

ELAN MICROELECTRONICS CORP.

ANNUAL REPORT 2023

EMC Annual Report is available at: <https://mops.twse.com.tw>

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I. Letter to Shareholders

Dear Shareholders,

1. 2023 Operating Results

In 2023, the global economy continued to face numerous challenges, including prolonged inflation, the ongoing stalemate in the Russia-Ukraine conflict, slowing down the infrastructure development and the economic growth in mainland China, and the escalating geopolitical conflicts in the Middle East. These concerns have led to significant obstacles in global economic development, subsequently weakening the purchasing power of consumers worldwide.

Certainly, the global market for consumer electronics, including the laptop market, has also been affected by weak demand. It is estimated that the annual shipment volume will decrease by double digits, dropping to 174 million units. Due to the Company's heavy reliance on specialized chips for laptop-related products, we have been similarly affected. This has resulted in a 7.46% decrease in revenue for the year, with profits after tax also falling below those of 2022.

Global laptop manufacturers adopted conservative demand planning in 2023, mainly due to the lingering effects of high inventory levels from previous years since 2022. As a result, much of the year was spent on destocking efforts. Even though inventory levels for laptop brands and their supply chains gradually returned to normal in the latter half of 2023, subdued demand in end markets post-pandemic led brand manufacturers' customers to supplement their basic orders with rush orders to meet market demand. Looking back over the whole year, despite external disruptions causing early challenges in our operations, the Company benefited from a spirit of long-term dedication and continuous innovation in product development. As a result, each product line still delivered an outstanding performance.

The Company continued to deepen its efforts in developing more optimized products, aiming to provide brand customers with greater market competitiveness. In 2023, we completed the development of several products, including: direct current brushless motor control chips; active pen control chips supporting various protocols for touch screen pens; precise touch screen chips for mobile phones; solutions supporting single-layer external touch screen displays; fingerprint recognition system solutions for preventing fingerprint spoofing attacks and capacitive pressure sensing and haptic feedback touch screen solutions.

In 2023, the Company's related product lines have successfully continued to regain global market share. Within the touch screen module sector, the market's clear direction towards increasing the size of touch screen modules and incorporating haptic feedback technology presents significant potential for the performance contribution of our products. The touch screen chip segment has benefited from new licensed collaborations involving pen solutions and market entry into Single Layer On-Cell (SLOC) touch panels. This positions the Company to lead deeper into the high-end laptop market and expand the application of touch screen chips into more diversified technology fields. Despite facing headwinds in the overall economy in 2023, biometric devices encountered setbacks. However, their trend towards lighter and slimmer designs has brought stability to the Company's profit margins. Our fingerprint recognition market share currently ranks second globally. However, due to ongoing customer promotion of Match-On-Chip (MOC) technology, the Company is fully committed to aligning with customers' product shipment plans.

In 2023, the consolidated revenue reached 12.059 billion New Taiwan Dollars, with an impressive gross profit margin of 45%. The consolidated operating net profit margin stood at 20.2%. The net profit after tax of the parent Company amounted to 2.143 billion New Taiwan Dollars.

2. Summary of the Business Plan for 2024

Entering 2024, inflation has gradually eased since the end of 2023. Although the global economic growth rate remains subdued, consumer spending is expected to increase due to the continued decline in unemployment rates. In the laptop market, Microsoft is expected to launch the Windows 12 operating system this year. Additionally, they have indicated the possibility of discontinuing updates for the Windows 10 operating system by 2025. This move is anticipated to trigger a new wave of device upgrades. Furthermore, brand manufacturers are actively investing in the development of AI-powered PCs, aiming to inject innovation into the laptop market.

According to Omdia's estimation, the shipment volume of notebook computers in 2024 is expected to increase by single digits annually, with a total shipment volume forecasted to reach 186 million units. Considering that the destocking actions in the notebook computer supply chain have reached the final stage, and brand manufacturers' purchase order plans for 2024 are expected to return to normal, despite the ongoing uncertainties in the overall economy, the Company believes that through our dedication to the laptop industry and efforts to expand new product technologies and applications, we can continue to improve overall operational performance amidst fluctuations.

In 2024, AI-powered PCs will truly begin to ferment, and the increase in their technological content will further drive the growth in chip value, injecting new momentum into the Company's growth and operations. In the initial stages of development, the focus will be on strengthening existing technological levels, while simultaneously discussing future potential development directions with customers. The aim is to enhance consumer user experience by developing corresponding technological projects. We have a long-term optimistic outlook on its development prospects.

In 2024, the anticipated completed product developments include: AI touchpad with anti-palm touch and waterproof solutions; AI touch screen with active pen tracking, synchronous display, anti-palm touch, and waterproof solutions; Fingerprint recognition application solution for AI-powered PCs; Pressure sensing and haptic feedback driving chips for NB touch pads; Area dimming control chips for automotive displays; Integrated touch driver chips for automotive displays. Additionally, technologies e.g. haptic feedback, SLOC, etc., will be introduced and expanded upon. Long-term improvements and optimizations will be made to enhance both price and technical capabilities. There is also an opportunity to drive average prices upwards, thus benefiting the operational performance of related laptop products.

In addition to laptop products, the Company will also focus on developing the ADAS (Advanced Driver Assistance Systems) and smart cockpit solutions. We will collaborate with affiliated companies e.g. Chimei Motor Electronics Co., Ltd. and Avisonic Technology Corporation to jointly develop algorithms and propose automotive solutions. We expect showcasing the operational performance of these endeavors this year.

The Company adheres to the principle of deepening core technologies and holds on to the concept of developing integrated systems to provide customers with solutions that possess world-class competitiveness. Furthermore, we are committed to conducting business through an approach that embraces sustainability, actively fulfill corporate social responsibility, and pursue a steady and long-term development strategy aimed at enhancing the operational results and profitability of the group. With the aim of enhancing both the business and social value of our enterprise, we are dedicated to promoting our influence across three dimensions: economic, environmental, and social. By doing so, we seek to create greater value and well-being, ultimately giving back to all stakeholders involved.

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
2023	International Organization for Standardization	Granted an ISO 14064-1 Greenhouse Gas Inventory certification statement in 2022
	Computex Taipei 2023	The Company's AI Automated Lane Keeping Assist (LKA) and Forward Collision-Avoidance Assist (FCA) System for autonomous buses won the "Vehicle Technology and Smart Cockpit Category Award" at the Best Choice Award at the Computex Taipei 2023
	Ministry of Economic Affairs (MOEA)	The 8th National Industrial Innovation Award for Outstanding Innovation Enterprises
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 of the Ministry of Education	Won the "2021 i Sports Enterprise Certification" seal awarded by the
	Digital Times Magazine	2020 Top 100 Taiwan's High-Value Companies - 4 th place
	Commonwealth Magazine	World's Most Admired 2000 Companies Top 50 - 18 place
2020	Digital Times Magazine	2019 Top 100 High-Value Companies - 7 th 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 establishing 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/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 th 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 th 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 th 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 th 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 th 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 th "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 nd 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, 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 th 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, 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, MOEA.	1998 Excellent Intellectual Property Management System Award

1997	National Invention Competition	Corporate Silver Medal in the 6 th 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- The high-speed computer screen controller
		Innovation, Technology, Research and Development Plan Awards- The MPEG-2 video decoder
		Innovation, Technology, Research and Development Plan Awards- The MPEG-2 audio decoder
		1996 Research and Development Investment Award
1995	Hsinchu Science Park	Key Components and Products R & D Plan Awards- The neural network IC series and development system
1994	Establishment of Elan Microelectronics Corporation	The registered and paid-up capital amounting to NT\$1 billion
	Hsinchu Science Park	Issued the Business Registration Certificate and the Company officially commence its operations

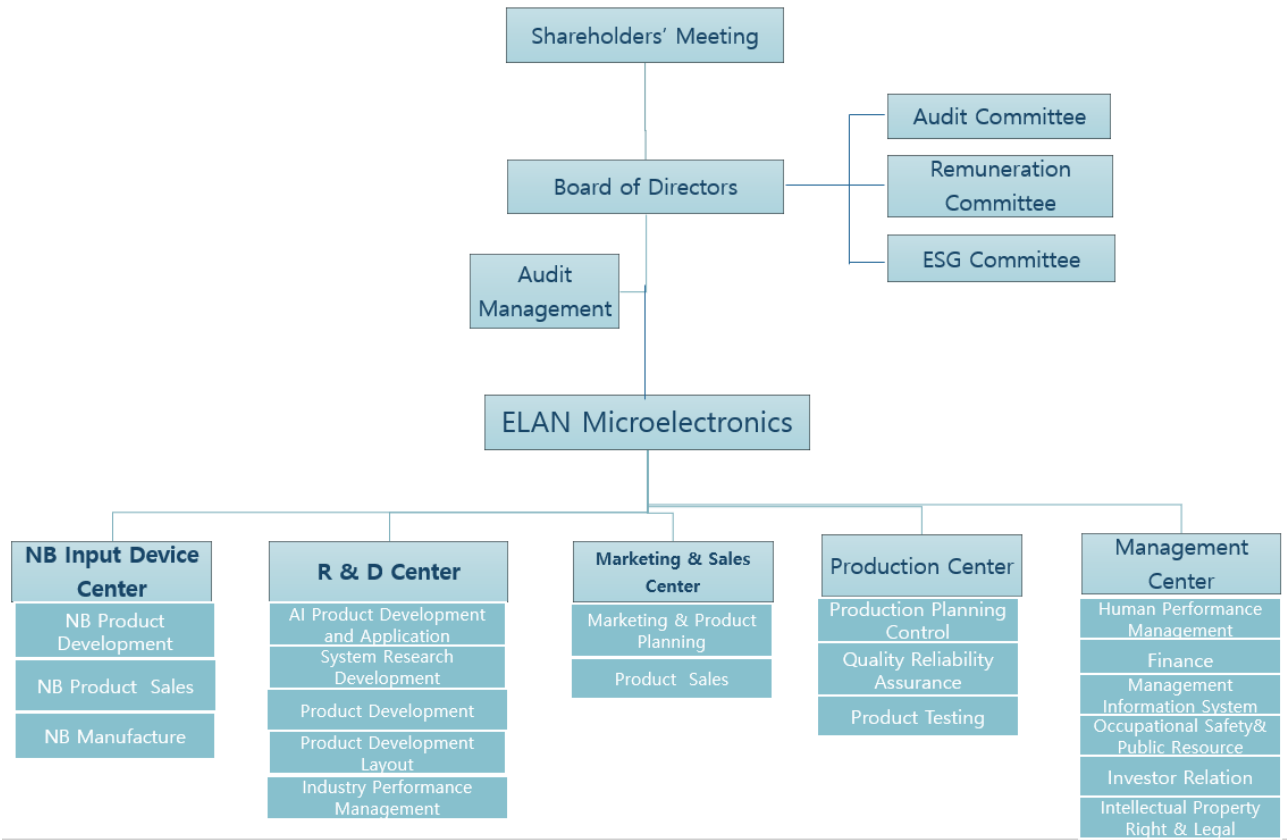
III. Corporate Governance Report

1. Organization

(1) Organizational Structure

Organization Chart of Elan Microelectronics Corporation

Effective date: Jan 1, 2024



(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. Assess potential risks and implement preventive measures.
Human Performance Management	Human resources recruitment, organization, performance evaluation, salary management, implementation of integrity management and ethical code of conduct, human rights policy, and strengthening personal information protection.
Finance	Financial capital dispatch management, establishment and maintenance of matters related to financial accounting, management accounting and tax filing, and operation of corporate governance systems.
Management Information System	Responsible for MIS system's software assessment, system planning, program writing and maintenance.
Occupational Safety and Public Resources	Maintenance and operation of the company's general affairs and factory facilities, leading ISO system certifications such as environmental safety and health, energy management and greenhouse gas inventory, and implementing fire protection, employee health, new factory construction and RE100 commitment implementation.
Investor Relation	Responsible for the Company's news release and the establishment of relationship with domestic and foreign corporate bodies, media and investors, and communication of ESG implementation results.
Intellectual Property Rights & Legal	Responsible for patent applications, contract formulation and review and processing of legal proceedings related matters.
Production Planning Control	Foundry production management of raw materials, production and sales scheduling operation planning, outsourcing processing production management, procurement, import and export, customs bonding and warehouse import/shipment/inventory management and other services.
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.
Marketing & Product Planning	Responsible for developing and expanding new markets, global business promotion for major branding customers, and strategic cooperation with branding customers
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.
AI product development and application	Research and develop AI technologies and products, including smart cockpits, smart transportation, ADAS, etc.
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
Industry Performance Management	Industry benefit analysis, grant program application, R&D process improvement, leading the planning and execution of ESG, RBA, and

	public welfare activities
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

April 01,2024

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 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	
Chairman	R.O.C	YEH, I - Hao	M 68	7.2.2021	3	1994.5.5	5,224,895	1.72%	6,288,895	2.06%	None	None	None	None	Institute of Electronics / National Chiao Tung University Engineer, ITRI; Manager/Hua Chang Semi-Conductor Co., Ltd.; Department Head/Hualon Microelectronics Co., Ltd.	<u>Corporate Representatives of the following venture capital companies:</u> TOP TAIWAN VII; TOP TAIWAN IX; TOP TAIWAN VIII; TOP TAIWAN X; TOP TAIWAN XI; TOP TAIWAN XIII; TOP TAIWAN XVI; ELAN (HK); POWER ASIA; NORTH STAR VENTURE CAPITAL; Metanoia Communications, Inc. <u>Corporate Representatives & Chairman of the following companies:</u> Avisonic Technology Corp., Pixord Corp. and Chimei Motor Electronics Co., Ltd. <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	7.2.2021	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 36	7.2.2021	3	7.2.2021.	None	None	None	None	None	None	None	None	Department of Electrical Engineering and Department of Economics, University of California, San Diego	<u>Corporate Representative:</u> MACROBLOCK	None	YEH, I-Hau	Father-Son	

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	
Director	R.O.C	YEN, Kuo-Lung	M 65	7.2.2021	3	1997.6.14	2,002,555	0.66%	1,282,555	0.42%	None	None	None	None	Institute of Electronics / National Chiao Tung University Engineer, ITRI Manager/Hualon Microelectronics Co., Ltd.	Corporate Representatives & Chairman of the following companies: Eminent Electronic Technology Co Ltd; Avisonic Technology Corp., Metanoia Communications, Inc Uniband Electronics Corp. Etc.,	None	None	None	
Director	R.O.C	CHIU, Te-Chen	M 58	7.2.2021	3	2000.3.30	None	None	None	None	25,000	0.008%	None	None	Institute of Business Management /National Chengchi University	Chairman & President of the following venture capital companies: TOP TAIWAN XI; TOP TAIWAN XIII; TOP TAIWAN XII; TOP TAIWAN IX; TOP TAIWAN X; TOP TAIWAN XI TOP TAIWAN VII; TOP TAIWAN XIII VENTURE CAPITAL CO., LTD.; TOP TAIWAN XIV VENTURE CAPITAL CO., LTD.; TOP TAIWAN VENTURE CAPITA CONSULTATION CO., LTD.; President & Director of the following companies: TOP TAIWAN VI VENTURE CAPITAL CO., LTD.; TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.; Independent Director of the following companies: SILITECH TECHNOLOGY CORP ; Corporate Representatives of the following companies: Debao Industrial, Shengke Electronics ; Director of SINBON Electronics, Taikang Precision and Siwei Innovative Materials Co., Ltd. ;	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	
Director	R.O.C	Tsung Lung Investment Co., Ltd.		7.2.2021	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 76	7.2.2021	3	2006.6.12	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; Independent Director of Formosa Plastics, Invente and Taiwan Secom Co	None	None	None	
Independent Director	R.O.C	LIN, Hsien-Ming	M 71	7.2.2021	3	2015.6.2	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, Chairman of Wistron Green Energy Holding Company	None	None	None	
Independent Director	R.O.C	SHAW, Ming-Fu	M 55	7.2.2021	3	7.2.2021	None	None	None	None	None	None	None	None	Ph.D., and Associate Professor, Department of Economics, National Chengchi University,	None	None	None		
Independent Director	R.O.C	TANG, Chuan-Yi	M 65	7.2.2021	3	7.2.2021	None	None	None	None	8,000	0.003%	None	None	Ph.D., Institute of Computer Engineering, Chiao Tung University Professor, Tsinghua University, Professor Providence University; Chairman, Boyo Social Welfare Foundation	None	None	None		
Independent Director	R.O.C	LU, Fang-Cheng	M 53	7.2.2021	3	7.2.2021	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 CO., Ltd. , Wangci Co., Ltd. and 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 01,2024

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 01,2024

Criteria Name	Professional Qualification and Experiences (Note 1)	Independence Status (Note 2)	Number of Other Public Companies Concurrently Serving as an Independent Director
YEH, I-Hao	M.Sc. in Electronics Engineering, Chiao 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 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	1

(to be continued)

Yulong Investment Representative 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.	0
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 01, 2024

Title (Note 1)	Nation- ality	Name	Sex	Date Elected	Shares Held when Elected		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	%			Title	Name	Relation	
Chairman and President	R.O.C	YEH, I - Hao	M	1994.09.01	6,000,895	1.97%	None	None	None	None	Institute of Electronics / National Chiao Tung University Engineer, ITRI; Manager/Hua Chang Semi- Conductor Co., Ltd.; Department Head/Hualon Microelectronics Co., Ltd.	<u>Corporate Representatives of the following venture capital companies:</u> TOP TAIWAN VII;; TOP TAIWAN IX;; TOP TAIWAN VIII; TOP TAIWAN X; TOP TAIWAN XI; TOP TAIWAN XIII; TOP TAIWAN XVI; ELAN (HK); POWER ASIA; NORTH STAR VENTURE CAPITAL; Metanoia Communications, Inc. <u>Corporate Representatives & Chairman of the following companies:</u> Avisonic Technology Corp., Pixord Corp. and Chimei Motor Electronics Co., Ltd. <u>Director Of Huaju Foundation</u>	None	None	None	(Note 3)
Vice President	ROC	YEN, KUO- LUNG	M	2000.11.10	2,002,555	0.66%	None	None	None	None	Institute of Electricity Engineering / National Taiwan University; Engineer, ITRI Manager/Hualon Microelectronics Co., Ltd.	<u>Corporate Representatives & Chairman of the following companies:</u> Eminent Electronic Technology Co Ltd; Avisonic Technology Corp., Metanoia Communications, Inc Uniband Electronics Corp. Etc.,	None	None	None	
Account- ing Chief Officer	ROC	CHEN, YI-LIN	M	2013.06.28	6,000	0.00%	1,000	0.00%	None	None	Institute of Accounting/National Chung Cheng University Department of Public Finance, National Chengchi University Assistant Manager of KPMG Manager of Elantech Co., Ltd. Deputy Director of Elan Microelectronics 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, 2023

Unit: NT\$ thousand / Thousand shares

Title	Name	Remuneration								(A+B+C+D) as a % of Net Income (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								(A+B+C+D) as a % of Net Income (Note 10)		Remuneration Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 11)
		Base Remuneration (A) (Note 2)		Severance Pay (B) 【Note 1】		Remuneration of Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F) (Note 1)		Remuneration of Employees (G) (Note 6)						
		From EMC	From All Consolidate d Entities (Note 7)	From EMC	From All Consolidate d Entities (Note 7)	From EMC	From All Consolidate d Entities (Note 7)	From EMC	From All Consolidate d Entities (Note 7)	From EMC	From All Consolidate d Entities (Note 7)	From EMC	From All Consolidated Entities (Note 7)	From EMC	From All Consolidate d Entities (Note 7)	From EMC		From All Consolidated Entities (Note 7)		From EMC	From All Consolidated Entities (Note 8)	
																Cash	Shares	Cash	Shares			
Chairman	YEH, I-Hau	0	0	0	0	39,000	39,000	350	350	39,350 1.84%	39,350 1.84%	21,832	26,183	249	249	18,552	0	18,552	0	79,983 3.73%	84,334 3.94%	330
Director	Yulong Investment																					
	YEH, Tsung-Ying																					
Director	YEN, Kuo-Lung																					
Director	Zonglong Investment																					
	WEI, Chi-Lin																					
Director	CHIU, Te-Chen																					
Independent Director	LIN, Hsien-Ming	3,000	3,000	0	0	0	0	590	590	3,590 0.17%	3,590 0.17%	0	0	0	0	0	0	0	0	3,590 0.17%	3,590 0.17%	0
Independent Director	SHAW, Ming-Fu																					
Independent Director	TANG, Chuan-Yi																					
Independent Director	LU, 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 (e.g. serving as non-employee consultants of the parent Company/all consolidated entities/all re-invested entities) to From All Consolidated Entities other than the disclosed in the schedule above: N/A

【Note 1】: Pension refers to the pension amount contributed in 2023

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; LU, Fang-Cheng; TANG, Chuan-Yi	SHAW, Ming-Fu; LU, Fang-Cheng; TANG, Chuan-Yi	SHAW, Ming-Fu; LU, Fang-Cheng; TANG, Chuan-Yi	SHAW, Ming-Fu; LU, Fang-Cheng; 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 WEI, Chi-Lin; CHIU, Te-Chen; YEN, Kuo-Lung; Yulong Investment; Zonglong Investment;	YEH, I-Hau WEI, Chi-Lin; CHIU, Te-Chen; YEN, Kuo-Lung; Yulong Investment; Zonglong Investment;	WEI, Chi-Lin; CHIU, Te-Chen; Yulong Investment; Zonglong Investment;	WEI, Chi-Lin; CHIU, Te-Chen; Yulong Investment; 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 2023.

(3) Remuneration of the President and Vice President

December 31, 2023
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	16,016	19,746	249	249	5,816	6,437	18,552	0	18,552	0	40,633 1.90%	44,984 1.94%	120
Executive Vice President	YEN, Kuo-Lung													

[Note] "Severance Pay" referred to the pension amount contributed in 2023

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	
NT\$30,000,000 (including) ~ NT\$50,000,000(excluding)		YEH, I-Hau
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, 2023
Unit: NT\$1000 /Share

	Title (Note 1)	Name (Note 1)	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income After Tax (%)
Managers	President	YEH, I-Hau	0	19,287	19,287	0.90%
	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 capacity:

Unit: NT\$ thousands

Job title	2023				2022			
	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	42,940	2.00%	42,940	2.00%	44,990	2.09%	44,990	2.09%
Supervisor	0	0%	0	0%	0	0%	0	0%
President and Vice President	40,633	1.90%	44,984	2.10%	36,988	1.72%	42,393	1.97%

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 2023 Profit Distribution was the proposed distribution amount; the 2022 Profit Distribution was the actual distributed remuneration;
- (3) The Company's director's remuneration in 2023 was decreased compared with 2022 mainly because the pre-tax net profit in 2023 was decreased compared with 2022, which resulted in a decrease in director's remuneration accrued based on profits. The decrease rate of director's remuneration in 2023 was greater than the decrease rate of after-tax net profit. The reason was that the income tax expense included in the after-tax net profit in 2023 was lower than the income tax expense included in the after-tax net profit in 2022, and the director's remuneration was included before deducting employee and director remuneration. The pre-tax net profit is provided, so when comparing the decrease rate of directors' remuneration in 2023 with the decrease rate of pre-tax net profit before deducting employee and director remuneration in 2023, there is not much difference between the two.
- (4) The connection policy between ESG performance and senior managers' remuneration: Regarding the remuneration of senior managers, we have formulated the salary and remuneration management methods for managers, and have incorporated the ESG sustainable development into the performance management methods. The ESG performance of senior managers is based on the current year. The linkage factor coefficient is directly linked to employee bonuses and total employee remuneration, and the linkage factor coefficient is increased year by year to strengthen the linkage between ESG performance and variable compensation.

The Environmental, Social, and Governance (ESG) indicators for senior managers are as follows:

Type	ESG Indicators	Proportion Linked To Variable Remuneration		
		2023	2024	2025
Annual Performance Indicators	(1) Carbon emission reduction; (2) Green product development; (3) Regulatory compliance; (4) Health and well-being.	10%	15%	25%

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 2023. The directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Notes
Chairman	YEH, I-Hau	7	0	100%	
Director	Yulong Investment Co., Ltd. Representative: YEH, Tsung-Ying (Note 1)	7	0	100%	
Director	YEN, Kuo-Lung	7	0	100%	
Director	Zonglong Investment Co., Ltd. Representative: WEI, Chi-Lin	5	2	71.40%	
Director	CHIU, Te-Chen	6	1	85.71%	
Independent Director	LIN, Hsien-Ming	6	0	85.71%	
Independent Director	SHAW, Ming-Fu	7	0	100%	
Independent Director	TANG, Chuan-Yi	7	0	100%	
Independent Director	LU, Fang-Cheng	6	0	85.71%	

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:
 (1) Matters relating to Article 14-3 of the Securities and Exchange Act: N/A (The Company has established an Audit Committee).
 (2) 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 the Schedule 2 "Results of the Implementation of Board of Directors' Evaluation": the 2023 Board of Directors' Performance Evaluation Implementation Status is summarized in the following list.
- The goals to strengthen the functions of the Board of Directors (e.g. 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
02/22/2024	Annual	From January 1, 2023 to December 31, 2023	Board of Directors	Self-assessment by each Board member	<ol style="list-style-type: none"> 1. Involvement in the Company's operation 2. Enhancement of the quality of the board's decision-making 3. Makeup and structure of the board 4. Election of board members and continuing knowledge development 5. Internal controls 	Good
02/22/2024	Annual	From January 1, 2023 to December 31, 2023	Audit Committee	Self-assessment by each Committee member	<ol style="list-style-type: none"> 1. Understanding of the Company's goals and mission 2. Awareness of the audit committee's duties 3. Involvement in the Company's operation 4. Internal relationship and communication 5. Director's professionalism and continuing knowledge development 6.. Internal controls. 	Good
02/22/2024	Annual	From January 1, 2023 to December 31, 2023	Remuneration Committee	Self-assessment by each Committee member	<ol style="list-style-type: none"> 1. Involvement in the Company's operation 2. Awareness of director's duties 3. Enhancement of the quality of the board's decision-making 4. Makeup and structure of the Committee and Election of committee members 	Good

02/22/2024	Annual	From January 1, 2023 to December 31, 2023	ESG Committee	Self-assessment by each Committee member	1. Involvement in the Company's operation 2. Implementation status of the relevant policies and the Company's sustainable development 3. Expertise and experience 4. Regularly participate in committee meetings 5. True compliance with confidentiality obligations	Good
02/22/2024	Annual	From January 1, 2023 to December 31, 2023	Individual Directors	Self-evaluation by the Board member	1. Involvement in the Company's operation 2. Awareness of director's duties 3. Enhancement of the quality of the board's decision-making 4. Election of board members and continuing knowledge development 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, 2023 to December 31, 2023)

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;
- 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, accounting or internal audit;
- Performance of Audit Committee's duties; and
- Self-assessment questionnaire for performance evaluation on Audit Committee.
- 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

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 KPMG Taiwan 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 Name/ Title	Professional Qualification and Experiences	Independence Status	Number of Other Public Companies Concurrently Serving as an Audit Committee Member
SHAW, Ming-Fu Independent Director (Meeting 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
LIN, Hsien-Ming Independent 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.	0
TANG, Chuan-YI 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-Cheng 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

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

Title	Name	Attendance in Person [B]	By Proxy	Attendance rate (%) [B/A] (Note)	Notes
Independent Director	LIN, Hsien-Ming	5	0	83.30%	
Independent Director	SHAW, Ming-Fu	6	0	100%	
Independent Director	TANG, Chuan-Yi	6	0	100%	
Independent Director	Lu, Fang-Cheng	5	0	83.30%	
Other mentionable items:					
1. 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.					
(1) Matters relating to Article 14-5 of the Securities and Exchange Act;					
(2) 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 10 th Meeting of the 3rd Session dated 02.22.2023	1. Approving the Company's 2022 annual financial statements and business report	None	V		
	2. Approving the 2022 statement of internal control system on design and implementation effectiveness	None	V		
	3.Approving the appointment of KPMG Taiwan to audit and certify the Company's 2023 financial statements and tax reports.	None	V		
	Resolution of the Audit Committee (made on 02.22.2023): 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 11 th Meeting of the 3rd Session dated 03.22.2023	1. Approving the increase of the estimated construction cost of the factory office building of the International AI Smart Park in Hsinchu County	None	V		
	Resolution of the Audit Committee (made on 03.22.2023): 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 12 th Meeting of the 3rd Session dated 05.04.2023	1. Approving the Company's unconsolidated financial statements and consolidated financial statements for three months ended March 31, 2023.	None	V		
	2. Approving the amendment of the internal control system regarding the management of transactions between group companies, specific companies and related parties				
	3. Approving the amendment of the internal audit implementation rules and the review procedures for management	None	V		

	operations of related party transactions			
	Resolution of the Audit Committee (made on 05.04.2023): 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 13th Meeting of the 3rd Session dated 08.03.2023	1. Approving the Company's unconsolidated financial statements and consolidated financial statements for the six months ended June 30, 2023.	None	V	
	2. Approving the amendment of the Company's internal control system			
	3. Approving the issuance of common stocks for cash by Avisonic Technology Corp. in 2023	None	V	
	4. Approving the issuance of common stocks for cash Pixord Corporation in 2023	None	V	
	Resolution of the Audit Committee (made on 08.03.2023): 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 14th Meeting of the 3rd Session dated 11.02.2023	1. Approving the Company's unconsolidated financial statements for the nine months ended September 30, 2023.	None	V	
	Resolution of the Audit Committee (made on 11.02.2023): 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 15th Meeting of the 3rd Session dated 12.19.2023	1. Approving the development of an audit plan for the year 2024	None	V	
	2. Adoption to the proposal for Joint venture project with Nanjing Origin Silicon IC Co., Ltd,	None	V	
	Resolution of the Audit Committee (made on 12.19.2023): 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
02.22.2023	Audit Committee	1. Approving the Internal Audit Report for one month ended January 31, 2023.	no objection
		2. Approving the 2022 statement of internal control system on design and implementation effectiveness	
05.04.2023	Audit Committee	1. Approving the Internal Auditor's report for three months ended March 30, 2023	no objection
		2. Approving the amendment of the internal control system regarding the management of transactions between group companies, specific companies and related parties is submitted for approval.	
		3. Approving the amendment of the internal audit implementation rules and the review procedures for management operations of	

		related party transactions	
08..03.2023	Audit Committee	1. Approving the Internal Auditor's report for six months ended June 30, 2023	no objection
		2. Approving the amendment of the Company's internal control system: division of powers and responsibilities between the information department and the user department	
11.02.2023	Audit Committee	Approving the Internal Auditor's report for nine months ended September 30, 2023	no objection
12.19.2023	Audit Committee	1. Approving the Internal Auditor's report for eleven months ended November 30, 2023 2. Approving the development of an internal audit plan for 2024	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
02.22.2023	Communication meeting with the corporate governance unit: 1. Independence status; 2. Responsibilities of auditors for auditing financial statements; 3. Scope of the Audit Review for Annual Report 2022; 4. Audit findings of Annual Report 2022; 5. 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 to replace Supervisors in 2015).

