | <u>\$ 7,625</u>   | <u>4,499</u>   |
| Operating expenses | <u>\$ 152,505</u> | <u>124,687</u> |

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

(ii) Impairment testing for goodwill

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

The carrying amounts of goodwill were as follow:

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|------------------------------|------------------------------|
| Laptop input device business cash-generating unit    | \$ 160,600                   | 160,600                      |
| Network communication business cash-generating units | 16,238                       | 16,238                       |
| Other units  | <u>61,451</u>                | <u>-</u>                     |
|  | <b><u>\$ 238,289</u></b>     | <b><u>176,838</u></b>        |

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

|                             | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|-----------------------------|------------------------------|------------------------------|
| Average revenue growth rate | <u>1.2 %</u>                 | <u>4.1 %</u>                 |
| Discount rate               | 12.34 %                      | 7.88 %                       |

The key assumptions represent the management's evaluation of the future industry trends, wherein the external, internal and also historical information, were considered. There was no impairment loss incurred as of December 31, 2022 and 2021.

(l) Short-term borrowings

The short-term borrowings were summarized as follows:

|                                | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--------------------------------|------------------------------|------------------------------|
| Unsecured bank loans           | <b><u>\$ 80,000</u></b>      | <b><u>30,000</u></b>         |
| Range of interest rate         | <u>1.98%~2.700%</u>          | <u>1.78%~ 1.80%</u>          |
| Unused short-term credit lines | <b><u>\$ 2,935,000</u></b>   | <b><u>2,750,000</u></b>      |

Refer to note 6(v) for the interest rate risk and fair value sensitivity analysis of the financial liabilities of the Group.

(m) Preference share liabilities

|  | <b>December 31,<br/>2022</b> |
|--|------------------------------|
| Cumulative redeemable preferred shares | <b><u>\$ 40,000</u></b>      |

(Continued)



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

The rights and obligations of Chimei's issuance of preference shares are as follows:

- (i) These preference shares do not entitle a shareholder any voting rights (including the right to vote for directors and supervisors). However, these preference shares allow a shareholder to have the right to vote in the preference stockholders' meeting and matters related to the rights of shareholders of these preference shares.
- (ii) Except for dividends, these preference shares cannot be included in the distribution of earnings and capital surplus of common shares, as well as other form of preference shares.
- (iii) The dividends of these preference shares are set at an annual interest rate of 1.5%, calculated based on the total amount of subscription, and paid out in cash annually, with the approval of the shareholders after they have examined the financial report and accounting books. Thereafter, the board of directors shall determine the ex-dividend base date for the distribution of dividends for these preference shares, and make a payment for the payable and accumulated undistributed dividends. The dividends for each year shall be calculated starting from the date of issuance and distributed based on the actual number of issuance days of the year, wherein the issuance date shall be defined as the base date for the capital increase of preference shares. If the Group incurred profit for the year, the profit shall first be used to pay taxes, then offset the previous years' deficit; thereafter, set aside 10% of the remaining profit as legal reserve. The remainder, if any, together with any undistributed retained earnings, shall be distributed as cash dividends according to the distribution plan proposed by the Board of Directors in the shareholders' meeting for approval. However, if there are no earnings in the year or the surplus is insufficient to distribute the full dividends of these preference shares, the preference shareholders shall be prioritized for the appropriation of the distributable portion; then any remainder shall be used to cover for the insufficient portion of the dividends, or distributed according to the provisions below:

The issuance period of these preference shares is three years. Upon maturity, the invested enterprise shall calculate the unobtained dividends based on the original total amount of subscription of these preference shares, plus an issuance period of three years, wherein the entire preference shares shall be withdrawn in cash in a lump sum. Furthermore, the investee corporation may withdraw the preference shares in advance based on the original total amount of subscription of the preference shares, plus the unobtained dividends calculated in proportion to the three-year issuance period.

- (iv) The preference shareholders should be prioritized during the distribution of the remaining property of the invested enterprise for these preference shares, to be followed by the ordinary shareholders, and lastly, the other preference shareholders, with an amount not exceeding the total subscription amount of the investor, plus the unobtained dividends calculated based on the issuance period of three years.
- (v) Agreed conversion: The preference shares cannot be converted into ordinary shares.
- (vi) If the investee enterprise falls under any of the following circumstances during the issuance period of the preference shares, it shall withdraw the preference shares in advance in accordance with the above provisions.

(Continued)

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

- 1) Public offering
- 2) The rights and obligations of the preference shares recorded in the articles of association of the invested enterprise being inconsistent with all the rights and obligations of the preference shares stipulated above, resulting in the investor to request the invested enterprise to make corrections within a certain time limit.
- 3) The possibility of the invested enterprise violating the provisions of the subscription agreement, such as: the use of investment funds, the guarantee of continued operation, the rights and obligations of the preference shares other than those stipulated above (including, but not limited to, the invested enterprise, the undistributed dividends of the preference shares, the dividends in arrears, the conditions for early withdrawal are met but have been refused by the investor) , interested party transactions, notification obligations, obligation on providing business and financial information, and failure to promptly comply accordingly with the investor's request by making the necessary corrections.
- 4) Money laundering prevention and combating terrorism.

The Group recognized interest expenses amounting to \$500 thousand for the years ended December 31, 2022.

(n) Lease liabilities

The lease liabilities were as follows:

|             | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|-------------|------------------------------|------------------------------|
| Current     | <b>\$ 29,525</b>             | <b>21,687</b>                |
| Non-current | <b>\$ 705,770</b>            | <b>671,682</b>               |

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

The amounts recognized in profit or loss were as follows:

|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
| Interest on lease liabilities  | <b>12,096</b> | <b>9,014</b>  |
| Expenses relating to short-term leases   | <b>15,573</b> | <b>17,425</b> |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | <b>1,132</b>  | <b>1,073</b>  |

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

|                               | <b>2022</b>      | <b>2021</b>    |
|-------------------------------|------------------|----------------|
| Total cash outflow for leases | <b>\$ 67,628</b> | <b>221,028</b> |

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

(i) Real estate leases

The Group leases land and buildings for its office space. The leases of land typically run for a period of 20 to 40 years, and of buildings for 2 to 8 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 1 to 3 years. These leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. The Group leases its office equipment, with lease terms of 1 to 3 years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term. 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.

(o) Employee benefits

(i) Defined benefit plans

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

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|------------------------------|------------------------------|
| Present value of defined benefit obligations | \$ 417,653                   | 490,572                      |
| Fair value of plan assets                    | <u>(108,174)</u>             | <u>(93,579)</u>              |
| Net defined benefit liabilities              | <b><u>\$ 309,479</u></b>     | <b><u>396,993</u></b>        |

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

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$108,174 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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

2) Movements in present value of the defined benefit obligations

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

|  | <b>2022</b>              | <b>2021</b>           |
|--|--------------------------|-----------------------|
| Defined benefit obligations at January 1                     | \$ 490,572               | 479,934               |
| Current service cost and interest cost                       | 3,791                    | 4,564                 |
| Remeasurements of net defined benefit liabilities (assets)   |                          |                       |
| — Actuarial loss (gain) arising from demographic assumptions | -                        | 12,969                |
| — Actuarial loss (gain) arising from financial assumptions   | (52,805)                 | 7,139                 |
| — Actuarial loss (gain) arising from experience adjustments  | (14,232)                 | 7,946                 |
| Curtailment gain   | -                        | (4,938)               |
| Benefits paid  | (9,673)                  | (17,042)              |
| Defined benefit obligations at December 31                   | <u><u>\$ 417,653</u></u> | <u><u>490,572</u></u> |

3) Movements of plan assets

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

|  | <b>2022</b>              | <b>2021</b>          |
|--|--------------------------|----------------------|
| Fair value of plan assets at January 1                     | \$ 93,579                | 90,478               |
| Interest income  | 594                      | 683                  |
| Remeasurements of net defined benefit liabilities (assets) |                          |                      |
| — Return on plan assets excluding interest income          | 7,454                    | 905                  |
| Contributions paid by the employer                         | 15,869                   | 15,784               |
| Benefits paid  | (9,322)                  | (14,271)             |
| Fair value of plan assets at December 31                   | <u><u>\$ 108,174</u></u> | <u><u>93,579</u></u> |

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

4) Expenses recognized in profit or loss

The Group's expenses recognized in profit or loss for the years ended December 31, 2022 and 2021, were as follows:

|   | <u>2022</u>            | <u>2021</u>         |
|---|------------------------|---------------------|
| Current service costs   | \$ 817                 | 1,082               |
| Net interest of net liabilities for defined benefit obligations | <u>2,380</u>           | <u>2,799</u>        |
|   | <u><b>\$ 3,197</b></u> | <u><b>3,881</b></u> |
|   | <u>2022</u>            | <u>2021</u>         |
| Operating cost  | \$ 270                 | 333                 |
| Selling expenses  | 204                    | 260                 |
| Administration expenses   | 274                    | 333                 |
| Research and development expenses                               | <u>2,449</u>           | <u>2,955</u>        |
|   | <u><b>\$ 3,197</b></u> | <u><b>3,881</b></u> |

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

The Group's remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income for the years ended December 31, 2022 and 2021, were as follows:

|                        | <u>2022</u>               | <u>2021</u>          |
|------------------------|---------------------------|----------------------|
| Balance at January 1   | \$ 35,514                 | 8,365                |
| Recognized             | <u>(74,491)</u>           | <u>27,149</u>        |
| Balance at December 31 | <u><b>\$ (38,977)</b></u> | <u><b>35,514</b></u> |

6) Actuarial assumptions

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

|                             | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|-----------------------------|------------------------------|------------------------------|
| Discount rate               | 1.750%                       | 0.625%~ 0.750%               |
| Future salary increase rate | 2.00%~ 5.00%                 | 1.00%~ 5.00%                 |

The expected allocation payment to be made by the Group to the defined benefit plans for one-year period after the reporting date was \$5,898 thousand.

As of December 31, 2022 and 2021, the weighted-average lifetime of the defined benefits plans were 13.94 years and 14.89 years.

(Continued)

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

7) Sensitivity analysis

Calculations of the present value of the defined benefit obligations were based on the judgements and estimates made on the actuarial assumptions as of the balance sheet date, including discount rate, employee turnover rate and future salary changes. Any change in the actuarial assumptions would affect the defined benefit obligations at the reporting date.

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

|                               | <b>Impact on the defined benefit obligations</b> |                              |
|-------------------------------|--|------------------------------|
|                               | <b>Increase by<br/>0.25%</b>                     | <b>Decrease by<br/>0.25%</b> |
| December 31, 2022             |  |                              |
| Discount rate                 | \$ (10,626)                                      | 11,014                       |
| Future salary increasing rate | 10,391   | (10,085)                     |
| December 31, 2021             |  |                              |
| Discount rate                 | \$ (14,392)                                      | 14,960                       |
| Future salary increasing rate | 14,002   | (13,560)                     |

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Group's expenses incurred from the contributions to the Bureau of Labor Insurance for the and years ended December 31, 2022 and 2021 were as follows:

|                                   | <b>2022</b>      | <b>2021</b>   |
|-----------------------------------|------------------|---------------|
| Operating cost                    | \$ 9,142         | 8,482         |
| Selling expenses                  | 6,576            | 6,049         |
| Administration expenses           | 10,604           | 9,416         |
| Research and development expenses | 54,376           | 49,611        |
|                                   | <b>\$ 80,698</b> | <b>73,558</b> |

(Continued)

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

(p) Income taxes

- (i) The Group is subject to Taiwan income tax at rates of 20% for 2022 and 2021, and also adopted the “Income Basic Tax Act” to calculate the tax. Elan Information is registered in California, United States of America, and it is subject to a Federal corporate income tax rate of 34%. The taxable income of Elan (H.K.) amounting to HKD\$2,000 thousand is subject to a 2nd tier income tax at rates of 8.25%, and others at the rate of 16.5%. The income tax rate of Elan Shanghai, Elan Shenzhen and Gianteye Technology (Shanghai) Co., Ltd. is 25%. Power Asia and Chimei Samoa are registered in Mauritius and Samoa separately where international group entities, under local provisions, are exempted from corporate income tax. Metanoia EU is registered in France and the corporate income tax rate is 33.33%.

The components of income tax were as follow:

|                      | <u>2022</u>       | <u>2021</u>      |
|----------------------|-------------------|------------------|
| Current tax expense  | \$ 672,955        | 1,040,561        |
| Deferred tax expense | (3,396)           | (6,950)          |
| Income tax expense   | <u>\$ 669,559</u> | <u>1,033,611</u> |

Reconciliation of income tax and profit before tax for the years ended December 31, 2022 and 2021 is as follows:

|  | <u>2022</u>         | <u>2021</u>      |
|--|---------------------|------------------|
| Income before income tax   | <u>\$ 2,702,972</u> | <u>6,061,149</u> |
| Income tax using the Company’s domestic tax rate                         | \$ 540,594          | 1,212,230        |
| Effect of tax rates in foreign jurisdiction                              | (7,109)             | (9,586)          |
| Investment tax credit  | (53,249)            | (39,587)         |
| Investment income from domestic securities                               | 9,512               | (29,633)         |
| Suspension of tax-exempt gain on disposal of domestic securities         | 268                 | (23,882)         |
| Effect of tax-exempt gain on investment deducted from loss carry-forward | -                   | 1,990            |
| Tax-exempt gain on dividend revenue of domestic securities               | (17,444)            | (5,733)          |
| Change in unrecognized temporary differences                             | 138,107             | (128,543)        |
| Prior year’s income tax adjustment                                       | 6,699               | 3,701            |
| Income basic tax   | -                   | 7,357            |
| The amount of expired loss carry-forward                                 | 43,258              | 28,554           |
| Additional tax on undistributed earnings                                 | 25,613              | 28,396           |
| Others   | (16,690)            | (11,653)         |
| Total  | <u>\$ 669,559</u>   | <u>1,033,611</u> |

(Continued)

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

|   | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---|------------------------------|------------------------------|
| Realized valuation losses on long-term investment | \$ 224,614                   | 196,254                      |
| Tax-deductible loss carry-forward                 | 519,488                      | 457,379                      |
| Unfunded pension expense                          | 90,511                       | 92,136                       |
| Provision for decline in value of inventories     | 87,095                       | 49,714                       |
| Others  | 16,087                       | 4,205                        |
|   | <b><u>\$ 937,795</u></b>     | <b><u>799,688</u></b>        |

Regarding the deductible temporary differences from investment tax credit, the deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable gain on disposal of securities will be available against which the Group can utilize the benefits therefrom. The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets were not recognized, as management determined that it is not probable that there will be sufficient taxable gains in the future.

As of December 31, 2022, the net losses that have not been recognized as deferred tax assets and the expiration years were as follows:

a) Domestic consolidated entities

| <b>Year of loss</b> | <b>Expiry date</b> | <b>Unused tax loss</b>     |
|---------------------|--------------------|----------------------------|
| 2013                | 2023               | \$ 262,058                 |
| 2014                | 2024               | 280,179                    |
| 2015                | 2025               | 255,813                    |
| 2016                | 2026               | 284,006                    |
| 2017                | 2027               | 319,321                    |
| 2018                | 2028               | 264,236                    |
| 2019                | 2029               | 210,036                    |
| 2020                | 2030               | 210,191                    |
| 2021                | 2031               | 219,633                    |
|                     |                    | <b><u>\$ 2,305,473</u></b> |

b) Foreign consolidated entities

|                  | <b>Applicable years</b> | <b>Unused amount</b> |
|------------------|-------------------------|----------------------|
| Elan Information | 2020-2031               | <b><u>\$ 351</u></b> |

(Continued)



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

2) Recognized deferred tax assets and liabilities

Movements of recognized deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

Deferred Tax Liabilities:

|                              | <b>Fair<br/>Value Gains</b> |
|------------------------------|-----------------------------|
| Balance at January 1, 2022   | \$ (1,067)                  |
| Recognized in profit or loss | (2,298)                     |
| Balance at December 31, 2022 | <u><u>\$ (3,365)</u></u>    |
| Balance at January 1, 2021   | \$ (1,244)                  |
| Recognized in profit or loss | 177                         |
| Balance at December 31, 2021 | <u><u>\$ (1,067)</u></u>    |

Deferred Tax Assets:

|                              | <b>Decline in<br/>Value<br/>of Inventories</b> | <b>Others</b>       | <b>Total</b>         |
|------------------------------|--|---------------------|----------------------|
| Balance at January 1, 2022   | \$ 34,985                                      | 5,009               | 39,994               |
| Recognized in profit or loss | 1,044  | 4,650               | 5,694                |
| Balance at December 31, 2022 | <u><u>\$ 36,029</u></u>                        | <u><u>9,659</u></u> | <u><u>45,688</u></u> |
| Balance at January 1, 2021   | \$ 31,043                                      | 2,178               | 33,221               |
| Recognized in profit or loss | 3,942  | 2,831               | 6,773                |
| Balance at December 31, 2021 | <u><u>\$ 34,985</u></u>                        | <u><u>5,009</u></u> | <u><u>39,994</u></u> |

(iii) The Company's tax returns for the year through 2019 were assessed by the tax authorities.

(q) Capital and other equity

(i) Ordinary share

As of December 31, 2022 and 2021, the authorized capital of the Company amounted to \$4,800,000 thousand, divided into 303,880 thousand ordinary shares, with par value of \$10 per share. The issued shares were composed of common stocks only and have been fully paid up.