(4) Corporate Governance Implementation Status as Required by Taiwan Financial Supervisory Commission (TFSC)

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 “Code of Corporate Governance“ 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 have internal operating procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		The Company has established the spokesperson system and legal department to process relevant issues.	None
(2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	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) Has the Company built and executed the risk management system and “firewall” between the Company and its affiliates?	V		The Company has formulated the “Regulations on the Operating Management of Subsidiary” as the basis for control.	None
(4) Has the Company established internal rules prohibiting insiders trading on undisclosed information?	V		The Company has established its “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) has the Board of Directors established a diversity policy, set goals, and implemented them accordingly?	V		1. The Company approved its “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	None

Assessment Item	Implementation Status (Note)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
			<p>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 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 e.g. 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 employees, while 44% of Independent Directors are also active as employees. 3 Independent Directors have a term of office of less than 3 years, 1 independent director has a term of office of less than 9 years, and the seniority of Independent Directors is between 53-71 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</p>	

Assessment Item	Implementation Status (Note)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
(2) Other than the Remuneration Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	V		<p>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 of female senior executives.</p> <p>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.</p>	None
(3) Does the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results as reference for director's remuneration and renewal?	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"> 1. The level of participation in the Company's operations. 2. Improve the quality of decision-making of the Board of Directors. 3. Composition and structure of the Board of Directors. 4. Election, appointment and continuous training of the directors. 5. Internal control. <p>Performance evaluation of the Board members (self or peers) shall at least cover</p>	None

Assessment Item	Implementation Status (Note)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
(4) Does the Company regularly evaluate its external auditor's independence)?	V		<p>the following six aspects:</p> <ol style="list-style-type: none"> 1. The level of mastering the Company's goals and tasks. 2. Understanding of director's duties. 3. The level of participation in the Company's operations. 4. Internal relationship management and communication. 5. Director's profession and continuous training. 6. Internal control. <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 Committee, Audit Committee and the directors in January 2024 and reported at the Board Meeting on February 22, 2024. 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 LEE, Fang-Yi and Accountant LU, Chien-Hui of KPMG Taiwan meet the independence requirements. In addition, the accountants and the firm are superior to the average level in the industry in indicators e.g. 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 February 22,</p>	

Assessment Item	Implementation Status (Note)			Non-Implementation and its Reason(s)																								
	Yes	No	Summary																									
			<div>2024.</div> <div>Note 1: Criteria for assessing the independence of accountants</div> <table><thead><tr><th>Assessment Item</th><th>Assessment Results</th><th>Independence</th></tr></thead><tbody><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</td><td>No</td><td>Yes</td></tr></tbody></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	No	Yes	
Assessment Item	Assessment Results	Independence																										
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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	No	Yes																										

Assessment Item	Implementation Status (Note)					Non-Implementation and its Reason(s)
	Yes	No	Summary			
			other third parties?			
			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 Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors’ compliance of law, handling matters related to board meetings according to law, and recording minutes of board meetings and shareholders’ meetings)?	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. The continuing education training of the Corporate Governance Officer in 2023 is summarized as follows: Total 12 hours			None
			Date	Host By	Training/Speech Title	Duration
			08/09/2023	Securities and Futures Market Development Foundation	Circular economic benefits and business models	3 hours
			09/20/2023	The Allied Association for Science Park Industries	The attitudes and case sharing of the competent authorities and judicial authorities towards accounting fraud cases in recent years	3 hours
			10/03//2023	Securities and Futures Market Development Foundation	2023 Insider Trading Prevention Seminar	3 hours
			11/08/2023	Taiwan Corporate Governance Association	New cross-border information security threats and information security governance	3 hours
5. Has the Company established a means of	V		The Company’s website has established an Interested Parties Zone and public			None

Assessment Item	Implementation Status (Note)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers etc.), or created a Stakeholders Section on its Company website? Does the Company respond to Stakeholders' questions on corporate responsibilities?			e-mail to safeguard the communication channel of the interested parties.	
6. Has the Company appointed professional registrar for its shareholders' meetings?	V		The Company has appointed the professional stock agent Masterlink Securities to handle the shareholders' meeting related affairs.	None
7. Information disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		The Company has established an external website (URL http://www.emc.com.tw) to disclose financial operations information and corporate governance information.	None
(2) Does the Company use other information disclosure (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	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 announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		The Company has announced and reported its annual financial statements within two months after the end of the fiscal year 2023 and has announced and reported the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline	None

					May	Taiwan Corporate Governance Association	Integrity management and insider trading prevention	1.5		
					Aug	Taiwan Corporate Governance Association	Looking at risk management trends from ESG	1.5		
					Oct.	Securities and Futures Institute (SFI Taiwan)	Carbon rights trading mechanism, carbon management application and resource recycling	3		
					Nov.	Taiwan Corporate Governance Association	Reflecting on the AI-driven world from the perspective of the IT Information Security Standard (SEMI E187)	1.5		
			Corporate director	YEH, Tsung-Ying	Sept.	The Allied Association for Science Park Industries	The attitudes and case sharing of the competent authorities and judicial authorities towards accounting fraud cases in recent years	3		
					Oct.	Securities and Futures Institute (SFI Taiwan)	2023 Annual Insider Trading Prevention Promotion Conference	3		
					Nov.	Securities and Futures Institute (SFI Taiwan)	2023 Annual Insider Equity Transaction Legal Compliance Promotion and Briefing Session	3		
			Independent Director	LIN, Hsien-Ming	May	Securities and Futures Institute (SFI Taiwan)	How directors supervise the Company's corporate risk management and crisis management	3		
					Sep.	Taiwan Corporate Governance Association	The key to improving board effectiveness	2		
					Sep.	Taiwan Corporate Governance Association	Key global trends and practical cases of ESG to win the future	3		

					Nov.	Securities and Futures Institute (SFI Taiwan)	2030/2050 Green Industrial Revolution	3				
			Independent Director	SHAW, Ming-Fu	July	Taipei Exchange (TPEX)	2023 Cathay Sustainable Finance and Climate Change Summit Forum	6				
					Aug	The Allied Association for Science Park Industries	Corporate Governance 3.0, Capital Market Blueprint and Green Financing (Video)	3				
					Oct	The Allied Association for Science Park Industries	TCFD Disclosure Practices and Directors' Role	3				
					Sep.	Financial Supervisory Commission (FSC)	14th Corporate Governance Forum Taipei	6				
			Independent Director	LU, Fang-Cheng	Mar	Taiwan Academy of Banking and Finance	28th Corporate Governance Forum	3				
					July	Taiwan Academy of Banking and Finance	43th 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. 5.The Company has purchased NT\$160,000,000 liability insurance for its directors and managers, of which the related underwriting period and premiums has been reported in the Board Meeting on August 3, 2023.									

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):
- The issues identified in the Company's 2022 corporate governance evaluation results that have been improved: The Company has held an annual shareholders' meeting before the end of May.
- Priority enhancement in the future: The Performance Evaluation of the Board of Directors will be implemented by an independent third party. The Board of Directors shall elect at least one female director.

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 Name/ Title	Professional Qualification and Experiences	Independence Status	Number of Other Public Companies Concurrently Serving as an Audit Committee Member
LIN, Hsien-Ming Independent Director (Meeting Convener)	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.	0
TANG, Chuan-Yi 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 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 2023. The qualifications and attendance of the committee members were as follows:

Title	Name	Attendance in Person [B]	By Proxy	Attendance rate (%) [B/A] (Note)	Notes
Convener	LIN, Hsien-Ming	4	0	100%	
Independent Director	TANG, Chuan-Yi	4	0	100%	
Independent Director	LU, Fang-Cheng	3	0	75%	

The dates, sessions, motions and resolutions of the Remuneration Committee's meetings in 2023, and the Company's actions taken towards the Remuneration Committee's opinions:

Meeting Date	Proposals	Resolutions	The Company's response to the Remuneration Committee's Opinion
The 8th Meeting Session No.5 Feb. 22, 2023	1. Payment of manager's 2022 remuneration 2. Payment of 2022 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 9th Meeting Session No. 5 May 04, 2023	Payment of director's 2022 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 10th Meeting Session No. 5 August 03, 2023	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 11th Meeting Session No.5 Dec. 19, 2023	Director and manager remuneration planning schedule	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 therefore): 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.

Notes:

- (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-Implement ation and its reason(s)
	Yes	No	Summary	
1. Does the Company has 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 Company has established its Corporate Social Responsibility Committee (CSR Committee) in 2014, which 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. Submit the annual work plan/sustainable development goals (SDGs) of the working group at the beginning of each year, and submit the implementation status of the annual work plan/ sustainable development goals (SDGs) at the end of each year. A total of 25 SDGs were set, of which 23 were met and 2 were not met. Improvement measures were proposed and reported if the standards were not met.</p> <p>(3) In 2023, two ESG Committee meetings (2/22, 12/19) 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</p>	None

			<p>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> <table><tr><th>Meeting Date</th><th>Major Resolutions</th></tr><tr><td>Feb 22, 2023</td><td><p>There were three reports of this meeting:</p><p>1. 2022 Q4 Greenhouse Gas Inventory Planning Progress</p><p>2. 2023 sustainable development goals (SDGs)</p><p>3. 2023 Proposals for each group's annual key work plans, green power purchase plans, etc.</p><p>All attendees of the committee unanimously approved the proposals, recommending that the sustainable development goals be fine-tuned to cultivate future talents and increase social participation projects (e.g. sponsoring charity foundations, supporting sports activities etc.).</p></td></tr><tr><td>Dec. 19, 2023</td><td><p>There were four reports of this meeting:</p><p>1. 2023 Q3 greenhouse gas inventory plan Progress</p><p>2. Green power purchase planning</p><p>3. Achievement of the 2023 sustainable development goals (SDGs)</p><p>4. Achievement of the annual key tasks of each group in 2023</p><p>Approved by the unanimous consent of all the members present in the meeting.</p></td></tr></table>	Meeting Date	Major Resolutions	Feb 22, 2023	<p>There were three reports of this meeting:</p> <p>1. 2022 Q4 Greenhouse Gas Inventory Planning Progress</p> <p>2. 2023 sustainable development goals (SDGs)</p> <p>3. 2023 Proposals for each group's annual key work plans, green power purchase plans, etc.</p> <p>All attendees of the committee unanimously approved the proposals, recommending that the sustainable development goals be fine-tuned to cultivate future talents and increase social participation projects (e.g. sponsoring charity foundations, supporting sports activities etc.).</p>	Dec. 19, 2023	<p>There were four reports of this meeting:</p> <p>1. 2023 Q3 greenhouse gas inventory plan Progress</p> <p>2. Green power purchase planning</p> <p>3. Achievement of the 2023 sustainable development goals (SDGs)</p> <p>4. Achievement of the annual key tasks of each group in 2023</p> <p>Approved by the unanimous consent of all the members present in the meeting.</p>	
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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) (The TWSE/GTSM Listed Companies should Report on the implementation status, not compliance or explanation.)	V		<p>1. The disclosure information covers the Company's sustainable development performance at its main bases from January 2023 to December 2023. 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.</p> <p>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 counter measures to reduce the impact of related risks. The report was submitted to the Board of Directors for reference on December 19, 2023.</p>	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> <p>✓Conduct an annual environmental system risk assessment (including financial risks related to climate change) and hold regular management review meetings.</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>✓Has 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</p>	

						<p>meetings.</p> <p>✓The 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 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.</p> <p>To expand restrictions on hazardous substances, the European Union published a proposal for substances restricted by the RoHS Directive (Initiative) on May 20,</p>	
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						<p>2022: tetrabromobisphenol A (TBBP-A) and medium-chain chlorinated paraffins (MCCPs).</p> <p>✓To 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 good job in internal epidemic prevention work, and reduce the possibility of cluster infection within the Company.</p>	
			Corporate Governance	Information Security Risk	<p>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.</p>	<p>✓ 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.</p> <p>✓Establish an information security management committee to report to the Board of Directors on an overview of information security governance once a year.</p> <p>✓Regularly implement information security internal audit, education and training once a year.</p>	
			Corporate Governance	Financial Risk	<p>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.</p>	<p>✓ Comply with the relevant provisions of "International Financial Reporting Standards (IFRS)", "International Accounting Standards (IAS)" and government regulations.</p> <p>✓ Regularly produce quarterly and annual financial reports.</p> <p>✓Important financial issues are implemented by the Board of Directors in accordance with relevant regulations and internal control mechanisms are</p>	

						implemented to ensure that all personnel and operations of the Company truly abide by relevant laws and regulations.										
3. Environmental Topic (1) Has the Company built 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 environmental impact?	V		<p>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 911 packs in 2023, a total decrease of 37.13%.</p> <p>2. Review and adjust the lighting areas in public areas, reduce the number of lamps used, and install timers on drinking fountains.</p> <p>3. Recycling of packaging materials: e.g. trays / tubes / wafer boxes / cartons / buffer materials etc. 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 2023 was 4.96%. The rest, e.g. tube strips/wafer boxes/cartons/buffer materials, etc., are kept in the warehouse area/storage area for on-site recycling.</p>				None									
(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><th colspan="3">Physical Risks:</th></tr><tr><th>Risk Factors</th><th>Risk Impact</th><th>Counter Measures</th></tr><tr><td>Increased severity and frequency of extreme weather events</td><td><p>Taiwan is an area frequently attacked by typhoons. Flooding caused by typhoons and sudden heavy rainfall.</p><p>During the high temperature holiday in mainland China, the production line is on vacation, client product development and delivery are not smooth, and the production unit coordinates other suppliers to complete the order.</p></td><td><ul style="list-style-type: none">- Activate the emergency handling mechanism: remind colleagues in advance of the daily business response plan;- Create a continuous secondary supplier backup plan;- Ensure the comprehensive commercial fire insurance;- Use online meetings to visit customers;- The Production Planning Control Section receives the OEM notice in advance and directly moves the day's production needs to OEMs in other regions.</td></tr></table>				Physical Risks:			Risk Factors	Risk Impact	Counter Measures	Increased severity and frequency of extreme weather events	<p>Taiwan is an area frequently attacked by typhoons. Flooding caused by typhoons and sudden heavy rainfall.</p> <p>During the high temperature holiday in mainland China, the production line is on vacation, client product development and delivery are not smooth, and the production unit coordinates other suppliers to complete the order.</p>	<ul style="list-style-type: none">- Activate the emergency handling mechanism: remind colleagues in advance of the daily business response plan;- Create a continuous secondary supplier backup plan;- Ensure the comprehensive commercial fire insurance;- Use online meetings to visit customers;- The Production Planning Control Section receives the OEM notice in advance and directly moves the day's production needs to OEMs in other regions.	None
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			<p>Rising mean temperatures</p> <p>In the "Taiwan Scientific Report on Climate Change 2017", based on observation data from 14 stations of the Central Weather Administration, it was found that over the past 100 years (1900-2012), Taiwan's annual temperature (surface temperature) has increased by about 1.3 degrees Celsius, and warming has accelerated in the past 50 years and the past 10 years, leading to an increase in electricity consumption, operating costs and carbon emissions.</p>	<ul style="list-style-type: none"> - Adjust the opening time of the air conditioner; - Change outdoor lamps to solar lamps; - Install the water dispenser with timer; - Use inductive lighting; - Review the power consumption status in each area and adjust the lamps; - Continue paying attention to power-saving products; 	
			<p>Changing rainfall patterns</p> <p>Changes in long-term rainfall patterns, resulting in concentrated rainfall and water scarcity differences. Droughts are less likely to occur, but water shortages may still occur due to long periods of absence of rain.</p>	<ul style="list-style-type: none"> - Clean regularly water towers and promote water-saving measures; - Continue paying attention to climate change and regularly review counter measures 	
			<p>Rising sea levels</p> <p>The tide gauge stations and satellite altimetry data around Taiwan's surrounding waters (Northwest Pacific) have shown a rising trend since 1961, with an accelerated rate in the past 20 years. Between 1961 and 2003, the average sea level rise in the waters adjacent to Taiwan increased by 2.4 millimeters (mm) per year. However, during the recent 20-year period from 1994 to 2013, the rate of sea level rise accelerated to 3.4 millimeters (mm) per year. The greatest variation in sea level is existing along the</p>	<ul style="list-style-type: none"> - For locations that may face the risk of sea level rise, assess the risk level and adjust the storage locations of inventory accordingly. - When constructing, elevate the structures to prevent the possibility of being submerged. - If encountering extreme heavy rainfall, it may be necessary to add additional waterproof gates or pumping equipment. - Create a continuous second supplier backup plan. 	

				<p>southwestern coast of Taiwan. In the future, due to sea level rise, flooding may occur, resulting in inundation and losses at various operating locations or supplier facilities of ELAN Microelectronics Taiwan.</p>											
Transition Risks:															
				<table><tr><th>Opportunity Factors</th><th>Description of Opportunities</th><th>Counter Measures</th></tr><tr><td>Enhanced Emissions-reporting obligations</td><td><p>The Financial Supervisory Commission (FSC) requires disclosure of carbon emissions in phases.</p><p>ELAN Microelectronics is classified in the third stage (conduct Greenhouse Gas (GHG) Inventory Emission in 2026 and verify the effectiveness of the carbon reduction in 2028).</p><p>ELAN Microelectronics has verified the effectiveness of the carbon reduction for the year 2022 in the year end of 2023, and subsequent verifications need to be completed annually.</p><p>Since the year 2023, ELAN Microelectronics has to prepare a sustainability report for amounts exceeding 2 billion. The disclosure content must comply with the GRI/TCFD/SASB frameworks and undergo a third-party verification.</p></td><td><p>The annual expenses for conducting the ISO14064-1 Green Gas Inventory and verifying the effectiveness of the carbon reduction as well as the assurance of the sustainability report is approximately NT\$560,000.</p></td></tr><tr><td>Carbon pricing schemes</td><td><p>A carbon tax will be levied from 2025, the estimated carbon tax will be ranging from NT\$300 to NT\$500 per metric ton of carbon dioxide equivalent.</p><p>The Environmental Protection</p></td><td><p>With a carbon emission of 2732.6025 tons of CO2-e in 2023, the estimated carbon tax levied is around 1.37 million NT dollars (carbon tax estimated at NT\$500 per metric ton of carbon dioxide</p></td></tr></table>	Opportunity Factors	Description of Opportunities	Counter Measures	Enhanced Emissions-reporting obligations	<p>The Financial Supervisory Commission (FSC) requires disclosure of carbon emissions in phases.</p> <p>ELAN Microelectronics is classified in the third stage (conduct Greenhouse Gas (GHG) Inventory Emission in 2026 and verify the effectiveness of the carbon reduction in 2028).</p> <p>ELAN Microelectronics has verified the effectiveness of the carbon reduction for the year 2022 in the year end of 2023, and subsequent verifications need to be completed annually.</p> <p>Since the year 2023, ELAN Microelectronics has to prepare a sustainability report for amounts exceeding 2 billion. The disclosure content must comply with the GRI/TCFD/SASB frameworks and undergo a third-party verification.</p>	<p>The annual expenses for conducting the ISO14064-1 Green Gas Inventory and verifying the effectiveness of the carbon reduction as well as the assurance of the sustainability report is approximately NT\$560,000.</p>	Carbon pricing schemes	<p>A carbon tax will be levied from 2025, the estimated carbon tax will be ranging from NT\$300 to NT\$500 per metric ton of carbon dioxide equivalent.</p> <p>The Environmental Protection</p>	<p>With a carbon emission of 2732.6025 tons of CO2-e in 2023, the estimated carbon tax levied is around 1.37 million NT dollars (carbon tax estimated at NT\$500 per metric ton of carbon dioxide</p>		
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				Administration will gradually impose a carbon tax, initially targeting approximately 500 companies in the electricity and manufacturing industries with annual emissions exceeding 25,000 metric tons. Subsequently, the scope of taxation may be expanded.	equivalent).	
			Mandates on and regulation of existing products and services	ELAN Microelectronics currently complies with the existing product service and regulatory requirements (RoHS/Reach...)	<ul style="list-style-type: none"> - Participate in international/customer regulatory communication to ensure that regulatory requirements are reasonable and feasible. - Stay vigilant for regulatory updates at all times 	
			Substitution of existing products and services with low emissions options	At present, ELAN Microelectronics has three products that hold the top market share. The Company continues to monitor market trends and customer demand for low-power consumption, and conducts early-stage technical development to avoid the dilemma of failing to successfully develop low-carbon services.	<ul style="list-style-type: none"> - In response to market trends and demand, research and develop key components with even lower power consumption 	
			Changing customer behavior	Customers request participation in CDP questionnaires, filling out product carbon footprint surveys, obtaining greenhouse gas inventory certification/ energy management systems, committing to net zero targets annually, and using a proportion of green energy. Failure to comply may affect customer perception and could potentially impact future orders.	<ul style="list-style-type: none"> - The planning/business units regularly participate in customer and supplier ESG meetings to grasp new customer requirements, communicate them internally, and meet customer requirements on schedule - It is expected to introduce, implement and improve the ISO 50001 energy management system in 2024 	
			Increased costs of	Electricity prices increase	<ul style="list-style-type: none"> - Enhance energy efficiency 	

			raw materials	<p>annually, resulting in increased energy costs.</p> <p>Outsourced wafer manufacturing/testing/packaging costs increased in 2022, but cost-down in 2023. No increase in raw material costs occurred yet.</p> <p>Purchasing PCB in Q4 of 2022 led to continuous cost increase until Q2 of 2023 due to raw material price increase.</p> <p>Cost started to decrease from Q3 of 2023 due to decreased demand. However, strategic reduction in production due to global demand adjustment may lead to cost increase starting from Q3 of 2024</p>	<ul style="list-style-type: none"> - Seek multiple renewable energy suppliers - Initiate evaluation for purchasing green energy - Explore alternative solutions in design. - Substitute materials in supplier processes - Continuously monitor market/supplier cost trends 	
			Mandatory requirement to use renewable energy	<p>Large electricity consumers (5000KW) must have 10% renewable energy by 2025.</p> <p>ELAN Microelectronics is currently not a large electricity consumer, therefore, is not subject to mandatory requirements.</p>	<ul style="list-style-type: none"> - Purchase green energy starting from the first quarter of 2024, and gradually increase the proportion of renewable energy usage each year 	
			Poor performance in the International Advocacy Evaluation	<p>ELAN Microelectronic's ESG evaluations have not experienced any unfavorable situations. If such situations occur, it may affect customer perception, resulting a long-term impact on orders</p>	<ul style="list-style-type: none"> - Assign dedicated personnel to handle relevant evaluation operations - Communicate the results of implementation with stakeholders through the Company website, annual reports, and sustainability reports 	

			Opportunities:			
			Opportunity Factors	Description of Opportunities	Counter Measures	
			Move to more efficient buildings	The new plant in Zhubei city scheduled to be completed construction in 2026 is expected to adopt green building golden level/smart building platinum level/elevator power supply recycling/solar energy, which will contribute to the organization's greenhouse gas emission reduction and can increase the value of fixed assets.	- The new plant is expected to obtain the environmentally friendly green building/smart building certificate and reduce carbon emissions, and enhance corporate image	
			Reduced water usage and consumption	Most of the wastewater in the factory is domestic sewage, and there is no process water consumption. However, new equipment will not be introduced.	- Set an annual reduction target of 1% per person for water consumption; - Install sensor-activated faucets in the toilets	
			Developing and/or expansion of low Emission goods and services	Customers continue to demand key components with specifications e.g. low power consumption, high interference, waterproofing, high/low temperature resistance, and compliance with industrial standards. ELAN Microelectronics needs to conduct a carbon footprint assessment of products before proceeding with carbon reduction measures, incorporating green design thinking to reduce energy consumption during product manufacturing and usage stages. Subsequently, meeting the demand for low-carbon products and services can enhance revenue.	- Marketing/planning/business units regularly meet with customers to understand their new requirements - New customer requirements are fed back to the R&D unit for evaluation, initiating the search for solutions that align with market trends and meet customer needs	

			<div><div>Use of low-emission source of energy</div><div>Actively promote energy saving and carbon reduction programs to improve energy efficiency. Strengthen energy management measures to improve energy resource performance and is aiming to fulfill its 100 percent renewable energy consumption (RE100) target by 2050.</div></div>	<div><div>- Green power purchase will start in Q1 of 2024 - SDG: It is aiming to fulfill its 100 percent renewable energy consumption (RE100) target by 2050 Use 5% renewable energy in 2024; Use 20% renewable energy in 2030; Use 30% renewable energy in 2035;</div></div>	
			<div><div>Reduced paper consumption</div><div>Short-term increase in operating costs, but long-term promotion of service efficiency helps reduce operating costs</div></div>	<div><div>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</div></div>	
(4) Does the Company collect data for greenhouse gas emissions, water consumption and waste quantity in the past two years, and set greenhouse gas emissions reduction, water consumption reduction and other waste management policies?	V		<div><div>The Company started to compile the CSR report independently in 2014, and adopted the third-party verification, which includes the self-disclosure of greenhouse gas emissions, and the ESG report is divided into three categories. (1) Greenhouse gases (GHG): (Due to some data is still pending, estimated data will be used. Final data will be based on the ESG report.) The total greenhouse gas emissions (Category 1, Category 2) in 2023 was 3043.9913tCO2-e, which was decreased 8.52 % compared with the total greenhouse gas emissions in 2022 of 3327.463 tCO2-e. Category 1 is mainly the emissions of gasoline and diesel for official vehicles, diesel for forklifts, diesel for emergency generators, gas in barrels in the kitchen, refrigerant and septic tank discharge. The total direct greenhouse gas emissions in 2023 was 384.9723tCO2-e, compared with 392.716 tCO2-e in 2022 , a decrease of 1.97% compared with 2022, the main reason is the reduction in the number of related companies and the absence of annual maintenance operations in the factory in 2023. Category 2 is mainly generated by electricity emissions. In 2023, the total indirect greenhouse gas emissions were 2,659,019 tCO2-e, a decrease of 8.73 compared with 2,913,467 tCO2-e in 2022. The main measures include reviewing and adjusting lighting in public areas to reduce the number of fixtures used and installing timers on water dispensers to reduce electricity consumption.</div></div>	None	