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

(ii) Capital surplus

The balances of capital surplus were as follows:

|   | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---|------------------------------|------------------------------|
| Additional paid-in capital  | \$ 231,051                   | 231,051                      |
| Treasury share transactions   | 509,478                      | 337,686                      |
| Difference arising from subsidiary's share price and its carrying value | 97,899                       | 62,444                       |
|   | <b><u>\$ 838,428</u></b>     | <b><u>631,181</u></b>        |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's Article of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. Aside from the aforesaid legal reserve, the Company may appropriate another sum as a special reserve according to operation needs and legal requirements, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval. For dividends of at least 50% of current-period earnings and undistributed prior-period earnings, the cash dividends shall not be less than 10% of the total amount dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1090150022 issued by the Financial Supervisory Commission on March 31, 2021, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

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

3) Earnings distribution

The appropriations of earnings for 2021 had been approved in the shareholders' meeting held on June 15, 2022. The appropriations of earnings for 2020 exceeded the statutory resolution threshold via electronic voting on June 13, 2021, and then the shareholders' meeting resolved to distribute the 2020 earnings on July 2, 2021. The Company declared cash dividends of \$13.81 and \$9.00 per share, amounting to \$4,102,385 thousand and \$2,734,924 thousand, respectively, for the year 2021 and 2020.

The appropriation of earnings for 2022 had been approved at the Board meeting on February 22, 2023. The cash dividend of \$6.00 per share, amounting to \$1,823,282 thousand.

(iv) Treasury shares

|                                 | <u>December 31, 2022</u>     |                     | <u>December 31, 2021</u>     |                  |
|---------------------------------|------------------------------|---------------------|------------------------------|------------------|
|                                 | <u>Shares (in thousands)</u> | <u>Amounts</u>      | <u>Shares (in thousands)</u> | <u>Amounts</u>   |
| Shares transferred to employees | 6,857                        | \$ 1,077,510        | 6,857                        | 1,077,510        |
| Shares held by subsidiaries     | 12,438                       | 28,975              | 12,438                       | 28,975           |
|                                 | <u>19,295</u>                | <u>\$ 1,106,485</u> | <u>19,295</u>                | <u>1,106,485</u> |

- 1) The Company purchased shares as treasury stock for the purpose of transferring to employees in accordance with the requirements under section 28(2) of the Securities and Exchange Act. The movements of treasury stock were as follow:

|                   | <u>For the years ended December 31</u> |                     | <u>For the years ended December 31</u> |                  |
|-------------------|--|---------------------|--|------------------|
|                   | <u>2022</u>                            |                     | <u>2021</u>                            |                  |
|                   | <u>Shares (in thousands)</u>           | <u>Amounts</u>      | <u>Shares (in thousands)</u>           | <u>Amounts</u>   |
| Beginning balance | 6,857                                  | \$ 1,077,510        | -                                      | -                |
| Increase          | -                                      | -                   | 6,857                                  | 1,077,510        |
| Ending balance    | <u>6,857</u>                           | <u>\$ 1,077,510</u> | <u>6,857</u>                           | <u>1,077,510</u> |

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and should not hold any shareholder rights before their transfer.

- 2) Elan Investment Corp., a subsidiary of the Company, invested in Elantech before the Company acquired Elantech, and held the Company's stock after the Company's acquisition of Elantech. For the years ended December 31, 2022 and 2021, the information on the Company's stock held by Elan Investment Corp. was as follows:

|                             | <u>For the years ended December 31</u> |                         |                           |                              |                         |                           |
|-----------------------------|--|-------------------------|---------------------------|------------------------------|-------------------------|---------------------------|
|                             | <u>2022</u>                            |                         |                           | <u>2021</u>                  |                         |                           |
|                             | <u>Shares (in thousands)</u>           | <u>Acquisition cost</u> | <u>Total market value</u> | <u>Shares (in thousands)</u> | <u>Acquisition cost</u> | <u>Total market value</u> |
| Opening balance             | 12,438                                 | \$ 28,975               | 2,114,494                 | 12,438                       | 28,975                  | 1,660,500                 |
| Effect of valuation changes | -                                      | -                       | (1,044,809)               | -                            | -                       | 453,994                   |
| Ending balance              | <u>12,438</u>                          | <u>\$ 28,975</u>        | <u>1,069,685</u>          | <u>12,438</u>                | <u>28,975</u>           | <u>2,114,494</u>          |

(Continued)

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

The Company transferred cash dividend revenue received by Elan Investment Corp. amounting to \$171,792 thousand and \$111,944 thousand to capital surplus-treasury stock in 2022 and 2021, respectively.

(v) Other equity

The movements of other equity were as follows:

|  | For the year ended December 31, 2022                                |   |                |
|--|---|---|----------------|
|  | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total          |
| Balance at January 1   | \$ (6,923)  | 202,017   | 195,094        |
| Exchange differences on foreign operations:  |   |   |                |
| The Group  | 2,207   | -   | 2,207          |
| Associates   | 10  | -   | 10             |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income: |   |   |                |
| The Group  | -   | (186,233)   | (186,233)      |
| Balance at December 31   | <u>\$ (4,706)</u>   | <u>15,784</u>   | <u>11,078</u>  |
|  | For the year ended December 31, 2021                                |   |                |
|  | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total          |
| Balance at January 1   | \$ (6,597)  | 9,937   | 3,340          |
| Exchange differences on foreign operations:  |   |   |                |
| The Group  | (323)   | -   | (323)          |
| Associates   | (3)   | -   | (3)            |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income: |   |   |                |
| The Group  | -   | 318,216   | 318,216        |
| The Group—disposal   | -   | (126,136)   | (126,136)      |
| Balance at December 31   | <u>\$ (6,923)</u>   | <u>202,017</u>  | <u>195,094</u> |

(r) Share-based payment

Except for the following disclosure, there were no significant changes in share-based payment for the nine months ended December 31, 2022 and 2021. For the related information, please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2021.

- (i) The Board of Directors' meeting on February 5, 2021, Eminent decided to award 2,310 units of employee stock options which would issue within three years depending on the actual situation (hereinafter referred to as 2021 employee stock options) to those fulltime employees who meet the specific requirements. Each unit of stock option can be subscribed one thousand stocks of common stock. During the period when the subscriber is granted the employee stock option, the stock options can be exercised and the duration is three years.

(Continued)

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

Eminent adopted the Black-Scholes model to measure the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

|                           | <b>2021 employee stock options</b> |
|---------------------------|------------------------------------|
| Fair value at grant date  | \$ 1.39                            |
| Exercise price            | 10.00                              |
| Expected volatility       | 38.67%                             |
| Duration of stock options | 0.003years                         |
| Riskfree interest rate    | 0.37%                              |

Details of the employee stock options were as follows:

|                                    | <b>2022</b>              |  |
|------------------------------------|--------------------------|--|
| <b>2021 employee stock options</b> | <b>Number of options</b> | <b>Weighted average exercise price</b> |
| Outstanding at January 1           | -                        | \$ -                                   |
| Granted during the year            | 489                      | 10.00                                  |
| Forfeited during the year          | -                        | -                                      |
| Exercised during the year          | (489)                    | 10.00                                  |
| Outstanding at December 31         | -                        | \$ -                                   |
| Exercisable at December 31         | -                        |  |

Eminent adopted the Black-Scholes model to measure the fair value of employee stock options granted in 2021. Since the shares of Eminent were not listed on an exchange, Eminent used price-to-book ratios of listed companies in similar industries as a multiplier and took liquidity discounts into account to evaluate share price at grant date.

- (ii) The Board of Directors' meeting on November 29, 2019, Chimei Motor Electronics decided to award 500,000 units of employee stock options, using the fair value method to estimate the remuneration cost, and using the Black-Scholes Model to estimate the fair value of the stock option on the date of grant. Each unit of stock option can be subscribed one thousand stocks of common stock and the exercise price is 20 dollars. Information on acquired conditions and various assumptions are listed below:

|                      | <b>2019 employee stock options</b> |                            |                               |  |   |
|----------------------|------------------------------------|----------------------------|-------------------------------|--|---|
| <b>Prerequisites</b> | <b>Exercisable percentage</b>      | <b>Expected volatility</b> | <b>Riskfree interest rate</b> | <b>Expected duration of stock options(years)</b> | <b>Weighted average fair value(dollars)</b> |
| Period of one year   | 20%                                | 40.64%                     | 0.5834%                       | 2.04   | 3.89  |
| Period of two year   | 50%                                | 39.80%                     | 0.5505%                       | 2.54   | 4.29  |
| Period of three year | 100%                               | 40.28%                     | 0.5433%                       | 3.04   | 4.80  |

(Continued)

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

Chimei's employee stock options between January 1, 2022 and December 31, 2022, is as follows:

| <u>Stock option in 2019</u> | <u>2022</u>              |  |
|-----------------------------|--------------------------|--|
|                             | <u>Number of options</u> | <u>Weighted average exercise price</u> |
| Outstanding at January 1    | 500                      | \$ 20.00                               |
| Granted during the year     | -                        | -                                      |
| Forfeited during the year   | -                        | -                                      |
| Exercised during the year   | (500)                    | 20.00                                  |
| Outstanding at December 31  | -                        | \$ -                                   |
| Exercisable at December 31  | -                        | -                                      |

Chimei's employees had applied for 500,000 shares in December 2022, at a price of 20 dollars per share. The capital increase reference date for the new shares is yet to be decided by Chimei's board of directors.

The Group recognized share-based payment cost amounting to \$1,363 thousand from January 1 to December 31, 2022 recognized under operation expense.

(s) Earnings per share

The Group's earnings per share for the years ended December 31, 2022 and 2021 were calculated as follows:

(i) Basic earnings per share:

|   | <u>2022</u>      | <u>2021</u>      |
|---|------------------|------------------|
| Net profit attributable to ordinary shareholders of the Company       | <u>2,151,676</u> | <u>5,102,446</u> |
| Weighted-average number of ordinary shares outstanding (in thousands) | <u>284,585</u>   | <u>289,323</u>   |
| Earnings per share  | <u>7.56</u>      | <u>17.64</u>     |

(ii) Diluted earnings per share:

|   | <u>2022</u>         | <u>2021</u>      |
|---|---------------------|------------------|
| Net profit attributable to ordinary shareholders of the Company (diluted) | <u>\$ 2,151,676</u> | <u>5,102,446</u> |

(Continued)

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

|  | <u>2022</u>       | <u>2021</u>    |
|--|-------------------|----------------|
| Weighted-average number of ordinary shares outstanding (in thousands)          | 284,585           | 289,323        |
| Effect of dilutive potential ordinary shares (in thousands)                    |                   |                |
| — employee share bonus   | <u>4,566</u>      | <u>5,005</u>   |
| Weighted-average number of ordinary shares outstanding (diluted)(in thousands) | <u>\$ 289,151</u> | <u>294,328</u> |
| Diluted earnings per share   | <u>\$ 7.44</u>    | <u>17.34</u>   |

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

|                | <u>2022</u>          | <u>2021</u>       |
|----------------|----------------------|-------------------|
| Taiwan         | \$ 1,043,560         | 1,598,129         |
| Mainland China | 2,459,068            | 2,580,977         |
| Hong Kong      | 9,302,571            | 13,878,610        |
| America        | 35,064               | 25,362            |
| Europe         | 42,674               | 18,112            |
| Others         | <u>147,547</u>       | <u>226,783</u>    |
|                | <u>\$ 13,030,484</u> | <u>18,327,973</u> |

For details on revenue, please refer to note 14.

(ii) Contract balances

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

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

|                                    | <u>2022</u>      | <u>2021</u>   |
|------------------------------------|------------------|---------------|
| Interest income from bank deposits | <u>\$ 34,464</u> | <u>18,824</u> |

(ii) Other income

|                            | <u>2022</u>       | <u>2021</u>   |
|----------------------------|-------------------|---------------|
| Dividend income            | \$ 93,807         | 33,674        |
| Government grants          | 5,454             | 5,518         |
| Gain on a bargain purchase | -                 | 1,201         |
| Others                     | <u>45,515</u>     | <u>19,835</u> |
| Total                      | <u>\$ 144,776</u> | <u>60,228</u> |

(Continued)

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

(iii) Other gains and losses

|  | <b>2022</b>                | <b>2021</b>           |
|--|----------------------------|-----------------------|
| Foreign exchange gains (losses)  | \$ 223,363                 | (55,142)              |
| Lease modification gains   | 160                        | -                     |
| Gains (losses) on financial asset at fair value through profit or loss | (416,264)                  | 345,648               |
| Gains (Losses) on disposals of property, plant and equipment           | (438)                      | (346)                 |
| Gains on disposals of investment property                              | -                          | 6,254                 |
| Reversal of impairment loss  | -                          | 3,930                 |
| Miscellaneous disbursements  | (2,895)                    | (4,714)               |
| Total  | <u><u>\$ (196,074)</u></u> | <u><u>295,630</u></u> |

(v) Employee compensation and directors' and supervisors' remuneration

According to the Company's Articles of Incorporation, once the Company has annual profit, it should appropriate no less than 10% of the profit as employee compensation and less than 2% as directors' and supervisors' remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2022 and 2021, the amounts of employees' bonuses were estimated at \$334,000 thousand and \$728,000 thousand, respectively. The amounts of compensation to directors and supervisors were estimated at \$41,000 thousand and \$93,000 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These bonuses and compensation were expensed under operating costs or operating expenses during 2022 and 2021. Related information would be available at the Market Observation Post System website. There were no differences between the distribution amounts of bonuses and compensation decided by the Board mentioned above and the estimated amounts of the Company's Consolidated Financial Statements for 2022 and 2021.

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The major customers of the 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.

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Furthermore, the Group monitors and reviews the recoverable amount of the accounts receivables to ensure the uncollectible amount is recognized appropriately as impairment loss.

As of December 31, 2022 and 2021, 77% and 84%, respectively, of accounts receivables were due from the ten largest customers. Thus, credit risk was significantly concentrated.

3) Receivables and debt securities

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

Other financial assets at amortized cost, including time deposits with maturities 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 credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g). There was no loss allowance provision for the years ended December 31, 2022 and 2021, respectively.

(ii) Liquidity risk

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

|                                      | <u>Carrying<br/>amount</u> | <u>Contractual<br/>cash flows</u> | <u>Within 6<br/>months</u> | <u>6-12<br/>months</u> | <u>1-2<br/>months</u> | <u>2-5<br/>years</u> | <u>Over<br/>5 years</u> |
|--------------------------------------|----------------------------|-----------------------------------|----------------------------|------------------------|-----------------------|----------------------|-------------------------|
| <b>December 31, 2022</b>             |                            |                                   |                            |                        |                       |                      |                         |
| Non-derivative financial liabilities |                            |                                   |                            |                        |                       |                      |                         |
| Short-term borrowings                | \$ 80,000                  | 80,492                            | 60,485                     | 20,007                 | -                     | -                    | -                       |
| Notes and accounts payable           | 721,448                    | 721,448                           | 721,448                    | -                      | -                     | -                    | -                       |
| Other payables                       | 588,047                    | 588,047                           | 588,047                    | -                      | -                     | -                    | -                       |
| Lease liabilities                    | <u>735,295</u>             | <u>944,884</u>                    | <u>16,583</u>              | <u>20,852</u>          | <u>30,490</u>         | <u>56,573</u>        | <u>820,386</u>          |
|                                      | <u><b>\$ 2,124,790</b></u> | <u><b>2,334,871</b></u>           | <u><b>1,386,563</b></u>    | <u><b>40,859</b></u>   | <u><b>30,490</b></u>  | <u><b>56,573</b></u> | <u><b>820,386</b></u>   |
| <b>December 31, 2021</b>             |                            |                                   |                            |                        |                       |                      |                         |
| Non-derivative financial liabilities |                            |                                   |                            |                        |                       |                      |                         |
| Short-term loans                     | \$ 30,000                  | 30,216                            | 30,216                     | -                      | -                     | -                    | -                       |
| Notes and accounts payable           | 1,706,452                  | 1,706,452                         | 1,706,452                  | -                      | -                     | -                    | -                       |
| Other payables                       | 565,857                    | 565,857                           | 565,857                    | -                      | -                     | -                    | -                       |
| Lease liabilities                    | <u>693,368</u>             | <u>916,411</u>                    | <u>13,833</u>              | <u>14,923</u>          | <u>16,891</u>         | <u>40,933</u>        | <u>829,831</u>          |
|                                      | <u><b>\$ 2,995,677</b></u> | <u><b>3,218,936</b></u>           | <u><b>2,316,358</b></u>    | <u><b>14,923</b></u>   | <u><b>16,891</b></u>  | <u><b>40,933</b></u> | <u><b>829,831</b></u>   |

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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(iii) Currency risk

1) Exposure to foreign currency risk

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

|                               | December 31, 2022   |                  |       |           | December 31, 2021   |                  |           |
|-------------------------------|---------------------|------------------|-------|-----------|---------------------|------------------|-----------|
|                               | Foreign<br>currency | Exchange<br>rate | NTD   |           | Foreign<br>currency | Exchange<br>rate | NTD       |
| <u>Financial assets:</u>      |                     |                  |       |           |                     |                  |           |
| <u>Monetary item</u>          |                     |                  |       |           |                     |                  |           |
| USD                           | \$                  | 76,938           | 30.73 | 2,364,298 | 167,292             | 27.68            | 4,630,629 |
| <u>Financial liabilities:</u> |                     |                  |       |           |                     |                  |           |
| <u>Monetary item</u>          |                     |                  |       |           |                     |                  |           |
| USD                           |                     | 34,183           | 30.73 | 1,050,446 | 67,676              | 27.68            | 1,873,275 |

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 strengthening (weakening) of 5% of the NTD against the USD as of December 31, 2022 and 2021 would have increased (decreased) the net profit after tax by \$52,554 thousand and \$110,294 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variables remaining constant. The analysis is performed on the same basis in 2022 and 2021.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. The foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$223,363 thousand and \$(55,142) thousand for the years ended December 31, 2022 and 2021, respectively.