		<p>Category 3, the main disclosure involves waste disposal and transportation, as well as emissions from raw material production. The total emissions for 2023 were 567.1493 tCO₂-e, compared to 563.5921 tCO₂-e in 2022, representing an increase of 3.5572 tCO₂-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. 2.479tCO₂-e/ in 2023/person-year, which was 14.84% lower than the 2.911tCO₂-e/person-year in 2022.</p> <p>(2) Water consumption: 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 the water consumption data of our headquarters in Hsinchu is disclosed.</p> <p>In 2023, the total water consumption in Hsinchu was 18,405 cubic meters, which decreased by 9.02% compared to 20,229 cubic meters in 2022. The per capita water consumption in 2023 was 29.92 cubic meters per year, decreasing by 3.45% from 30.99 cubic meters in 2022. The main reasons for this decrease were the adjustment of the flow rate of sensor-activated faucets and the lack of exterior wall cleaning during that year.</p> <p>(1) Waste: 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 border="1"> <tr> <td></td><td></td><td>2022</td><td>2023</td></tr> <tr> <td>General Waste</td><td>Category D</td><td>39.78ton</td><td>38.21ton</td></tr> <tr> <td>Resource Recovery</td><td>Category R</td><td>9.94ton</td><td>8.97ton</td></tr> <tr> <td>Hazardous Industrial Waste</td><td>Category C</td><td>0.13 ton</td><td>0ton</td></tr> <tr> <td></td><td>Category E</td><td>7.774ton</td><td>6.901ton</td></tr> </table>			2022	2023	General Waste	Category D	39.78ton	38.21ton	Resource Recovery	Category R	9.94ton	8.97ton	Hazardous Industrial Waste	Category C	0.13 ton	0ton		Category E	7.774ton	6.901ton	
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<p>4. Social Topic</p> <p>(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p>		<p>In addition to establishing 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</p>	None																				

			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.	
(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?			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.	None
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?			<ol style="list-style-type: none"> 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. 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. 3. Implementation results in 2023: <ol style="list-style-type: none"> 3-1 Complete occupational safety and health education and training for 14 specific operators in 2023. 3-2 The test results of the working environment in the plant are all in line with Taiwan's laws and regulations. 3-3 Provide colleagues with free health checks every year, and the check items are more than those stipulated by laws and regulations. 3-4 In 2023, a total of 118 new employees completed safety and health education training. 3-5 In 2023, a total of 73 employees completed training on the use of hazardous chemicals. 3-6 In 2023, a total of 179 foreign employees completed on-the-job training. 3-7 The occurrence rate of occupational disasters in the plant in the current year is 0.52/1,000,000. 3-8 A total of 306 persons attended the Health Promotion Lectures. 3-9 The number of participants in physicians' on-site service was 129. 3-10 A total of 124 persons participated in the blood donation activities held in 2023. 3-11 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 decreased from 3.69 kg in 2022 to 2.35 kg in 2023. The abnormal BMI rate among colleagues decreased from 48.4% to 45%. 	None

		<p>3-12 The Company provides a good pregnancy project for female labors, providing nursing rooms, parking spaces for pregnant women, books and maternity chairs.</p> <p>3-13 In 2023, the new construction project of the headquarters building in the Zhubei AI Park received the Friendly and Excellent Construction Site Award.</p> <p>3-14 In 2023, the Zhonghe factory has been certified with the "Healthy Workplace Promotion" label by the Health Promotion Administration of the Ministry of Health and Welfare.</p> <p>4. The Company did not occur any fire disaster in 2023. Regarding the fire planning and equipment management within the factory, the Company complies with regulations by conducting annual fire maintenance declarations and biennial public safety maintenance declarations for buildings. In order to strengthen employees' response to fires, in addition to conducting fire evacuation and extinguishing training for new employees, the Company also conducts factory fire evacuation drills (including foreign employees' accommodation areas) every six months. Furthermore, the Hsinchu headquarters participates in an annual training with the Innovation Road Civil Defense Team and conducts joint exercises with other companies. The Zhonghe factory participates annually in a fire joint exercise organized by the management committee and a comprehensive disaster prevention and rescue drill for typhoons, floods, and earthquakes in Zhonghe District, New Taipei City.</p>	
(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 e.g. 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 to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?		<p>The Company has established the "Corporate Social Responsibility Management System and Promotion Plan" and "Supplier Management Procedures" to establish the screening conditions for 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</p>	None

			<p>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 2023 and 100% meet the following conditions.</p> <table><tr><td>Supplier Evaluation</td><td><p>All suppliers must pass supplier evaluation and comply with the Supplier Code of Ethics and Business Conduct.</p><p>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.</p><p>Contractors for plant operations and related tasks must obtain the ISO 45001 Occupational Health and Safety Management System certification.</p></td></tr><tr><td>Supplier Audit</td><td><p>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, introduce automation to increase production capacity, and ask for a shared commitment to waste reduction.</p></td></tr><tr><td>Supplier Training</td><td><p>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. .</p></td></tr><tr><td>Suppliers' Meeting</td><td><p>The Company holds a supplier conference annually, for the purpose of guiding and communicating suppliers effectively to enhance environmental protection and occupational health and safety performance in accordance with the International Standards. The courses include workplace hygiene, employee health, fire maintenance, carbon inventory, climate change, regulatory risks, business ethics, and conflict minerals.</p></td></tr></table>	Supplier Evaluation	<p>All suppliers must pass supplier evaluation and comply with the Supplier Code of Ethics and Business Conduct.</p> <p>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.</p> <p>Contractors for plant operations and related tasks must obtain the ISO 45001 Occupational Health and Safety Management System certification.</p>	Supplier Audit	<p>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, introduce automation to increase production capacity, and ask for a shared commitment to waste reduction.</p>	Supplier Training	<p>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. .</p>	Suppliers' Meeting	<p>The Company holds a supplier conference annually, for the purpose of guiding and communicating suppliers effectively to enhance environmental protection and occupational health and safety performance in accordance with the International Standards. The courses include workplace hygiene, employee health, fire maintenance, carbon inventory, climate change, regulatory risks, business ethics, and conflict minerals.</p>	
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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 acquired third party verification or statement of assurance?			<p>The Company's sustainability report has been prepared in accordance with the GRI General Guidelines 2021 published by the Global Sustainability Reporting Association, and complies with the "Operation Methods for the Preparation and Submission of Sustainability Reports by Listed Companies", the "Practical Code of Practice for Sustainability Development of TWSE/GTSM Listed Companies", the "Company Sustainability Roadmap of TWSE/GTSM Listed Companies ", the "Sustainability Accounting Standards Board (SASB)" standards and the "Task Force on Climate-related Financial Disclosures (TCFD)" framework for disclosure.</p> <p>This report was independently assured by a third party on June 15, 2023, by SGS Taiwan Ltd. based on AA1000 v3 Type 2 Moderate Assurance Level, "Climate-related Financial Disclosure TCFD".</p>	None								

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

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

Internship Program and Talent Cultivation - University Students

ELAN Microelectronics, as a professional IC design Company, believes that nurturing talent is the most direct and effective way to contribute to society. By the end of 2023, we had provided 156 internship positions to university students. Our partner schools include National Central University, China University of Science and Technology, National Chung Hsing University, National Taipei University of Technology, Asia Eastern University of Science and Technology, Ming Chi University of Science and Technology, Tamkang University, National Changhua University of Education and Providence University.

Industry-Academia Collaboration - Talent Cultivation and Development

ELAN Microelectronics evaluates its own needs and selects suitable professors from universities and academic research institutions to carry out technical project development. In 2023, we collaborated with organizations e.g. Academia Sinica, National Taiwan University, National Yang Ming Chiao Tung University, National Central University, and National Taipei University of Science and Technology to execute 16 projects. We also provided scholarships to 18 PhD, graduate and undergraduate students.

Implementing ecological conservation and transforming traditional experimental education for remote elementary school students

ELAN Microelectronics agrees with the concept of organic diet, land education, and hometown identity promoted by the Lovely Taiwan Foundation. Since 2020, we have participated in the 'Divine Farmer Project' for the third consecutive year. In 2023, the Company donated 1 million NT dollars, mainly assisting Zhongxing Elementary School and Zhonghe Elementary School in Miaoli in developing distinctive interdisciplinary teaching applied courses.

Sponsorship of the 2023 'e-Reading for the Future' charity donation - elementary school students

ELAN Microelectronics responded to the 'e-Reading for the Future' charity project initiated by E Ink Technology, donating 1,075 sets of color e-book readers (with nearly 110,000 e-books built-in) along with 22 other companies, creating a mobile library worth nearly 30 million NT dollars. This effectively provides excellent distance-friendly reading resources to more than 15,000 elementary school students in 39 elementary schools in Keelung City.

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

In 2021, the export of Taiwan's pineapples and wax apples were suddenly banned by China without prior notice, leading to a decrease in demand. Additionally, unfavorable weather conditions and severe fruit cracking in the producing areas further hindered market demand. ELAN Microelectronics employees subscribed to 1,404 kilograms of pineapples and wax apples in 2022 and 2023. At the beginning of 2023, there was an oversupply of cabbage, leading to severe unsold situations. ELAN Microelectronics supported local Taiwanese farmers by subscribing to 2,540 kilograms of cabbage through Yunlin Farmers' Association matchmaking. The cabbage was distributed to employees in the Hsinchu headquarters and Zhonghe offices, as well as donated to local organizations in Hsinchu that support vulnerable elderly, disabled, and children.

Caring for Vulnerable Groups - Elderly Living Alone

After the easing of the pandemic, ELAN Microelectronics once again collaborated with the Catholic Social Services Center, with whom we have had a decade-long partnership, to host a charity carnival just before the Mid-Autumn Festival. Through the sale of goods at the carnival, we aimed to donate all proceeds after deducting costs to assist the organization with repair expenses. By the end of 2023, we had donated nearly 1.5 million New Taiwan dollars, with the participation of nearly a thousand people.

Welfare Leave System - Encouraging Employees to Engage in Social Welfare Activities

Since 2022, ELAN Microelectronics has implemented a welfare leave system, encouraging employees to participate in public welfare activities organized by external organizations during their free time. By the end of 2023, a total of 104 colleagues have participated in various activities e.g. community environmental clean-up volunteers, environmental conservation group volunteers, animal protection group volunteers, library volunteers, blood donation volunteers, and more.

Guarding the Environment, Cherishing the Earth - Adopting Beach Cleaning Initiatives

Since 2023, we have adopted the northern shore of the Guanyin Pavilion at Nanliao Southern Sea for beach cleaning efforts. Over 100 volunteers from the Company, along with their friends and family, gathered at the beach to protect the earth through beach cleaning activities. Together, we collected a total of 333.8 kilograms of waste. Through beach cleaning, we aim to reduce the chances of waste entering the ocean and take concrete actions to address United Nations Sustainable Development Goal (SDG) 14, 'Life Below Water,' which focuses on sustainable oceans and conservation.

- 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.

TCFD Report

(Climate-Related Information to be released by TWSE/GTSM Listed Companies)

Description	Implementation Status
<p>1. Disclose the Board’s oversight and the organization’s governance around climate-related risks and opportunities.</p>	<p>The Board of Directors serves as the highest supervisory unit for climate change management in the Company. Its responsibilities include reviewing the annual corporate governance report to ensure the effective implementation of climate-related risk management systems. The Sustainable Development Committee (SDC) is the highest-level internal ESG promotion organization in ELAN Microelectronics. SDC is responsible for promoting and executing climate management-related initiatives and regularly reporting on climate-related operational performance to the Board of Directors. In 2023, the SDC provided quarterly reports on the progress of greenhouse gas inventory and verification (including conduction of a greenhouse gas inventory and verification in 2022 in accordance with the International Standard ISO 14064-1).</p> <p>The Environmental Management Team (EMT) follows the TCFD framework annually to identify climate-related risks and opportunities. For risks/opportunities identified as significant financial impacts, the EMT develops goals and promotes ongoing initiatives. The overall risk management outcomes are reviewed annually by the ISO 14001 Management Review Committee (MRC).</p>
<p>2. Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning identified over the short, medium, and long term.</p>	<p>Short-term risks include two factors: Enhanced emission reporting obligations and increased costs of raw materials. Regarding the enhanced emission reporting obligations, the publication of sustainability reports annually is required, along with the verification costs of greenhouse gas inventory reports, leading to increased operational costs. Regarding the increasing costs of raw materials, compared to the costs in 2022, prices have gradually decreased since 2023, and there have been no increased costs of raw materials.</p> <p>Mid-term risks include three factors: carbon pricing schemes, changing customer behavior, and poor performance in the international advocacy evaluation. In response to continued demands from governments and customers, the Company has initiated carbon fee assessments and introduced relevant greenhouse gas inventory and energy management systems. This will incur verification costs. As of now, there have been no instances of poor performance in international advocacy evaluation.</p> <p>Long-term risks include four factors: Increased severity and frequency of extreme weather events (typhoons, heavy rainfall, etc.), changing rainfall patterns and extreme weather events, rising mean temperatures, substitution of existing products and services with low emissions options, as well as mandates on and regulation of existing products and services.</p>

	Scenario Analysis	How do the results of situational analysis affect business objectives and strategies?
<p>5. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including parameters, assumptions, analysis factors, and major financial impacts</p> <p>6. Describe the index and targets used by the organization to identify and manage physical risks and transition risks and performance against targets</p>	<p>Scenario 1: RE100 (100% renewable energy)</p>	<p>The Company is committed to achieving net zero emission. Every year, the Company evaluates progress in carbon reduction through an annual GHG emission inventory and formulate carbon reduction strategies in accordance with Taiwan's NDCs (Nationally Determined Contributions) goal of "Net Zero Emissions by 2050" .</p> <ol style="list-style-type: none"> 1. According to ISO 14064-1 standards, conduct an annual inventory of greenhouse gas emissions and energy usage to grasp the current situation and verify the effectiveness' of the reduction of HGG emissions to enhance reliability. 2. ELAN Microelectronics Renewable Energy Procurement Targets: 5% renewable energy usage by 2024 20% renewable energy usage by 2030 30% renewable energy usage by 2035 100% renewable energy usage by 2050 <p>Using the total electricity consumption of the Company in 2022 as a baseline, evaluate the transition from purchasing green energy starting in 2024 to achieving RE100 by 2050. It is estimated that the additional cost of green energy will increase by NT\$103.87 million.</p> <ol style="list-style-type: none"> 3. In 2024, the Company conducts an energy inventory in accordance with the International Standard ISO 50001 to enhance resource efficiency. The estimated implementation cost is NT\$ 650,000. <p>In 2023, ELAN Group's Scope 2 greenhouse gas emissions accounted for 84.05% of the total emissions (Scope 1 + Scope 2). The main emission source is electricity. Therefore, the initial plan is to continue energy saving and purchase green energy to reduce greenhouse gas emissions. Subsequently, new technologies will be</p>

7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated		integrated to further reduce carbon emissions. When it becomes impossible to reduce emissions further, carbon credits will be purchased for offsetting, aiming to achieve the goal of net zero carbon emissions by 2050.
	<p>Scenario 2: Flood Risks</p> <p>(1) Short-term Based on the daily rainfall data provided by the Central Weather Bureau in 2023, the maximum 24-hour rainfall is used to assess the flood situation in New Taipei , Hsinchu, Tainan, and Kaohsiung areas using the Disaster Potential Map provided by the National Science and Technology Center for Disaster Reduction (NCDR.)</p> <p>(2) Long-term: Simulation is conducted based on the "RCP8.5" scenario in the NCDR Climate Change Disaster Risk Adaptation Platform. This scenario assumes a time frame from 2021 to 2040, with an increase in the annual mean temperature by 1.5°C.</p>	<p>(1) Short-term: A Flood potential assessment (FRA) conducted based on "350mm of rainfall in 24 hours" for the Hsinchu plant shows no significant impact.</p> <p>For the Company's plants located in Zhonghe, Tainan, and Kaohsiung areas, flood potential assessments conducted based on "200mm of rainfall in 24 hours" indicates only minor flooding issues in some road sections near the Kaohsiung plant. The depth of flooding does not exceed 1 meter, and the current assessment does not affect employees' commutation between their residences and the working places. Other plant areas show no significant impact.</p> <p>(2) Long-term: Simulation is conducted based on the "RCP8.5" scenario in the NCDR Climate Change Disaster Risk Adaptation Platform. shows that with a 1.5°C increase in annual mean temperature, except for the Hsinchu plant area, all other plant areas are classified as high-risk flood zones.</p>
	<p>Currently, the plan for the Zhubei AI Park headquarters building is to adopt green and smart building designs. In 2024, the Company conducts an energy inventory in accordance with the International Standard ISO 50001 to enhance resource efficiency.</p> <p>At present, the Company has not yet implemented an internal carbon pricing (ICP) policy.</p>	

<p>8. If climate-related goals are set, it should explain the activities covered, scopes of greenhouse gas emission, planning schedule, and the progress achieved each year, etc. If carbon offsetting or Renewable Energy Certificates (RECs) are used to achieve these goals, it should explain the source and quantity of carbon offsets or the number of RECs exchanged.</p> <p>9. Describe the greenhouse gas inventory and verification status, along with reduction targets, strategies, and specific action plans (also filled in sections 1-1 and 1-2)</p>	<p>The Company's short-term goal is to annually reduce indirect greenhouse gas emissions by 10 t CO₂-e compared to the previous year. In 2023, there was a reduction of 188.7437 tCO₂-e compared to 2022, and the results has reached the target.</p> <p>The Company has set effective 0medium-term goals to achieve a cumulative electricity saving rate of 10% from the baseline year (2019) to 2025.</p> <p>As of 2023, the cumulative electricity saving rate is 7.27%,</p> <p>In 2023, the Company has completed the assessment for purchasing renewable energy and plans to start purchasing from 2024 onward, with the following targets:</p> <ul style="list-style-type: none"> 5% renewable energy usage in 2024 20% renewable energy usage in 2030 30% renewable energy usage in 2035 100% renewable energy usage by 2050 <p>In 2023, the Company conducted a Greenhouse Gas Inventory in accordance with the International Standard ISO 14064-1 for the year 2022. Other related enterprises are conducting their own Greenhouse Gas Inventory in accordance with the regulations specified by the Financial Supervisory Commission and will prepare their ESG (Environmental, Social, and Governance) reports accordingly.</p> <p>Conduct the Greenhouse Gas Inventory in accordance with the International Standard ISO 14064-1 and the effectiveness of the carbon reduction for the Company in 2023 will be verified in the second quarter of 2024.</p> <p>According to the regulations of the Financial Supervisory Commission, each related enterprise should conduct their Greenhouse Gas Inventory in accordance with the International Standard ISO 14064-1 latest by 2027 and verify the effectiveness of the reduction by 2029.</p>
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1-1 Information regarding the greenhouse gas inventory and verification status for the Company over the past two years:

1-1-1 Greenhouse Gas Inventory Information

Describe the Greenhouse Gas Emissions: (metric tons of CO₂e), Intensity: (metric tons of CO₂e per million dollars of revenue) and the scope of data scope of the greenhouse gases (GHG) in the past two years.

The greenhouse gas inventory results (GHG emissions) for the Company (including the Hsinchu headquarters, Zhonghe Plant 1, Tainan R&D Center, and Kaohsiung R&D Center) for the years 2022 and 2023 are summarized as follows:

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

GHG Emissions:

2022:

Green Gas Category:

Scope 1: 380.4880 metric tons of CO₂e; Scope 2: 2,612.9010 metric tons of CO₂e; Total Scope 1 + Scope 2 emissions: 2,993.3890 metric tons of CO₂e

Scope 3: 540.8907 metric tons of CO₂e (including raw materials and waste disposal)

2023:

Green Gas Category:

Scope 1: 378.0608 metric tons of CO₂e; Scope 2: 2,471.4834 metric tons of CO₂e; Total Scope 1 + Scope 2 emissions: 2,849.5442 metric tons of CO₂e

Scope 3: 531.4468 metric tons of CO₂e (including raw materials and waste disposal)

Intensity: (Total Scope 1 + Scope/ per million dollars of revenue)

Intensity in 2022: 0.230 metric tons of CO₂e per million dollars of revenue

Intensity in 2023: 0.236 metric tons of CO₂e per million dollars of revenue

Note 1: Direct emissions (Category 1, that is, directly from emission sources owned or controlled by the Company), indirect emissions (Category 2, that is, indirect greenhouse gas emissions from the input of electricity, heat or steam) and Other indirect emissions (Category 3, i.e. emissions generated by Company activities, are not indirect emissions from energy, but come from emission sources owned or controlled by other companies).

Note 2: The scope of direct emissions and indirect emissions data shall be handled in accordance with the timetable specified in the order specified in Paragraph 2 of Article 10 of these Guidelines. Other indirect emissions information may be disclosed voluntarily.

Note 3: Greenhouse gas inventory standard: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions can be calculated per unit of product/service or turnover, but at least the data calculated in terms of turnover (NT\$ million) should be stated.

1-1-2 Greenhouse Gas Assurance Information

Describe the confidence situation in the last two years as of the publication date of the annual report, including Assurance Scope, Assurance Provider, Assurance Standard and Assurance Opinion:
Assurance Scope: ELAN Microelectronics (including Hsinchu headquarters, Zhonghe Plant 1, Tainan R&D Center, and Kaohsiung R&D Center) Assurance Provider: The British Standards Institution (BSI) Assurance Standard: Scope 1 and Scope 2: Reasonable Assurance Level; Scope 3: Agreed-upon Procedures (AUP) Assurance Opinion: N/A The greenhouse gas emissions inventory for the year 2022 was certified in December 2023. The ISO 14064-1 verification for 2023 will be conducted by an independent organization in April 2024. The assurance scope, provider, and standard for conducting the GHG inventory remain consistent with those conducted in 2022. A complete assurance information will be disclosed in a sustainability report.

- Note 1: It should be handled in accordance with the timetable specified in the order stipulated in Article 10, Paragraph 2 of the Criteria for matters that should be recorded in the annual reports of public listed companies. If the Company fails to obtain a complete greenhouse gas assurance opinion by the publication date of the annual report, it should indicate that "the complete assurance information will be disclosed in the sustainability report." If the Company does not prepare a sustainability report, it should indicate that "Complete and confident information will be disclosed in the "Taiwan Stock Exchange Market Observation, Post System" (<https://mops.twse.com.tw>) and disclose complete and confident information in the next annual report.
- Note 2: Assurance Provider should comply with the relevant requirements for certified institutions on sustainability reports stipulated by the Taiwan Stock Exchange Corporation and the Securities Over-the-Counter Trading Center of the Republic of China.
- Note 3: For disclosure content, please refer to the Best Practice Reference Examples on the website of the Taiwan Stock Exchange's "TWSE Corporate Governance Center".

1-2 Greenhouse Gas Reduction Goals, Strategies and Specific Action Plans

Describe the greenhouse gas reduction base year and its data, reduction targets, strategies, specific action plans and achievement of reduction targets.
After checking the greenhouse gas emissions at the boundary of the financial report, there is currently no gas emissions. According to the regulations of the Financial Supervisory Committee, the verification should be completed by 2029 at the latest.

- Note 1: It should be handled in accordance with the timetable specified in the regulations and rules stipulated in Article 10, Paragraph 2 of the Criteria for matters that should be recorded in the annual reports of public listed companies;
- Note 2: The base year should be the year in which the review is completed based on the boundaries of the consolidated financial report. For example, in accordance with the provisions of Article 10, Paragraph 2 of these Criteria, companies with a capital of more than 10 billion NT Dollars should complete the consolidated financial report for 2024 in 2025. For the review of the consolidated financial statements, the base year is 2024. If the Company has completed the inventory of the consolidated financial report in advance, the earlier year can be used as the base year. In addition, the data for the base year can be calculated as the average of a single year or several years.
- Note 3: For further details of the disclosure content, please refer to the Best Practice Reference Examples posted on the website of the Taiwan Stock Exchange's (TWSE) Corporate Governance Center.