(iv) Interest rate analysis

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

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

If the interest rate increases/decreases by 0.5%, the Group's net income will increase/decrease by \$155 thousand and \$335 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining unchanged. This was mainly due to the Group's time deposits and borrowings at variable rates.

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(v) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analysis of the changes in the securities prices at the reporting date were performed on the same basis for profit or loss as illustrated below:

| Prices of securities at the reporting date | For the years ended December 31      |            | For the years ended December 31      |            |
|--|--------------------------------------|------------|--------------------------------------|------------|
|  | 2022                                 |            | 2021                                 |            |
|  | Other comprehensive income after tax | Net income | Other comprehensive income after tax | Net income |
| Increase 5%                                | \$ 12,224                            | 47,939     | 19,673                               | 56,278     |
| Decrease 5%                                | \$ (12,224)                          | (47,939)   | (19,673)                             | (56,278)   |

(vi) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the 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 which has no quoted market prices and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

|   | December 31, 2022 |            |         |           |           |
|---|-------------------|------------|---------|-----------|-----------|
|   | Book value        | Fair Value |         |           | total     |
|   |                   | Level 1    | Level 2 | Level 3   |           |
| Financial assets at fair value through profit or loss (current and non-current) | \$ 1,998,005      | 672,750    | 98,708  | 1,226,547 | 1,998,005 |
| Financial assets at fair value through other comprehensive income               |                   |            |         |           |           |
| Stocks  | 305,591           | -          | 292,495 | 13,096    | 305,591   |
| Accounts receivable   | 410,234           | -          | -       | -         | -         |
| Subtotal  | 715,825           | -          | 292,495 | 13,096    | 305,591   |
| Financial assets measured at amortized cost                                     |                   |            |         |           |           |
| Cash and cash equivalents   | 2,663,688         | -          | -       | -         | -         |
| Notes and accounts receivable   | 331,995           | -          | -       | -         | -         |
| Other receivables   | 760,826           | -          | -       | -         | -         |
| Financial assets measured at amortized cost (current and non-current)           | 273,790           | -          | -       | -         | -         |
| Guarantee deposits (current and non-current)                                    | 62,148            | -          | -       | -         | -         |
| Subtotal  | 4,092,447         | -          | -       | -         | -         |
| Total   | \$ 6,806,277      | 672,750    | 391,203 | 1,239,643 | 2,303,596 |

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| <b>December 31, 2022</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 liabilities measured at amortized cost                                |                      |                   |                |                  |                  |
| Short-term borrowings   | \$ 80,000            | -                 | -              | -                | -                |
| Notes and accounts payable  | 721,448              | -                 | -              | -                | -                |
| Other payables  | 588,047              | -                 | -              | -                | -                |
| Lease liabilities (current and non-current)                                     | 735,295              | -                 | -              | -                | -                |
| Guarantee deposits received   | 65,212               | -                 | -              | -                | -                |
| Total   | <b>\$ 2,190,002</b>  | <b>-</b>          | <b>-</b>       | <b>-</b>         | <b>-</b>         |
| <b>December 31, 2021</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 fair value through profit or loss (current and non-current) | \$ 2,349,947         | 1,166,190         | 129,780        | 1,053,977        | 2,349,947        |
| Financial assets at fair value through other comprehensive income               |                      |                   |                |                  |                  |
| Stocks  | 491,824              | -                 | 470,855        | 20,969           | 491,824          |
| Accounts receivable   | 1,125,227            | -                 | -              | -                | -                |
| Subtotal  | 1,617,051            | -                 | 470,855        | 20,969           | 491,824          |
| Financial assets measured at amortized cost                                     |                      |                   |                |                  |                  |
| Cash and cash equivalents   | 4,254,507            | -                 | -              | -                | -                |
| Notes and accounts receivable   | 697,447              | -                 | -              | -                | -                |
| Other receivables   | 1,176,985            | -                 | -              | -                | -                |
| Financial assets measured at amortized cost (current and non-current)           | 1,732,650            | -                 | -              | -                | -                |
| Guarantee deposits  | 182,698              | -                 | -              | -                | -                |
| Subtotal  | 8,044,287            | -                 | -              | -                | -                |
| Total   | <b>\$ 12,011,285</b> | <b>1,166,190</b>  | <b>600,635</b> | <b>1,074,946</b> | <b>2,841,771</b> |
| Financial liabilities measured at amortized cost                                |                      |                   |                |                  |                  |
| Short-term borrowings   | 30,000               | -                 | -              | -                | -                |
| Notes and accounts payable  | 1,706,452            | -                 | -              | -                | -                |
| Other payables  | 565,857              | -                 | -              | -                | -                |
| Lease liabilities (current and non-current)                                     | 693,368              | -                 | -              | -                | -                |
| Guarantee deposits received   | 36,641               | -                 | -              | -                | -                |
| Total   | <b>\$ 3,032,318</b>  | <b>-</b>          | <b>-</b>       | <b>-</b>         | <b>-</b>         |

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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.

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 level for the years ended December 31, 2022 and 2021.

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, 2022                        | \$ 1,053,977  | 20,969   | 1,074,946        |
| Total gains and losses recognized:                      |   |  |                  |
| In profit or loss                                       | (119,606)   | -  | (119,606)        |
| In other comprehensive income                           | -   | (7,873)  | (7,873)          |
| Purchased   | 353,706   | -  | 353,706          |
| Capital reduction for redistribution to<br>shareholders | (40,648)  | -  | (40,648)         |
| Disposal  | (20,882)  | -  | (20,882)         |
| Ending Balance, December 31, 2022                       | <u>\$ 1,226,547</u>   | <u>13,096</u>  | <u>1,239,643</u> |

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|   | <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, 2021  | \$ 630,007  | 13,732   | 643,739          |
| Total gains and losses recognized:                                      |   |  |                  |
| In profit or loss   | 199,611   | -  | 199,611          |
| In other comprehensive income   | -   | 7,237  | 7,237            |
| Purchased   | 240,162   | -  | 240,162          |
| Capital reduction and liquidation for<br>redistribution to shareholders | (15,803)  | -  | (15,803)         |
| Ending Balance, December 31, 2021                                       | <u>\$ 1,053,977</u>   | <u>20,969</u>  | <u>1,074,946</u> |

For the years ended December 31, 2022 and 2021, the total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
| Total gains and losses recognized:   |             |             |
| In profit or loss, and presented in “other gains and losses”   | (119,606)   | 199,553     |
| In other comprehensive income, and presented in “unrealized<br>gains and losses from financial assets at fair value through other<br>comprehensive income” | (7,873)     | 7,237       |

- 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 – equity investments”.

Quantified information of significant unobservable inputs was as follows:

| <b>Item</b>   | <b>Valuation<br/>technique</b> | <b>Significant<br/>unobservable inputs</b>  | <b>Inter-relationship between<br/>significant unobservable<br/>inputs and fair value<br/>measurement</b>   |
|---|--------------------------------|---|--|
| Financial assets at fair value through profit or loss - equity investments without an active market | Market Comparison Method       | <ul style="list-style-type: none"> <li>Price-to-book ratio (December 31, 2022 and December 31, 2021: 1.09 to 1.31 and 1.28 to 1.47)</li> <li>Liquidity discount (December 31, 2022 and December 31, 2021: 28.62% to 30% and 30%)</li> <li>Price-to-earnings ratio (December 31, 2022 and :1.85 and 2.46)</li> </ul> | <ul style="list-style-type: none"> <li>The estimated fair value would increase (decrease) if:</li> <li>the price-to-book ratio were higher (lower);</li> <li>the liquidity discount were lower (higher);</li> <li>the price-to-earnings ratio were higher (lower); or</li> </ul> |
| Financial assets at fair value through profit or loss - equity investments without an active market | Net Asset Value Method         | Net Asset Value   | The estimated fair value would increase (decrease) if net asset value were higher (lower).   |

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- 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:

|   |                     | Increase or decrease | Profit or loss |             |
|---|---------------------|----------------------|----------------|-------------|
|   | Inputs              |                      | Favorable      | Unfavorable |
| December 31, 2022                                     |                     |                      |                |             |
| Financial assets at fair value through profit or loss |                     |                      |                |             |
| Equity investments without an active market           | Valuation multiples | 10%                  | 951            | (951)       |
|   | Liquidity discount  | 10%                  | 369            | (369)       |
| December 31, 2021                                     |                     |                      |                |             |
| Financial assets at fair value through profit or loss |                     |                      |                |             |
| Equity investments without an active market           | Valuation multiples | 10%                  | 1,293          | (1,293)     |
|   | Liquidity discount  | 10%                  | 554            | (554)       |

(x) Financial risk management

(i) Overview

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Risk Management framework

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

(iii) Credit risk

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

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1) Accounts receivable and other receivables

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

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

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

2) Investments

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

(iv) Liquidity risk

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

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

(v) Market risk

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

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1) Currency risk

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

2) Interest rate risk

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

3) Other market price risk

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

(y) Capital management

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

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of all equity (i.e. ordinary shares, capital surplus, retained earnings and other equity) and net liabilities of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

After being approved by the Board of Directors, the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under the Group's share option program. Buy-and-sell decisions are made on a specific transaction basis by the Board of Directors.

The Group's debt-to-equity ratios at the end of the reporting period as of December 31, 2022 and 2021 were as follows:

|                                 | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities               | \$ 3,702,608                 | 5,959,140                    |
| Less: cash and cash equivalents | <u>(2,663,688)</u>           | <u>(4,254,507)</u>           |
| Net debt                        | <b><u>\$ 1,038,920</u></b>   | <b><u>1,704,633</u></b>      |
| Total equity                    | <b><u>\$ 8,889,697</u></b>   | <b><u>10,742,974</u></b>     |
| Debt-to-equity ratio            | <b><u>11.69 %</u></b>        | <b><u>15.87 %</u></b>        |

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(z) Investing and financing activities not affecting the current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the nine months ended December 31, 2022 and 2021, were as follows:

(i) For right-of-use assets under leases, please refer to note 6(j).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

|  | January 1,<br>2022 | Cash flows    | Non-cash changes                |                     |               | December<br>31, 2022 |
|--|--------------------|---------------|---------------------------------|---------------------|---------------|----------------------|
|  |                    |               | Foreign<br>exchange<br>movement | Interest<br>expense | Others        |                      |
| Short-term borrowings                          | \$ 30,000          | 50,000        | -                               | -                   | -             | 80,000               |
| Lease liabilities                              | 693,369            | (38,827)      | 136                             | 12,096              | 68,521        | 735,295              |
| Guarantee deposits<br>received                 | 36,641             | 28,570        | 1                               | -                   | -             | 65,212               |
| Total liabilities from<br>financing activities | <u>\$ 760,010</u>  | <u>39,743</u> | <u>137</u>                      | <u>12,096</u>       | <u>68,521</u> | <u>880,507</u>       |

|  | January 1,<br>2021 | Cash flows       | Non-cash changes                |                     |                | December<br>31, 2021 |
|--|--------------------|------------------|---------------------------------|---------------------|----------------|----------------------|
|  |                    |                  | Foreign<br>exchange<br>movement | Interest<br>expense | Others         |                      |
| Short-term borrowings                          | \$ 40,000          | (10,000)         | -                               | -                   | -              | 30,000               |
| Lease liabilities                              | 209,219            | (193,516)        | 63                              | 9,014               | 668,589        | 693,369              |
| Guarantee deposits<br>received                 | 39,427             | (2,778)          | (8)                             | -                   | -              | 36,641               |
| Total liabilities from<br>financing activities | <u>\$ 288,646</u>  | <u>(206,294)</u> | <u>55</u>                       | <u>9,014</u>        | <u>668,589</u> | <u>760,010</u>       |

**(7) Related-party transactions:**

(a) Names and relationships with related parties

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

| <u>Name of related party</u>   | <u>Relationship with the Group</u> |
|--|------------------------------------|
| All directors, supervisors, president and vice president of the Group's key management personnel |                                    |

(b) Key management personnel compensation

|                              | <u>2022</u>       | <u>2021</u>    |
|------------------------------|-------------------|----------------|
| Short-term employee benefits | \$ 100,745        | 161,629        |
| Post-employment benefits     | 570               | 1,462          |
|                              | <u>\$ 101,315</u> | <u>163,091</u> |

The short-term employee benefits include remuneration to employees and directors. Please refer to Note 6(v) for further details.

(Continued)

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

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

| <b>Pledge assets</b>  | <b>Pledged to secure</b>                                      | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---|---|------------------------------|------------------------------|
| Current financial assets at amortized cost<br>(Certificate Deposit)     | Guarantee of the<br>creditors of the<br>purchase transactions | \$ 92,190                    | -                            |
| Non-current financial assets at amortized<br>cost (Certificate Deposit) | Use land guarantee for<br>Hsinchu Science Park<br>Bureau      | 7,400                        | 7,200                        |
|   |   | <b>\$ 99,590</b>             | <b>7,200</b>                 |

**(9) Commitments and contingencies:**

- (a) The Group entered into performance guarantee agreements with financial institutions for the Group's obligation to pay for the goods purchased and the tax payable on bonded raw materials, commodities, fuel, and semi-finished products shipped outside the bond areas for domestic sales, demonstration, repair or testing. As of December 31, 2022 and 2021, the financial institutions had issued performance guarantees amounting to \$3,000 thousand and \$6,000 thousand, respectively.
- (b) As of December 31, 2022 and 2021, the refundable notes payable for short-term borrowings amounted to \$3,015,000 thousand and \$2,780,000 thousand, respectively.
- (c) The Group entered into non-infringement guarantee agreements with some customers (guarantees) to provide a guarantee regarding the selling of touchpad module products.
- (d) As of December 31, 2022 and 2021, the refundable notes payable for lease amounted to \$600 thousand.
- (e) As of December 31, 2022, the Group signed long-term borrowing contracts with several financial institution, with credit lines totaling \$8,944,000 thousand.
- (f) The Group signed capacity guarantee contracts with a supplier, stipulating the minimum quantity to be purchased by the Group. As of December 31, 2022, the Group paid the security deposit of \$27,000 thousand in accordance with the contract, which was recognized under 「other current assets」 and 「other non-current assets」.

In addition, the Group evaluated the refundable deposit paid in the capacity guarantee contracts in 2022, wherein a portion of it was written off and recognized as cost of goods sold due to having the probability of not being recovered.

(Continued)

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

(g) Government grant

To implement the project "Elan Electronic Smart Supply Chain AI Application" under the guidance from the Ministry of Economic Affairs, the Group entered into a program contract with the Taiwan Small and Medium Enterprise Counseling Foundation in order to receive a grant amounting to \$9,000 thousand. The project runs between April 1, 2020 and March 31, 2022. The Group recognizes income based on the progress of the project. As of 2022 and January 1 to December 31, 2021, the subsidy recognized, amounting to \$5,000 thousand and \$3,993 thousand respectively, was classified as other income. As of December 31, 2022, December 31, 2021 and December 31, 2021, the Group had entrusted financial institutions to guarantee that the Group would fulfill its obligations specified in the project contract. The financial institutions have issued performance guarantee amounting to \$0 thousand and \$4,000 thousand, respectively.

Based on the implementation of "Advanced AI Driver Assistance System (ADAS) and Smart Cockpit System Development Plan" by the Ministry of Economic Affairs, the Group entered into a project agreement with Taipei Computer Business Association and obtained the subsidy of \$91,730 thousand. According to the agreement, the Group will recognize the income based on the progress of the project, which runs between December 1, 2022 and May 31, 2025. As of December 31, 2022, the subsidy of \$23,620 thousand, which had been received by the Group was recognized as "Other Current Liabilities". The financial institutions have issued performance guarantee amounting to 23,620 thousand.

(h) Royalty fee

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

(i) Litigation and actions

As of December 31, 2022, the pending litigation of the Group was as follows:

- (i) On December 2, 2020, the Group filed an appeal with the Beijing Intellectual Property Court against Shenzhen Goodix Technology Co., Ltd. (hereinafter referred to as Goodix) and Beijing Xingyitongda Technology Co., Ltd. for an infringement of the Group's PRC Patent No. ZL03158451.9. The Group appealed to the Court to prohibit the defendant from using, manufacturing and selling the product, and requested for damage compensation amounting to CNY\$25 million. The Group filed an 「Application to Withdraw the Complaint」 to the court on November 29, 2022, and the court issued a civil ruling approving the withdrawal of the lawsuit on December 7, and the case concluded.
- (ii) On December 23, 2020, the Group filed an appeal with Taiwan Intellectual Property Court against Goodix and Shouhon Technology Co., Ltd. for an infringement of the Group's ROC Patent No. I556033. The Group appealed to the Court to prohibit the defendant from using, manufacturing and selling the product. On November 30, 2022, the court rejected the appeal made by the Group in the 10th instance. Since the Group did not make any further appeal thereafter, the case was deemed closed.

(Continued)

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

(iii) On May 11 and 13, 2021, the Group and its subsidiary Elan Microelectronics (Shenzhen) Co., Ltd. (hereinafter referred to as Elan Shenzhen) received litigation documents which indicated Goodix filed an appeal with Inner Mongolia Hohhot Intermediate People's Court against the Group and Elan Shenzhen for patent infringement. and requested for damage compensation amounting to CNY\$30.5 million. The Group had appointed a lawyer to make an objection against jurisdiction to the Court within the defense period, but the Court dismissed the action on July 22, 2021. The Group and Elan Shenzhen had appealed to the Supreme People's Court within the defense period. However, on January 28, 2022, the Supreme People's Court denied the appeal. The case was on trial in Hohhot Intermediate People's Court on July 8, 2022. The Court inquired and listened to the opinions of both sides based on the evidence provided by Goodix. The subsequent court session will be notified later. After the evaluation, the Group judges that the products don't infringe the patent right and expects no significant influence on its finance and business as the case is still on trial.

(j) As of December 31, 2022, the total amount of building contract signed by the Group was \$43,000 thousand and the payable amount in the following years was \$19,054 thousand.

**(10) Losses due to major disasters: None.**

**(11) Subsequent events: None.**

**(12) Others:**

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

|                            | For the years ended December 31 |                    |           |                 |                    |           |
|----------------------------|---------------------------------|--------------------|-----------|-----------------|--------------------|-----------|
|                            | 2022                            |                    |           | 2021            |                    |           |
|                            | Operating costs                 | Operating expenses | Total     | Operating costs | Operating expenses | Total     |
| Employee benefits          |                                 |                    |           |                 |                    |           |
| Salaries and wages         | \$ 302,752                      | 1,834,910          | 2,137,662 | 346,953         | 2,181,336          | 2,528,289 |
| Labor and health insurance | 32,928                          | 124,744            | 157,672   | 29,735          | 114,214            | 143,949   |
| Pension                    | 9,412                           | 74,483             | 83,895    | 8,815           | 68,624             | 77,439    |
| Remuneration of directors  | -                               | 44,990             | 44,990    | -               | 96,740             | 96,740    |
| Others                     | 22,787                          | 52,325             | 75,112    | 26,857          | 50,810             | 77,667    |
| Depreciation               | 61,269                          | 105,234            | 166,503   | 41,311          | 86,852             | 128,163   |
| Amortization               | 7,625                           | 152,505            | 160,130   | 4,499           | 124,687            | 129,186   |

(Continued)

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### (13) Other disclosures:

(a) Information on significant transactions:

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2022:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

| Name of holder                    | Category and name of security                  | Relationship with company | Account title   | Ending balance           |                |                             |            | Highest Percentage of ownership (%) | Note |
|-----------------------------------|--|---------------------------|---|--------------------------|----------------|-----------------------------|------------|-------------------------------------|------|
|                                   |  |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value |                                     |      |
| Elan Microelectronics Corporation | Harvatek Corporation                           | -                         | Current financial assets at fair value through profit or loss                 | 244                      | 4,298          | 0.12%                       | 4,298      | 0.12 %                              |      |
| Elan Microelectronics Corporation | KGI Victory Money Market Fund                  | -                         | Current financial assets at fair value through profit or loss                 | 7,658                    | 90,026         | -                           | 90,026     | -                                   |      |
| Elan Microelectronics Corporation | Diversified FX Trading Segregated Portfolio    | -                         | Current financial assets at fair value through profit or loss                 | 218                      | 25,216         | -                           | 25,216     | -                                   |      |
| Elan Microelectronics Corporation | Global Strategic FX Arbitrage Note             | -                         | Current financial assets at fair value through profit or loss                 | 95                       | 29,193         | -                           | 29,193     | -                                   |      |
| Elan Microelectronics Corporation | Multi-Manager FX Trading Note (M2)             | -                         | Current financial assets at fair value through profit or loss                 | 44                       | 13,569         | -                           | 13,569     | -                                   |      |
| Elan Microelectronics Corporation | Global Strategic FX Arbitrage Note (SERIES II) | -                         | Current financial assets at fair value through profit or loss                 | 100                      | 30,730         | -                           | 30,730     | -                                   |      |
| Elan Microelectronics Corporation | ThroughTek Co., Ltd.                           | -                         | Non-current financial assets at fair value through other comprehensive income | 1,077                    | 13,096         | 4.14%                       | 13,096     | 4.14 %                              |      |
| Elan Microelectronics Corporation | Macroblock, Inc.                               | -                         | Non-current financial assets at fair value through other comprehensive income | 3,500                    | 292,495        | 7.87%                       | 292,495    | 7.87 %                              |      |
| Elan Microelectronics Corporation | Chino-Excel Technology Corporation             | -                         | Non-current financial assets at fair value through other comprehensive income | 823                      | -              | 1.48%                       | -          | 1.48 %                              |      |
| Elan Microelectronics Corporation | Panther technology Co., Ltd.                   | -                         | Non-current financial assets at fair value through other comprehensive income | 340                      | 6,157          | 0.94%                       | 6,157      | 0.94 %                              |      |
| Elan Microelectronics Corporation | XINCE Co., Ltd.                                | -                         | Non-current financial assets at fair value through other comprehensive income | 2,866                    | -              | 9.24%                       | -          | 9.24 %                              |      |

**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           |                |                             |            | Highest Percentage of ownership (%) | Note |
|-----------------------------------|---|---------------------------|---|--------------------------|----------------|-----------------------------|------------|-------------------------------------|------|
|                                   |   |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value |                                     |      |
| Elan Microelectronics Corporation | TOP TAIWAN VI VENTURE CAPITAL CO., LTD.   | -                         | Non-current financial assets at fair value through other comprehensive income | 168                      | 1,354          | 2.17%                       | 1,354      | 2.17 %                              |      |
| Elan Microelectronics Corporation | TOP TAIWAN VII VENTURE CAPITAL CO., LTD.  | -                         | Non-current financial assets at fair value through other comprehensive income | 888                      | 13,285         | 6.12%                       | 13,285     | 6.12 %                              |      |
| Elan Microelectronics Corporation | TOP TAIWAN VIII VENTURE CAPITAL CO., LTD. | -                         | Non-current financial assets at fair value through other comprehensive income | 1,811                    | 21,667         | 4.17%                       | 21,667     | 4.17 %                              |      |
| Elan Microelectronics Corporation | Midastouch Research Corporation           | -                         | Non-current financial assets at fair value through other comprehensive income | 2,500                    | 3,425          | 8.16%                       | 3,425      | 8.16 %                              |      |
| Elan Microelectronics Corporation | TOP TAIWAN IX VENTURE CAPITAL CO., LTD.   | -                         | Non-current financial assets at fair value through other comprehensive income | 3,500                    | 61,710         | 6.25%                       | 61,710     | 6.25 %                              |      |
| Elan Microelectronics Corporation | Inno Bridge Venture Capital               | -                         | Non-current financial assets at fair value through other comprehensive income | 800                      | 2,406          | 11.35%                      | 2,406      | 11.35 %                             |      |
| Elan Microelectronics Corporation | Startek Engineering Inc.                  | -                         | Non-current financial assets at fair value through other comprehensive income | 189                      | -              | 0.53%                       | -          | 0.53 %                              |      |
| Elan Microelectronics Corporation | North Star Venture Capital                | -                         | Non-current financial assets at fair value through other comprehensive income | 3,000                    | 29,198         | 10.00%                      | 29,198     | 10.00 %                             |      |
| Elan Microelectronics Corporation | TOP TAIWAN XI VENTURE CAPITAL CO., LTD.   | -                         | Non-current financial assets at fair value through other comprehensive income | 4,063                    | 69,732         | 6.25%                       | 69,732     | 6.25 %                              |      |
| Elan Microelectronics Corporation | Genius Vision Digital Inc.                | -                         | Non-current financial assets at fair value through other comprehensive income | 495                      | -              | 1.83%                       | -          | 1.83 %                              |      |
| Elan Microelectronics Corporation | Lyra Semiconductor Incorporated           | -                         | Non-current financial assets at fair value through other comprehensive income | 1,440                    | -              | 5.87%                       | -          | 5.87 %                              |      |
| Elan Microelectronics Corporation | TOP TAIWAN XII VENTURE CAPITAL CO., LTD.  | -                         | Non-current financial assets at fair value through other comprehensive income | 25,000                   | 278,683        | 18.52%                      | 278,683    | 18.52 %                             |      |

**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           |                |                             |            | Highest Percentage of ownership (%) | Note |
|-----------------------------------|--|---------------------------|---|--------------------------|----------------|-----------------------------|------------|-------------------------------------|------|
|                                   |  |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value |                                     |      |
| Elan Microelectronics Corporation | Waltop International Corporation               | -                         | Non-current financial assets at fair value through other comprehensive income | 20                       | -              | 0.24%                       | -          | 0.24 %                              |      |
| Elan Microelectronics Corporation | Vertex Growth (SG) LP                          | -                         | Non-current financial assets at fair value through other comprehensive income | -                        | 226,526        | -                           | 226,526    | -                                   |      |
| Elan Microelectronics Corporation | Vertex Growth II (SG) LP                       | -                         | Non-current financial assets at fair value through profit or loss             | -                        | 6,939          | -                           | 6,939      | -                                   |      |
| Elan Microelectronics Corporation | Taiwania Capital Buffalo Fund V, LP.           | -                         | Non-current financial assets at fair value through profit or loss             | -                        | 48,127         | 3.19%                       | 48,127     | 3.19 %                              |      |
| Elan Microelectronics Corporation | TOP TAIWAN XIII VENTURE CAPITAL CO., LTD.      | -                         | Non-current financial assets at fair value through profit or loss             | 15,000                   | 130,265        | 17.44%                      | 130,265    | 17.44 %                             |      |
| Elan Microelectronics Corporation | TOP TAIWAN XIV VENTURE CAPITAL CO., LTD.       | -                         | Non-current financial assets at fair value through profit or loss             | 29,000                   | 282,010        | 13.30%                      | 282,010    | 13.30 %                             |      |
| Elan Microelectronics Corporation | Cruise 10 Co., Ltd                             | -                         | Non-current financial assets at fair value through profit or loss             | 625                      | 4,304          | 5.26%                       | 4,304      | 5.26 %                              |      |
| Elan InvestmentCorp.              | FSITC US Top 100 Bond Fund Acc TWD             | -                         | Current financial assets at fair value through profit or loss                 | 1,500                    | 13,731         | -                           | 13,731     | -                                   |      |
| Elan InvestmentCorp.              | FSITC Global Wealthy Nations Bond Fund Acc TWD | -                         | Current financial assets at fair value through profit or loss                 | 2,629                    | 23,203         | -                           | 23,203     | -                                   |      |
| Elan InvestmentCorp.              | FSITC Global Video Gaming & eSports Fund       | -                         | Current financial assets at fair value through profit or loss                 | 500                      | 4,460          | -                           | 4,460      | -                                   |      |
| Elan InvestmentCorp.              | FSITC Global Health & Weight Loss Fund         | -                         | Current financial assets at fair value through profit or loss                 | 500                      | 4,345          | -                           | 4,345      | -                                   |      |
| Elan InvestmentCorp.              | FSITC Taiwan Core Strategic Construction Fund  | -                         | Current financial assets at fair value through profit or loss                 | 1,000                    | 8,940          | -                           | 8,940      | -                                   |      |
| Elan InvestmentCorp.              | Nomura Global Short Duration Bond Fund TWD     | -                         | Current financial assets at fair value through profit or loss                 | 9,484                    | 96,992         | -                           | 96,992     | -                                   |      |
| Elan InvestmentCorp.              | Nomura Global Financial Bond Fund Acc TWD      | -                         | Current financial assets at fair value through profit or loss                 | 3,589                    | 34,439         | -                           | 34,439     | -                                   |      |
| Elan InvestmentCorp.              | Taishin Global Multi-asset Fund of Funds A TWD | -                         | Current financial assets at fair value through profit or loss                 | 1,000                    | 10,620         | -                           | 10,620     | -                                   |      |
| Elan InvestmentCorp.              | Taishin Global Disruptive Innovation Fund      | -                         | Current financial assets at fair value through profit or loss                 | 1,500                    | 16,680         | -                           | 16,680     | -                                   |      |



**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           |                |                             |            | Highest Percentage of ownership (%) | Note |
|-----------------------|--|---------------------------|---|--------------------------|----------------|-----------------------------|------------|-------------------------------------|------|
|                       |  |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value |                                     |      |
| Elan InvestmentCorp.  | Taishin North American Income Trust Fund-A                 | -                         | Current financial assets at fair value through profit or loss                 | 1,943                    | 50,083         | -                           | 50,083     | -                                   |      |
| Elan InvestmentCorp.  | Taishin ESG Emerging Markets Bond Fund A TWD               | -                         | Current financial assets at fair value through profit or loss                 | 3,003                    | 24,880         | -                           | 24,880     | -                                   |      |
| Elan InvestmentCorp.  | Taishin Short Duration Emerging High Yield Bond Fund A-TWD | -                         | Current financial assets at fair value through profit or loss                 | 4,200                    | 40,843         | -                           | 40,843     | -                                   |      |
| Elan Investment Corp. | Elan Microelectronics Corporation                          | Subsidiary                | Non-current financial assets at fair value through other comprehensive income | 12,438                   | 1,069,685      | 4.09%                       | 1,069,685  | 4.09 %                              |      |
| Elan InvestmentCorp.  | Panther Technology Co., Ltd.                               | -                         | Non-current financial assets at fair value through profit or loss             | 1,396                    | 25,263         | 3.88%                       | 25,263     | 3.88 %                              |      |
| Elan InvestmentCorp.  | RISE Technology Com  | -                         | Non-current financial assets at fair value through profit or loss             | 769                      | -              | 3.23%                       | -          | 3.23 %                              |      |
| Elan InvestmentCorp.  | Finemat Applied Materials Co., Ltd.                        | -                         | Non-current financial assets at fair value through profit or loss             | 8,900                    | 249,210        | 13.41%                      | 249,210    | 13.41 %                             |      |
| Elan InvestmentCorp.  | Pica 8 - Preferred shares                                  | -                         | Non-current financial assets at fair value through profit or loss             | 342                      | -              | 1.75%                       | -          | 1.75 %                              |      |
| Elan InvestmentCorp.  | Arplanet Digital Technology Co., Ltd.                      | -                         | Non-current financial assets at fair value through profit or loss             | 128                      | 1,308          | 2.70%                       | 1,308      | 2.70 %                              |      |
| Elan InvestmentCorp.  | ZQAM Communications Corporation - Preferred shares         | -                         | Non-current financial assets at fair value through profit or loss             | 250                      | 943            | 1.07%                       | 943        | 1.07 %                              |      |
| Elan InvestmentCorp.  | e-Formula Technologies, Inc.                               | -                         | Non-current financial assets at fair value through profit or loss             | 550                      | 5,076          | 2.53%                       | 5,076      | 2.53 %                              |      |
| Elan InvestmentCorp.  | ALGOLREALITY CO., LTD. - Preferred shares                  | -                         | Non-current financial assets at fair value through profit or loss             | 100                      | -              | 13.04%                      | -          | 13.04 %                             |      |
| Elan InvestmentCorp.  | Vita Genomics, Inc.  | -                         | Non-current financial assets at fair value through profit or loss             | 677                      | 6,679          | 1.13%                       | 6,679      | 1.13 %                              |      |
| Elan InvestmentCorp.  | Cognito Health International Inc.                          | -                         | Non-current financial assets at fair value through profit or loss             | 1,010                    | -              | 1.13%                       | -          | 1.13 %                              |      |
| Elan InvestmentCorp.  | Taiwan Intelligent Connect Co., Ltd. - Preferred shares    | -                         | Non-current financial assets at fair value through profit or loss             | 10,000                   | 1,490          | 14.29%                      | 1,490      | 14.29 %                             |      |
| Elan InvestmentCorp.  | Genius Vision Digital Inc.                                 | -                         | Non-current financial assets at fair value through profit or loss             | 370                      | -              | 1.16%                       | -          | 1.16 %                              |      |

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (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:

| 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                | 407,307 | 3.13 %                              | Open Account 45 Days | -   |               | 18,365                              | 2.47%   |      |

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

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

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

| 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         | 407,307 | Open Account 45 Days | 3.13%  |
| 1   | Elan (H.K.)                       | Elan Microelectronics Corporation | 2                      | Commission revenue        | 286,737 | Monthly settlement   | 2.20%  |

(b) Information on investees:

The followings are the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

| Name of investor                  | Name of investee                           | Location                | Main businesses and products  | Original investment amount |                   | Balance as of December 31, 2022 |                         |                | Highest Percentage of ownership | Net income (losses) of investee | Share of profits/losses of investee | Note |
|-----------------------------------|--|-------------------------|---|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|---------------------------------|-------------------------------------|------|
|                                   |  |                         |   | December 31, 2022          | December 31, 2021 | Shares (thousands)              | Percentage of ownership | Carrying value |                                 |                                 |                                     |      |
| Elan Microelectronics Corporation | Elan (H.K.) Microelectronics Corp. Limited | Hong Kong, China        | Sale and after-sales service  | 123,272                    | 123,272           | 29,328                          | 100.00 %                | 316,154        | 100.00 %                        | 120,742                         | 120,742                             | Note |
| Elan Microelectronics Corporation | Elan Investment Corp.                      | Taipei, Taiwan          | Investment holding  | 500,000                    | 500,000           | 50,000                          | 100.00 %                | 921,312        | 100.00 %                        | (313,723)                       | (313,723)                           | 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 %                | 15,413         | 100.00 %                        | (1,809)                         | (1,809)                             | Note |
| Elan Microelectronics Corporation | JUPU Electronic Co., Ltd.                  | New Taipei City, Taiwan | Wholesale and installation of electronic devices, data storage and equipment process  | 7,840                      | 7,840             | 784                             | 49.00 %                 | (3,246)        | 49.00 %                         | (4,235)                         | (2,075)                             | 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 | 665,865                    | 460,516           | 47,363                          | 46.89 %                 | 217,692        | 50.29 %                         | (161,033)                       | (79,796)                            | Note |
| Elan Microelectronics Corporation | Avionic Technology Corp.                   | Hsin-Chu, Taiwan        | Research, design, develop, manufacture and sale on digital image-process chips  | 194,226                    | 194,226           | 17,517                          | 84.78 %                 | (2,747)        | 84.78 %                         | (25,451)                        | (22,313)                            | Note |
| Elan Microelectronics Corporation | Tong fu Investment Corp.                   | Hsin-Chu, Taiwan        | Investment holding  | 26,070                     | 26,070            | 3,000                           | 46.73 %                 | -              | 46.73 %                         | -                               | -                                   |      |
| Elan Microelectronics Corporation | Lighting Device Technologies Corp.         | Hsin-Chu, Taiwan        | Research, design, develop, manufacture and sale on LED chips  | 11,712                     | 11,712            | 1,805                           | 45.07 %                 | -              | 45.07 %                         | -                               | -                                   |      |

## 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 December 31, 2022 |                         |                | Highest Percentage of ownership | Net income (losses) of investee | Share of profits/losses of investee | Note |
|-----------------------------------|--|-----------------------|---|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|---------------------------------|-------------------------------------|------|
|                                   |  |                       |   | December 31, 2022          | December 31, 2021 | Shares (thousands)              | Percentage of ownership | Carrying value |                                 |                                 |                                     |      |
| Elan Microelectronics Corporation | PIXORD Corporation                         | Hsin-Chu, Taiwan      | Research, design, develop, manufacture and sale on Webcam and server  | 117,062                    | 163,599           | 11,240                          | 94.65 %                 | 29,752         | 97.95 %                         | (38,669)                        | (37,467)                            | 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                           | 18.50 %                 | 30,971         | 28.94 %                         | (51,549)                        | (9,571)                             | Note |
| Elan Microelectronics Corporation | TOP TAIWAN X VENTURE CAPITAL CO., LTD.     | Taipei, Taiwan        | Venture capital   | 210,000                    | 240,000           | 24,000                          | 30.00 %                 | 237,906        | 30.00 %                         | (164,313)                       | (49,187)                            |      |
| Elan Microelectronics Corporation | Uniband Electronic Corp.                   | Hsin-Chu, Taiwan      | Manufactures and sells electronic devices   | 50,000                     | 50,000            | 5,000                           | 24.69 %                 | 8,784          | 24.69 %                         | (1,699)                         | (420)                               |      |
| Elan Microelectronics Corporation | Finger Pro. Incorporation                  | Hsin-Chu, Taiwan      | Manufactures and sells electronic devices   | 6,000                      | 6,000             | 600                             | 23.08 %                 | -              | 23.08 %                         | -                               | -                                   |      |
| Elan Microelectronics Corporation | Chimei Motor Electronic CO., LTD.          | Taipei, Taiwan        | Image recognition, automotive electronic manufacturing and wholesaling business   | 228,650                    | 29,450            | 9,250                           | 31.36 %                 | 218,106        | 31.36 %                         | 2,614                           | (3,885)                             | Note |
| Elan Investment Corp.             | Avisonic Technology Corp.                  | Hsin-Chu, Taiwan      | Research, design, develop, manufacture and sale on digital image-process chips  | 6,463                      | 6,463             | 646                             | 3.13 %                  | (56)           | 4.13 %                          | (25,451)                        | (824)                               | 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 %                 | -              | 38.46 %                         | -                               | -                                   |      |
| Elan Investment Corp.             | PIXORD Corporation                         | Hsin-Chu, Taiwan      | Research, design, develop, manufacture and sale on Webcam and server  | 4,065                      | -                 | 395                             | 3.33 %                  | 1,047          | 0.82 %                          | (38,669)                        | (485)                               | 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                     | 10,211            | 831                             | 0.82 %                  | 3,831          | 1.28 %                          | (161,033)                       | (1,899)                             | Note |
| Elan Investment Corp.             | EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.   | Republic of Mauritius | Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments  | 38,481                     | 38,481            | 2,138                           | 9.61 %                  | 16,532         | 15.04 %                         | (51,549)                        | (4,972)                             | Note |
| Elan (H.K.)                       | Power Asia Investment Corporation          | Republic of Mauritius | Investment holding  | 89,572                     | 89,572            | 2,861                           | 100.00 %                | 28,015         | 100.00 %                        | 2,786                           | 2,786                               | Note |
| Metanoia Communications Inc.      | Metanoia Communication Europe              | France                | Provide technical support and information service   | 18,410                     | 9,908             | 571                             | 100.00 %                | 9,088          | 100.00 %                        | (5,332)                         | (5,332)                             | Note |
| Chimei Motor Electronic CO., LTD. | CHIMEI MOTOR ELECTRONICS (SAMOA) CO., LTD. | Somoa                 | Investment holding  | 37,145                     | 22,336            | 1,250                           | 100.00 %                | 13,817         | 100.00 %                        | (3,596)                         | (3,158)                             | Note |

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

(c) Information on investment in mainland China:

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

| 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, 2022 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Net income (losses) of the investee | Percentage of ownership | Highest Percentage of ownership | Investment income (losses) recognized | Carrying value as of December 31, 2022 | Accumulated inward remittance of earnings as of December 31, 2022 |
|---|---|---------------------------------|----------------------|---|------------------|--------|---|-------------------------------------|-------------------------|---------------------------------|---------------------------------------|--|---|
|   |   |                                 |                      |   | Outflow          | Inflow |   |                                     |                         |                                 |                                       |  |   |
| Elan Micro-electronics (Shanghai) Co., Ltd. | Provide technical support and information service   | 52,095                          | ( 2 )                | 52,095  | -                | -      | 52,095  | 544                                 | 100.00%                 | 100.00 %                        | 544                                   | 19,247                                 | -   |
| Elan Micro-electronics (Shenzhen) Co., Ltd. | Provide technical support and information service   | 34,670                          | ( 2 )                | 34,670  | -                | -      | 34,670  | 2,199                               | 100.00%                 | 100.00 %                        | 2,199                                 | 8,282                                  | -   |
| Gianteye Technology (Shanghai) CO., LTD.    | Development of advanced driver assistance systems and wholesale of automotive electronic products | 37,145                          | ( 2 )                | 22,336  | 14,809           | -      | 37,145  | (3,647)                             | 100.00%                 | 100 %                           | (3,209)                               | 13,789                                 | -   |

## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Note 1: Method of investment:

- (1) Direct investment in Mainland China
- (2) Indirect investment in Mainland China through a holding company established in other countries (Power Asia Investment Corporation)
- (3) Others

Note 2: The investment gains (losses) from Elan Shanghai and Elan Shenzhen are calculated on the reviewed financial statements in the same period.

(ii) Limitation on investment in Mainland China:

|  | Accumulated Investment in Mainland China<br>as of December 31, 2022 | Investment Amounts Authorized by<br>Investment Commission, MOEA | Upper Limit on<br>Investment |
|--|---|---|------------------------------|
| Elan<br>Microelectroni<br>cs Corporation | 86,765 (USD2,500,000)   | 98,333 (USD2,500,000)   | 5,333,818                    |
| Chimei Motor<br>Electronic CO.,<br>LTD.  | 37,145 (USD1,250,000)   | 37,427 (USD1,250,000)   | 197,717                      |

Note: The investment limit was calculated on the official document No. 09704604680 announced by the MOEAIC on August 29, 2008.

(iii) Significant transactions:

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

(d) Major shareholders:

No shareholders owned more than 5% equity interest in the Company.

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

**(14) Segment information:**

**(a) General information**

The Group has six reportable segments: Consumer Touch Control Business Unit, Laptop Input Device Business Unit, Network Communication Business Unit, Investment Business Unit, Sales and Retailing Business Unit and Other Business Unit. The main operations of Consumer Touch Control Business Unit are microprocessor, digital signal processor, application on specific integrated circuit and model. The Group also provides research and development service on the related products. Laptop Input Device Business Unit engages in research, sales, produce and manufacture of laptop input devices. The main operations of Network Communication Business Unit include research, develop and design in network communication chips. Investment Business Unit engages in the management of investee. Sales and Retailing Business Unit provides sales product services. Other Business Unit engages in design and manufacture of electronic devices.

The reportable segments are the Group's strategic divisions. They offer different products and services and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains employed by the Group.

**(b) Information about reportable segments and their measurement and reconciliations**

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because the taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker. The operating segment accounting policies are similar to those described in note 4 "Significant accounting policies".

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

| For the year then ended December 31, 2022                      |                                      |                                   |                                     |                          |                                   |                     |                                |                   |
|--|--------------------------------------|-----------------------------------|-------------------------------------|--------------------------|-----------------------------------|---------------------|--------------------------------|-------------------|
|  | Consumer Touch Control Business Unit | Laptop Input Device Business Unit | Network Communication Business Unit | Investment Business Unit | Sales and Retailing Business Unit | Other Business Unit | Reconciliation and elimination | Total             |
| Revenue  |                                      |                                   |                                     |                          |                                   |                     |                                |                   |
| Revenue from external customers                                | \$ 2,808,843                         | 9,207,630                         | 111,142                             | -                        | 400,889                           | 501,980             | -                              | 13,030,484        |
| Intersegment revenues  | 419,082                              | -                                 | -                                   | -                        | 286,737                           | 21,298              | (727,469)                      | (352)             |
| Interest income  | 24,478                               | 839                               | 386                                 | 6,901                    | 531                               | 1,329               | -                              | 34,464            |
| Total revenue  | <u>\$ 3,252,403</u>                  | <u>9,208,469</u>                  | <u>111,528</u>                      | <u>6,901</u>             | <u>688,157</u>                    | <u>524,607</u>      | <u>(727,469)</u>               | <u>13,064,596</u> |
| Interest expenses  | \$ 11,234                            | 6                                 | 91                                  | -                        | 525                               | 2,077               | -                              | 13,933            |
| Depreciation and amortization                                  | 177,635                              | 41,802                            | 61,871                              | -                        | 11,861                            | 33,464              | -                              | 326,633           |
| Shares of gain of associates accounted for using equity method | (399,503)                            | -                                 | -                                   | (8,180)                  | -                                 | -                   | 356,961                        | (50,722)          |
| Reportable segment profit or loss                              | <u>\$ (680,090)</u>                  | <u>3,475,181</u>                  | <u>(166,900)</u>                    | <u>(313,612)</u>         | <u>152,278</u>                    | <u>(119,095)</u>    | <u>355,210</u>                 | <u>2,702,972</u>  |

# ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

| For the year then ended December 31, 2022                      |                                      |                                   |                                     |                          |                                   |                     |                                |                   |
|--|--------------------------------------|-----------------------------------|-------------------------------------|--------------------------|-----------------------------------|---------------------|--------------------------------|-------------------|
|  | Consumer Touch Control Business Unit | Laptop Input Device Business Unit | Network Communication Business Unit | Investment Business Unit | Sales and Retailing Business Unit | Other Business Unit | Reconciliation and elimination | Total             |
| <b>Assets</b>  |                                      |                                   |                                     |                          |                                   |                     |                                |                   |
| Investments accounted for using equity method                  | \$ 1,990,097                         | -                                 | -                                   | 37,565                   | -                                 | -                   | (1,780,971)                    | 246,691           |
| Capital expenditure  | 149,191                              | 81,069                            | 44,980                              | -                        | 20,744                            | 33,656              | -                              | 329,640           |
| Reportable segment assets                                      | <u>\$ 9,825,781</u>                  | <u>2,365,919</u>                  | <u>539,271</u>                      | <u>1,991,236</u>         | <u>409,505</u>                    | <u>981,047</u>      | <u>(2,787,929)</u>             | <u>13,324,830</u> |
| For the year then ended December 31, 2021                      |                                      |                                   |                                     |                          |                                   |                     |                                |                   |
|  | Consumer Touch Control Business Unit | Laptop Input Device Business Unit | Network Communication Business Unit | Investment Business Unit | Sales and Retailing Business Unit | Other Business Unit | Reconciliation and elimination | Total             |
| <b>Revenue</b>   |                                      |                                   |                                     |                          |                                   |                     |                                |                   |
| Revenue from external customers                                | \$ 5,645,294                         | 11,532,113                        | 93,087                              | -                        | 554,143                           | 503,336             | -                              | 18,327,973        |
| Intersegment revenues  | 564,670                              | -                                 | -                                   | -                        | 390,658                           | 24,098              | (979,426)                      | -                 |
| Interest income  | 22,951                               | 103                               | 96                                  | (4,672)                  | 117                               | 229                 | -                              | 18,824            |
| Total revenue  | <u>\$ 6,232,915</u>                  | <u>11,532,216</u>                 | <u>93,183</u>                       | <u>(4,672)</u>           | <u>944,918</u>                    | <u>527,663</u>      | <u>(979,426)</u>               | <u>18,346,797</u> |
| Interest expenses  | \$ 8,283                             | 11                                | -                                   | 6                        | 714                               | 831                 | -                              | 9,845             |
| Depreciation and amortization                                  | 147,325                              | 33,040                            | 36,170                              | 615                      | 13,117                            | 27,082              | -                              | 257,349           |
| Shares of gain of associates accounted for using equity method | 236,712                              | -                                 | -                                   | (1,611)                  | -                                 | -                   | (204,014)                      | 31,087            |
| Reportable segment profit or loss                              | <u>\$ 1,645,334</u>                  | <u>4,446,020</u>                  | <u>(158,925)</u>                    | <u>143,323</u>           | <u>238,825</u>                    | <u>(55,768)</u>     | <u>(197,660)</u>               | <u>6,061,149</u>  |
| <b>Assets</b>  |                                      |                                   |                                     |                          |                                   |                     |                                |                   |
| Investments accounted for using equity method                  | \$ 2,492,260                         | -                                 | -                                   | 40,134                   | -                                 | -                   | (2,185,697)                    | 346,697           |
| Capital expenditure  | 783,890                              | 40,142                            | 85,232                              | -                        | 521                               | 18,670              | -                              | 928,455           |
| Reportable segment assets                                      | <u>\$ 12,834,226</u>                 | <u>3,398,977</u>                  | <u>556,297</u>                      | <u>3,406,217</u>         | <u>830,085</u>                    | <u>465,234</u>      | <u>(4,558,028)</u>             | <u>16,933,008</u> |

(i) Product and service information

Revenue from the external customers of the Group was as follows:

| Product and services                      | 2022                 | 2021              |
|---|----------------------|-------------------|
| Consumer Touch Control Integrated Circuit | \$ 3,209,732         | 6,199,437         |
| Laptop Input Device                       | 9,207,630            | 11,532,113        |
| Network Communication Integrated Circuit  | 111,142              | 93,087            |
| Others                                    | 501,980              | 503,336           |
| Total                                     | <u>\$ 13,030,484</u> | <u>18,327,973</u> |

(ii) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

(Continued)

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

| <u>Geographical information</u>  | <u>2022</u>                 | <u>2021</u>              |
|----------------------------------|-----------------------------|--------------------------|
| Revenue from external customers: |                             |                          |
| Taiwan                           | \$ 1,043,560                | 1,598,129                |
| Mainland China                   | 2,459,068                   | 2,580,977                |
| Hong Kong                        | 9,302,571                   | 13,878,610               |
| Others (less than 5%)            | <u>225,285</u>              | <u>270,257</u>           |
|                                  | <b><u>\$ 13,030,484</u></b> | <b><u>18,327,973</u></b> |

| <u>Geographical information</u> | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|---------------------------------|------------------------------|------------------------------|
| Non-current assets:             |                              |                              |
| Taiwan                          | \$ 2,312,202                 | 2,206,296                    |
| Mainland China                  | 15,512                       | 9,791                        |
| Hong Kong                       | 3,497                        | 954                          |
| United States                   | <u>171</u>                   | <u>274</u>                   |
|                                 | <b><u>\$ 2,331,382</u></b>   | <b><u>2,217,315</u></b>      |

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(iii) Major customers

|  | <u>2022</u>                | <u>2021</u>              |
|--|----------------------------|--------------------------|
| Customer A (Laptop Input Device Model)                       | \$ 4,029,227               | 6,002,116                |
| Customer A (Consumer Touch Control Integrated Circuit Model) | 737,931                    | 2,181,004                |
| Customer B (Laptop Input Device Model)                       | 2,868,096                  | 3,258,051                |
| Customer B (Consumer Touch Control Integrated Circuit Model) | <u>207,379</u>             | <u>451,707</u>           |
|  | <b><u>\$ 7,842,633</u></b> | <b><u>11,892,878</u></b> |