(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	
<p>1. Establishment of ethical operation policies and plans</p> <p>(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?</p> <p>(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”?</p> <p>(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?</p>	V		<p>(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.</p> <p>(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.</p> <p>(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.</p>	None
<p>2. Implementation of ethical operation</p> <p>(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?</p>	V		<p>(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.</p>	None

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
(2) Does the Company establish dedicated unit under the Board of Directors to promote corporate ethical operation and regularly (at least once a year) Report on the status of its implementation of ethical operation policies and unethical conducts prevention plan and supervisory to the Board of Directors?	V		(2) The Company designates the president's office as a unit responsible for promoting corporate ethical management. If an 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 2023 were reported to the Board of Directors on December 19, 2023.	
(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 on 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 establishing 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 2023, the Company held internal and external education trainings on ethical operations (including	

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
			<p>courses on compliance with ethical operations regulations, accounting systems, internal control systems and other relevant courses) with 1,702 man-count and total 2,432.5 man-hours.</p> <p>At least once a year, the Company conducts education training 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.</p> <p>In 2023, a total of 961 employees and directors participated in an anti-corruption digital course for 0.5 hours. They all completed the relevant training and online tests with a 100% completion rate. The Company plans to conduct regular updates on this training in the future.</p> <p>The Company has amended the "Corporate Governance Code" and the "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. "</p> <p>In November 2022, the Company notified all directors of the expected dates for Board Meetings to be held before May in 2023 and 2024. This notification included the anticipated</p>	

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
Principles for TWSE/TPEX Listed Companies”, please specify the differences between the two: None				
6. Other important information that may facilitate the understanding about the status of the Company’s ethical operation: (such as: The Company’s review and revise its own Ethical Corporate Management Best Practice Principles) As of the end of 2023, 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 302)
 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 Status:

Date	Item	Major resolutions	Implementation status
05.31.2023	2023 Annual Shareholders' Meeting	Acknowledgement:	
		(1) Approving the 2022 business report and financial statements	Actions to be taken according to the resolution
		Discussions:	
		Approving the amendment to the Articles of Association of the Company	Actions to be taken according to the resolution

Major Resolutions of Board Meetings

Date	Item	Major Resolutions
01.31.2023	Board Meeting	1. Approving the proposed compensation method for the bids made by Futtain Construction Co. Ltd. for the reason of the tendering procedure is nullified
02.22.2023	Board Meeting	1. Report on the self-assessment results of the Board of Directors; 2. Report on the ESG Committee performance self-assessment results; 3. Report on the self-assessment results of the Remuneration Committee performance assessment; 4. Report on the performance self-assessment results of the Audit Committee; 5. Report on the completion of the greenhouse gas inventory and verification disclosure schedule; 6. Approving the Company's 2022 annual consolidated financial statements and business reports; 7. Approving the proposal for distribution of 2022 Profits of the Company; 8. Approving the proposal for distribution of the profits earned in the

Date	Item	Major Resolutions
		<p>second half of the year 2022, the cash dividend distribution base date and the dividend distribution date;</p> <p>9. Approving the proposal for distribution of employee remuneration and director remuneration;</p> <p>10. Approving the proposal made by the Remuneration Committee for payment of the annual performance bonus in 2022 for managers;</p> <p>11. Approving the proposal made by the Remuneration Committee for employee remuneration payment in 2022;</p> <p>12. Approving the proposal for determining the date and location for convening the 2023 annual shareholders' meeting;</p> <p>13. Approving the proposal for deciding the period and place for accepting shareholders' proposals;</p> <p>14. The Company's internal control system for the year 2022 has been completed by self-assessment. The results of the assessment are hereby issued as an internal control statement for review and approval;</p> <p>15. Approving the proposal of appointment of an accountant from KPMG Taiwan to review and certify the Company's 2023 annual report and consolidated financial statements.</p>
03.22.2023	Board Meeting	<p>1. Approving the proposal for increasing the estimated construction cost of the Company's factory and office building in the International AI Smart Park in Hsinchu County;</p> <p>2. Approving the proposal of appointment of the successful bidders (construction company) for building the Company's factory and office in the International AI Smart Park in Zubei City;</p> <p>3. Proposal for the approving the amendment to the Company's Articles of Association.</p>
05.04.2023	Board Meeting	<p>1. Approving the Consolidated Financial Statements for the three months ended March 31, 2023;</p> <p>2. Approving the proposal made by the Remuneration Committee for payment of remuneration to the directors;</p> <p>3. Report on the Parent Company's greenhouse gas inventory and verification schedule planning;</p> <p>4. Approving the amendment to the internal control system regarding the management of transactions between group companies, specific companies and related parties;</p> <p>5. Approving the amendment to the internal management operating procedures and rules for transactions between the related parties and the Company.</p>
08.03.2023	Board Meeting	<p>1. Report on investment fund operating procedures;</p> <p>2. Report on the purchase of directors' and managers' liability insurance;</p> <p>3. Report on the completion of the greenhouse gas inventory and verification disclosure schedule;</p> <p>4. Report on the case of abandoning the subscription of Metanoia Communications, Inc. in 2023 for issuance of common stock for cash;</p> <p>5. Approving the proposal made by the Remuneration Committee for adjustment of the remuneration to the managers;</p> <p>6. Approving the Company's annual consolidated financial statements and business reports for the six months ended June 30, 2023;</p> <p>7. Proposal for the approving the amendment to the Company's Human Right Policy;</p> <p>8. Approving the amendment to the Company's internal control</p>

Date	Item	Major Resolutions
		<p>system;</p> <p>9. Approving the proposal for distribution of earnings for the first half year 2023;</p> <p>10. Approving the subscription of the common stocks for cash issued by Avisonic Technology Corp., in 2023;</p> <p>11. Approving the subscription of the common stocks for cash issued by Pixord Corp., in 2023;</p> <p>12. Approving the application to the Far East Bank and Mega Bank for providing factoring services and granting a line of credit (flexible loan) to the Company.</p>
11.02.2023	Board Meeting	<p>1. Approving the Company's consolidated financial report for the nine months ended September 30, 2023;</p> <p>2. Proposal of application to each corresponding bank for providing the financing and accounts receivable credit line to the Company.</p>
12.19.2023	Board Meeting	<p>1. Report on Corporate social responsibility implementation plan and results;</p> <p>2. Report on risk management operation status;</p> <p>3. Report on Communication with Stakeholders;</p> <p>4. Report on the operation and execution of the ethical management unit;</p> <p>5. Report on information security specific management plan status;</p> <p>6. Report on the Implementation of Intellectual Property Management;</p> <p>7. Report on the completion of the greenhouse gas inventory and verification disclosure schedule;</p> <p>8. Approving the proposal raised by the Remuneration Committee for a director and manager compensation plan schedule;</p> <p>9. Approving the 2024 annual audit plan;</p> <p>10. Approving the proposal for joint development project of Nanjing Origin Silicon IC Co., Ltd;</p> <p>11. Approving the application for a credit line to the Entie Bank and the Hua Nan Commercial Bank</p>
01.15.2024	Board Meeting	<p>1. Approving the amendment to the Principles for transferring the 13th Company's Buyback (Repurchase) of Stocks;</p> <p>2. Approving the proposal for deciding the base date for transferring the 13th Company's Buyback (Repurchase) of Stocks or Employees.</p>
02.22.2024	Board Meeting	<p>1. Report on the self-assessment results of the performance assessment; of the Board of Directors;</p> <p>2. Report on the ESG Committee performance assessment self-evaluation results;</p> <p>3. Report on the self-assessment results of the Remuneration Committee performance assessment;</p> <p>4. Report on the Audit Committee performance assessment self-assessment results;</p> <p>5. Report on the completion of the greenhouse gas inventory and verification disclosure schedule;</p> <p>6. Report on the status of implementation of Buyback Treasury Stocks;</p> <p>7. Approving the proposal made by the Remuneration Committee for payment of the annual performance bonus in 2023 for managers;</p> <p>8. Approving the proposal made by the Remuneration Committee for employee remuneration payment in 2023;</p> <p>9. Approving the proposal for purchasing the equity of Chimei Automotive Electronics Co., Ltd. from Cubtek Inc. and its related parties;</p> <p>10. Approving the Company's 2023 annual consolidated financial statements, consolidated financial statements and business reports;</p>

Date	Item	Major Resolutions
		11. Approving the proposal for distribution of 2023 Profits of the Company; 12. Approving the proposal for distribution of the profits earned for the six months ended June 30, 2023, the cash dividend distribution base date and the dividend distribution date; 13. Approving the proposal for distribution of the employee bonus and director remuneration; 14. Proposal for re-electing the 11th term of the new board directors of the Company; 15. Approving the proposal for deciding the number of candidates and place of voting new board directors (including independent directors) during the specified nomination period; 16. Approving the date and location of the Company's 2024 annual shareholders' meeting; 17. Approving the proposal for determining the period and location for accepting shareholder proposals; 18. Proposal for establishing corporate governance procedures and review procedures of the Company; 19. Approving the proposal for the 2023 internal control system of the Company in 2023 and the submitted internal control statement; 20. Approving the proposal of appointment of an accountant from KPMG Taiwan to review and certify the Company's 2024 annual report and consolidated financial statements.
03.11.2024	Board Meeting	1. Presentation of the TCFD report; 2. Approving the proposal raised by the Board of Directors to determine the nomination of candidates for Members of the Board of Directors; 3. Approving the Release the Prohibition on Directors from Participation in Compleitive Business; 4. Approving the amendment to the payment method for transferring the 13 th Company's Buyback (Repurchase) of Stocks.
05.02.2024	Board Meeting	1. Report the company's greenhouse gas inventory and verification schedule plan; 2. Approving the proposal made by the Remuneration Committee for payment of remuneration to the directors; 3. Proposal of the Salary and Remuneration Committee: Adjusting the compensation planning schedule for directors and managers and submitting it for review; 4. Approving the Company's consolidated financial report for the three months ended March 31, 2024.

- (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 Taiwan)	LEE, Fang-Yi	01.01. 2023~12.31. 2023	4,460	1,082	5,524	
	LU, Chien-Hui	01.01. 2023~12.31. 2023				

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. The 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):

(1) Regarding the former CPA

Replacement Date	November 03, 2022		
Replacements reasons and explanation	Due to the internal organizational adjustment of the accounting firm appointed by the Company, starting from the first quarter of 2023, the Company's certified public accountants have been changed from accountants CHOU, Pao-Lian and TSENG, Mei-Yu to accountants LEE, Fang-Yi and LU, Chien-Hui.		
Describe whether the Company terminated or the CPA die not accept the appointment	Parties		
	Status	CPA	The Company
	Termination of Appointment	N/A	
	No longer accepted (continued) appointment		
Other issue (except for unqualified issue) in the audit reports within the last two years	N/A		
Difference with the Company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope and steps
		-	Others
	None	V	
Remarks/specify details:			
Other revealed Matters (Items 1-4 to 1-7 of Paragraph 6 of Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies should be disclosed)	None		

(2) Regarding the successor CPA

Name of accounting firm	KPMG Taiwan
Name of CPA	LEE, Fang-Yi and L U, Chien-Hui
Date of appointment	November 03, 2022 (approved by the Board of Directors)
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to the engagement	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

- (3) Reply from the former CPA on matters Items 1 and 2-3 of paragraph 6 of Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies:
Not applicable

- 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	2023		As of March 31, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Yulong Investment	-	-	-	-
Chairman and President	YEH, I-Hau	-	-	288,000	-
Director	YEN, Kuo-Lung	(560,000)	-	(160,000)	-
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, Yi-Lin	-	-	6,000	-

- (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	
	6,288,895	2.06%	N/A	N/A	N/A	N/A	Yulong Investment	Major Shareholder	
HSBC (Taiwan) Commercial Bank Custody Morgan Stanley International Co., Ltd.	10,376,948	3.41%							
New Labor Pension Fund	9,116,618	3.00%	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	6,288,895	2.06%	N/A	N/A	N/A	N/A	Yulong Investment Co., Ltd.	Major shareholder	
Citi-Bank Taiwan Ltd. in custody for Norges Bank	5,045,303	1.66%	N/A	N/A	N/A	N/A			
JP Morgen Chase Bank N.A. Taipei Branch in custody for Vanguard International Equity Index Funds	4,796,600	1.57%	N/A	N/A	N/A	N/A			
HSBC (Taiwan) Commercial Bank manages a special investment account for British businessman Goldman Sachs International Company	4,436,514	1.45%	N/A	N/A	N/A	N/A			
Nan Shan Life Insurance Representative: YI, Chung-Jao	4,354,000	1.43%	N/A	N/A	N/A	N/A	-	-	
	0	0%	N/A	N/A	N/A	N/A	-	-	
Chase Managed Advanced Starlight Advanced Aggregate International Stock Index	3,890,344	1.28%	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, minor 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	0.82%	48,194	47.17%
Avisonic Technology Corporation	20,569	83.40%	1,575	6.39%	22,144	89.79%
Tongfu Investment Co., Ltd.	3,000	46.73%			3,000	46.73%
Lighting Device Technologies Corp.	1,805	45.07%			1,805	45.07%
PiXORD Corporation Co., Ltd.	14,647	92.27%	987	6.22%	15,634	98.49%
Eminent Electronic Technology Co., Ltd.	4,113	18.50%	2,138	9.61%	6,251	28.11%
Top Taiwan X Venture Capital Co., Ltd.	19,950	30.00%			19,950	30.00%
Uniband Electronic Corporation (UBEC)	2,500	24.69%			2,500	24.69%
Finger Pro. Incorporation	600	23.08%			600	23.08%
Chimei Motor Electronics Co., Ltd.	9,250	30.83%			9,250	30.83%

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

IV. Capital Overview

1. Capital and Shares:

(1) Source of Capital

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-up Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Source of Capital	Capital Increased by Assets Other than Cash	Other
May 1994	10	100,000	1,000,000	100,000	1,000,000	Authorized capital	N/A	N/A
Aug. 1997	10	110,600	1,106,000	110,600	1,106,000	Retained Earnings Transferred to Capital 100,000 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 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 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 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 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 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 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 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 Employee bonus 12,000	N/A	Document No. Yuan-Shang-Zi-0950025887 issued on October 2, 2006

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-up Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Source of Capital	Capital Increased by Assets Other than Cash	Other
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 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 (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 01, 2024

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	12	316	51,274	382	51,984
Shareholding (shares)	-	15,080,000	59,052,845	106,597,009	105,493,939	286,223,793
Percentage	-	5.27%	20.63%	37.24%	36.86%	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 01, 2024

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	26,505	3,461,282	1.14
1,000 ~ 5,000	21,904	40,487,273	13.32
5,001 ~ 10,000	1,927	14,567,785	4.79
10,001 ~ 15,000	540	6,839,314	2.25
15,001 ~ 20,000	257	4,727,847	1.56
20,001 ~ 30,000	238	5,974,502	1.97
30,001 ~ 50,000	200	7,882,730	2.59
50,001 ~ 100,000	164	12,168,594	4.00
100,001 ~ 200,000	95	13,510,814	4.45
200,001 ~ 400,000	60	17,128,855	5.64
400,001 ~ 600,000	26	12,398,089	4.08
600,001 ~ 800,000	11	7,747,578	2.55
800,001 ~ 1,000,000	10	9,107,968	3.00
1,000,001 or over	49	147,877,761	48.66
Total	56,129	303,880,392	100

(4) List of Major Shareholders

As of April 01, 2024

Shareholder's Name Name of Major Shareholders	Shareholding	
	Shares	Percentage
ELAN Investment Corp.,	12,438,199	4.09%
HSBC (Taiwan) Commercial Bank Custody Morgan Stanley International Co., Ltd.	10,376,948	3.41%
New Labor Pension Fund	9,116,618	3.00%
Yulong Investment Co., Ltd.	7,083,059	2.33%
YEH, I-Hau	6,288,895	2.06%
Citi-Bank Taiwan Ltd. in custody for Norges Bank	5,045,303	1.66%
JP Morgan Chase Bank N.A. Taipei Branch in custody for Vanguard International Equity Index Funds	4,796,600	1.57%
HSBC (Taiwan) Commercial Bank manages a special investment account for British businessman Goldman Sachs International Company	4,436,514	1.45%
Nan Shan Life Insurance Representative:	4,354,000	1.43%
Chase Managed Advanced Starlight Advanced Aggregate International Stock Index	3,890,344	1.28%

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

Unit: NT\$

Items \ Year		2022	2023	As of March 31, 2024 Note (8)
Market price per Share Note (1)	Highest Market Price	181.5	167	173
	Lowest Market Price	75.4	86	145.5
	Average Market Price	123.74	118.35	160.91
Net Worth per Share Note (2)	Before distribution	31.66	30.36	30.09
	After distribution	25.66	27.36	30.09
Earnings per Share	Weighted Average Shares (thousand shares)		284,595	284,595
	Earnings per share (Note 3)	Before adjustment	7.56	7.53
		After adjustment	-	-
Dividends per Share (Note 9)	Cash dividends		6.13	5.09
	Stock dividends	From retained earnings	-	-
		From capital surplus	-	-
	Accumulated Undistributed dividends (Note 4)		-	-
Return on Investment	Price / Earnings Ratio (Note 5)		16.37	15.72
	Price /Dividend Ratio (Note 6)		20.19	23.25
	Cash Dividend Yield (Note 7)		4.95%	4.30%

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. The profit distribution proposal for the second half of 2023 was approved by the Board of Directors on February 22, 2024, and the net value per share recorded on March 31, 2024 was the amount after the distribution.

Note 3: If there are retrospective adjustments due to circumstances e.g. 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: $\text{Price / Dividend Ratio} = \text{average closing price per share of the year} / \text{cash dividends per share}$.
Note 7: $\text{Cash Dividend Yield} = \text{cash dividend per share} / \text{average closing price per share of the year}$.
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. If there is still surplus and undistributed surplus at the beginning of the same period, the Board of Directors shall prepare a profit distribution plan by issuing new shares, and shall submit it to the shareholders' meeting for resolution before distribution.

In accordance with the provisions of the Company Law, the Company authorizes the Board of Directors, with the attendance of two-thirds or more of the directors and the adoption of resolutions by more than half of the attending directors, to distribute dividends or bonuses that should be allocated, or all or part of the legal surplus reserves and capital reserves as stipulated in Article 241, Paragraph 1 of the Company Law, in cash, and report to the shareholders' meeting.

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; 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 earnings distribution proposal for the first half of 2023 was approved by the 17th meeting of the 10th session of the Board of Directors in 2023. It is proposed to allocate shareholder dividends of NT\$607,760,784 from the earnings available for distribution, with cash dividend allocated per share: NT\$2.04; the profit distribution proposal for the second half of 2023 was approved by the 21st session of the 10th Board of Directors in 2023. It is planned to allocate shareholder dividends of NT\$911,641,176 per share from the earnings available for distribution. A cash dividend per share of NT\$3.05 is allocated. The chairman of the board is authorized to have full authority regarding the dividend base date and dividend payment date. The dividend base date for the profit distribution in the first half of the year 2023 was October 16, 2023, and the dividend payment date was October 31, 2023. The dividend base date for the profit distribution in the second half of the year 2023 was April 5, 2024, and the dividend payment date was April 16, 2024.

(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 2023 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:

The Company shall, if there is a 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 Bonus and Directors' and Supervisors' Remuneration approved in Board of Directors Meeting:

The Company's Board of Directors resolved on February 22, 2024, that it plans to allocate employee remuneration and director remuneration for 2023 in accordance with the Company's articles of association as follows:

Unit: NT\$ thousands; Thousand Shares

Items	Amount	Share distribution – in Cash/Stock			Remuneration	Any difference with the recognized estimated expenses of the year?
		Cash Distribut-ion	Amount	Shares	Proportion to the sum of Net Income After Taxes plus employee bonus	
Employee Bonus	386,000	0	0	0	0	None
Directors' Remuneration	0	0	0	0	39,000	

4. Actual distribution of remuneration for employees, directors and supervisors in the previous year:

The Company's Board of Directors passed a resolution on February 22, 2023, to allocate employee remuneration and directors' remuneration in 2022, which is the same as the original amount approved. The actual distribution is as follows:

Unit: NT\$ thousands; Thousand Shares

Items	Amount	Share distribution- In Cash/Stock			Remuneration	Differences between the expenses recognized with the original amount proposed by the Board of Directors
		Cash Distribution	Amount	Shares	Proportion to profit transferred	
Employee Bonus	334,000	0	0	0	0	None
Directors and Supervisors' Remuneration	0	0	0	0	41,000	

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

Repurchase Times	The 13 th 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 shares
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	1,638,600 shares
Number of shares held at the time of reporting	Common Stock 5,218,400 Shares
Ratio of the cumulative number of shares held by the Company to the total number of issued shares (%)	1.72%

2. **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) Touch screen Controller
- (b) Touch screen Controller with Pen
- (c) Touchpad Module
- (d) Pointing Stick
- (e) Biometric chip (including fingerprint and face recognition)

(2) 2023 Main Products, Revenue and Weight

Scope of Business	Revenue (thousand dollars)	Weight (%)
Consumer touch IC	2,481,929	20.58
Notebook input device module	8,806,074	73.03
Network communications IC	84,443	0.70
Others	686,069	5.69
Total	12,058,515	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

The semiconductor industry serves as a crucial driving force for Taiwan's manufacturing sector and exports, exerting a significant influence on downstream supply chains. It encompasses rapidly developing sectors e.g. technology, automotive, medical, and energy. In recent years, the integration of innovative applications like Generative AI has further propelled the flourishing of Taiwan's technology 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.

Recently, the Taiwan Semiconductor Industry Association announced that the estimated output value of Taiwan's IC industry in 2023 is approximately 4.3 trillion New Taiwan dollars, representing an annual decrease of 11.2%, which is higher than the global semiconductor market's decline of 10.1%. This decline is mainly attributed to factors such as the recent US-China trade conflict, geopolitical tensions (e.g. the Ukraine-Russia conflict, cross-strait relations tension, and conflicts in the Middle East), as well as long-term inflationary pressures. Looking forward to 2024, it is anticipated that Taiwan's semiconductor output value will return to normal, with the IC industry's output value expected to grow to 4.9 trillion New Taiwan dollars, representing a 14% year-on-year increase. In the face of the highly uncertain global economic environment and the development of emerging technologies, Taiwan should adopt a more proactive attitude to address various challenges, aiming to expand the advantages of the semiconductor industry to various sectors and become an indispensable partner in the global supply chain.

(2) Product development trend and competition

In response to the rapid development of Generative AI, the Company has extensively applied our years of research in artificial intelligence (AI) technology to our products, particularly in the field of image recognition and processing technology. Since 2018, the Company collaborated with the Academia Sinica to develop AI technology. Apart from sponsoring the Taiwan AI School, we have also dispatched hundreds of our internal executives to participate in all AI-related courses, learning the key elements of AI technology. Subsequently, we have applied the knowledge gained from AI technology to various product lines, including touchpad modules, touch screen chips, fingerprint recognition chips, and more. Additionally, we have continued to engage in discussions with important clients regarding other potential applications and areas for expansion.

In addition to artificial intelligence (AI), the Company drives business growth by enhancing product functionality and specifications. For example, we have increased the adoption rate of Haptic Pad technology, boosted average unit prices through the use of large-sized touch pads, and further elevated the penetration rate of high-priced Match On Chip (MOC) technology. We have also developed and integrated Single Layer On-Cell (SLOC) touch panel chips, as well as Long-Term Driver Integration (LTDI) chips that combine touch and drive functions. Furthermore, we have made long-term investments in the development and application of touch technology, and hold patents in the United States, Japan, China, and Taiwan, among other locations

Furthermore, the penetration rate of biometric recognition in smart phones is already very high, and competition in this area is intense. In consideration of overall business growth, the Company is strengthening its applications in image recognition and pursuing the development of diversified application products. Currently, laptops are the most emphasized application for us.

Additionally, we are actively expanding into non-laptop applications. Firstly, Advanced Driver Assistance Systems (ADAS) is a key focus area for the Company. We collaborate with our invested companies to jointly develop ADAS products with a focus on driving safety. These products include Camera Modules, Sensor Fusion algorithms, and external components. We aim to provide high-quality comprehensive solutions to electric buses and

large buses, paving the way for entry into the automotive electronics market. We anticipate seeing revenue contributions from this initiative by 2024.

Above all, in order to expand the application of fingerprint recognition and drive business growth, the Company is actively venturing into the smart card market. The application scope of smart cards is extensive, including credit cards, financial cards, employee identification cards, and identity cards, among others. The future market potential is significant. Although the markets for selling such products have not yet been opened, we continue to enhance the cost-effectiveness of our products to attract adoption by brand customers. We are also continuously improving product competitiveness by emphasizing high value-added features e.g. encryption support, payment capabilities, and enhanced anti-counterfeiting technologies.

Current Product Lines of the Company and its 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 products, and the revenue of the touch products is the main driving force for the operation in 2023 accounting for the revenue up to 78%, and the revenue of the non-touch products is accounting for the revenue up to 22%. The five product lines include touch screen controller, Touch Pad module and fingerprint recognition chip of the touch products, and microcontroller (MCU) and point stick of the non-touch products.

Touch screen Chips:

These chips are applied to products e.g. smart phones, tablets, notebook computers, AI PC, E-books, etc. In addition, AI technology has been introduced into automotive electronics, combined with Advanced Intelligent Cockpit, touch control, 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 (MIC):

This product is mainly applied in large and small electric appliances, safety system, communication peripherals e.g. 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 Company in the Past Two Years

Unit: NT\$ thousands

Year	2023	2022
Items		
Research and Development expenses	2,148,773	2,165,151
Net Income	12,058,515	13,030,484
Proportion to Net Income	18%	17%

Source: CPA's report

(2) The following technology or products are successfully developed:

- Direct Current Brushless Motor Control Chip
- Active Pen Control Chip supporting various touch pen protocols
- Precision Touch Chip for mobile phone applications
- Solution for Single-layer External Add-On Touch Screens
- Smart Anti-Spoofing Fingerprint Recognition System
- Capacitive Pressure Sensing and Haptic Feedback Touchpad

(3) Affiliates:

Products of Avisonic Technology Corp., Pixord Corporation Co., Ltd. and Chimei Motor Electronics Co., Ltd., and promoting the development of new products by these affiliate companies.

- **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.

New product planned to be developed: Intelligent Gun Type AI Camera with AI image recognition function.

- **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.

- **Chimei Motor Electronics Co., Ltd.**

The main products include: (1) Front-facing camera detection system (lane departure warning/forward collision warning/forward vehicle distance monitoring/pedestrian collision warning); (2) External camera detection system (side and rear blind spot warning system); (3) Internal camera detection system (identity verification/fatigue/distraction/attention/posture collapse warning system); (4) Camera module solutions (multi-sensor fusion system/dashcam); (5) In-car intelligent image processing control box (AI-box for vision-base); and (6) CMS (Camera Monitor System) electronic rearview mirror system.

The planned new products under development: Intelligence Cockpit Interior Camera Module Detection System, Advanced Version of Front-Facing Camera Recognition and Detection System, AI Digital Side Electronic Rearview Mirror Detection System, Electric Bicycle Rear Detection System, and AI Panoramic Detection System.

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

(1) Short-term development plan

A. Marketing strategy:

- (a) Based on the basic needs of end customers, we provide innovative R&D technologies, comprehensive maintenance services, and solid customer relationships to offer end customers the most tailored solutions. With a diverse range of options, we satisfy the diverse designs and concepts in the laptop market, showcasing the higher competitiveness brought by differentiation.
- (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) An AI touchpad solution with palm rejection and waterproof functions to reduce the risk of accidental touches caused by the increasing size of touch pads.
- (b) Introducing touch pads and touch screens with glove and waterproof operation, along with driving chips, into the automotive market.
- (c) A fingerprint recognition solution with low power consumption and anti-counterfeiting features to enhance personal data security. This helps expand opportunities in the smart phones, laptops, credit cards, financial cards, employee access cards, and automotive electronics markets.
- (d) Providing a touchpad solution with an active pen to offer the best usage

scenario for online learners.

- (e) Offering area dimming technology with Mini-LED for use in outdoor high-light environments, ensuring the quality of automotive screens is not affected by sunlight.
- (f) Developing fingerprint recognition application solutions for AI PCs to reduce the risk of identity theft, which is increasingly emphasized with the development of artificial intelligence (AI).

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, and we will focus the orders from our end-customers and plan production in advance, take into account product quality and maintain good shipping efficiency to meet end-customer expectations.

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:
To cope with the increasing fierce market competition, our strategy involves integrating artificial intelligence (AI) technology into our products, which sets us apart from competitors and allows us to focus on competitive and profitable market segments.
- (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 capacity.

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 e.g. 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, in order to expand the global footprint, increase customer trust with a perfect service attitude, and improve access to global talents.

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 e.g. Mini LED/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:

Continuously improving production yield operations to enhance product quality, reduce manufacturing costs, and effectively increase gross profit margins. Establishing close cooperation or strategic alliances with outsourced factories to form a complete ecosystem, ensuring seamless upstream and downstream production capacity integration.

D. Operating strategies:

- (a) Focusing on competitive products and expanding their application scope by leveraging breakthroughs in existing technologies and designing products based on an understanding of end customer needs to create differentiation advantages. Building on the strength of years of AI technology development, we are committed to extending AI technology to various application areas, thereby strengthening international competitiveness and supporting long-term development advantages.
- (b) Strategic Alliances: Establishing supplier strategies, establishing complete upstream and downstream ecosystems, and fostering long-term cooperative partnerships to achieve capacity adjustments and the ability to quickly support end customer needs.

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 Region \ sales	2023		2022	
	Sales amount	Percentage (%)	Sales amount	Percentage (%)
Taiwan	801,359	6.65	1,043,560	8.01
China	1,820,302	15.10	2,459,068	18.87
Hong Kong	9,240,554	76.63	9,302,571	71.39
Other Area	196,300	1.62	225,285	1.73
Total Net Income	12,058,515	100.00	13,030,484	100.00

Due to the overall economic instability, the global demand for laptops declined in 2023, with total laptop shipments decreasing by double digits to 174 million units for the year. Apart from concerns about long-term inflation and interest rate hikes, geopolitical tensions (e.g. the Russia-Ukraine conflict and conflicts in the Middle East) and slowing infrastructure development and economic growth in mainland China have hindered economic development, thereby dampening global consumer spending. Inventory has gradually been depleted throughout 2023.

However, after two years of adversity, the global laptop market is expected to see a turnaround in 2024. Microsoft is planning to end support and updates for the Windows 10 operating system in October 2025. Based on historical trends, there is a possibility of a replacement wave in 2024 leading up to this event. In addition, with the rise of Generative AI, end customers are actively developing the integration of artificial intelligence into personal computer (AI PC) products. This move is expected to enhance personal productivity or work efficiency, thereby changing the long-standing development ecosystem of personal computers. Apart from the increased hardware specifications requirements, it may also drive upgrades in component functionalities, injecting new ideas into the laptop market. The Company will continue to strengthen product functionalities and specifications upgrades, introducing competitive advantage products to the market, thereby forming differentiated competition and increasing 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.

Fingerprint recognition products still have a relatively low penetration rate in laptops, especially the higher-priced Match On Chip (MOC) solutions, which authenticate fingerprints before booting up. With the outlook remaining optimistic, we aim to dominate the market within the next two to three years and achieve a leading position. The shipment of Haptic Pad touch pads in 2022 contributed to revenue in the billions, but faced challenges in 2023 due to overall economic weakness. However, with the laptop market expected to rebound in 2024, there is a chance to increase customer adoption once again. The introduction of large-sized touch pads is conducive to an increase in average selling price. The active promotion and mass production of single-layer embedded touch panels (SLOC) benefit the revenue of touch screen chips. Despite global economic uncertainties and fierce market competition, the Company continues to focus on strengthening chip design technology and engineering, effectively reducing costs, and striving to enhance operational

efficiency

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 2024, we will continue to do our best effort to reach the goal of expanding higher market share and better Operating capacity.

(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 etc..

According to the data from IEK of ITRI, the output value of Taiwan's IC design industry reached NT\$1,0965 Trillion (US\$35.1 billion) in 2023; the proportion of the Company is about 1.10%.

(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. In 2023, overall economic growth was hindered mainly by long-term inflation and interest rate hikes. Despite active destocking efforts in the supply chain, there was still a certain level of impact. However, with inventory levels returning to reasonable ranges and normal replenishment by end customers, although uncertainties persist in the overall economy, it presents a turning point for operations in 2024.