**6. Financial Difficulties of the Company and its Affiliates During the Last Fiscal Year and Until the Publishing date of the Annual Report : N/A**

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 1. Analysis of Financial Status

#### Comparative Statement of Financial Status

Unit: NT\$ thousands

| Item \ Year   | 2022              | 2021              | Difference         |                |
|---|-------------------|-------------------|--------------------|----------------|
|   |                   |                   | Amount             | %              |
| Current Assets  | 8,722,281         | 12,069,961        | (3,347,680)        | (27.74)        |
| Property, Plants and Equipment                            | 990,675           | 952,324           | 38,351             | 4.03           |
| Intangible Assets   | 604,707           | 424,650           | 180,057            | 42.40          |
| Other Assets  | 979,128           | 1,070,233         | (91,105)           | (8.51)         |
| <b>Total Assets</b>                                       | <b>13,324,830</b> | <b>16,933,008</b> | <b>(3,608,178)</b> | <b>(21.31)</b> |
| Current Liabilities                                       | 2,618,782         | 4,852,757         | (2,233,975)        | (46.04)        |
| Non-Current Liabilities                                   | 1,083,826         | 1,106,383         | (22,557)           | (2.04)         |
| <b>Total Liabilities</b>                                  | <b>3,702,608</b>  | <b>5,959,140</b>  | <b>(2,256,532)</b> | <b>(37.87)</b> |
| Equity Attributable to Shareholders of The Parent Company | 8,889,697         | 10,742,974        | (1,853,277)        | (17.25)        |
| Capital Stock   | 3,038,804         | 3,038,804         | 0                  | 0              |
| Capital Surplus   | 838,428           | 631,181           | 207,274            | 32.83          |
| Retained Earnings   | 6,107,872         | 7,984,380         | (1,876,508)        | (23.50)        |
| Other Equity  | 11,078            | 195,094           | (184,016)          | (94.32)        |
| Treasury Shares   | 1,106,485         | 1,106,485         | 0                  | 0              |
| Non-Controlling Interest                                  | 732,525           | 230,894           | 501,631            | 217.26         |
| <b>Total Stockholders' Equity</b>                         | <b>9,622,222</b>  | <b>10,973,868</b> | <b>(1,351,646)</b> | <b>(12.32)</b> |

Explanation:

(1) Where the percentage of changes in the Company's consolidated assets, liabilities, and shareholders' equity in the past two years was more than 20% and the amount of changes reached NT\$10 million, the impact and future response actions:

1. Current Assets:

The decrease in this period compared with last year was mainly due to the decrease in sales revenue, which resulted in a decrease in accounts receivable and other receivables at the end of the period compared with last year. At the same time, due to last year's surplus being paid in this period, financial assets measured by amortized cost in this period - current decrease from last year.

2. Intangible Assets:

The increase in the current period compared with last year was mainly due to the recognition of the intangible assets of the new consolidated entity in the current period.

3. Total Assets:

The decrease in the current period compared with last year was mainly due to the decrease in current assets in the current period compared with last year.

4. Current Liabilities:

The decrease in the current period compared with last year was mainly due to the decrease in current liabilities such as accounts payable and income tax liabilities in the current period.

5. Total Liabilities:



The decrease in the current period compared with last year was mainly due to the decrease in current liabilities in the current period.

6. Capital Surplus:

The increase in the current period compared with last year was mainly due to the recognition of the capital reserve recognized by the Company's distribution of dividends from the parent Company.

7. Retained Earnings:

The decrease in the current period compared with last year was mainly due to the decrease in profit in the current period.

8. Other Equity:

The decrease in the current period compared with last year was mainly due to the unrealized loss of financial assets measured at fair value through other comprehensive gains and losses in the current period.

9. Non-Controlling Interest:

The increase in this period is mainly due to the addition of merged entities in this period.

(2) Future response actions: N/A.

## 2. Analysis of Financial Performance

### (1) Analysis of Operation Results

Unit: NT\$ thousands

| Items \ Year   | 2022       | 2021       | Increase<br>(Decrease)<br>Amount | Difference<br>(%) |
|--|------------|------------|----------------------------------|-------------------|
| Operating revenue  | 13,030,484 | 18,327,973 | (5,297,489)                      | (28.90)           |
| Gross Profit   | 5,987,244  | 9,116,400  | (3,129,156)                      | (34.32)           |
| Operating Income (Loss)  | 2,784,461  | 5,665,225  | (2,880,764)                      | (50.85)           |
| Non-operating income and expenses  | (81,489)   | 395,924    | (477,413)                        | (120.58)          |
| Net profit before tax  | 2,702,972  | 6,061,149  | (3,358,177)                      | (55.40)           |
| Income before tax from continuing operations                                   | 2,033,413  | 5,027,538  | (2,994,125)                      | (59.55)           |
| Net Income (Loss)  | 2,033,413  | 5,027,538  | (2,994,125)                      | (59.55)           |
| Other comprehensive income (loss) (income after tax)                           | (109,380)  | 290,561    | (399,941)                        | (137.64)          |
| Total comprehensive income (loss)  | 1,924,033  | 5,318,099  | (3,394,066)                      | (63.82)           |
| Net income attributable to shareholders of the parent Company                  | 2,151,676  | 5,102,446  | (2,950,770)                      | (57.83)           |
| Net income attributable to non-controlling interest                            | (118,263)  | (74,908)   | (43,355)                         | 57.88             |
| Comprehensive income (loss) attributable to shareholders of the parent Company | 2,041,861  | 5,393,243  | (3,351,382)                      | (62.14)           |
| Comprehensive income (loss) attributable to non-controlling interest           | (117,828)  | (75,144)   | (42,684)                         | 56.80             |

- (2) Major reasons for material changes in consolidated operating income, net operating income, and net profit before tax in the past two years; the possible impact on the Company's future finance and business from the expected sales volume (include its basis) and the counter Procedures therefor: (please provide analysis and explanation when the percentage of change is more than 20%, and the amount is more than 10 million)

1. Decrease in operating income:

Mainly due to the decrease in demand for home office notebooks, the revenue of this period has decreased compared with the previous period.

2. Decrease in operating net profit:

Mainly because of the decrease in revenue during the current period, the net operating profit decreased compared with the previous period.

3. Decrease in non-operating income and expenses:

Mainly due to the higher evaluation losses of financial assets in this period than in the previous period.

4. Decrease in net profit before tax for the current period:

Mainly due to the decrease in revenue growth and the decrease in gross profit margin during the previous period, the net operating profit decreased compared with the previous period, resulting in the decrease in the net profit before tax in the current period compared with the previous period.

- (3) The possible impact on the Company's future finance and business from the expected sales volume (include its basis) and the counter procedures therefor:

In the year 2022 it has been a relatively difficult year for the global notebook computer market. The main reason was due to external factors such as the deterioration of the overall economy,

rising inflation, sharp interest rate hikes, the Russia-Ukraine war, lockdown in China cities, and the weak consumer market's consumption capacity, resulting in an increase in inventory in the corresponding supply chain. Globalization was the top priority of industrial supply chain manufacturers in the second half of last year. Due to the obvious decrease in overall market demand, the total demand of notebooks has been decreased by double digits annually to 194 million units. The Company's main source of revenue is the notebook market, which has been significantly affected.

However, global notebook products are still moving towards product specifications and function upgrades, and the Company is also developing products that meet market demand in line with the industry trend of notebooks. In 2023, when the consumption capacity of the notebook market has not yet recovered, there is no reason to be optimistic. General market research institutions estimate that the total sales volume will decrease by about 10% annually. In response to this market situation, the Company has strengthened the functions and specifications of its products upgrade, introduce products with competitive advantages as specifications, in order to in a position to face the differentiated competition and increase market share.

The penetration rate of fingerprint recognition products in notebooks is still low, especially MOC (Match On chip, which checks the fingerprint first and then unlocks the device) with a higher average unit price. Under the premise that the outlook is still bullish, we expect that in the next two to three future years, it will cover most of the market and achieve a leading position in the market. The haptic feedback touch panel (Haptic Pad) was shipped for the first time last year, which contributed hundreds of millions New Taiwan Dollars in revenue. It will continue to do so in 2023. Brand customers will use more models of Haptic Pad, which will help revenue growth; The introduction of large-size touch panels will help increase the average unit price, and the active promotion and introduction of single-layer in-cell touch panels (SLOC) will help the revenue of touch screen chips. It is still severe, and there is still keen competition on external markets. The Company is still endeavoring to actively strengthen the chip design technology engineering part, effectively reduce costs, and hope to help improve operating effectiveness.

Moreover, the advanced driver assistance system (ADAS) is the focus of the Company's active implementation of the business. Combined with the reinvestment Company, it jointly develops ADAS-related products that demand driving safety, including Camera Module, Sensor Fusion algorithm and external components, etc., provide high-quality overall solutions for electric buses and large buses, paving the way for entering the automotive electronics market.

The Company is a professional IC design Company with a full range of integrated solutions. It has a strong research and development (R&D) team and invests more than 12% in R & D each year. It is an IC design Company that focuses on research and development of new products. The quality of products developed by the Company is recognized by the customers; the proportion of revenue from global tier-one manufacturer customers accounted for more than half of the total revenue. The touch control notebook ICs accounted for nearly half of the world's market share. At present, the Company has three products that ranks first in the world, namely stylus notebook screen IC, touch pad module and point stick. The market share of the first two items is about 50%, and the market share of pointing devices is expected to exceed 70%.

### 3. Analysis of Cash Flow

#### (1)Cash Flow Analysis for the last fiscal year (2022)

(2)

Unit: NT\$ thousands

| Cash and<br>Cash Equivalents,<br>Beginning of Year<br>(1) | Net Cash Flow<br>from<br>Operating<br>Activities<br>(2) | Cash<br>Outflow<br>(3) | Cash Surplus<br>(Deficit)<br>(1)+(2)-(3) | Leverage of Cash Deficit |                  |
|---|---|------------------------|--|--------------------------|------------------|
|   |   |                        |  | Investment<br>Plans      | Funding<br>Plans |
| 4,254,507   | 766,069   | (2,356,888)            | 2,663,688                                | -                        | -                |

1. Analysis of change in consolidated cash flow in the current year:

(1) Operating activities:

Net cash inflows from operating activities decreased by NTD 4,496,501,000 over the previous year, which was mainly due to the decrease in net profit before tax and the decrease in accounts receivable, other receivables and the decrease in inventories this year.

(2) Investment activities:

Net cash inflow from investing activities increased by NTD 472,988,000 compared with the previous year, which was mainly due to the decrease in financial assets measured by amortized cost during the current year.

(3) Financing activities:

Net cash outflow from financing activities decreased by NTD 2,05,704,000 over the previous year, mainly due to the increase in the amount of cash dividends distributed and the repurchase of treasury shares this year. After offsetting, the net cash outflow of this year is still lower than that of last year.

2. Expected remedy for cash deficit and liquidity analysis: N/A.

**(2) Cash Flow Analysis for the Coming Year**

Unit: NT\$ thousands

| Estimated Cash and Cash Equivalents, Beginning of Year<br>(1)   | Estimated Net Cash Flow from Operating Activities<br>(2) | Estimated Cash Outflow (Inflow)<br>(3) | Estimated Cash Surplus (Deficit)<br>(1)+(2)-(3) | Leverage of Cash Deficit |               |
|---|--|--|---|--------------------------|---------------|
|   |  |  |   | Investment Plans         | Funding Plans |
| 2,663,688   | 3,555,431  | (3,307,115)                            | 2,912,004                                       | -                        | -             |
| <p>1. Analysis of change in cash flow in the current year:</p> <p>(1) Operating activities:<br/>The Company's operating income is expected to be based on information security considerations and the continuous strong promotion of Window 11. In addition to driving demand for notebooks, it will also drive demand for fingerprint products used in notebooks. In addition, the promotion of touch pads with tactile feedback functions is also the main driver of revenue growth, and the operating activities are expected to be net cash inflows.</p> <p>(2) Investment activities:<br/>Mainly for investment in Zhubei AI Smart Park, purchase of fixed assets and software, etc., and expected reduction of inflows such as fixed deposits for more than three months. Investment activities are expected to be net cash outflows.</p> <p>(3) Financing activities:<br/>Mainly due to the expected distribution of cash dividends to shareholders, increase of bank borrowings and increase of capital of subsidiaries, and the expected financing activities are cash outflows.</p> <p>2. Expected remedy for cash deficit and liquidity analysis: N/A.</p> |  |  |   |                          |               |

**4. Major Capital Expenditure Items on the Financial Operations during the Last Fiscal Year:****(1) Major Capital Expenditure Items and Source of Capital**

The Company has no capital expenditure in recent years that has major impact on its finance.

**(2) Expected benefits: N/A.**

**5. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:**

| Item<br>Affiliates                | Policies   | Income<br>(Loss)<br>Amount | Reasons for<br>Gain or Loss  | Action Plan   | Investment<br>Plan for<br>the coming<br>year |
|-----------------------------------|--|----------------------------|--|---|--|
| Elan H.K Micro Electronics Corp   | Sell the Company's products, provide after-sales service, and establish a sales base             | 120,742                    | In the current period, due to the growth of the parent Company's revenue, and the increase of commission income from product logistics management and after-sales service  | -   | -  |
| Elan Investment Corporation       | General Investment Business  | (313,723)                  | Mainly due to the loss of financial asset evaluation during the current period.  | -   | -  |
| Metanoia Communications Co., Ltd. | Researching, designing, developing, manufacturing, and selling communication network chips.      | (79,796)                   | Due to continuous investment in the development of new telecommunications products and product sales being affected by the delay in product certification, therefore there were still incurred losses in 2021.   | It is expected to launch 5G product solutions and continue to develop the common market with NXP, thus it can be contributable to the operating income in 2023.   | -  |
| Avisonic Technology Corporation   | Research, design, manufacture and sale of multimedia video compression and impact processing ICs | (22,313)                   | Mainly due to the influence caused by the COVID-19 pandemic, and the global terminal demand is weak, and the inventory adjustment of the industrial chain continues, resulting in the slowdown of customer product shipments. However, we are still optimistic about the growth of the intelligent image recognition application market and the automotive | Continue to optimize the ADAS vehicle imaging system to meet customers' needs, and strengthen the customer supply chain and market share. It is expected that it will increase the momentum of product revenue in 2022. | -  |

|  |  |          |  |   |   |
|--|--|----------|--|---|---|
|  |  |          | image market, and continue to invest in the development of software and hardware technology for image-related products, resulting in 2022 incurred losses.   |   |   |
| PiXORD Corporation                     | Research, design, develop, manufacture and sell network cameras and network servers. | (37,467) | Due to continuous investment in the research and development of smart transportation applications and automotive ADAS applications, and new products are still being developed and adjusted, the Company continues to suffer losses in 2022. | Develop integrated AI technology detection and identification products and continue to develop automotive ADAS systems to contribute to 2022 revenue. | - |
| Top Taiwan X Venture Capital Co., Ltd. | Venture Capital investment   | (49,187) | Mainly due to the increase of the financial asset evaluation benefit of the current period   | -   | - |

Note: Analysis on investment income and loss of more than NT\$10 million only.

## 6. Analysis of Risk Management and Assessment

### (1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Procedures

Unit: NT\$ thousands

| Item  | Year | 2022       |
|---|------|------------|
| Net operating income  |      | 13,030,484 |
| Net profit before tax                                       |      | 2,702,972  |
| Net exchange (loss) profit                                  |      | 223,363    |
| Net exchange (loss) profit to net income ratio              |      | 1.71%      |
| Net exchange (loss) profit to net profit before tax ratio   |      | 8.26%      |
| Interest revenues   |      | 34,464     |
| Interest revenues accounted for net income ratio            |      | 0.26%      |
| Interest revenues accounted for net profit before tax ratio |      | 1.28%      |
| Interest expenses   |      | 13,933     |
| Interest expenses accounted for net income ratio            |      | 0.11%      |
| Interest expenses accounted for net profit before tax ratio |      | 0.52%      |

#### 1. Interest Rates:

The net interest income (expenses) accounted for 0.15% of net income in 2022. The Company has sufficient funds and does not have any financial borrowing; and given the economic recovery is still over-shadowed, safety is a major consideration in the use of funds. Therefore, the funds were allocated to the stable targets in order to obtain steady amount of interest income.

#### 2. Foreign Exchange Rates:

In order to avoid exchange rate fluctuations, the Company offsets regular sales amount with purchase amount to achieve the natural hedge effect on exchange rate changes. In 2022, the overall exchange gain was NT\$223,363,000. The Company's financial personnel pay close attention and duly response to exchange rate fluctuations at all time to reduce the impact of exchange rate changes on the Company's profit and loss.

#### 3. Inflation:

The Company has long-term cooperation with raw materials suppliers, so the source and price of the raw materials are quite stable; therefore, inflation has no significant impact on the Company's profit and loss. The Company will pay close attention to the changes in the relevant economic environment and the market to avoid adverse effect on the Company caused by inflation.

### (2) Policies, Main Causes of Gain or Loss and Future Response Procedures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending" and "Procedures for Endorsement Guarantee". Furthermore, derivative transactions follow the "Procedures for Acquisition and Disposal of Assets".