In addition, the functionality of various consumer products is clearly increasing, necessitating more powerful chips. Moreover, many consumer electronics products are still seeking cost-effective solutions. Hence, the demand for chips is expected to continue increasing. The most promising sector for semiconductor chip usage is electric vehicles, with the number of chips used in them being several times higher than traditional fuel-powered cars. It's not just passenger cars; large buses are also moving towards electrification and intelligence. The future prospects of electric buses are relatively optimistic. Therefore, the outlook for semiconductors remains very promising, with long-term market demand firmly established. Following this, the application of artificial intelligence (AI) can be considered the next huge business opportunity after smart phones, PCs, and tablets. The Company has been gradually integrating AI functionality into existing products, including laptops, automotives, smart phones, and smart card applications. With a long-term focus on AI

technology, we leverage AI to enhance product functionality and create differentiation advantages for our customers, thereby driving the growth of the Company.

(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 platform 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. In 2024, the focus of market development is to continue strengthening the modular business model, enhancing product functionality, integrating artificial intelligence (AI) technology, and driving the increase in average selling prices. We will persist in cultivating markets beyond laptops, which will contribute to the expansion of operational breadth. Additionally, we will actively pursue higher penetration rates among global brand manufacturers using our chip products, as well as targeting frontline brand customers in mainland China.
- 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 chip design industry relies heavily on wafer production capacity and is vulnerable to wafer fabrication constraints. Although wafer capacity is currently not as tight, short-term economic uncertainty has led to conservative ordering behavior among brand customers. While we are optimistic about the growth prospects of the laptop market in 2024, prudent management is still required in the short term.
- 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 e.g. 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 Measures:

- To adapt to evolving market trends, we have devised corresponding strategies. The global demand for laptops has experienced subdued momentum over the past two years, but we anticipate growth opportunities in the upcoming year fueled by replacement cycles and the emergence of AI PCs. It is estimated that the market will exhibit single-digit growth for the year. We have observed that with the development of Generative AI, the laptop industry is embracing the development of AI PCs by end customers, presenting opportunities for the use of chips with AI capabilities. Furthermore, there are emerging opportunities in the market for single-layer On Cell technology, with increasing recognition of Haptic Pad by brand manufacturers, leading to a warming demand trend. The increasing penetration rate of Match-On-Chip (MOC) fingerprint technology also presents new opportunities. These developments represent potential increases in the average selling prices of chips or module products, which will substantially benefit our operations. Additionally, with the advent of the Mini LED/Micro LED era, our ongoing collaboration with our affiliated Company, Gather Tech, aims to develop related control chips for application in markets e.g. laptops, automobiles, and wearables. We are also collaborating with our affiliate, Qasida Automotive Electronics, to drive the adoption of Advanced Driver Assistance Systems (ADAS) in the automotive market, particularly in the short term, where we expect to see achievements in the electric bus market.

To adapt to the market's development trends, the Company continues to adhere to a

differentiation strategy. For instance, we have developed capacitive biometric sensing chips with enhanced anti-counterfeiting fingerprint features. These chips can be applied in the smart phone and laptop industries and have expanded into the emerging financial sector, targeting credit cards, financial cards, and personal social security cards. While the market for credit card fingerprint functionality has not yet fully emerged, we persist in lowering chip costs to offer the best value proposition and gain customer recognition.

All product developments are aimed at applications e.g. smart phones, laptops, and tablets, while also seeking new application areas for market expansion. Simultaneously, we are actively investing in artificial intelligence (AI) to enhance future product development, aiming to effectively increase the added value of our chip products, strengthen competitiveness, and drive further innovation in operations.

- 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 schedules.
- 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 (e.g. 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 2023 and 2024. The touch screen ICs are mainly applicable for smart phones, tablet computers and notebook computers, E-books, AI 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 2023, 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, e.g. 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.

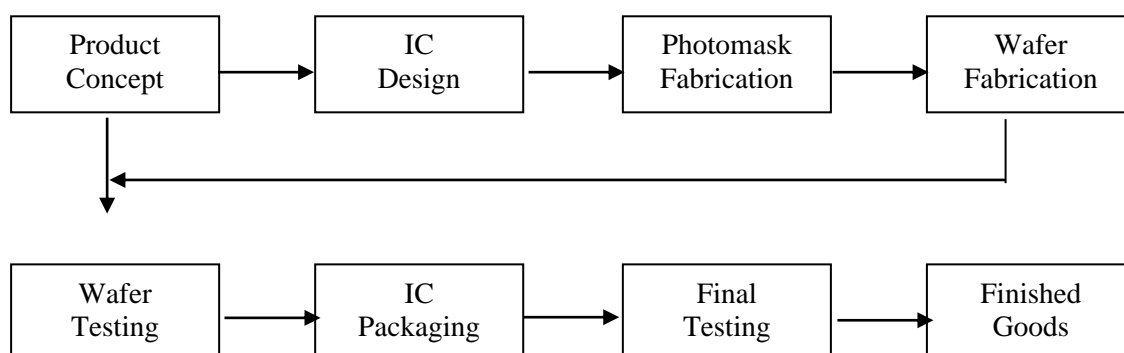
D. MCU IC:

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 e.g. 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 e.g. 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 2024, 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	2022				2023				As of the previous quarter of 2024 (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	4,767,158	36.58	N/A	Ultra Source	3,997,237	33.15	N/A	Ultra Source	1,192,923	38.41	N/A
2	Silicon Application	3,705,475	28.44	N/A	Silicon Application	3,659,153	30.34	N/A	Silicon Application	792,743	25.52	N/A
	Others	4,557,851	34.98		Others	4,402,125	36.51		Others	1,120,232	36.07	
	Net Sales Revenue	13,030,484	100.00		Net Sales Revenue	12,058,515	100.00		Net Sales Revenue	3,105,898	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's 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

	2022 (Note 3)				2023 (Note 3)				As of the previous quarter of 2024 (Note 2, (Note 3))			
Item	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	2,227,077	29.26	N/A	United Microelectronics	242,570	5.30	N/A	United Microelectronics	246,395	17.92	N/A
2	Tetron Electronics	512,537	6.73	N/A	Tetron Electronics	616,547	13.48	N/A	Tetron Electronics	124,778	9.07	N/A
	Others	4,871,547	59.17		Others	3,714,630	72.62		Others	1,004,087	73.01	
	Net purchase amount	7,611,161	100		Net purchase amount	4,573,747	100		Net purchase amount	1,375,260	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's 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 Output	2022			2023		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major products						
Consumer touch control IC	—	304,712	4,174,811	—	280,714	3,618,279
Notebook input devices module	—	188,969	5,116,260	—	178,903	4,901,507
Network communication IC	—	608	133,325	—	97	44,667
Others	—	167,708	372,418	—	232,440	497,802
Total		661,997	9,796,814		692,154	9,062,255

2. Shipments and Sales (consolidated basis):

Unit: 1,000pcs, NT\$ thousands

Year Shipments & Sales	2022				2023			
	Local		Export		Local		Export	
	Capacity	Quantity	Amount	Capacity	Quantity	Amount	Capacity	Quantity
Major products								
Consumer touch control IC	34,453	827,845	127,398	2,381,887	25,438	640,093	98,834	1,841,836
Notebook input devices module	373	67,093	102,084	9,140,537	663	41,147	95,877	8,764,927
Network communication IC	171	65,592	29	45,550	83	45,753	37	38,690
Others	2,610	83,030	67,618	418,950	1,773	74,366	113,276	611,703
Total	37,607	1,043,560	297,129	11,986,924	27,957	801,359	308,024	11,257,156

3. Human Resources

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

Year		2022	2023	March 31, 2024
Number of employees	Managers	256	238	237
	Technicians	315	306	321
	General staffs	779	730	743
	Total	1,350	1,274	1,301
Average age		38.29	38.68	38.65
Average years of service		10.6 years	11.3 years	11.3 years
Education	Ph.D.	1.3%	1.1%	1.1%
	Masters	44.1%	44.3%	44.1%
	Bachelor's Degree	38.3%	38.1%	38.2%
	Senior High School	1.8%	1.7%	1.8%
	Below Senior High School	14.5%	14.8%	14.8%

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 CO₂ 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 an ISO 14001 Environmental Management System (EMS) Certification. Environmental policies: prevention of pollution, Company-wide full participation, commitment to environmental protection, continuous improvement; The current certification validity date is November 20, 2025; relevant units are required to fill in an environmental risk assessment every year, and environmental regulations (international and Taiwanese laws) are reviewed every quarter, and then an environmental management plan is established for improvement, and environmental management review meetings are held with senior managers to regularly confirm implementation progress.
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

Diversified measures to review the training results

We encourage colleagues to use their creativity, uphold the spirit of teamwork and mutual assistance, and pass on knowledge and technology through texts, images, etc. through the knowledge management system, transforming it into an improvement in the overall performance of the organization. The Company actively invests in Industry-Academia Collaboration, launching the “Potential Dragon Project Scholarship” in 2022, and promotes the application of R&D technology through various forms e.g. press conferences, deeply cultivates campuses, trains future potential talents, and concerns for training and development as a necessity for corporate social responsibility. .

Consolidated employee training and training execution status of the Company of the last fiscal year (2023)

Unit: NT\$ / number of person / hours

Items	Expenses	Number of persons	Hours
Technology and R & D category	322,675	2,103	792
Management category	656,645	3,168	350
Production QC category	68,024	3,103	708
General Knowledge category	21,950	275	638
Total	1,226,494	11,589	1,955

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 serve 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, the Company 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 on the information security governance status to the Board of Directors. The Company has designated a dedicated information security supervisor and a dedicated information security staff member in 2023 to be responsible for the Company's information security planning and related audit matters to maintain and strengthen information security continuously.

Information Security Policy:

Elan Microelectronics 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 Microelectronics 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. 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.
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.

In 2023, continuous improvement of the existing information security structure to comply with current information security regulations and go beyond the current general information security construction.

No major information security hazard incident in 2023.

In accordance with the requirements of the competent authority, the report has been made to the dedicated information security supervisor and dedicated information security practitioners.

Improve the information security structure and arrange to test privileged account management and evaluate the feasibility of 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 Coxtex-M4 Perpetual License	N/A
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/ Tainan Campus: 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/ Tainan Campus: 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/ Tainan Campus: 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/ Tainan Campus: 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	2023/3~2041/3	Hsinchu County International AI Smart Park Industrial Zone (1)	N/A
House Lease Agreement	Advantech Foundation	2023/8/1~2026/7/31	House Lease Agreement	N/A
House Lease Agreement	Altus Technology Inc	2023/2/1~2042/01/31	House Lease Agreement	N/A
Test cooperation	Orient Semiconductor Electronics, Ltd.	2023/7/1~ 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 (4)	

Planning and Design and Engineering Supervision	JJP Architects and Planners	2023/8/11~ 2026/10/31	AI Smart Park Building Supervision Personnel Service Contract	N/A
Research and Development Project	Taipei Computer Association	2024/12/1~2025/5/31	A+ Enterprise Innovation Research and Development Plan Contract	N/A
R & D project cooperation	Lextar Electronics Corporation / Chimei Motor Electronics Co., Ltd.	2024/12/1~2025/5/31	A+ Enterprise Innovation Research and Development Plan - Forward-looking technology R & D project cooperation contract	N/A
Software Resale Agreement	Deloitte & Touche Taiwan	2023/3/30~2025/5/29	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.	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 2019 to 2023 (Consolidated)

Unit: NT\$ thousands

Year Item		Financial Summary for the Last Five Years					Financial information as of March 31, 2024 (Note 3)
		2019	2020	2021	2022	2023	
Current assets		8,006,975	11,178,791	12,069,961	8,722,281	8,623,518	9,311,753
Property, plants and equipment (Note 2)		760,537	872,781	952,324	990,675	1,517,920	1,806,312
Intangible assets		304,219	449,557	424,650	604,707	598,071	568,033
Other assets (Note 2)		271,869	303,238	1,070,233	979,728	948,801	931,619
Total assets		11,246,892	14,452,190	16,933,008	13,324,830	14,019,435	15,007,753
Current liabilities	Before distribution	3,057,941	4,561,646	4,852,757	2,618,782	3,324,128	4,397,743
	After distribution	5,033,164	7,296,570	8,955,142	4,442,064	4,235,769	4,397,743
Non-current liabilities		585,799	617,488	1,106,383	1,083,826	1,468,118	1,466,259
Total liabilities	Before distribution	3,643,740	5,179,134	5,959,140	3,702,608	4,792,246	5,864,002
	After distribution	5,618,963	7,914,058	10,061,525	5,525,890	5,703,887	5,864,002
Equity attributable to shareholders of the parent Company		7,668,931	9,050,622	10,742,974	8,889,697	8,819,577	8,808,649
Capital stock		3,038,804	3,038,804	3,038,804	3,038,804	3,038,804	3,038,804
Capital surplus		375,945	519,638	631,181	838,428	936,880	933,288
Retained earnings	Before distribution	4,153,247	5,517,815	7,984,380	6,107,872	5,836,582	5,608,393
	After distribution	2,178,024	2,782,891	3,881,995	4,284,590	4,924,941	5,608,393
Other equity interest		129,910	3,340	195,094	11,078	113,796	77,159
Treasury stock		28,975	28,975	1,106,485	1,106,485	1,106,485	848,995
Non-controlling interest		(65,779)	222,434	230,894	732,525	407,612	335,102
Total equity	Before distribution	7,603,152	9,273,056	10,973,868	9,622,222	9,227,189	9,143,751
	After distribution	5,627,929	6,538,132	6,871,483	7,798,940	8,315,548	9,143,751

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: 2024 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 2019 to 2023 (Consolidated)

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years					Financial information as of March 31, 2024 (Note 2)
	2019	2020	2021	2022	2023	
Operating revenue	9,487,977	15,099,690	18,327,973	13,030,484	12,058,515	3,105,898
Gross Profit	4,416,688	7,054,196	9,116,400	5,987,244	5,432,037	1,488,914
Operating Income (Loss)	2,081,426	4,217,199	5,665,225	2,784,461	2,434,475	649,283
Non-operating income and expenses	728,234	(323,507)	395,924	(81,489)	38,326	176,824
Net profit before tax	2,809,660	3,893,692	6,061,149	2,702,972	2,472,801	826,107
Income before tax from continuing operations	2,464,742	3,193,038	5,027,538	2,033,413	1,985,030	647,084
Income (Loss) on discontinued operations	0	0	0	0	0	0
Net Income (Loss)	2,464,742	3,193,038	5,027,538	2,033,413	1,985,030	647,084
Other comprehensive income (loss) (income after tax)	29,792	(33,401)	290,561	(109,380)	118,479	(35,674)
Total comprehensive income (loss)	2,494,534	3,159,637	5,318,099	1,924,033	2,103,509	611,410
Net income attributable to shareholders of the parent Company	2,496,744	3,245,811	5,102,446	2,151,676	2,143,520	682,683
Net income attributable to non-controlling interest	(32,002)	(52,773)	(74,908)	(118,263)	(158,490)	(35,599)
Comprehensive income (loss) attributable to shareholders of the parent Company	2,526,686	3,213,221	5,393,243	2,041,861	2,262,470	646,815
Comprehensive income (loss) attributable to non-controlling interest	(32,152)	(53,584)	(75,144)	(117,828)	(158,961)	(35,405)
Earnings per share	8.57	11.14	17.64	7.56	7.53	2.40

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

Note 2: 2024 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 2019 to 2023 (Parent-company-only)

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Current assets		7,020,098	9,511,286	9,893,402	6,628,634	6,999,367
Property, plants and equipment (Note 2)		755,686	836,016	864,262	894,619	1,493,529
Intangible assets		223,170	310,651	279,425	246,944	374,976
Other assets (Note 2)		225,662	240,769	1,054,663	934,035	927,456
Total assets		10,903,241	13,928,586	16,233,203	12,191,701	13,403,839
Current liabilities	Before distribution	2,673,761	4,293,321	4,410,717	2,288,839	3,147,981
	After distribution	4,648,984	7,028,245	8,513,102	4,112,121	4,059,622
Non-current liabilities		560,549	584,643	1,079,512	1,013,165	1,436,281
Total liabilities	Before distribution	3,234,310	4,877,964	5,490,229	3,302,004	4,584,262
	After distribution	5,209,533	7,612,888	9,592,614	5,125,286	5,495,903
Equity attributable to shareholders of the parent Company		7,668,931	9,050,622	10,742,974	8,889,697	8,819,577
Capital stock		3,038,804	3,038,804	3,038,804	3,038,804	3,038,804
Capital surplus		375,945	519,638	631,181	838,428	936,880
Retained earnings	Before distribution	4,153,247	5,517,815	7,984,380	6,107,872	5,836,582
	After distribution	2,178,024	2,782,891	3,881,995	4,284,590	4,924,941
Other equity interest		129,910	3,340	195,094	11,078	113,796
Treasury stock		28,975	28,975	1,106,485	1,106,485	1,106,485
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	7,668,931	9,050,622	10,742,974	8,889,697	8,819,577
	After distribution	5,693,708	6,315,698	7,066,415	6,458,655	7,907,936

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 2019 to 2023 (Parent-company-only)

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	9,309,465	14,678,422	17,742,077	12,435,555	11,294,860
Gross Profit	4,356,033	6,890,595	8,918,005	5,813,831	5,269,069
Operating Income (Loss)	2,137,455	4,128,151	5,635,829	2,951,809	2,658,998
Non-operating income and expenses	697,727	(220,672)	455,525	(156,717)	(50,008)
Net profit before tax	2,835,182	3,907,479	6,091,354	2,795,092	2,608,990
Income before tax from continuing operations	2,496,744	3,245,811	5,102,446	2,151,676	2,143,520
Income (Loss) on discontinued operations	0	0	0	0	0
Net Income (Loss)	2,496,744	3,245,811	5,102,446	2,151,676	2,143,520
Other comprehensive income (loss) (income after tax)	29,942	(32,590)	290,797	(109,815)	118,950
Total comprehensive income (loss)	2,526,686	3,213,221	5,393,243	2,041,861	2,262,470
Net income attributable to shareholders of the parent Company	2,496,744	3,245,811	5,102,446	2,151,676	2,143,520
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income (loss) attributable to shareholders of the parent Company	2,526,686	3,213,221	5,393,243	2,041,861	2,262,470
Comprehensive income (loss) attributable to non-controlling interest	-	-	-	-	-
Earnings per share	8.57	11.14	17.64	7.56	7.53

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
2019	KPMG	CHOU, Piao-Lian, TSENG, Mei-Yu	Unqualified opinion
2020	KPMG	CHOU, Piao-Lian, TSENG, Mei-Yu	Unqualified opinion
2021	KPMG	CHOU, Piao-Lian, TSENG, Mei-Yu	Unqualified opinion
2022	KPMG	CHOU, Piao-Lian, TSENG, Mei-Yu	Unqualified opinion
2023	KPMG	LEE, Fang-Yi; LU, Chien-Hui	Unqualified opinion

2. Five Year Financial Analysis

(1) Financial Analysis (Consolidated)

Year (Note 1) Item (Note 3)		Financial Analysis for the Last Five Years					As of March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt Ratio	32.40	35.84	35.19	27.49	34.18	39.07
	Ratio of long-term capital to property, plant and equipment	1,076.73	1,133.22	1,268.50	1,080.68	704.60	587.39
Solvency (%)	Current ratio	261.84	245.06	248.72	333.07	259.42	211.73
	Quick ratio	215.86	205.47	200.38	188.35	194.75	165.90
	Interest earned ratio (times)	297.78	682.67	616.66	195.00	148.06	180.87
Operating capacity	Accounts receivable turnover (times)	8.00	8.83	9.12	10.16	12.79	9.94
	Average collection period	46	41	40	36	29	37
	Inventory turnover (times)	3.27	4.18	3.76	2.04	1.95	2.52
	Accounts payable turnover (times)	4.73	5.37	5.21	5.80	6.95	5.16
	Average days in sales	112	87	97	179	187	145
	Property, plant and equipment turnover (times)	12.42	18.49	20.08	13.41	9.61	7.47
	Total assets turnover (times)	0.90	1.18	1.17	0.86	0.88	0.86
Profitability	Return on total assets (%)	23.49	24.88	32.09	13.51	14.60	17.90
	Return on stockholders' equity (%)	34.75	37.84	49.66	19.75	21.06	28.18
	Pre-tax income to paid-in capital (%)	92.46	128.13	199.46	88.95	81.37	108.74
	Profit ratio (%)	25.98	21.15	27.43	15.61	16.46	20.83
	Earnings per share (NT\$)	8.57	11.14	17.64	7.56	7.53	2.40
Cash Flow	Cash flow ratio (%)	54.01	72.48	108.44	29.25	126.58	73.86
	Cash flow adequacy ratio (%)	99.93	120.28	132.81	86.18	92.74	96.74
	Cash reinvestment ratio (%)	2.35	12.63	19.69	(26.08)	15.42	26.79
Leverage	Operating leverage	3.87	2.96	2.66	3.75	4.11	3.96
	Financial leverage	1	1	1	1.01	1.01	1.00

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

1. Financial Structure:

Due to an increase in sales revenue in the fourth quarter of 2023 compared to the same period in 2022, accounts payable and other current liabilities were increased in 2023, resulting in a higher debt-to-assets ratio in 2023 compared to 2022.

Due to the long-term loan disbursed in 2023 to pay for prepayment of AI park construction, the ratio of long-term funds to property, plants, and equipment was decreased in 2023 compared to 2022.

2. Solvency:

The increase in accounts payable and other current liabilities in 2023 led to a decrease in the current ratio compared to 2022.

Due to a decrease in pre-tax net profit in 2023 compared to 2022, the interest coverage ratio was decreased in 2023 compared to 2022.

3. Operating Capability:

The lower accounts receivable at the beginning of 2023 led to an increase in the accounts receivable turnover ratio and a decrease in the days of the accounts receivable in 2023.

Due to a decrease in sales revenue and an increase in prepayment for AI park construction in 2023, the turnover ratio of property, plants, and equipment was decreased compared to 2022.

4. Cash Flow:

The increase in cash inflows from operating activities in 2023 compared to 2022 resulted in a higher cash flow ratio in 2023 than in 2022; meanwhile, the lower dividend distribution in 2023 compared to 2022 led to a higher cash reinvestment ratio in 2023 compared to 2022.

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

Year (Note 1) Item (Note 3)		Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	29.66	35.02	33.82	27.08	34.20
	Ratio of long-term capital to property, plant and equipment	1,089.01	1,152.52	1,367.93	1,106.94	686.69
Solvency (%)	Current ratio	262.56	221.54	224.30	289.61	222.34
	Quick ratio	212.73	182.24	174.29	137.22	160.54
	Interest earned ratio (times)	924.51	1,300.89	735.43	249.70	180.11
Operating capacity	Accounts receivable turnover (times)	8.26	8.81	9.01	10.32	12.85
	Average collection period	44	41	41	35	28
	Inventory turnover (times)	3.42	4.36	3.88	2.08	1.96
	Accounts payable turnover (times)	4.66	5.23	5.04	5.56	6.52
	Average days in sales	107	84	94	176	186
	Property, plant and equipment turnover (times)	12.27	18.44	20.87	14.14	9.46
	Total assets turnover (times)	0.91	1.18	1.18	0.87	0.88
Profitability	Return on total assets (%)	24.48	26.16	33.88	15.20	16.82
	Return on stockholders' equity (%)	34.93	38.83	51.56	21.92	24.21
	Pre-tax income to paid-in capital (%) (Note 7)	93.30	128.59	200.45	91.98	85.86
	Profit ratio (%)	26.82	22.11	28.76	17.30	18.98
	Earnings per share (NT\$)	8.57	11.14	17.64	7.56	7.53
Cash Flow	Cash flow ratio (%)	59.87	73.48	114.93	51.54	129.84
	Cash flow adequacy ratio (%)	107.14	120.53	127.94	84.74	90.40
	Cash reinvestment ratio (%)	0.87	10.88	17.88	(26.08)	14.24
Leverage	Operating leverage	3.28	2.68	2.41	3.14	3.31
	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. Financial Structure:

Due to an increase in sales revenue in the fourth quarter of 2023 compared to the same period in 2022, accounts payable and other current liabilities were increased in 2023, leading to a higher debt-to-assets ratio in 2023 compared to 2022.

Long-term borrowing in 2023 to support prepayment for AI park construction caused the ratio of long-term funds to property, plants, and equipment was decreased in 2023 compared to 2022.

2. Solvency:

The increase in accounts payable and other current liabilities in 2023 led to a decrease in the current ratio compared to 2022.

The pre-tax net profit was decreased in 2023 compared to 2022, resulted in a decrease in the interest coverage ratio in 2023 compared to 2022.

3. Operating Capability:

The lower accounts receivable at the beginning of 2023 led to an increase in the accounts receivable turnover ratio and a decrease in the days of the accounts receivable in 2023.

Due to a decrease in sales revenue and an increase in prepayment for AI park construction in 2023, the turnover ratio of property, plants, and equipment was decreased compared to 2022.

4. Cash Flow:

The increase in cash inflows from operating activities in 2023 compared to 2022 resulted in a higher cash flow ratio in 2023 compared to 2022.

Simultaneously, the lower dividend distribution in 2023 compared to 2022 led to a higher cash reinvestment ratio in 2023 compared to 2022.

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

Note 2: 2024 Q1 Financial information has been 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 capacity

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

5. Cash Flow

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

6. Leverage

- (1) Operating leverage = (net operating income - changes in operating costs and expenses) / operating profit (Note 6).
- (2) Financial leverage = operating profit / (operating profit - 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 are 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 2023 Financial Statements and Consolidated Financial Statements, which were audited by the Certified Public Accountants (CPA) LEE, Fang-Yi and LU, Chien-Hui of KPMG Taiwan 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: **SHAW, Ming-Fu**

Dated: February 22, 2024

Independent Auditors' Report

To the Board of Directors
ELAN MICROELECTRONICS CORPORATION:

Opinion

We have audited the parent-company-only financial statements of ELAN MICROELECTRONICS CORPORATION (“the Company”), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and parent-company-only notes to the financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 Parent-Company-Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, 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 1.77% and 1.95% of the total assets at December 31, 2023 and 2022, respectively, and the related share of profit of associates accounted for using the equity method constituted 0.38% and (1.76)% of the total profit before tax for the years ended December 31, 2023 and 2022, respectively.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only 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:

We understand the Company's policy on the write-down of inventories and evaluate whether the methods and assumptions used to provide an allowance for the write-down of inventories are reasonable. Obtain the calculation details of the provision for the write-down of inventories, and check whether those details are consistent with the accounting records. According to the Company's policy on the allowance of write-down of inventories for depreciation losses, recheck whether the allowance is provided in accordance with the policy.

2. Revenue recognition

Refer to Note (4)(o) and (6)(q) 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:

We understand the main revenue types and transaction conditions, and evaluate whether the timing of revenue recognition is correct; check the sales contracts of major sales objects, and test the Company's internal control methods regarding shipment operations and revenue recognition processes; perform trend analysis of the ten largest customers, so as to assess whether there is any material abnormality; select shipments for a period before and after the balance sheet date of the Company, and check relevant vouchers and forms to determine whether the sales revenue is included in the appropriate period of the financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only 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 parent-company-only 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 Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only 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 parent-company-only 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 parent-company-only 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 parent-company-only 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 parent-company-only financial statements, including the disclosures, and whether the parent-company-only 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 parent-company-only financial statements. We are responsible for the direction, supervision, and performance of the Company 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 parent-company-only 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 Lee, Fang-Yi and Lu, Chien-Hui.

KPMG

Taipei, Taiwan (Republic of China)
February 22, 2024

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 Parent-Company-Only Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION**Balance Sheets****December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 1,799,265	14	1,477,970	12	2170	Accounts payable (note (7))	\$ 1,163,259	9	686,908	6
1110	Current financial assets at fair value through profit or loss (note (6)(b))	20,162	-	193,032	2	2206	Employee bonus payable (note (6)(s))	425,000	3	375,000	3
1136	Current financial assets at amortised cost, net (notes (6)(a) and (8))	1,203,520	9	236,690	2	2230	Current tax liabilities	229,739	2	290,950	2
1172	Notes and accounts receivable, net (note (6)(c))	1,071,013	8	592,624	5	2280	Current lease liabilities (note (6)(l))	18,108	-	13,508	-
1181	Accounts receivable due from related parties (notes (6)(c) and (7))	29,202	-	18,520	-	2300	Other current liabilities (notes (7) and (9))	<u>1,311,875</u>	<u>10</u>	<u>922,473</u>	<u>8</u>
1200	Other receivables (notes (6)(c) and (7))	930,747	7	621,937	5			<u>3,147,981</u>	<u>24</u>	<u>2,288,839</u>	<u>19</u>
1310	Inventories, net (note (6)(d))	1,909,882	15	3,455,970	28	Non-Current liabilities:					
1410	Prepayments and other current assets	<u>35,576</u>	<u>-</u>	<u>31,891</u>	<u>-</u>	2540	Total long-term borrowings (note (6)(k))	468,640	3	-	-
		<u>6,999,367</u>	<u>53</u>	<u>6,628,634</u>	<u>54</u>	2570	Deferred tax liabilities (note (6)(n))	-	-	2,523	-
Non-current assets:						2640	Net defined benefit liability, non-current (note (6)(m))	268,783	2	307,965	3
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	1,233,525	9	1,185,788	10	2580	Non-current lease liabilities (note (6)(l))	683,453	5	687,339	5
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(e))	408,947	3	305,591	3	2645	Guarantee deposits received	9,285	-	9,345	-
1535	Non-current financial assets at amortised cost, net (notes (6)(a) and (8))	7,400	-	7,400	-	2650	Credit balance of investments accounted for using equity method (note (6)(f))	<u>6,120</u>	<u>-</u>	<u>5,993</u>	<u>-</u>
1551	Investments accounted for using equity method (notes (6)(f) and (g))	1,966,039	15	1,996,090	17			<u>1,436,281</u>	<u>10</u>	<u>1,013,165</u>	<u>8</u>
1600	Property, plant and equipment (note (6)(h))	1,493,529	11	894,619	7	Total liabilities		<u>4,584,262</u>	<u>34</u>	<u>3,302,004</u>	<u>27</u>
1755	Right-of-use assets (note (6)(i))	809,485	6	826,553	7	Equity attributable to owners of parent: (notes (6)(f) and (o))					
1780	Intangible assets (note (6)(j))	374,976	3	246,944	2	3100	Capital stock	<u>3,038,804</u>	<u>23</u>	<u>3,038,804</u>	<u>25</u>
1840	Deferred tax assets (note (6)(n))	52,400	-	44,846	-	3200	Capital surplus	<u>936,880</u>	<u>7</u>	<u>838,428</u>	<u>7</u>
1900	Other non-current assets (note (9))	<u>58,171</u>	<u>-</u>	<u>55,236</u>	<u>-</u>		Retained earnings:				
		6,404,472	47	5,563,067	46	3310	Legal reserve	2,902,314	21	2,679,726	22
						3350	Undistributed earnings	<u>2,934,268</u>	<u>22</u>	<u>3,428,146</u>	<u>28</u>
								<u>5,836,582</u>	<u>43</u>	<u>6,107,872</u>	<u>50</u>
						3400	Other equity	<u>113,796</u>	<u>1</u>	<u>11,078</u>	<u>-</u>
						3500	Treasury shares	<u>(1,106,485)</u>	<u>(8)</u>	<u>(1,106,485)</u>	<u>(9)</u>
						Total equity		<u>8,819,577</u>	<u>66</u>	<u>8,889,697</u>	<u>73</u>
Total assets		\$ <u>13,403,839</u>	<u>100</u>	<u>12,191,701</u>	<u>100</u>	Total liabilities and equity		\$ <u>13,403,839</u>	<u>100</u>	<u>12,191,701</u>	<u>100</u>

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION**Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (notes (6)(q) and (7))	\$11,294,860	100	12,435,555	100
5000	Operating costs (notes (6)(d) and (7))	<u>6,032,341</u>	<u>53</u>	<u>6,609,214</u>	<u>53</u>
5900	Gross profit from operations	5,262,519	47	5,826,341	47
5920	Add: Realized (unrealized) profit from sales	<u>6,550</u>	<u>-</u>	<u>(12,510)</u>	<u>-</u>
	Gross profits	<u>5,269,069</u>	<u>47</u>	<u>5,813,831</u>	<u>47</u>
6000	Operating expenses: (notes (6)(c), (j), (7), (9) and (12))				
6100	Selling expenses	512,369	5	785,591	6
6200	Administrative expenses	332,683	3	314,107	3
6300	Research and development expenses	1,761,317	16	1,768,219	14
6450	Impairment loss (gain) determined in accordance with IFRS 9	<u>3,702</u>	<u>-</u>	<u>(5,895)</u>	<u>-</u>
		<u>2,610,071</u>	<u>24</u>	<u>2,862,022</u>	<u>23</u>
6900	Operating income	<u>2,658,998</u>	<u>23</u>	<u>2,951,809</u>	<u>24</u>
7000	Non-operating income and expenses:				
7100	Interest income (note (6)(r))	30,203	-	25,317	-
7010	Other income (notes (6)(r) and (7))	85,813	1	139,459	1
7020	Other gains and losses (notes (6)(g) and (r))	(28,220)	-	89,250	1
7050	Finance costs	(11,189)	-	(11,239)	-
7070	Share of (loss) of subsidiaries and associates accounted for using equity method (note (6)(f))	<u>(126,615)</u>	<u>(1)</u>	<u>(399,504)</u>	<u>(3)</u>
		<u>(50,008)</u>	<u>-</u>	<u>(156,717)</u>	<u>(1)</u>
7900	Profit before tax	2,608,990	23	2,795,092	23
7950	Less: Income tax expenses (note (6)(n))	<u>465,470</u>	<u>4</u>	<u>643,416</u>	<u>5</u>
	Net profit	<u>2,143,520</u>	<u>19</u>	<u>2,151,676</u>	<u>18</u>
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss: (note (6)(m) and (o))				
8311	Gains on remeasurements of defined benefit plans	17,657	-	73,884	1
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	103,356	1	(186,233)	(1)
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	(1,425)	-	317	-
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>119,588</u>	<u>1</u>	<u>(112,032)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss: (note (6)(o))				
8361	Exchange differences on translation of foreign financial statements	(691)	-	2,207	-
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	53	-	10	-
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>(638)</u>	<u>-</u>	<u>2,217</u>	<u>-</u>
8300	Other comprehensive income (loss), net	<u>118,950</u>	<u>1</u>	<u>(109,815)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 2,262,470</u>	<u>20</u>	<u>2,041,861</u>	<u>18</u>
	Earnings per share (expressed in dollars) (note (6)(p))				
9710	Basic earnings per share	\$ <u>7.53</u>		\$ <u>7.56</u>	
9850	Diluted earnings per share	\$ <u>7.46</u>		\$ <u>7.44</u>	

See accompanying notes to parent-company-only financial statements.

(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, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Ordinary shares	Capital surplus	Retained earnings		Other equity		Treasury shares	Total equity
			Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
Balance at January 1, 2022	\$ 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
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
Net profit	-	-	-	2,143,520	-	-	-	2,143,520
Other comprehensive income	-	-	-	16,232	(638)	103,356	-	118,950
Total comprehensive income	-	-	-	2,159,752	(638)	103,356	-	2,262,470
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	222,588	(222,588)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(2,431,042)	-	-	-	(2,431,042)
Other changes in capital surplus:								
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	101,803	-	-	-	-	-	101,803
Changes in ownership interests in subsidiaries	-	(3,351)	-	-	-	-	-	(3,351)
Balance at December 31, 2023	<u>\$ 3,038,804</u>	<u>936,880</u>	<u>2,902,314</u>	<u>2,934,268</u>	<u>(5,344)</u>	<u>119,140</u>	<u>(1,106,485)</u>	<u>8,819,577</u>

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION**Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	2023	2022
Cash flows from operating activities:		
Profit before tax	\$ 2,608,990	2,795,092
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	118,331	110,485
Amortization expense	139,835	108,953
Impairment loss (gain) determined in accordance with IFRS 9	3,702	(5,895)
Net loss on financial assets at fair value through profit or loss	33,584	104,598
Interest expense	11,189	11,239
Interest income	(30,203)	(25,317)
Dividend income	(34,438)	(93,807)
Share of loss of subsidiaries and associates accounted for using equity method	126,615	399,504
Gain on disposal of property, plant and equipment	(1,029)	(2,698)
Loss on adjustments to lease	-	160
Impairment loss and disposal loss on inventory	140,719	144,731
Other operating costs	-	107,740
Others	(6,550)	30,231
Total adjustments to reconcile profit	<u>501,755</u>	<u>889,924</u>
Changes in operating assets and liabilities:		
(Increase) decrease in notes and accounts receivable	(492,773)	1,144,440
Decrease (increase) in inventories	1,405,369	(1,398,586)
(Increase) decrease in other receivables	(308,311)	535,004
Increase in other current assets	(3,685)	(28,066)
Increase (decrease) in notes and accounts payable	476,351	(1,005,501)
Increase (decrease) in other current liabilities	439,400	(418,735)
Decrease in net defined benefit liability	(21,523)	(12,944)
Total adjustments	<u>1,996,583</u>	<u>(294,464)</u>
Cash inflow generated from operations	4,605,573	2,500,628
Interest received	29,704	25,283
Interest paid	(11,189)	(11,239)
Income taxes paid	(536,759)	(1,335,023)
Net cash flows from operating activities	<u>4,087,329</u>	<u>1,179,649</u>
Cash flows from (used in) investing activities:		
Dividends received	95,037	825,177
(Increase) decrease in financial assets at amortized cost	(966,830)	1,473,710
Acquisition of current financial assets at fair value through profit or loss	(23,073)	(109,616)
Proceeds from disposal of current financial assets at fair value through profit or loss	97,035	82,105
Acquisition of non-current financial assets at fair value through profit or loss	(16,471)	(353,706)
Proceeds from capital reduction and liquidation of financial assets at fair value through profit or loss	34,057	44,548
Acquisition of investments accounted for using equity method	(64,595)	(439,811)
Decrease in prepayments for investments	-	147,848
Proceeds from capital reduction of investments accounted for using equity method	10,500	30,000
Acquisition of property, plant and equipment	(684,558)	(127,824)
Proceeds from disposal of property, plant and equipment	1,112	-
Acquisition of intangible assets	(267,581)	(74,154)
(Increase) decrease in refundable deposits	(2,934)	14,800
Net cash flows (used in) from investing activities	<u>(1,788,301)</u>	<u>1,513,077</u>
Cash flows from used in financing activities:		
Increase in long-term borrowings	468,640	-
Decrease in guarantee deposits received	(60)	(1,452)
Payment of lease liabilities	(15,270)	(21,157)
Cash dividends paid	(2,431,043)	(4,102,385)
Net cash flows used in financing activities	<u>(1,977,733)</u>	<u>(4,124,994)</u>
Net increase (decrease) in cash and cash equivalents	321,295	(1,432,268)
Cash and cash equivalents at the beginning of period	<u>1,477,970</u>	<u>2,910,238</u>
Cash and cash equivalents at the end of period	<u><u>\$ 1,799,265</u></u>	<u><u>1,477,970</u></u>

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION

Notes to Parent-company-only Financial Statements

For the years ended December 31, 2023 and 2022

(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, 2024.

(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, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

- (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, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material 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.

- (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

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

- 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.

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;

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

- (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.

- (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.

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

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 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.

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

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.

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.

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

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.

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.

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

(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).

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.

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only 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 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.

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

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

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.

(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.

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ELAN MICROELECTRONICS CORPORATION
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(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.

(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.

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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
- 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;

(Continued)

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- 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.

(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.

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(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
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Computer software cost	1~3 years
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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.

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.

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(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.

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.

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(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.

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.

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ELAN MICROELECTRONICS CORPORATION
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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 (i) that affects neither accounting nor taxable profits (losses) at the time of the transaction; (ii) there are no equivalent taxable and deductible temporary differences.
- (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.

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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.

(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 parent-company-only 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 Company may face economic uncertainties such as inflation, which have no significant impact on the Company. However, such events may significantly affect the following accounting estimates in the next fiscal year, as these estimates involve forecasts of the future.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period in which the changes are made and in the future periods in which they are affected.

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ELAN MICROELECTRONICS CORPORATION
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The relevant information on uncertainties of assumptions and estimates, which have significant risks that will cause major adjustments to the carrying amounts of assets and liabilities in the following year, is deemed as the inventory evaluation. As inventories are measured at the lower of cost and net realizable value, the Company estimates the amount of inventories for normal wear and tear, obsolescence or unmarketable value at each reporting date and either reduces the cost of inventories to net realizable value or records the cost of inventories based on the age of inventories. The value of inventories is mainly determined based on the sales price. Due to the rapid industrial transformation, there may be significant changes in the value of inventories. Please refer to note (6)(d).

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 Company has substantive control over its investees

- (a) The Company 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 Company 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 Company has significant influence on Uniband Electronic Corp.
- (b) The Company 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 Company 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 Company has significant influence on Finger Pro. Incorporation.
- (c) The Company holds 47.71% of the outstanding voting shares of Metanoia Communications Inc. (Metanoia), making it the single largest shareholder, 36.89% of Metanoia Communications Inc. is concentrated in specific shareholders, and the remaining 15.4% is composed of many individuals (employees) and investment companies. Since the specific shareholders are currently in the management of Metanoia and hold more than half of the seats on the Board of Directors, thus having control. And the Company, which cannot obtain more than half of the seats on the Board of Directors of Metanoia, decided to quit the operating team. Therefore, it is determined that the Company has no control over Metanoia but only has significant influence on it. Please refer to Note (6)(g) for details.

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Petty cash	\$ 74	74
Checking and demand deposits	932,771	977,896
Time deposits with maturities of three months or less	2,077,340	744,090
Less: Restricted deposits (recorded as current and non-current financial assets measured at amortized cost) (Note (8))	(68,820)	(99,590)
Time deposits (recorded as current financial assets measured at amortized cost) with original maturities of over three months	<u>(1,142,100)</u>	<u>(144,500)</u>
	<u>\$ 1,799,265</u>	<u>1,477,970</u>

(i) The interest rate range of the time deposit of the Company is as follows:

	December 31, 2023	December 31, 2022
Interest rate range	<u>0.85% ~ 5.54%</u>	<u>0.90% ~ 1.40%</u>

(ii) For the disclosure of the interest rate risk and sensitivity analysis of the Company's financial assets and liabilities, please refer to Note (6)(t).

(iii) The Company did not recognize impairment loss on current and non current financial assets at amortized cost for the twelve months ended December 31, 2023 and 2022. Please refer to note (6)(t) for the information on credit risk of the Company..

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

	December 31, 2023	December 31, 2022
Current:		
Domestic		
Listed stocks	\$ -	4,298
Certificates of beneficial interest	<u>20,162</u>	<u>90,026</u>
Subtotal	<u>20,162</u>	<u>94,324</u>
Foreign		
Certificates of beneficial interest	-	25,215
Short-term commercial papers	<u>-</u>	<u>73,493</u>
Subtotal	<u>-</u>	<u>98,708</u>
Total	<u>\$ 20,162</u>	<u>193,032</u>

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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current:		
Domestic		
Non-publicly traded stocks	\$ 995,818	952,323
Foreign		
Certificates of beneficial interest	<u>237,707</u>	<u>233,465</u>
Total	<u>\$ 1,233,525</u>	<u>1,185,788</u>

- (i) The Company invests in certificates of beneficial interests and short term commercial papers issued by City Credit Investment Bank Limited (CCIB) and City Credit Asset Management Co., Ltd. (CCAM). According to the official announcement on their website prior to March 27, 2023, the principal redemptions for all products will be temporarily suspended starting from January 1, 2023. Furthermore, any trading of the ongoing principal redemptions as of January 1, 2023 will be suspended. The Company evaluated both of the above companies' continuity of operations as a going concern, which involved the fair expression of its asset value, resulting in a financial asset loss of \$101,781 thousand to be recognized at end of December, 2023.
- (ii) 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.
- (iii) As of December 31, 2023 and December 31, 2022, the Company's financial assets at fair value through profit or loss were not pledged as collateral for its loans.
- (iv) Please refer to Note (6)(t) for the disclosure of the financial asset category and fair value measurement of the Company.
- (c) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 3,463	193
Accounts receivable - fair value through other comprehensive income	830,811	410,234
Accounts receivable - measured at amortized cost	290,847	222,549
Less: Loss allowance	<u>(24,906)</u>	<u>(21,832)</u>
	<u>\$ 1,100,215</u>	<u>611,144</u>

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.

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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:

	December 31, 2023		
	Gross carrying amount	Weighted-average loss rate	Expected credit loss
Current	\$ 1,088,718	0.48%	5,268
1 to 30 days past due	13,373	1.44%	193
31 to 60 days past due	3,957	9.41%	372
More than 90 days past due	19,073	50%~100%	19,073
	\$ 1,125,121		24,906

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Expected credit loss
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	19,047	50%~100%	19,047
	\$ 632,976		21,832

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

	2023	2022
Balance at January 1	\$ 21,832	27,727
Impairment loss recognized (reversed)	3,702	(5,895)
Amounts written off	(628)	-
Balance at December 31	\$ 24,906	21,832

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.

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December 31, 2023						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Far Eastern International Bank Co., Ltd.						
KGI Bank						
Entie Commercial Bank, Ltd.	\$ <u>858,034</u>	<u>2,878,400</u>	<u>-</u>	<u>858,034</u>	<u>0.05%~0.10%</u>	None
December 31, 2022						
Purchaser	Accounts derecognized	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Far Eastern International Bank Co., Ltd.						
KGI Bank						
Entie Commercial Bank, Ltd.	\$ <u>586,619</u>	<u>2,929,200</u>	<u>-</u>	<u>586,619</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, 2023 and 2022. 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, 2023 and 2022, and other information on credit risk is disclosed in Note (6)(t).

The Company's notes receivable, accounts receivable, and other receivables have not been pledged as guarantees on December 31, 2023 and December 31, 2022.

(d) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 757,036	1,600,692
Work in progress	875,500	1,574,416
Finished goods	<u>277,346</u>	<u>280,862</u>
	<u>\$ 1,909,882</u>	<u>3,455,970</u>

The details of the cost of sales are as follows:

	2023	2022
Inventory that has been sold	\$ 5,891,001	6,362,750
Write-down of inventories	140,719	144,799
Others	<u>621</u>	<u>101,665</u>
	<u>\$ 6,032,341</u>	<u>6,609,214</u>

As of December 31, 2023 and 2022, the Company had not provided any inventories as collateral for its loans.

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

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income:		
Listed stocks	\$ 386,750	292,495
Emerging stocks	<u>22,197</u>	<u>13,096</u>
	<u>\$ 408,947</u>	<u>305,591</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) There were no disposals of strategic investments and transfers of any accumulative gain or loss within equity relating to these investments as of December 31, 2023 and 2022.
- (iii) For market risk, please refer to note (6)(t).
- (iv) As of December 31, 2023 and 2022, 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:

	December 31, 2023	December 31, 2022
Subsidiaries	\$ 1,605,285	1,749,401
Associates	<u>360,754</u>	<u>246,689</u>
Investments accounted for using equity method	<u>\$ 1,966,039</u>	<u>1,996,090</u>
Credit balance of investments accounted for using equity method	<u>\$ 6,120</u>	<u>5,993</u>

(i) Subsidiaries

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

	2023	2022
The Company's share of gain of subsidiaries accounted for using equity method	<u>\$ (91,848)</u>	<u>(348,782)</u>

Please refer to the consolidated financial statements for the year ended December 31, 2023 for further details.

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ELAN MICROELECTRONICS CORPORATION
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(ii) Associates

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

		Main operating location / Registered Country of the Company	December 31, 2023		December 31, 2022	
	Nature of the relationship		Amount	Share- holding (%)	Amount	Share- holding (%)
Metanoia Communications Inc. (Metanoia)	Research, design, develop, manufacture and sale on client chips.	R.O.C.	\$ 118,467	47.71	-	-
Tong Fu Investment Corporation	Investment holding	R.O.C.	-	46.73	-	46.73
Lighting Device Technologies Crop.	Research, design, develop, manufacture and sale on LED chips	R.O.C.	-	45.07	-	45.07
Top Taiwan X Venture Capital Co., Ltd.	Venture capital	R.O.C.	237,360	30.00	237,906	30.00
Uniband Electronic Corp.	Manufactures and sells electronic devices	R.O.C.	4,927	24.69	8,783	24.69
Finger Pro. Incorporation	Manufactures and sells electronic devices	R.O.C.	-	23.08	-	23.08
			<u>\$ 360,754</u>		<u>246,689</u>	

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

	2023	2022
The Company's share of gain of associates accounted for using equity method	<u>\$ (34,767)</u>	<u>(50,722)</u>

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

	2023	2022
Attributable to the Company:		
Loss from continuing operations	\$ (34,767)	(50,722)
Other comprehensive loss	<u>(53)</u>	<u>10</u>
Comprehensive loss	<u>\$ (34,820)</u>	<u>(50,712)</u>

Investments were accounted for by using the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been reviewed.

(iii) Pledges

As of December 31, 2023 and 2022, the Company had not provided any investments accounted for using the equity method as collateral for its loans.

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(g) Loss control of subsidiaries

The Company lost control over Metanoia Communications Inc.(Metanoia) and its subsidiary (Metanoia EU) due to a board election change in June 2023.

- 1) The detailed assets and liabilities of Metanoia and its subsidiary as of June 30, 2023 are as follows:

Cash and cash equivalents	\$ 102,385
Accounts receivables	18,729
Other receivables	19,448
Inventories	50,557
Prepayments	29,102
Property, plant and equipment	56,783
Intangible assets	143,911
Right-of-use assets	6,506
Guarantee deposits	992
Accounts payable	(27,908)
Other current liabilities	<u>(57,328)</u>
Carrying amount of net assets	<u><u>\$ 343,177</u></u>
Goodwill	<u><u>\$ 16,238</u></u>

- 2) Loss on disposal of a subsidiary

Consideration paid by cash	\$ -
Loss on disposal	<u>(102,385)</u>
	<u><u>\$ (102,385)</u></u>

- 3) The Company's disposal losses on the remaining 47.71% equity of Metanoia, measured at a post evaluation fair value, have no significant impact on 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, 2023	\$ 230,790	1,165,013	574,448	147,428	78,867	2,196,546
Additions	-	90	49,936	4,497	630,035	684,558
Derecognized	-	-	(5,601)	(4,315)	-	(9,916)
Reclassification	-	-	44,651	-	(44,937)	(286)
Balance as of December 31, 2023	<u><u>\$ 230,790</u></u>	<u><u>1,165,103</u></u>	<u><u>663,434</u></u>	<u><u>147,610</u></u>	<u><u>663,965</u></u>	<u><u>2,870,902</u></u>

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ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office and transportation equipment</u>	<u>Equipment awaiting examination</u>	<u>Total</u>
Balance as of January 1, 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>
Accumulated depreciation:						
Balance as of January 1, 2023	\$ -	734,931	453,194	113,802	-	1,301,927
Depreciation	-	19,994	53,912	11,373	-	85,279
Derecognized	-	-	(5,601)	(4,232)	-	(9,833)
Balance as of December 31, 2023	<u>\$ -</u>	<u>754,925</u>	<u>501,505</u>	<u>120,943</u>	<u>-</u>	<u>1,377,373</u>
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>
Carrying value:						
Balance as of December 31, 2023	<u>\$ 230,790</u>	<u>410,178</u>	<u>161,929</u>	<u>26,667</u>	<u>663,965</u>	<u>1,493,529</u>
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>

- (i) Due to the needs of future operations of the Company, the construction payments of the new building in 2023 amounted to \$589,705 thousand. As of December 31, 2023, the capitalized amount of the borrowing costs of the Company was \$3,359 thousand, and the weighted average annual interest rate on dedicated loans was 1.20%.
- (ii) As of December 31, 2023 and 2022, the Company had not provided any property, plant and equipment as collateral for its loans.

(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 and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance as of January 1, 2023	\$ 842,736	34,630	948	10,062	888,376
Additions	-	-	948	15,036	15,984
Derecognized	-	-	(948)	(3,061)	(4,009)
Balance as of December 31, 2023	<u>\$ 842,736</u>	<u>34,630</u>	<u>948</u>	<u>22,037</u>	<u>900,351</u>

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ELAN MICROELECTRONICS CORPORATION
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	Land	Buildings	Machinery and equipment	Office equipment	Total
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><u>\$ 842,736</u></u>	<u><u>34,630</u></u>	<u><u>948</u></u>	<u><u>10,062</u></u>	<u><u>888,376</u></u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2023	\$ 49,713	5,039	764	6,307	61,823
Depreciation	22,006	4,805	316	5,925	33,052
Derecognized	-	-	(948)	(3,061)	(4,009)
Balance as of December 31, 2023	<u><u>\$ 71,719</u></u>	<u><u>9,844</u></u>	<u><u>132</u></u>	<u><u>9,171</u></u>	<u><u>90,866</u></u>
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><u>\$ 49,713</u></u>	<u><u>5,039</u></u>	<u><u>764</u></u>	<u><u>6,307</u></u>	<u><u>61,823</u></u>
Book value:					
Balance as of December 31, 2023	<u><u>\$ 771,017</u></u>	<u><u>24,786</u></u>	<u><u>816</u></u>	<u><u>12,866</u></u>	<u><u>809,485</u></u>
Balance as of December 31, 2022	<u><u>\$ 793,023</u></u>	<u><u>29,591</u></u>	<u><u>184</u></u>	<u><u>3,755</u></u>	<u><u>826,553</u></u>

As of December 31, 2023 and 2022, the Company did not provide any Right-of-use assets as collateral for its loans.

(j) Intangible assets

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

	Goodwill	Technical Know-how	Computer software	Total
Cost:				
Balance as of January 1, 2023	\$ 160,600	65,929	296,960	523,489
Additions	-	50,445	217,136	267,581
Reclassifications	-	-	286	286
Derecognized	-	(6,011)	(187,733)	(193,744)
Balance as of December 31, 2023	<u><u>\$ 160,600</u></u>	<u><u>110,363</u></u>	<u><u>326,649</u></u>	<u><u>597,612</u></u>
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><u>\$ 160,600</u></u>	<u><u>65,929</u></u>	<u><u>296,960</u></u>	<u><u>523,489</u></u>

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ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
Accumulated amortization:				
Balance as of January 1, 2023	\$ -	56,716	219,829	276,545
Additions	-	20,695	119,140	139,835
Derecognized	-	(6,011)	(187,733)	(193,744)
Balance as of December 31, 2023	<u>\$ -</u>	<u>71,400</u>	<u>151,236</u>	<u>222,636</u>
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>
Book value:				
Balance as of December 31, 2023	<u>\$ 160,600</u>	<u>38,963</u>	<u>175,413</u>	<u>374,976</u>
Balance as of December 31, 2022	<u>\$ 160,600</u>	<u>9,213</u>	<u>77,131</u>	<u>246,944</u>

- (i) The amortization of intangible assets recognized under operation costs and operating expenses for the years ended 2023 and 2022 were \$139,835 thousand and \$108,953 thousand, respectively.
- (ii) The additional intangible assets of the Company from January 1 to December 30, 2023 were all purchased from non related parties and it's mainly for the development of Electronic Design Automation (EDA).
- (iii) 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, 2023</u>	<u>December 31, 2022</u>
Laptop input device business cash-generating units	<u>\$ 160,600</u>	<u>160,600</u>

- 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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Average revenue growth rate	3.0 %	1.2 %
Discount rate	11.28 %	12.34 %

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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, 2023 and 2022.

(k) Long and short-term loans

(i) Short-term borrowings

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ -	-
Range of interest rate	-%~ -%	-%~ -%
Unused short-term credit lines	\$ 2,567,000	2,770,000

(ii) Long-term borrowings

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ 468,640	-
Range of interest rate	1.20%	-
Unused long-term credit lines	\$ 6,256,360	6,725,000

- 1) The Company signed long term dedicated loan contracts with certain banks on December 3, 2021, to build factories, with a credit period of ten years. The dedicated loan has a grace period of three years, and the monthly principal and interest are evenly amortized.
- 2) Refer to note (6)(t) for the type of the financial assets and liabilities of the Company.

(l) Lease liabilities

The lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	\$ 18,108	13,508
Non-current	\$ 683,453	687,339

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	\$ 11,188	11,236
Expenses relating to short-term leases	\$ 5,066	9,309
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 1,192	763

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ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

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

	2023	2022
Total cash outflow for leases	\$ 32,716	42,465

(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.

(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.

(m) Employee benefits

(i) Defined benefit plans

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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 397,643	410,994
Fair value of plan assets	(128,860)	(103,029)
Net defined benefit liabilities	\$ 268,783	307,965

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.

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ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$128,860 thousand as of December 31, 2023. 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.