### **(3) Future Research & Development Projects and Corresponding Budget**

#### **1. Future Research & Development Plans**

In response to market development trends, the Company drives operational growth by increasing product functions and improving product specifications, such as increased adoption of Haptic Pad, large-size touch panels with increased average unit prices, and specification upgrades for the new version of Windows 11, MOC (Match On Chip) penetration rate with high unit price has been upgraded, single-layer touch function chip embedded touch panel (SLOC), LTDI integrated touch and driver chip, etc., at the same time, long-term investment in touch technology Development and application, and has patents in the United States, Japan, mainland China and Taiwan.

Secondly, the application penetration rate of biometrics in smart phones is already very high, and at the same time, the competition is relatively fierce. For the sake of overall business growth, the Company strengthens the application of fingerprint recognition, and develops towards diversified application products. The application of notebooks is currently the most important, and it is expected to be one of the products that will contribute significantly to the revenue in 2023.

At the same time, non-notebook applications are also actively developed. First of all, in order to expand the application of fingerprint identification and drive business growth, the Company is actively entering the smart card market, because smart cards have a wide range of applications, including credit cards, financial cards, employee cards, etc. Identification cards, ID cards, etc., have great market potential in the future. Although the current market has not yet taken off, the continuous improvement of product cost performance to attract brand customers is still ongoing. The Company seeks support for high added value in order to enhance market competitiveness. Encryption, payment, and anti-fake fingerprints are added as product appeals to provide clients with the best market competitiveness.

Secondly, the advanced driver assistance system (ADAS) is the focus of the Company's active implementation of the business. Combined with the reinvested Company, it jointly develops ADAS-related products that demand driving safety, including Camera Module, Sensor Fusion (Sensor Fusion) algorithm and External components, etc., provide high-quality overall solutions for electric buses and large buses, paving the way for entering the automotive electronics market.

In addition, the introduction of large-size touch panels will help increase the average unit price, and the active promotion and introduction of single-layer in-cell touch panels (SLOC) will benefit the revenue of touch screen chips. Although the global total The economic environment is still severe, and the external market competition is still very fierce. The Company is still striving to actively strengthen the chip design technology and engineering part, effectively reducing costs, and hoping to help improve operational efficiency.

The point stick products used in notebooks currently rank first in the world in terms of market share, and are mainly supplied to the largest notebook manufacturers in the world. We will continue to increase the market share of major notebook manufacturers. At the same time, the Company has also completed a new generation of thinner pointing device sensor chips, which is conducive to the increase of the average selling price.

As for the MCU products, the Company will continue to develop lower power

consumption IC platforms to provide customers with the best solutions, while strengthening the collaboration with solution companies in mainland China and providing the best cost-effective control ICs.

2. The research and development expenses are expected to be approximately NT\$1.9 billion.

**(4) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The Company has a legal department responsible for the research and collection of information related to intellectual property, laws, and important policies at home and abroad to truly understand the impact of this on the Company's finance and business and provide timely counter Procedures therefor.

Recent changes in major policies and laws at home and abroad have no material adverse impact on the Company's finance and business.

**(5) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

The Company's diversified product lines can meet the needs of customers. The diversified product lines make the Company less subjective to technological changes than single product line or minority players. In recent years, the Company has actively sought multiple sources of production and has effectively controlled costs.

Regarding information security risk assessment, regularly assess the confidentiality, ethical , availability, legal compliance and other aspects of the information system that may affect the system, and the system may suffer accidental or malicious damage and improper use, making the information security system inoperable.

**Countermeasures:**

- A. Develop information security policies and management methods for employee computer e-mail and network resource use, and manage them in accordance with the Information Security Management Manual.
- B. Establish an Information Security Management Committee to report the information security governance overview to the Board of Directors on a regular basis once a year.
- C. Regularly implement information security internal audit, education and training once a year.

In addition, in terms of financial operations, the Company actively strengthened the management of cash flows and maintained a good financial structure to maintain the stable operation of the Company and diversify the operating risks. Therefore, technological changes have no significant impact on the finance and business of the Company.

**(6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Procedures: N/A.**

**(7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: N/A.**

**(8) Expected Benefits from, Risks Relating to and Response to Plant Expansion Plans:**

The Company expects to build a new plant in the "Hsinchu County International AI Smart Park" in Zhubei City, Hsinchu County in the next four years, as a research and development

base for the construction of 5G, AI, IOT, mobile vehicles, smart medical and other related industries innovation technology, and integrate affiliated enterprise, to carry out the integration of AI resources, hoping to drive the clustering effect of the AI industry and play the multiplier effect, attract more talents, and enhance the exchange and development of the AI industry.

In order to reduce the capital cost of building factories in the future, the Company applied to the Ministry of Economic Affairs in 2021 for the "Accelerated Investment Action Plan for Rooting and Retaining Taiwanese Enterprises" and was approved by the competent authority. The government will pay part of the banking charges to reduce the Company's future capital cost.

**(9) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:**

The Company has concluded a non-recourse agreement for the sale of accounts receivable with financial institutions for the accounts receivable of major sales customers. According to the contract, the Company does not have to bear the risk that the accounts receivable cannot be recovered in order to reduce the moderate risk of sales. The Company has consistently focused on identifying alternative sources for purchasing, and has worked to diversify its customer base in order to reduce the concentration of sales.

**(10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% :**

The shareholdings of the Company's directors or shareholders with over 10% shareholdings have been stable during the last few years, and there have been no major transfers or swaps of shares.

**(11) Effects of, Risks Relating to and Response to the Changes in Management Rights:**

The Company's directors did not change significantly in 2022, so there will be no change in management rights.

**(12) Litigation or non-litigation Matters:**

As of May 09, 2023

| <b>Major lawsuits</b>  | <b>Explanation</b>   | <b>Results</b>   |
|--|--|--|
| Elan Microelectronics filed a patent infringement lawsuit at the Beijing Intellectual Property Court on December 2, 2019 against the Shenzhen Goodix Technology Co., Ltd. and Beijing Xinyitung Technology Co., Ltd. | Elan Microelectronics filed a patent infringement lawsuit at the Beijing Intellectual Property Court on December 2, 2019 against the Shenzhen Goodix Technology Co., Ltd. and Beijing Xinyitung Technology Co., Ltd., claiming that the capacitive touch chip used in the Touch Pad manufactured and sold by Goodix has infringed the China Mainland Invention Patent (No. ZL03158451.9) rights owned by the Elan Microelectronics. Therefore, Elan Microelectronics petitioned the court to prohibit the aforementioned defendants from using, manufacturing and selling the products involved in the case, and requested to pay a total of RMB 25 million for damages.<br>On November 29, 2022, the Company filed an application for withdrawing the lawsuit to the court, and the court issued a civil ruling approving the withdrawal of the lawsuit on December 7, and the case has been concluded. | On November 29, 2022, the Company filed an application for withdrawing the lawsuit to the court, and the court issued a civil ruling approving the withdrawal of the lawsuit on December 7, and the case has been concluded. |
| Elan Microelectronics filed a patent infringement lawsuit at the Taiwan Intellectual Property Court on December 23, 2021 against the Goodix Technology Co., Ltd. and Shenzhen Goodix Technology Co., Ltd.            | Elan Microelectronics filed a patent infringement lawsuit at the Taiwan Intellectual Property Court on December 23, 2021 against the Goodix Technology Co., Ltd. and Shenzhen Goodix Technology Co., Ltd., claiming that the touch controller used in the Touch Pad manufactured and sold by Goodix has infringed the China Mainland Invention Patent (No. I556033) rights owned by the Elan Microelectronics.<br>Therefore, Elan Microelectronics petitioned to the court to prohibit the aforementioned defendant from using, manufacturing and selling the products involved in the case, and requesting Remuneration for damages.<br>In this case, on November 30, 2022, the court made the final judgment of the tenth instance and rejected the plaintiff's complaint. The Company did not file an appeal and the case has been concluded.   | In this case, on November 30, 2022, the court made the final judgment of the tenth instance and rejected the plaintiff's complaint. The Company did not file an appeal and the case has been concluded.                      |
| Elan Microelectronics (Shenzhen) CO., Ltd. has received patent infringement lawsuits filed by Goodix to Hohhot Intermediate People's Court on May 11, 2021 and May 13, 2021  | Elan Microelectronics (Shenzhen) CO., Ltd. has received on May 11, 2021 a patent infringement lawsuit filed by Goodix to Hohhot Intermediate People's Court against Elan Microelectronics, Elan Microelectronics (Shenzhen) and Xincheng Yunzhou Electronic Product Distribution Department. The Company and Elan Shenzhen have appointed a patent attorney to apply for a jurisdictional objection to the court within the defense period, but the Hohhot Intermediate People's Court ruled to reject it on July 22, 2021. At present, the Company and Elan Shenzhen have submitted an appeal to the court within the stipulated appeal period, and the appeal was filed to the Supreme People's Court, but the Supreme People's Court rejected the appeal on January 28, 2021. The case is currently being tried by the court,   | On March 23, 2023, the Company was informed by its lawyer that the Hohhot Intermediate People's Court in the Inner Mongolia has officially rejected the appeal filed by the plaintiff.                                       |

| Major lawsuits | Explanation  | Results |
|----------------|--|---------|
|                | <p>and after assessment, there should be no material adverse impact on the Company's finances and business. On March 23, 2023, the Company was informed by its lawyer that the Hohhot Intermediate People's Court in the Inner Mongolia has officially rejected the appeal filed by the plaintiff.</p> <p>In addition to rejecting Goodix's claim, the court ordered Goodix to pay the lawsuit fees for this case.</p> |         |

**(13) Other Major Risk and Counter Procedures: N/A**

**7. Other Important Matters: N/A.**

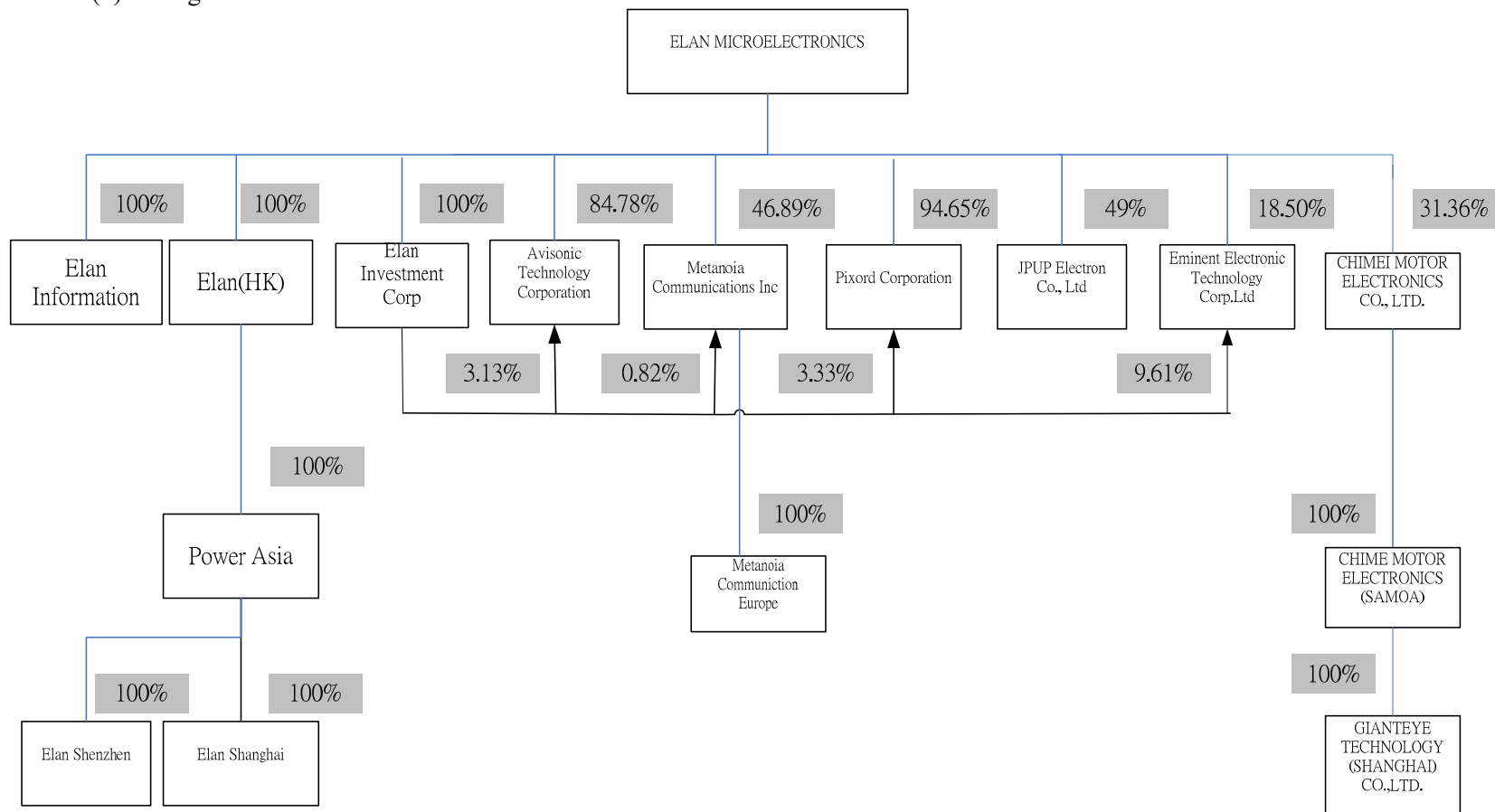
## VIII. Special Disclosure

### 1. Summary of Affiliated Companies

#### (1) Consolidated business report of the affiliates

##### 1. Overview of the affiliates

##### (1) Organizational chart of the affiliates:



Note: The Chimei Motor Electronics Co., Ltd. , Chimei Motor Electronics ( Samoa) and Gianteye Technology (Shanghai) Co., Ltd. three companies have been incorporated into the Elan Microelectronics Corporation on March 01, 2023.

(2) Basic information of each affiliate:

| Company name                     | Date of Incorporation | Address   | Paid-up capital | Main business or production items   |
|----------------------------------|-----------------------|---|-----------------|---|
| Elan H.K Micro electronics Corp. | May 15, 1997          | Flat A, 19/F., World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong                         | HKD 29,328,003  | Sales the Company's products, provide after-sales services, establish sales outlets   |
| Elan Investment Corporation      | May 31, 2000          | Room#1, 5/F, No. 306, Section 1, Dunhua South Road, Taipei City   | NTD 500,000,000 | General investment business   |
| Elan Information                 | Jan. 11, 2002         | 10268 Bandle Drive Suite 101, Cupertino, CA 95014, USA  | USD 650,000     | Provide after-sales services, obtain product information and technologies   |
| Power Asia Investment Corp.      | Jun. 6, 2002          | 2nd Floor, Felix House, 24 Dr. Joseph Riviere Street, Port Louis, Republic of Mauritius.                    | USD 2,861,000   | General investment business   |
| Elan Shanghai Co., Ltd.          | Aug. 6, 2002          | Room 703, No. 3, Lane 88, Shengrong Road, Pudong New Area, Shanghai   | USD 1,500,000   | Information supply services   |
| Elan Shenzhen Co., Ltd.          | Jun. 6, 2003          | 8A Floor, Microprofit Building, Gaoxin South Road 6, Shenzhen Hi-Tech Industrial Park, South Area, Shenzhen | USD 1,000,000   | Information supply services   |
| Metanoia Communication s Inc.    | Dec. 1, 2003          | 3/F, No. 12, Chuangxin 1st Road, Hsinchu Science Park   | NTD 650,150,000 | Manufacture cable and wireless communication machinery and equipment, electronic components, wholesale and retail telecommunication equipment |
| Avisonic Technology Corporation  | Dec. 22, 2003         | 7/F, No.12, Innovation 1st Rd., Hsinchu Science Park  | NTD 206,626,000 | Research, design, manufacture and sale of multimedia video compression and impact processing ICs  |
| JPUP Electron Co., Ltd.          | Dec. 26, 2002         | Room#13, 21/F, No. 1, Section 1, Zhongshan Road, Banqiao District, New Taipei City                          | NTD 16,000,000  | Manufacture data storage and processing equipment, manufacture and wholesale of electronic components   |
| PiXORD Corporation               | Aug. 10, 2000         | 5/F, No. 12, Chuangxin 1st Road, Hsinchu Science Park   | NTD 157,500,000 | Export manufacturing, data storage and processing equipment, wireless communication machinery and equipment manufacturing                     |

|  |              |   |                 |   |
|--|--------------|---|-----------------|---|
| Eminent Electronic Technology              | Sep. 2, 2010 | 6/F, No. 12, Chuangxin 1st Road, Hsinchu Science Park                               | NTD 217,517,770 | Electronic component manufacturing, computer and peripheral equipment manufacturing, optical instrument manufacturing |
| Metanoia Communication Europe.             | Oct.2.2021   | 38 Rue Lieutenant Chancel Espace Chancel 83160 La Valette-du-Var                    | EUR 301,000     | R&D / 5G products   |
| Chimei Motor Electronics Co., Ltd.         | 2013.01.15   | No. 10, Jingzhong Rd., Wanghang Village, Yongkang Dist., Tainan City                | NTD 335,000,000 | Manufacturing and wholesale of image recognition and automotive electronic products                                   |
| Chimei Motor Electronics (Samoa) Co., Ltd. | 2018.01.16   | Vistra Corporate Services Centre, Grand Floor NFP Building, Beach Road, Apia, Samoa | USD 1,250,000   | General Investment  |
| Gianteye Technology (Shanghai) Co., Ltd.   | 2018.08.01   | Room 1107, No. 1033, Moyu South Road, Jiading District, Shanghai                    | USD 1,250,000   | Development of automotive advanced driver assistance systems and wholesale of automotive electronic products          |