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:

	<u>2023</u>	<u>2022</u>
Defined benefit obligations at January 1	\$ 410,994	483,711
Current service cost and interest cost	7,534	3,748
Remeasurements of net defined benefit liabilities (assets)		
— Actuarial loss (gain) arising from financial assumptions	4,709	(51,734)
— Actuarial loss (gain) arising from experience adjustments	(21,708)	(15,059)
Benefits paid	(3,886)	(9,672)
Defined benefit obligations at December 31	<u><u>\$ 397,643</u></u>	<u><u>410,994</u></u>

3) Movements of plan assets

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

	<u>2023</u>	<u>2022</u>
Fair value of plan assets at January 1	\$ 103,029	88,916
Interest income	1,708	565
Remeasurements of net defined benefit liabilities (assets)		
— Return on plan assets excluding interest income	658	7,091
Contributions paid by the employer	25,825	15,779
Benefits paid	(2,360)	(9,322)
Fair value of plan assets at December 31	<u><u>\$ 128,860</u></u>	<u><u>103,029</u></u>

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ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

4) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for the years ended December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Current service costs	\$ 737	817
Net interest of net liabilities for defined benefit obligations	<u>5,089</u>	<u>2,366</u>
	<u>\$ 5,826</u>	<u>3,183</u>
	<u>2023</u>	<u>2022</u>
Operating cost	\$ 461	270
Selling expenses	487	199
Administration expenses	334	274
Research and development expenses	<u>4,544</u>	<u>2,440</u>
	<u>\$ 5,826</u>	<u>3,183</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, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ (39,977)	33,907
Recognized	<u>(17,657)</u>	<u>(73,884)</u>
Balance at December 31	<u>\$ (57,634)</u>	<u>(39,977)</u>

6) Actuarial assumptions

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.625%	1.750%
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 \$5,917 thousand.

As of December 31, 2023 and 2022, the weighted-average lifetime of the defined benefits plans were 13.14 years and 13.94 years.

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7) Sensitivity analysis

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

	Impact on the defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2023		
Discount rate	\$ (9,342)	9,657
Future salary increasing rate	9,076	(8,836)
December 31, 2022		
Discount rate	(10,392)	10,769
Future salary increasing rate	10,156	(9,858)

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 2023 and 2022.

(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, 2023 and 2022 were as follows:

	2023	2022
Operating cost	\$ 8,004	7,975
Selling expenses	4,936	5,007
Administration expenses	4,357	4,768
Research and development expenses	44,505	43,840
	\$ 61,802	61,590

(n) Income taxes

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

	2023	2022
Current tax expense	\$ 475,547	646,812
Deferred tax benefit	(10,077)	(3,396)
Income tax expense	\$ 465,470	643,416

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

Reconciliation of income tax and profit before tax for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Income before income tax	\$ 2,608,990	2,795,092
Income tax using the Company's domestic tax rate	\$ 521,798	559,018
Suspension of tax-exempt gain on disposal of domestic securities	397	579
Prior year's income tax adjustment	(38,761)	45,074
Investment tax credit	(49,719)	(53,249)
Change in unrecognized temporary differences	21,900	6,300
Investment income from domestic securities	5,425	60,081
Additional tax on undistributed earnings	4,430	25,613
Total	\$ 465,470	643,416

The Company did not recognize income tax directly under other comprehensive income for the years ended December 31, 2023 and 2022.

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2023	December 31, 2022
Realized valuation losses on long-term investment	\$ 62,300	41,200
Tax-deductible loss carry forward	86,100	89,900
Provision for decline in value of inventories	41,800	36,000
Others	3,800	5,000
	\$ 194,000	172,100

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.

(Continued)

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Notes to Parent-company-only Financial Statements

2) Recognized deferred tax assets and liabilities

Movements of recognized deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

Deferred Tax Liabilities:

	Fair Value Gains
Balance at January 1, 2023	\$ (2,523)
Recognized in profit or loss	<u>2,523</u>
Balance at December 31, 2023	<u>\$ -</u>
Balance at January 1, 2022	\$ (1,067)
Recognized in profit or loss	<u>(1,456)</u>
Balance at December 31, 2022	<u><u>\$ (2,523)</u></u>

Deferred Tax Assets:

	Decline in Value of Inventories	Others	Total
Balance at January 1, 2023	\$ 36,029	8,817	44,846
Recognized in profit or loss	<u>5,745</u>	<u>1,809</u>	<u>7,554</u>
Balance at December 31, 2023	<u><u>\$ 41,774</u></u>	<u><u>10,626</u></u>	<u><u>52,400</u></u>
Balance at January 1, 2022	\$ 34,985	5,009	39,994
Recognized in profit or loss	<u>1,044</u>	<u>3,808</u>	<u>4,852</u>
Balance at December 31, 2022	<u><u>\$ 36,029</u></u>	<u><u>8,817</u></u>	<u><u>44,846</u></u>

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

(o) Capital and other equity

As of December 31, 2023 and 2022, 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:

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 231,051	231,051
Treasury share transactions	611,281	509,478
Difference arising from subsidiary's share price and its carrying value	<u>94,548</u>	<u>97,899</u>
	<u><u>\$ 936,880</u></u>	<u><u>838,428</u></u>

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ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only 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. The Company amended the Articles of Association on May 31, 2023, and the profit distribution can be done after the end of each half of the fiscal year.

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.

(Continued)

ELAN MICROELECTRONICS CORPORATION
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3) Earnings distribution

The Company's profit distribution plan for the first half of 2023, 2022, 2021 and the cash dividend per share have been resolved by the Board of Directors as follows:

	For the six month ended December 31	For the six month ended June 30	2022	2021
Shareholders meeting resolution date	-	-	May 31 2023	June 15 2022
Board resolution date	February 22, 2024	August 3, 2023	February 22, 2023	February 22, 2022
Cash dividend	\$ 911,641	607,760	1,823,282	4,102,385
Cash dividend per share	\$ 3.00	2.04	6.13	13.81

Relevant information on the above mentioned distribution can be inquired at the Market Observation Post System.

(iii) Treasury shares

	December 31, 2023		December 31, 2022	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
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:

	2023		2022	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
Ending balance (Beginning 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.

The Company, through a board resolution on January 15, 2024, decided to transfer all shares repurchased at the treasury stock buyback price to employees. The number of shares transferred was 6,857 thousand shares, with a transfer amount of \$1,077,920 thousand.

- 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, 2023 and 2022, the information on the Company's stock held by Elan Investment Corp. was as follows:

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ELAN MICROELECTRONICS CORPORATION
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	For the years ended December 31					
	2023			2022		
	Shares (in thousands)	Acquisition cost	Total market value	Shares (in thousands)	Acquisition cost	Total market value
Opening balance	12,438	\$ 28,975	1,069,685	12,438	28,975	2,114,494
Effects of valuation change	-	-	951,522	-	-	(1,044,809)
Ending balance	<u>12,438</u>	<u>\$ 28,975</u>	<u>2,021,207</u>	<u>12,438</u>	<u>28,975</u>	<u>1,069,685</u>

The Company transferred cash dividend revenue received by Elan Investment Corp. amounting to \$101,803 thousand and \$171,792 thousand to capital surplus-treasury stock in 2023 and 2022, respectively.

(iv) Other equity

The movements of other equity were as follows:

	For the years ended December 31, 2023		
	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1	\$ (4,706)	15,784	11,078
Foreign exchange differences:			
The Company	5	-	5
Subsidiaries	(696)	-	(696)
Associates	53	-	53
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Company	-	103,356	103,356
Balance as of December 31	<u>\$ (5,344)</u>	<u>119,140</u>	<u>113,796</u>
	For the years ended December 31, 2022		
	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1	\$ (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 measured at fair value through other 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>

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

(p) Earnings per share

The Company's earnings per share for the years ended December 31, 2023 and 2022 were calculated as follows:

(i) Basic earnings per share:

	<u>2023</u>	<u>2022</u>
Net profit attributable to ordinary shareholders of the Company	\$ <u>2,143,520</u>	<u>2,151,676</u>
Weighted average number of ordinary shares outstanding (in thousands)	<u>284,585</u>	<u>284,585</u>
Earnings per share	\$ <u>7.53</u>	<u>7.56</u>

(ii) Diluted earnings per share:

	<u>2023</u>	<u>2022</u>
Net profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>2,143,520</u>	<u>2,151,676</u>
Weighted average number of ordinary shares outstanding (in thousands)	284,585	284,585
Effect of dilutive potential ordinary shares (in thousands)		
— employee share bonus	2,890	4,566
Weighted average number of ordinary shares outstanding (diluted)(in thousands)	<u>287,475</u>	<u>289,151</u>
Diluted earnings per share	\$ <u>7.46</u>	<u>7.44</u>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Taiwan	\$ 690,798	906,714
Mainland China	1,613,998	2,322,925
Hong Kong	8,910,696	9,089,669
America	-	3,002
Europe	194	3,317
Other	79,174	109,928
	<u>\$ 11,294,860</u>	<u>12,435,555</u>
Main products:		
Consumer Touch Control Integrated Circuit	\$ 2,447,755	3,195,350
Laptop Input Device	8,800,250	9,203,681
Development and other income	46,855	36,524
	<u>\$ 11,294,860</u>	<u>12,435,555</u>

(Continued)

ELAN MICROELECTRONICS CORPORATION
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(ii) Contract balances

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

(r) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	2023	2022
Interest income from bank deposits	<u><u>\$ 30,203</u></u>	<u><u>25,317</u></u>

(ii) Other income

	2023	2022
Rent income	\$ 5,702	6,656
Dividend income	34,437	93,807
Government grants	27,717	5,000
Others	<u>17,957</u>	<u>33,996</u>
Total	<u><u>\$ 85,813</u></u>	<u><u>139,459</u></u>

(iii) Other gains and losses

	2023	2022
Foreign exchange gains	\$ 4,477	194,089
Loss on adjustments to lease	-	(160)
Gains (losses) on financial asset at fair value through profit or loss	68,197	(104,598)
Losses on financial asset at fair value through profit or loss	(101,781)	-
Gain on disposals of property, plant and equipment	1,029	2,698
Miscellaneous disbursement	<u>(142)</u>	<u>(2,779)</u>
Total	<u><u>\$ (28,220)</u></u>	<u><u>89,250</u></u>

(s) 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, 2023 and 2022, the amounts of employees' bonuses were estimated at \$386,000 thousand and \$334,000 thousand, respectively. The amounts of compensation to directors and supervisors were estimated at \$39,000 thousand and \$41,000 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These bonuses

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ELAN MICROELECTRONICS CORPORATION
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and compensation were expensed under operating costs or operating expenses during 2023 and 2022. 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 2023 and 2022.

(t) 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, 2023 and 2022, 88% and 83%, 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, 2023 and 2022, 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.

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	<u>Carrying amount</u>	<u>Con- tractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2023							
Non-derivative financial liabilities							
Notes and accounts payable	\$ 1,163,259	1,163,259	1,163,259	-	-	-	-
Other payable	955,494	955,494	955,494	-	-	-	-
Lease liabilities	701,561	899,044	7,903	17,307	19,622	49,855	804,357
Long-term borrowings	468,640	498,867	2,812	2,812	16,776	213,800	262,667
Deposits Received	9,285	-	-	-	-	-	-
	<u>\$ 3,298,239</u>	<u>3,516,664</u>	<u>2,129,468</u>	<u>20,119</u>	<u>36,398</u>	<u>263,655</u>	<u>1,067,024</u>
December 31, 2022							
Non-derivative financial liabilities							
Notes and accounts payable	\$ 686,908	686,908	686,908	-	-	-	-
Other payables	548,834	548,834	548,834	-	-	-	-
Lease liabilities	700,847	909,294	8,043	12,611	18,078	50,176	820,386
Deposits Received	9,345	-	-	-	-	-	-
	<u>\$ 1,945,934</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>

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, 2023			December 31, 2022		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets:</u>						
<u>Monetary item</u>						
USD	\$ 84,494	30.71	2,594,876	60,525	30.73	1,859,933
<u>Financial liabilities:</u>						
<u>Monetary item</u>						
USD	56,743	30.71	1,742,578	31,453	30.73	966,551

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, 2023 and 2022 would have increased (decreased) the net profit after tax by \$34,092 thousand and \$35,735 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variables remaining constant. The analysis is performed on the same basis in 2023 and 2022.

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ELAN MICROELECTRONICS CORPORATION
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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 \$4,477 thousand and loss amounted to \$194,089 thousand for the years ended December 31, 2023 and 2022, 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.

If the interest rate increases/decreases by 0.5%, the Company's net income will increase/decrease by \$30 thousand and \$49 thousand for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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:

	2023		2022	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increase 5%	<u>\$ 16,358</u>	<u>49,341</u>	<u>12,224</u>	<u>36,340</u>
Decrease 5%	<u>\$ (16,358)</u>	<u>(49,341)</u>	<u>(12,224)</u>	<u>(36,340)</u>

(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:

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December 31, 2023					
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss (current and non-current)	\$ 1,253,687	20,162	-	1,233,525	1,253,687
Financial assets at fair value through other comprehensive income					
Stocks	408,947	386,750	-	22,197	408,947
Accounts receivable	830,811	-	-	-	-
Subtotal	1,239,758	386,750	-	22,197	408,947
Financial assets measured at amortized cost					
Notes and accounts receivable	1,799,265	-	-	-	-
Other receivables	294,310	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	930,747	-	-	-	-
Guarantee deposits	1,210,920	-	-	-	-
Guarantee deposits	58,171	-	-	-	-
Subtotal	4,293,413	-	-	-	-
Total	<u>\$ 6,786,858</u>	<u>406,912</u>	<u>-</u>	<u>1,255,722</u>	<u>1,662,634</u>
Financial liabilities measured at amortized cost					
Notes and accounts payable	\$ 1,163,259	-	-	-	-
Other payables	955,494	-	-	-	-
Lease liabilities (current and non-current)	701,561	-	-	-	-
Long-term borrowings	468,640	-	-	-	-
Guarantee deposits received	9,285	-	-	-	-
Total	<u>\$ 3,298,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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)	\$ 1,378,820	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

(Continued)

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Notes to Parent-company-only Financial Statements

	December 31, 2022				
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
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	<u><u>\$ 4,716,620</u></u>	<u><u>94,324</u></u>	<u><u>391,203</u></u>	<u><u>1,198,884</u></u>	<u><u>1,684,411</u></u>
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><u>\$ 1,945,934</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

2) Valuation techniques for financial instruments measured at fair value

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

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date.

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.

(Continued)

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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, 2023 and 2022.

4) Reconciliation of Level 3 fair values

	Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)	Financial assets at fair value through other comprehensive income	Total
Opening balance, January 1, 2023	\$ 1,185,788	13,096	1,198,884
Total gains and losses recognized:			
In profit or loss	65,324	-	65,324
In other comprehensive income	-	9,101	9,101
Purchased	16,471	-	16,471
Capital reduction for redistribution to shareholders	(34,058)	-	(34,058)
Ending Balance, December 31, 2023	<u>\$ 1,233,525</u>	<u>22,197</u>	<u>1,255,722</u>
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 and liquidation for redistribution to shareholders	(40,648)	-	(40,648)
Ending Balance, December 31, 2022	<u>\$ 1,185,788</u>	<u>13,096</u>	<u>1,198,884</u>

For the years ended December 31, 2023 and 2022, 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:

	2023	2022
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	\$ 65,324	(115,907)
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	9,101	(7,873)

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ELAN MICROELECTRONICS CORPORATION
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- 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".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss - equity investments without an active market	Market Comparison Method	<ul style="list-style-type: none"> Price-to-book ratio (December 31, 2023 and December 31, 2022: 1.38 and 1.09) Liquidity discount (December 31, 2023 and December 31, 2022: 27.94% and 30%) 	<ul style="list-style-type: none"> The estimated fair value would increase (decrease) if: the price-to-book ratio were higher (lower); the liquidity discount were lower (higher);
Financial assets at fair value through profit or loss - equity investments without an active market	Net Asset Value Method	Net Asset Value	<ul style="list-style-type: none"> The estimated fair value would increase (decrease) if net asset value were higher (lower)

- 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:

(Continued)

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Notes to Parent-company-only Financial Statements

(u) 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.

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

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.

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

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.

(v) 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, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 4,584,262	3,302,004
Less: cash and cash equivalents	<u>(1,799,265)</u>	<u>(1,477,970)</u>
Net debt	<u>\$ 2,784,997</u>	<u>1,824,034</u>
Total equity	<u>\$ 8,819,577</u>	<u>8,889,697</u>
Debt-to-equity ratio	<u>31.58 %</u>	<u>20.52 %</u>

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

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follows:

- (i) For right-of-use assets under leases, please refer to note (6)(i).

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ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes		December 31, 2023
			Foreign exchange movement	Others	
Long-term borrowings	\$ -	468,640	-	-	468,640
Lease liabilities	700,847	(15,270)	-	15,984	701,561
Guarantee deposits received	9,345	(60)	-	-	9,285
Total liabilities from financial activities	<u>\$ 710,192</u>	<u>453,310</u>	<u>-</u>	<u>15,984</u>	<u>1,179,486</u>

	January 1, 2022	Cash flows	Non-cash changes		December 31, 2022
			Foreign exchange movement	Others	
Lease liabilities	\$ 683,388	(9,922)	-	27,381	700,847
Guarantee deposits received	10,797	(1,452)	-	-	9,345
Total liabilities from financial activities	<u>\$ 694,185</u>	<u>(11,374)</u>	<u>-</u>	<u>27,381</u>	<u>710,192</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.

Name of related party	Relationship with the Company
Elan H.K. Microelectronics Corporation	A subsidiary
Elan Investment Corp.	A subsidiary
Avisonic Technology Corp.	A subsidiary
Eminent Electronic Technology Corp. Ltd.	A subsidiary
PiXORD Corporation	A subsidiary
JPUP Electron Co., Ltd.	
Metanoia Communications Inc.	Metanoia was originally a subsidiary of the Company. However, the Company lost control over Matanoia on June 30, 2023; hence it became an associated enterprise of the Group from the date.
Key management personnel	All directors, supervisors, president and vice president

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

(b) Significant transactions with related parties

(i) Sales

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

	2023	2022
Subsidiaries-Elan H.K.	<u><u>\$ 320,747</u></u>	<u><u>407,307</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

	2023	2022
Associates -Metanoia	\$ 1,207	1,051
Subsidiaries-Avisonic	260	308
Subsidiaries-Eminent	<u>9,010</u>	<u>10,416</u>
	<u><u>\$ 10,477</u></u>	<u><u>11,775</u></u>

(iii) Rent income

	2023	2022
Subsidiaries-PiXORD	\$ 1,629	1,629
Subsidiaries-Avisonic	1,363	1,363
Associates -Metanoia	-	1,757
Subsidiaries-Eminent	<u>2,182</u>	<u>1,906</u>
	<u><u>\$ 5,174</u></u>	<u><u>6,655</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:

	2023	2022
Subsidiaries-JPUP	<u><u>\$ 2,133</u></u>	<u><u>3,939</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.

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ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only 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 2023 and 2022 were as follows:

	2023	2022
Subsidiaries-ELAN H.K.	\$ 246,129	286,737

(vi) Receivable from related parties

The receivables from related parties were as follows:

Accounts	Types of related parties	December 31, 2023	December 31, 2022
Accounts receivable	Subsidiaries-Elan H.K.	\$ 28,384	18,365
Accounts receivable	Subsidiaries-Eminent	818	155
Other receivables	Associates -Metanoia	-	3,943
Other receivables	Subsidiaries-Avisonic	2,568	188
Other receivables	Subsidiaries-PiXORD	446	435
Other receivables	Subsidiaries-Eminent	27,892	5,777
		\$ 60,108	28,863

(vii) Payables to related parties

The payables to related parties were as follows:

Accounts	Types of related parties	December 31, 2023	December 31, 2022
Accounts payable	Subsidiaries-JPUP	\$ 302	440
Accounts payable	Subsidiaries-Elan H.K.	19,776	11,225
		\$ 20,078	11,665

(viii) Prepaid to related parties

The prepaid to related parties were as follows:

Accounts	Types of related parties	December 31, 2023	December 31, 2022
Other prepaid expenses	Subsidiaries-PiXORD	\$ 4,254	-

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

(c) Key management personnel compensation

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 83,324	81,013
Post-employment benefits	<u>295</u>	<u>171</u>
	<u>\$ 83,619</u>	<u>81,184</u>

The short-term employee benefits include remuneration to employees and directors. Please refer to Note (6)(s) for further details.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current financial assets at amortized cost (Certificate Deposit)	Guarantee of the creditors of the purchase transactions	\$ 61,420	92,190
Non-current financial assets at amortized cost (Certificate Deposit)	Use land guarantee for Hsinchu Science Park Bureau	<u>7,400</u>	<u>7,400</u>
		<u>\$ 68,820</u>	<u>99,590</u>

(9) Commitments and contingencies:

(a) In addition to the description in Note (6)(k), as follows:

(i) 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, 2023 and 2022, the financial institutions had issued performance guarantees amounting to \$3,000 thousand.

(ii) As of December 31, 2023 and 2022, the refundable notes payable for short-term borrowings amounted to \$2,570,000 thousand and \$2,770,000 thousand, respectively.

(b) As of December 31, 2023 and 2022, the refundable notes payable for lease amounted to \$600 thousand.

(c) 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.

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ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

(d) Government grant

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 2023 and 2022, the subsidy recognized, amounting to \$23,620 thousand and \$0 thousand respectively, was classified as other income. As of December 31, 2023 and 2022, the subsidy of \$41,144 thousand and \$23,620 thousand respectively, which had been received by the Company was recognized as "Other Current Liabilities". As of December 31, 2023 and 2022, the financial institutions have issued performance guarantee amounting to \$64,764 thousand and \$23,620, respectively.

(e) As of December 31, 2023 and 2022, the total amount of the building contract signed by the Company was \$43,000 thousand and the payable amount in the following years will amount to \$12,208 thousand and \$19,054 thousand, respectively.

(f) The Company signed a project contract at April 28, 2023 (including civil, mechanical and electrical engineering) with Leeming Construction Co., Ltd., a non related party, to build a factory and office building in the International AI Smart Park in Hsinchu County, at the total contract amount of \$5,858,000 thousand. (tax included), as of December 31, 2023, the unrecognized contract commitment amount is \$5,238,809 thousand.

(10) Losses due to major disasters: None.

(11) Subsequent events:

(a) Please refer to Note (6)(o) for details on earnings distribution.

(b) Please refer to Note (6)(o) for details on the transfer of treasury shares to employees after the reporting date.

(12) Others:

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

	For the years ended December 31					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	\$ 260,854	1,533,363	1,794,217	281,228	1,484,069	1,765,297
Labor and health insurance	22,798	96,049	118,847	30,846	101,506	132,352
Pension expenses	8,466	59,162	67,628	8,245	56,528	64,773
Remuneration of directors	-	42,940	42,940	-	44,990	44,990
Others	19,525	37,221	56,746	21,715	37,973	59,688
Depreciation	44,361	73,970	118,331	38,828	71,657	110,485
Amortization	8,865	130,970	139,835	6,589	102,364	108,953

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ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

For the years ended December 31, 2023 and 2022, the total numbers of employees and employee benefits were as follows:

	<u>2023</u>	<u>2022</u>
Number of employees	<u>991</u>	<u>1,018</u>
Number of directors who were not employees	<u>7</u>	<u>7</u>
The average employee benefits	<u>\$ 2,071</u>	<u>2,000</u>
The average salaries and wages	<u>\$ 1,823</u>	<u>1,746</u>
The adjustment rate of average employee salaries	<u>4.41 %</u>	<u>(17.21)%</u>
Supervisors' remuneration	<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.

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ELAN MICROELECTRONICS CORPORATION

Notes to Parent-company-only 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, 2023:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2023 (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	
	Stock:							
Elan InvestmentCorp.	Finemat Applied Materials Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	8,900	\$ 274,576	13.41%	\$ 274,576	
Elan Investment Corp.	Elan Microelectronics Corporation	Subsidiary	Non-current financial assets at fair value through other comprehensive income	12,438	2,021,207	4.09%	2,021,207	
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,077	22,197	4.13%	22,197	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,500	386,750	7.87%	386,750	
					<u>\$ 2,704,730</u>		<u>\$ 2,704,730</u>	
	Certificates of beneficial interest:							
Elan Microelectronics Corporation	Fubon Chi-Hsiang Money Market Fund	-	Current financial assets at fair value through profit or loss	1,252	\$ 20,162	-	\$ 20,162	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	218	-	-	-	Note
Elan Microelectronics Corporation	Vertex Growth (SG) LP	-	Non-current financial assets at fair value through other comprehensive income	-	222,925	-	222,925	
Elan Microelectronics Corporation	Vertex Growth II (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	14,782	-	14,782	
Elan InvestmentCorp.	FSITC US Top 100 Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	1,500	14,129	-	14,129	
Elan InvestmentCorp.	FSITC Global Wealthy Nations Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	2,629	24,359	-	24,359	
Elan InvestmentCorp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	6,225	-	6,225	
Elan InvestmentCorp.	FSITC Global Health & Weight Loss Fund	-	Current financial assets at fair value through profit or loss	500	4,450	-	4,450	
Elan InvestmentCorp.	FSITC Taiwan Core Strategic Construction Fund	-	Current financial assets at fair value through profit or loss	1,000	13,560	-	13,560	
Elan InvestmentCorp.	Nomura Global Short Duration Bond Fund TWD	-	Current financial assets at fair value through profit or loss	9,484	101,230	-	101,230	
Elan InvestmentCorp.	Nomura Global Financial Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	3,589	36,623	-	36,623	
Elan InvestmentCorp.	Taishin Global Multi-asset Fund of Funds A TWD	-	Current financial assets at fair value through profit or loss	1,000	12,130	-	12,130	

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Notes to Parent-company-only 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 InvestmentCorp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	21,630	-	21,630	
Elan InvestmentCorp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	52,511	-	52,511	
Elan InvestmentCorp.	Taishin ESG Emerging Markets Bond Fund A TWD	-	Current financial assets at fair value through profit or loss	3,003	25,519	-	25,519	
Elan InvestmentCorp.	Taishin Short Duration Emerging High Yield Bond Fund A-TWD	-	Current financial assets at fair value through profit or loss	4,200	41,572	-	41,572	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	589	-	-	-	Note
					<u>\$ 611,807</u>		<u>611,807</u>	
	Short-term commercial papers:							
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	195	\$ -	-	\$ -	Note
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	-	-	-	Note
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (SERIES II)	-	Current financial assets at fair value through profit or loss	100	-	-	-	Note
	Non-publicly traded stocks:							
Elan Microelectronics Corporation	Chino-Excel Technology Corporation	-	Non-current financial assets at fair value through other comprehensive income	823	\$ -	1.48%	\$ -	
Elan Microelectronics Corporation	Panther technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	340	6,061	0.94%	6,061	
Elan Microelectronics Corporation	XINCE Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,866	-	9.24%	-	
Elan Microelectronics Corporation	TOP TAIWAN VI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	84	167	2.17%	167	
Elan Microelectronics Corporation	TOP TAIWAN VII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	178	4,228	6.12%	4,228	
Elan Microelectronics Corporation	TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	725	12,292	4.17%	12,292	
Elan Microelectronics Corporation	Midastouch Research Corporation	-	Non-current financial assets at fair value through other comprehensive income	2,500	4,650	8.16%	4,650	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	2,625	62,638	6.25%	62,638	
Elan Microelectronics Corporation	Inno Bridge Venture Capital	-	Non-current financial assets at fair value through other comprehensive income	800	2,389	11.35%	2,389	
Elan Microelectronics Corporation	Startek Engineering Inc.	-	Non-current financial assets at fair value through other comprehensive income	189	-	0.53%	-	
Elan Microelectronics Corporation	North Star Venture Capital	-	Non-current financial assets at fair value through other comprehensive income	3,000	37,656	10.00%	37,656	