- (3) Information on party presumed to be related to be controlling and subsidiary Company: N/A.
- (4) If the industries covered by the affiliates are related to each other in terms of business operations, the division of work shall be explained:

| <b>Name of Subsidiary</b>                  | <b>Main business or production items</b>  | <b>Division of work</b>  |
|--|---|--|
| Elan H.K Micro electronics Corp.           | Sales of the Company's products, provide after-sales services, establish sales outlets                                | The Company's Asia-Pacific sales outlet  |
| Elan Investment Corporation                | General investment business   | N/A  |
| Elan Information Technology Group          | Provide after-sales services, obtain product information and technologies   | The Company's customer services outlet in North America  |
| Power Asia Investment Corp.                | General investment business   | N/A  |
| Elan Shanghai Co., Ltd.                    | Information supply services   | The Company's development and customer service outlet in Eastern China market  |
| Elan Shenzhen Co., Ltd.                    | Information supply services   | The Company's development and customer services outlet in Southern China market  |
| Metanoia Communications Inc.               | Researching, designing, developing, manufacturing, and selling communication network chips.                           | N/A  |
| Avisonic Technology Corporation            | Research, design, manufacture and sale of multimedia video compression and impact processing ICs                      | N/A  |
| JPUP Electron Co., Ltd.                    | Manufacture data storage and processing equipment, manufacture and wholesale of electronic components                 | The Company's foundry  |
| PiXORD Corporation                         | Research, design, develop, manufacture and sell network cameras and network servers.                                  | N/A  |
| Eminent Electronic Technology              | Electronic component manufacturing, computer and peripheral equipment manufacturing, optical instrument manufacturing | N/A  |
| Metanoia Communication Europe.             | R&D / 5G products   | Work together with Metanoia Communications Inc. and is responsible for research and development of different functions |
| Chimei Motor Electronics Co., Ltd.         | Manufacturing and wholesale of image recognition and automotive electronic products                                   | N/A  |
| Chimei Motor Electronics (Samoa) Co., Ltd. | General Investment  | N/A  |
| Gianteye Technology (Shanghai) Co., Ltd.   | Development of automotive advanced driver assistance systems and wholesale of automotive electronic products          | Distribution agent in China authorized by Chimei Motor Electronics Co., Ltd.   |

(5) Name of the Directors, Supervisors and President of each affiliate and their shareholding status:

| Company Name                      | Title                  | Name or Representative             | Shares held      |                |
|-----------------------------------|------------------------|------------------------------------|------------------|----------------|
|                                   |                        |                                    | Number of shares | Shareholding % |
| Elan H.K Microelectronics Corp.   | Director               | Elan Microelectronics Corporation  | 29,328,000       | 100%           |
|                                   |                        | Representative: YEH, I-Hau         |                  |                |
|                                   |                        | Elan Microelectronics Corporation  | 29,328,000       | 100%           |
|                                   |                        | Representative: TSENG, Wen-Ya      |                  |                |
| Elan Investment Corporation       | Chairman               | Elan Microelectronics Corporation  | 50,000,000       | 100%           |
|                                   |                        | Representative: YEH, I-Hau         |                  |                |
| Elan Information Technology Group | Director and President | Elan Microelectronics Corporation  | 65,000           | 100%           |
|                                   |                        | Representative: JOE T. YEH         |                  |                |
| Power Asia Investment Corp.       | Director               | Elan H.K Microelectronics Corp.    | 2,861,000        | 100%           |
|                                   |                        | Representative: YEH, I-Hau         |                  |                |
| Elan Shanghai Co., Ltd.           | Chairman               | Power Asia Investment Corp.        | -                | 100%           |
|                                   |                        | Representative: LI, I-Ching        |                  |                |
|                                   | Director               | Power Asia Investment Corp.        | -                | 100%           |
|                                   |                        | Representative: WENG, Ching-Hsiung |                  |                |
|                                   | Director               | Power Asia Investment Corp.        | -                | 100%           |
|                                   |                        | representative: YEH, I-Ming        |                  |                |
| Elan Shenzhen Co., Ltd.           | Chairman               | Power Asia Investment Corp.        | -                | 100%           |
|                                   |                        | Representative: LI, I-Ching        |                  |                |
|                                   | Director               | Power Asia Investment Corp.        | -                | 100%           |
|                                   |                        | Representative: WENG, Ching-Hsiung |                  |                |
|                                   | Director               | Power Asia Investment Corp.        | -                | 100%           |
|                                   |                        | Representative: YEH, I-Ming        |                  |                |
| Metanoia Communications Inc.      | Chairman               | Elan Microelectronics Corporation  | 47,362,746       | 46.89%         |
|                                   |                        | Representative: YEH, I-Hau         |                  |                |
|                                   | Director               | Elan Microelectronics Corporation  | 47,362,746       | 46.89%         |
|                                   |                        | Representative: LIU, Tai-Ming      |                  |                |
|                                   | Director               | Elan Microelectronics Corporation  | 47,362,746       | 46.89%         |
|                                   |                        | Representative: WU, Wen-Tsan       |                  |                |
| Avisonic Technology Corporation   | Chairman               | Elan Microelectronics Corporation  | 17,517,200       | 84.78%         |
|                                   |                        | Representative: YEH, I-Hau         |                  |                |
|                                   | Director               | Elan Microelectronics Corporation  | 17,517,200       | 84.78%         |
|                                   |                        | Representative: LIU, Tai-Ming      |                  |                |
|                                   | Director               | Elan Microelectronics Corporation  | 17,517,200       | 84.78%         |
|                                   |                        | Representative: YEN, Kuo-Lung      |                  |                |
|                                   | Director               | Elan Microelectronics Corporation  | 17,517,200       | 84.78%         |
|                                   |                        | Representative: TAO, I-Hsin        |                  |                |
|                                   | Supervisor             | Elan Microelectronics Corporation  | 17,517,200       | 84.78%         |
|                                   |                        | Representative: LIN, Meng-Chun     |                  |                |
|                                   | Supervisor             | Elan Investment Co., Ltd.          | 646,296          | 3.13%          |
|                                   |                        | Representative: LIN, Yung-Jen      |                  |                |
|                                   | Supervisor             | Elan Investment Co., Ltd.          | 646,296          | 3.13%          |
|                                   |                        | Representative: TSENG, Wen-Ya      |                  |                |

|   |            |  |            |        |
|---|------------|--|------------|--------|
| JUPU Electronics Co., Ltd.                    | Director   | Elan Microelectronics Corporation          | 784,000    | 49.00% |
|   |            | Representative: WU, Tsung-Hsiao            |            |        |
|   | Director   | Elan Microelectronics Corporation          | 784,000    | 49.00% |
|   |            | Representative: CHANG, LI, Ming-Hsia       |            |        |
|   | Director   | Elan Microelectronics Corporation          | 784,000    | 49.00% |
|   |            | Representative: HSIEH, Wen-Yu              |            |        |
|   | Director   | Elan Microelectronics Corporation          | 784,000    | 49.00% |
|   |            | Representative: TSAI, Chien-Wen            |            |        |
| PiXORD Corporation                            | Chairman   | Elan Microelectronics Corporation          | 11,239,891 | 94.65% |
|   |            | Representative: YEH, I-Hau                 |            |        |
|   | Director   | Elan Microelectronics Corporation          | 11,239,891 | 94.65% |
|   |            | Representative: CHUO, Hsun-Rong            |            |        |
|   | Director   | Elan Microelectronics Corporation          | 11,239,891 | 94.65% |
|   |            | Representative: CHANG, LI, Ming-Hsia       |            |        |
|   | Director   | Elan Microelectronics Corporation          | 11,239,891 | 94.65% |
|   |            | Representative: YANG, Chong-Liang          |            |        |
|   | Director   | Elan Microelectronics Corporation          | 11,239,891 | 94.65% |
|   |            | Representative: HU, Chong-Ping             |            |        |
| Eminent Electronic Technology                 | Supervisor | Elan Investment Co., Ltd.                  | 395,004    | 3.33%  |
|   |            | Representative: LIU, Tai-Ming              |            |        |
|   | Supervisor | Elan Investment Co., Ltd.                  | 395,004    | 3.33%  |
|   |            | Representative: TSENG, Wen-Ya              |            |        |
|   | Chairman   | Elan Microelectronics Corporation          | 4,113,444  | 18.91% |
|   |            | Representative: CHANG, Hong-Te             |            |        |
|   | Director   | Elan Microelectronics Corporation          | 4,113,444  | 18.91% |
|   |            | Representative: YEN, Kuo-Lung              |            |        |
| Chimei Motor Electronics Co., Ltd.            | Director   | Elan Microelectronics Corporation          | 4,113,444  | 18.91% |
|   |            | Representative: WU, Kao-Bing               |            |        |
|   | Supervisor | Elan Investment Co., Ltd.                  | 2,137,861  | 9.83%  |
|   |            | Representative: LIU, Tai-Ming              |            |        |
|   | Chairman   | Elan Microelectronics Corporation          | 9,250,000  | 31.36% |
|   |            | Representative: YEH, I-Hau                 |            |        |
|   | Director   | Elan Microelectronics Corporation          | 9,250,000  | 31.36% |
|   |            | Representative: HSU, Hsueh-Hsien           |            |        |
| Chimei Motor Electronics (Samoa) Co., Ltd.    | Director   | Elan Microelectronics Corporation          | 9,250,000  | 31.36% |
|   |            | Representative: LIU, Tai-Ming              |            |        |
|   | Director   | Elan Microelectronics Corporation          | 9,250,000  | 31.36% |
|   |            | Representative: LIN, Meng-Chun             |            |        |
| Chimei Motor Electronics (Shanghai) Co., Ltd. | Director   | Chimei Motor Electronics Co., Ltd.         | 1,250,000  | 100%   |
|   |            | Representative: HSU, Hsueh-Hsien           |            |        |
| Gianteye Technology (Shanghai) Co., Ltd.      | Director   | Chimei Motor Electronics (Samoa) Co., Ltd. | -          | 100%   |
|   |            | Representative: HSU, Hsueh-Hsien           |            |        |

## 2. Operating Highlights:

### Operating Highlights of EMC Subsidiaries

Unit: NT\$ thousands

| Company  | Capital Stock | Assets    | Liabilities | Net Worth | Net Revenues | Income (Loss) from Operation | Net Income (Loss) (after-tax) | Basic Earnings (Loss) per Share (after-tax) |
|--|---------------|-----------|-------------|-----------|--------------|------------------------------|-------------------------------|---|
| Elan H.K   | 123,272       | 377,756   | 44,499      | 333,257   | 687,626      | 135,388                      | 120,742                       | 4.12  |
| Elan Investment                                  | 500,000       | 1,991,236 | 239         | 1,990,997 | -            | (850)                        | (313,723)                     | (6.27)                                      |
| Elan Information                                 | 22,822        | 15,848    | 435         | 15,413    | 11,957       | (1,791)                      | (1,809)                       | (27.83)                                     |
| Metanoia Communications                          | 1,010,150     | 538,465   | 71,760      | 466,705   | 111,142      | (160,680)                    | (161,568)                     | (2.28)                                      |
| Avisonic Technology                              | 206,626       | 37,691    | 39,482      | (1,791)   | 36,086       | (25,380)                     | (25,451)                      | (1.23)                                      |
| JPUP Electron                                    | 16,000        | 2,451     | 9,076       | (6,625)   | 3,939        | (4,235)                      | (4,235)                       | (2.65)                                      |
| PIXORD Corporation                               | 118,750       | 40,076    | 8,642       | 31,434    | 9,036        | (39,049)                     | (38,669)                      | (2.67)                                      |
| Eminent Electronic                               | 222,408       | 328,018   | 142,173     | 185,845   | 347,124      | (65,527)                     | (51,549)                      | (2.34)                                      |
| Metanoia EU                                      | 18,410        | 9,894     | 806         | 9,088     | -            | (5,333)                      | (5,332)                       | (16.48)                                     |
| Power Asia                                       | 98,368        | 28,015    | -           | 28,015    | -            | (2)                          | 2,786                         | 0.97  |
| Elan Shanghai                                    | 52,095        | 30,622    | 11,375      | 19,247    | 52,015       | 634                          | 544                           | -   |
| Elan Shenzhen                                    | 34,670        | 28,657    | 20,375      | 8,282     | 69,938       | 947                          | 2,199                         | -   |
| Chimei Motor Electronics Co., Ltd. (Note1)       | 295,000       | 426,322   | 96,876      | 329,446   | 111,564      | (3,607)                      | 2,614                         | 0.09  |
| Chimei Motor Electronics (Samoa) (Note1)         | 37,145        | 13,817    | -           | 13,817    | -            | (3)                          | (3,596)                       | (3.42)                                      |
| Gianteye Technology (Shanghai) Co., Ltd. (Note1) | 37,145        | 20,747    | 6,958       | 13,789    | 12,390       | (3,134)                      | (3,647)                       | -   |

Note 1: The Chimei Motor Electronics Co., Ltd. , Chimei Motor Electronics ( Samoa) and Gianteye Technology (Shanghai) Co., Ltd. three companies have been incorporated into the Elan Microelectronics Corporation on March 01, 2023.

Note 2: The Assets and Liabilities accounts are based on the foreign currency exchange rates as of December 31, 2022:

US\$1 to NT\$30.73, HKD 1 to NT\$3.94, RMB1 to NT\$4.41, EURO 1 to NT\$32.75.

The profit and loss accounts are based on the average exchange rate in 2022: US\$1 to NT\$ 29.8925, HKD 1 to NT\$3.8175, and RMB1 to NT\$4.4192, EURO 1 to NT\$31.3583.

## **(2) Consolidated Financial Statements of the Affiliates**

### **REPRESENTATION LETTER**

The entities that are required to be included in the consolidated financial statements of Elan Microelectronics Corp. as of and for the year ended December 31, 2022, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises “ are the same as those included in the consolidated financial statements prepared in conformity with the “International Financial Reporting Standard 10 (IFRS10)”, “Consolidated Financial Statements.” adopted by Financial Supervisory Commission (FSC). In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements of parent and subsidiary companies. Consequently, Elan Microelectronics Corp. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company Name: ELAN Microelectronics Corporation

Responsible Person: YEH, I-HAU

Date: February 22, 2023

**2. Private Placement Securities During the Last Fiscal Year and Until the Publishing date of the Annual Report: N/A.**

**3. Shares in the Company Held or Disposed by Subsidiaries During the Last Fiscal Year and Until the Publishing date of the Annual Report:**

Unit: NT\$ thousands; Shares; %

| Name of Subsidiary (Note 1) | Stock Capital Collected | Fund Source  | Shareholding Ratio of the Company | Date of Acquisition or Disposition              | Shares and Amount Acquired            | Shares and Amount Disposed of | Investment Gain (Loss) | Shareholdings and Amount in Most Recent Year | Mortgage      | Endorsement Amount Made for the Subsidiary | Amount Loaned to the Subsidiary |
|-----------------------------|-------------------------|--------------|-----------------------------------|---|---------------------------------------|-------------------------------|------------------------|--|---------------|--|---------------------------------|
| ELAN Investment             | 500,000                 | Self-funding | 100%                              | Oct. 1, 2008                                    | 17,573,679 shares;<br>NT\$154,477,318 | 0                             | 0                      | 0  | 0             | 0  | 0                               |
|                             |                         |              |                                   | As of the publishing date of the annual reports | 12,438,199 shares;<br>NT\$28,975,663  | 0                             | 0                      | 0  | 0<br>(Note 4) | 0  | 0                               |

Note 1: Please list the subsidiaries by type.

Note 2: "Amount" referred to actual acquisition or disposal amount.

Note 3: List the status of possession and disposal separately.

Note 4: Explains its impact on the Company's operation results and Analysis of Financial Status: no impact.

**4. Other Necessary Supplementary Explanations: N/A.**

**IX. Any matter that has material effect on the shareholders' equity or the price of securities as set out in Article 36, Paragraph 3, Item 2 of the Company Act during the last fiscal year and until the publishing date of the annual report: N/A.**

**Public Company's Statement on Internal Control System**  
**Represents the Effectiveness of Both the Design and Execution**  
(This statement is applicable when all laws and ordinances are compiled herewith)

**Elan Microelectronics Corporation**  
**Statement of Internal Control System**

Date: December 31, 2022

Based on the findings of a self-assessment, Elan Microelectronics Corporation (ELAN) states the following with regard to its internal control system during the year 2022:

1. ELAN's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and EMC takes immediate remedial actions in response to any identified deficiencies.
3. ELAN evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations.
4. ELAN has evaluated the design and implementation effectiveness of its internal control system according to the aforesaid regulations.
5. Based on the findings of such evaluation, EMC believes that, on December 31, 2022 (Note 2), it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of ELAN's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was adopted by the Board of Directors in their meeting held on Feb 22, 2023, with none (0) of the nine (9) attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Elan Microelectronics Corporation  
Chairman: YEH, I-Hau (Signed & Sealed)  
President: YEH, I-Hau (Signed & Sealed)

Note 1: If there are major deficiencies found in the design and implementation of the public company's internal control system during the year, the Company shall add list and explanation for the major deficiencies found via self-assessment, and the Company's improvement actions taken before the balance sheet date and improvement status following the fourth item in the Statement on Internal Control.

Note 2: Date of the statement is "the end of the fiscal year".