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Notes to Parent-company-only Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	82,636	82,646	6.25%	82,646	
Elan Microelectronics Corporation	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through other comprehensive income	495	-	1.54%	-	
Elan Microelectronics Corporation	Lyra Semiconductor Incorporated	-	Non-current financial assets at fair value through other comprehensive income	1,440	-	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	301,511	18.52%	301,511	
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through other comprehensive income	7	-	0.24%	-	
Elan Microelectronics Corporation	Taiwania Capital Buffalo Fund V, LP.	-	Non-current financial assets at fair value through profit or loss	-	47,103	3.19%	47,103	
Elan Microelectronics Corporation	TOP TAIWAN XIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	15,000	142,407	17.44%	142,407	
Elan Microelectronics Corporation	TOP TAIWAN XIV VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	29,000	288,989	13.30%	288,989	
Elan Microelectronics Corporation	Cruise 10 Co., Ltd	-	Non-current financial assets at fair value through profit or loss	625	3,081	5.26%	3,081	
Elan InvestmentCorp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	24,871	3.88%	24,871	
Elan InvestmentCorp.	RISE Technology Com	-	Non-current financial assets at fair value through profit or loss	769	-	3.23%	-	
Elan InvestmentCorp.	Pica 8 - Preferred shares	-	Non-current financial assets at fair value through profit or loss	342	-	1.75%	-	
Elan InvestmentCorp.	Arplanet Digital Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	128	-	2.70%	-	
Elan InvestmentCorp.	ZQAM Communications Corporation - Preferred shares	-	Non-current financial assets at fair value through profit or loss	75	642	0.71%	642	
Elan InvestmentCorp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	6,419	2.53%	6,418	
Elan InvestmentCorp.	ALGOLREALITY CO., LTD. - Preferred shares	-	Non-current financial assets at fair value through profit or loss	100	-	13.04%	-	
Elan InvestmentCorp.	Vita Genomics, Inc.	-	Non-current financial assets at fair value through profit or loss	677	3,405	1.13%	3,405	
Elan InvestmentCorp.	Cognito Health International Inc.	-	Non-current financial assets at fair value through profit or loss	1,010	-	1.13%	-	
Elan InvestmentCorp.	Taiwan Intelligent Connect Co., Ltd. - Preferred shares	-	Non-current financial assets at fair value through profit or loss	10,000	1,322	14.29	1,322	
Elan InvestmentCorp.	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	370	-	1.16%	-	
					<u>\$ 1,032,477</u>		<u>\$ 1,032,476</u>	

Note 1: In the first quarter of 2023, 168,774 thousand of financial asset impairment has been provided

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

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ELAN MICROELECTRONICS CORPORATION

Notes to Parent-company-only Financial Statements

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Elan Microelectronics Corporation	New factory in Zhubei AI Park	2023.4.28	5,858,000 (Tax included)	619,191 (Tax included)	LeeMing Construction CO., LTD.	none				-	Not applicable due to commissioned construction of leased land	To meet the needs of future operations	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	320,747	2.84 %	Open Account 45 Days	-		28,384	2.52%	

- (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, 2023 (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, 2023			Share of profits/losses of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	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 %	404,354	83,629	83,629	Note 1
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	919,972	(31,905)	(31,905)	Note 1
Elan Microelectronics Corporation	Elan Information Technology Group	California, USA	Sale, after-sales service and provide new informational skills	22,822	22,822	65	100.00 %	14,267	(1,152)	(1,152)	Note 1
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 %	(6,120)	(5,865)	(2,874)	Note 1
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	665,865	47,363	46.89 %	118,467	(211,447)	(99,148)	Note 3
Elan Microelectronics Corporation	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	224,746	194,226	20,569	83.40 %	4,939	(31,281)	(26,098)	Note 1
Elan Microelectronics Corporation	Tong fu Investment Corp.	Hsin-Chu, Taiwan	Investment holding	26,070	26,070	3,000	46.73 %	-	-	-	Note 2
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 %	-	-	-	Note 2
Elan Microelectronics Corporation	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	151,137	117,062	14,646	92.27 %	40,157	(27,913)	(26,279)	Note 1
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 %	23,962	(38,784)	(7,175)	Note 1
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	199,500	210,000	19,950	30.00 %	237,360	33,181	9,954	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	2,500	24.69 %	4,927	(15,587)	(3,849)	

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Share of profits/losses of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
Elan Microelectronics Corporation	Finger Pro. Incorporation	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	6,000	6,000	600	23.08 %	-	-	-	Note 2
Elan Microelectronics Corporation	Chimei Motor Electronic CO., LTD.	Taipei, Taiwan	Image recognition, automotive electronic manufacturing and wholesaling business	228,650	228,650	9,250	30.83 %	197,634	(50,952)	(21,720)	Note 1
Elan Investment Corp.	Avisionic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	15,754	6,463	1,575	6.39 %	407	(31,281)	(1,348)	Note 1
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 %	-	-	-	Note 2
Elan Investment Corp.	PiXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	9,990	4,065	987	6.22 %	2,707	(27,913)	(1,100)	Note 1
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 %	16,663	(211,447)	(1,734)	Note 3
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 %	12,805	(38,784)	(3,727)	Note 1
Elan H.K.	Power Asia Investment Corporation	Republic of Mauritius	Investment business	89,572	89,572	2,861	100.00 %	29,508	2,026	2,026	Note 1
Chimei Motor Electronic CO., LTD.	CHIMEI MOTOR ELECTRONICS (SAMOA) CO., LTD.	Somoa	Investment holding	52,555	37,145	1,750	100.00 %	24,635	(4,282)	(4,282)	Note 1
Metanoia Communications Inc.	Metanoia Communications Europe	France	Provide technical support and information service	18,410	18,410	571	100.00 %	8,336	(281)	(281)	Note 3

Note1: Investments in subsidiaries the Company has control over have been eliminated at the Group level from long term investment.
Note2: The full amount has been included in impairment loss.
Note3: Investee companies that lose control on June 30, 2023.

- (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, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) recognized	Carrying value as of December 31, 2023	Accumulated inward remittance of earnings as of December 31, 2023	The investment returns repatriated as of the end of this year
					Outflow	Inflow							
Elan Microelectronics (Shanghai) Co., Ltd.	Provide technical support and information service	52,095	(2)	52,095	-	-	52,095	809	100.00%	100	809	19,697	-
Elan Microelectronics (Shenzhen) Co., Ltd.	Provide technical support and information service	34,670	(2)	34,670	-	-	34,670	1,206	100.00%	100	1,206	9,323	-
Gianteye Technology (Shanghai) CO., LTD.	Development of advanced driver assistance systems and wholesale of automotive electronic products	52,555	(2)	37,145	15,410	-	52,555	(4,279)	100.00%	100	(4,279)	24,609	-

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.

(Continued)

ELAN MICROELECTRONICS CORPORATION
Notes to Parent-company-only Financial Statements

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Elan Microelectronics Corporation	86,765(USD2,500,000)	98,333(USD2,500,000)	5,291,746
Chimei Motor Electronic Co., LTD.	37,145(USD1,250,000)	37,247(USD1,250,000)	172,588

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.

(14) Segment information:

Please refer to the consolidated financial statements of 2023.

**5.Last Fiscal Year's Parent-Subsidiary Consolidated
Financial Statements and Independent Auditors' Report**

3

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, 2023 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, 2024

Independent Auditors' Report

To the Board of Directors of
ELAN MICROELECTRONICS CORPORATION:

Opinion

We have audited the consolidated financial statements of ELAN MICROELECTRONICS CORPORATION and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, the consolidated statement 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 material 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, 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 1.69% and 1.79% of the consolidated total assets on December 31, 2023 and 2022, respectively, and the related share of profit of associates accounted for using the equity method constituted 0.40% and (1.82)% 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, 2023 and 2022, 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:

We understand the Group's policy on the write-down of inventories and evaluate whether the methods and assumptions used to provide an allowance for the write-down of inventories are reasonable. Obtain the calculation details of the provision for the write-down of inventories, and check whether those details are consistent with the accounting records. According to the Group's policy on the allowance of write-down of inventories for depreciation losses, recheck whether the allowance is provided in accordance with the policy.

2. Revenue recognition

Refer to Note (4)(o) 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:

We understand the main revenue types and transaction conditions, and evaluate whether the timing of revenue recognition is correct; check the sales contracts of major sales objects, and test the Group's internal control methods regarding shipment operations and revenue recognition processes; perform trend analysis of the ten largest customers, so as to assess whether there is any material abnormality; select shipments for a period before and after the balance sheet date of the Group, and check relevant vouchers and forms to determine whether the sales revenue is included in the appropriate period of the financial statements.

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 Fang-Yi Lee and Chien-Hui Lu.

KPMG

Taipei, Taiwan (Republic of China)
February 22, 2024

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, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 2,614,034	19	2,663,688	20	2100	Short-term borrowings (notes (6)(l) and (9))	\$ 40,000	-	80,000	1
1110	Current financial assets at fair value through profit or loss (note (6)(b))	374,100	3	522,248	4	2170	Accounts payable	1,184,992	8	721,448	6
1136	Current financial assets at amortised cost, net (notes (6)(a) and (8))	1,452,478	10	266,390	2	2206	Employee bonus payable (note (6)(v))	425,000	3	375,000	3
1170	Notes and accounts receivable, net (note (6)(c))	1,116,395	8	719,408	6	2230	Current tax liabilities	229,780	2	309,291	2
1200	Other receivables (note (6)(c))	916,755	7	760,826	6	2280	Current lease liabilities (note (6)(n))	27,991	-	29,525	-
1310	Inventories, net (note (6)(d))	2,111,303	15	3,730,924	28	2325	Current preference share liabilities (note (6)(m))	-	-	40,000	-
1410	Prepayments and other current assets (note (9))	<u>38,453</u>	<u>-</u>	<u>58,797</u>	<u>-</u>	2399	Other current liabilities (note (9))	<u>1,416,365</u>	<u>10</u>	<u>1,063,518</u>	<u>8</u>
		<u>8,623,518</u>	<u>62</u>	<u>8,722,281</u>	<u>66</u>			<u>3,324,128</u>	<u>23</u>	<u>2,618,782</u>	<u>20</u>
Non-current assets:						Non-Current liabilities:					
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	1,544,760	11	1,475,757	11	2540	Long-term borrowings (note (6)(l))	468,640	3	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(e))	408,947	3	305,591	3	2570	Deferred tax liabilities (note (6)(p))	299	-	3,365	-
1536	Non-current financial assets at amortized cost (notes (6)(a) and (8))	7,400	-	7,400	-	2580	Non-current lease liabilities (note (6)(n))	689,408	5	705,770	5
1551	Investments accounted for using equity method (note (6)(f))	377,418	3	246,691	2	2640	Net defined benefit liability, non-current (note (6)(o))	268,584	2	309,479	2
1600	Property, plant and equipment (note (6)(i))	1,517,920	11	990,675	7	2645	Guarantee deposits received	<u>41,187</u>	<u>-</u>	<u>65,212</u>	<u>-</u>
1755	Right-of-use assets (note (6)(j))	824,923	6	860,010	6			<u>1,468,118</u>	<u>10</u>	<u>1,083,826</u>	<u>7</u>
1780	Intangible assets (notes (6)(g) and (k))	598,071	4	604,707	5		Total liabilities	<u>4,792,246</u>	<u>33</u>	<u>3,702,608</u>	<u>27</u>
1840	Deferred tax assets (note (6)(p))	52,699	-	45,688	-		Equity attributable to owners of parent: (note (6)(q))				
1900	Other non-current assets (note (9))	<u>63,779</u>	<u>-</u>	<u>66,030</u>	<u>-</u>	3100	Capital stock	<u>3,038,804</u>	<u>22</u>	<u>3,038,804</u>	<u>23</u>
		<u>5,395,917</u>	<u>38</u>	<u>4,602,549</u>	<u>34</u>	3200	Capital surplus	<u>936,880</u>	<u>7</u>	<u>838,428</u>	<u>7</u>
							Retained earnings:				
						3310	Legal reserve	2,902,314	21	2,679,726	20
						3350	Undistributed earnings	<u>2,934,268</u>	<u>21</u>	<u>3,428,146</u>	<u>26</u>
								<u>5,836,582</u>	<u>42</u>	<u>6,107,872</u>	<u>46</u>
						3400	Other equity	<u>113,796</u>	<u>1</u>	<u>11,078</u>	<u>-</u>
						3500	Treasury shares	<u>(1,106,485)</u>	<u>(8)</u>	<u>(1,106,485)</u>	<u>(8)</u>
							Total equity attributable to owners of parent:	8,819,577	64	8,889,697	68
						36XX	Non-controlling interests	<u>407,612</u>	<u>3</u>	<u>732,525</u>	<u>5</u>
							Total equity	<u>9,227,189</u>	<u>67</u>	<u>9,622,222</u>	<u>73</u>
Total assets		\$ <u>14,019,435</u>	<u>100</u>	<u>13,324,830</u>	<u>100</u>		Total liabilities and equity	\$ <u>14,019,435</u>	<u>100</u>	<u>13,324,830</u>	<u>100</u>

(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, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		2023		2022	
		Amount	%	Amount	%
4000	Total operating revenue (notes (6)(t) and (14))	\$ 12,058,515	100	13,030,484	100
5000	Total operating costs (notes (6)(d), (o) and (12))	<u>6,627,903</u>	<u>55</u>	<u>7,043,240</u>	<u>54</u>
5900	Gross profit from operations	5,430,612	45	5,987,244	46
5920	Add: Realized profit from sales	<u>1,425</u>	<u>-</u>	<u>-</u>	<u>-</u>
5950	Gross profits	<u>5,432,037</u>	<u>45</u>	<u>5,987,244</u>	<u>46</u>
6000	Operating expenses: (notes (6)(c), (o), (r) and (12))				
6100	Selling expenses	365,426	3	587,057	4
6200	Administrative expenses	478,998	4	457,021	4
6300	Research and development expenses	2,148,773	18	2,165,151	17
6450	Impairment (gains) determined in accordance with IFRS 9	<u>4,365</u>	<u>-</u>	<u>(6,446)</u>	<u>-</u>
		<u>2,997,562</u>	<u>25</u>	<u>3,202,783</u>	<u>25</u>
6900	Net Operating income	<u>2,434,475</u>	<u>20</u>	<u>2,784,461</u>	<u>21</u>
7000	Non-operating income and expenses:				
7100	Interest income (note (6)(u))	41,725	-	34,464	-
7010	Other income (note (6)(u))	95,999	1	144,776	1
7020	Other gains and losses (notes (6)(h) and (6)(u))	(50,483)	-	(196,074)	(1)
7050	Finance costs (notes (6)(m) and (n))	(13,433)	-	(13,933)	-
7770	Shares of gain of associates accounted for using equity method (note (6)(f))	<u>(35,482)</u>	<u>-</u>	<u>(50,722)</u>	<u>-</u>
		<u>38,326</u>	<u>1</u>	<u>(81,489)</u>	<u>-</u>
7900	Profit before income tax	2,472,801	21	2,702,972	21
8110	Less: Income tax expenses	<u>487,771</u>	<u>4</u>	<u>669,559</u>	<u>5</u>
	Net profit	<u>1,985,030</u>	<u>17</u>	<u>2,033,413</u>	<u>16</u>
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss: (notes (6)(f) and (o))				
8311	Gains on remeasurements of defined benefit plans	17,660	-	74,491	1
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	103,356	1	(186,233)	(1)
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(1,428)	-	-	-
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>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>119,588</u>	<u>1</u>	<u>(111,742)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss: (note (6)(f))				
8361	Exchange differences on translation of foreign financial statements	(1,162)	-	2,352	-
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	53	-	10	-
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>(1,109)</u>	<u>-</u>	<u>2,362</u>	<u>-</u>
8300	Other comprehensive income (loss), net	<u>118,479</u>	<u>1</u>	<u>(109,380)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 2,103,509</u>	<u>18</u>	<u>1,924,033</u>	<u>16</u>
	Net profit attributable to:				
8610	Owners of parent	\$ 2,143,520	18	2,151,676	17
8620	Non-controlling interests	<u>(158,490)</u>	<u>(1)</u>	<u>(118,263)</u>	<u>(1)</u>
		<u>\$ 1,985,030</u>	<u>17</u>	<u>2,033,413</u>	<u>16</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of the parent	\$ 2,262,470	19	2,041,861	17
8720	Non-controlling interests	<u>(158,961)</u>	<u>(1)</u>	<u>(117,828)</u>	<u>(1)</u>
		<u>\$ 2,103,509</u>	<u>18</u>	<u>1,924,033</u>	<u>16</u>
	Earnings per share (expressed in dollars) (note (6)(s))				
9710	Basic earnings per share	\$ <u>7.53</u>		<u>7.56</u>	
9850	Diluted earnings per share	\$ <u>7.46</u>		<u>7.44</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, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent									
	Ordinary shares	Capital surplus	Retained earnings		Other equity		Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
Balance at January 1, 2022	\$ 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 (loss)	-	-	-	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
Net profit (loss)	-	-	-	2,143,520	-	-	-	2,143,520	(158,490)	1,985,030
Other comprehensive income	-	-	-	16,232	(638)	103,356	-	118,950	(471)	118,479
Total comprehensive income	-	-	-	2,159,752	(638)	103,356	-	2,262,470	(158,961)	2,103,509
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	222,588	(222,588)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(2,431,042)	-	-	-	(2,431,042)	-	(2,431,042)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	101,803	-	-	-	-	-	101,803	-	101,803
Changes in non-controlling interests	-	-	-	-	-	-	-	-	10,189	10,189
Changes in prepaid preferred stock construction dividends	-	(3,351)	-	-	-	-	-	(3,351)	(176,141)	(179,492)
Balance at December 31, 2023	<u>\$ 3,038,804</u>	<u>936,880</u>	<u>2,902,314</u>	<u>2,934,268</u>	<u>(5,344)</u>	<u>119,140</u>	<u>(1,106,485)</u>	<u>8,819,577</u>	<u>407,612</u>	<u>9,227,189</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 Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Profit before tax	\$ 2,472,801	2,702,972
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	163,792	166,503
Amortization expense	199,189	160,130
Expected credit loss (gain)	4,365	(6,446)
Net loss on financial assets at fair value through profit or loss	54,590	416,264
Interest expense	13,433	13,933
Interest income	(41,725)	(34,464)
Dividend income	(34,475)	(93,807)
Share-based payment transactions	-	1,363
Share of loss of associates accounted for using equity method	35,482	50,722
(Gain) loss on disposal of property, plant and equipment	(848)	438
Loss on disposal of investments	1,650	-
Gain on adjustments to lease	-	(160)
Impairment loss and disposal loss on inventory	141,507	168,586
Other operating costs	-	107,740
Others	(83)	17,724
Total adjustments to reconcile profit	<u>536,877</u>	<u>968,526</u>
Changes in operating assets and liabilities:		
(Increase) decrease in notes and accounts receivable	(420,081)	1,114,428
Decrease (increase) in inventories	1,427,670	(1,452,465)
Increase in prepayments and other current assets	(6,758)	(8,036)
(Increase) decrease in other receivables	(195,130)	471,264
Increase (decrease) in notes and accounts payable	491,452	(1,004,765)
Increase (decrease) in other current liabilities	453,081	(661,673)
Decrease in net defined benefit liability	<u>(21,575)</u>	<u>(13,023)</u>
Cash inflow generated from operations	4,738,337	2,117,228
Interest received	37,494	34,169
Interest paid	(14,954)	(13,295)
Income taxes paid	<u>(553,219)</u>	<u>(1,384,129)</u>
Net cash flows from operating activities	<u>4,207,658</u>	<u>753,973</u>
Cash flows from (used in) investing activities:		
Dividends received	34,475	114,206
Acquisition of current financial assets at fair value through profit or loss	(90,066)	(125,152)
Proceeds from disposal of current financial assets at fair value through profit or loss	97,035	285,256
Acquisition of non-current financial assets at fair value through profit or loss	(16,471)	(353,706)
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	34,058	40,648
(Increase) decrease in financial assets at amortized cost	(1,186,088)	1,458,860
Net cash flow from acquisition of subsidiaries	-	53,108
Decrease in cash from losing control over subsidiaries	(102,385)	-
Proceeds from capital reduction of investments accounted for using equity method	10,500	30,000
Acquisition of property, plant and equipment	(700,914)	(169,384)
Proceeds from disposal of property, plant and equipment	1,169	1,098
Acquisition of intangible assets	(353,226)	(88,903)
(Increase) decrease in refundable deposits	(3,796)	3,921
Decrease (increase) in other non-current assets	<u>2,895</u>	<u>(2,091)</u>
Net cash flows (used in) from investing activities	<u>(2,272,814)</u>	<u>1,251,761</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	10,000	62,000
Decrease in short-term borrowings	(50,000)	(12,000)
Increase in long-term debt	468,640	-
Repayments of long-term debt	-	(24,679)
Repayments of preference share liabilities	(40,000)	-
(Decrease) increase in guarantee deposits received	(24,025)	28,570
Payment of lease liabilities	(29,749)	(26,731)
Cash dividends paid	(2,329,239)	(3,930,593)
Changes in non-controlling interests	<u>10,189</u>	<u>304,546</u>
Net cash flows used in financing activities	<u>(1,984,184)</u>	<u>(3,598,887)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(314)</u>	<u>2,334</u>
Net decrease in cash and cash equivalents	(49,654)	(1,590,819)
Cash and cash equivalents at the beginning of period	<u>2,663,688</u>	<u>4,254,507</u>
Cash and cash equivalents at the end of period	<u>\$ 2,614,034</u>	<u>2,663,688</u>

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, 2023 and 2022

(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, 2024.

(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, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material 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.

(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 preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated 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;

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 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 each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Group's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) 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, 2023	December 31, 2022	
The Group	Elan Investment Corp.	Investment holding	100.00 %	100.00 %	-
The Group and Elan Investment Corp.	Metanoia Communications Inc. (Metanoia)	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 %	note 3
The Group and Elan Investment Corp.	Avisonic Technology Corp. (Avisonic)	Research, design, develop, manufacture and sale on digital image-process chips	89.79 %	87.91 %	note 6
The Group	JUPU ELECTRONIC Co., Ltd. (JUPU)	Wholesale and installation of electronic devices, data storage and equipment process	49.00 %	49.00 %	note 1
The Group and Elan Investment Corp.	PiXORD Corporation (PiXORD)	Research, design, develop, manufacture and sale on Webcam and server	98.49 %	97.98 %	note 5
The Group 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 %	28.11 %	note 2
The Group	Elan (H.K.)	Sale and after-sales service	100.00 %	100.00 %	-
The Group	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 %	-
Metanoia	Metanoia EU	Provide technical support and information service	100.00 %	100.00 %	note 3
The Group	Chimei Motor Electronics Co., Ltd. (Chimei)	Image recognition, automotive electronic manufacturing and wholesaling business	30.83 %	31.36 %	note 4
Chimei	Chimei Motor Electronics (SAMOA) Co., Ltd. (Chimei (SAMOA))	Investment holding	100.00 %	100.00 %	note 4
Chimei (SAMOA)	Gianteye Technology (Shanghai) Co., Ltd.	Develops advanced driver assistance systems and wholesales automotive electronic products.	100.00 %	100.00 %	note 4

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1: The Group obtained 3 out of 5 Board seats and gained control over JUPU.

Note 2: The Group 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. The Group's ownership decreased to 28.11%.

Note 3: On November 7, 2022, the Group's shareholding percentage was decreased to 47.71% after participating in the capital increase of Metanoia. The Group obtained 3 out of 5 Board seats and gained control over Metanoia and its subsidiaries. However, the Group only obtained 2 out of 5 Board seats following a reshuffle of Metanoia's Board of Directors on June 15, 2023. Since the Group cannot obtain more than half of the total number of directors' seats, it loses control over Metanoia's consolidated entities since then, and Metanoia and its subsidiaries, Metanoia EU, are no longer included in the consolidated financial statements since June 30, 2023. The Group has changed its consolidated financial statements to the "investments accounted for using the equity method" for the purpose of accounting treatment. Please refer to Note (6)(f) for details, and for the loss of control over subsidiaries, please refer to Note (6)(h).

Note 4: On March 1, 2022, the Group 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 Group has control and are included in the consolidated financial statements since then. On July 21, 2023, the Group's shareholding percentage was decreased to 30.83% after participating in the capital increase of Chimei.

Note 5: On September 5, 2023, the Group's shareholding percentage was increased to 98.49% after participating in the capital increase of PiXORD.

Note 6: On September 4, 2023, the Group's shareholding percentage was increased to 89.79% after participating in the capital increase of Avisonic.

(d) 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.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(e) 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.

(f) 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.

(g) 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.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 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.

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Dividend income is recognized in profit or loss on the date on which the Group'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 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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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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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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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.

(h) 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.

(i) 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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(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.

(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 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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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.

(k) 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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- 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.

(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.

(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.

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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

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

(m) 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.

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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 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.

(o) 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.

(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.

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(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.

(p) 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.

(q) 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.

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.

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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.

(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 are 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 (i) that affects neither accounting nor taxable profits (losses) at the time of the transaction; (ii) there are no equivalent taxable and deductible temporary differences.
- (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.

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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.

(s) **Business acquisition**

For those acquisitions occurring after 1 January 2013 (inclusive), goodwill is measured using ROC GAAP.

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.

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(t) 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.

(u) 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 Group may face economic uncertainties such as inflation, which have no significant impact on the Group. However, such events may significantly affect the following accounting estimates for the next fiscal year, as these estimates involve forecasts of the future

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.

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 or stock age. 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).

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

- (a) 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.

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- (b) 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.
- (c) The Group holds 47.71% of the outstanding voting shares of Metanoia Communications Inc. (Metanoia), making it the single largest shareholder, 36.89% of Metanoia Communications Inc. is concentrated in specific shareholders, and the remaining 15.4% is composed of many individuals (employees) and investment companies. Since the specific shareholders are currently in the management of Metanoia and hold more than half of the seats on the Board of Directors, thus having control. And the Group, which cannot obtain more than half of the seats on the Board of Directors of Metanoia, decided to quit the operating team. Therefore, it is determined that the Group has no control over Metanoia but only has significant influence on it. Please refer to Note (6)(h) for details.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Petty cash	\$ 1,001	1,099
Checking and demand deposits	1,536,813	1,965,777
Time deposits	2,536,098	970,602
Less: Restricted deposits (recorded as current and non-current financial assets measured at amortized cost) (Note (8))	(94,441)	(99,590)
Time deposits (recorded as financial assets measured at amortized cost) with original maturities of over three months	(1,365,437)	(174,200)
	<u>\$ 2,614,034</u>	<u>2,663,688</u>

- (i) The interest rate range of the time deposit of the Group is as follows:

	December 31, 2023	December 31, 2022
Interest rate range	<u>0.85% ~ 5.54%</u>	<u>0.90% ~ 2.80%</u>

- (ii) For the disclosure of the interest rate risk and sensitivity analysis of the Group's financial assets and liabilities, please refer to Note (6)(w).
- (iii) The Group did not recognize impairment loss on current and non-current financial assets at amortized cost for the years ended December 31, 2023 and 2022. 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

	December 31, 2023	December 31, 2022
Current:		
Domestic		
Listed stocks	\$ -	4,298
Certificates of beneficial interest	<u>374,100</u>	<u>419,241</u>
Subtotal	<u>374,100</u>	<u>423,539</u>
Foreign		
Certificates of beneficial interest	-	25,216
Short-term commercial papers	<u>-</u>	<u>73,493</u>
Subtotal	<u>-</u>	<u>98,709</u>
Total	<u>\$ 374,100</u>	<u>522,248</u>
Non-current:		
Domestic		
Listed stocks	\$ 274,576	249,210
Non-publicly traded stocks	<u>1,032,477</u>	<u>993,082</u>
Subtotal	<u>1,307,053</u>	<u>1,242,292</u>
Foreign		
Certificates of beneficial interest	<u>237,707</u>	<u>233,465</u>
Total	<u>\$ 1,544,760</u>	<u>1,475,757</u>

- (i) The Group invests in certificates of beneficial interests and short term commercial papers issued by City Credit Investment Bank Limited (CCIB) and City Credit Asset Management Co., Ltd. (CCAM). According to the official announcement on their website prior to March 27, 2023, the principal redemptions for all products will be temporarily suspended starting from January 1, 2023. Furthermore, any trading of the ongoing principal redemptions as of January 1, 2023 will be suspended. The Group evaluated both of the above companies' continuity of operations as a going concern, which involved the fair expression of its asset value, resulting in a financial asset loss of NT\$168,774 thousand to be recognized at end of march, 2023.
- (ii) As of December 31, 2023 and 2022, the Group's financial assets at fair value through profit or loss were not pledged as collateral for its loans.
- (iii) Please refer to Note (6)(w) for the disclosure of the financial asset category and fair value measurement of the Group.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 4,418	1,890
Accounts receivable - fair value through other comprehensive income	830,811	410,234
Accounts receivable - measured at amortized cost	307,689	330,105
Less: Loss allowance	<u>(26,523)</u>	<u>(22,821)</u>
	<u>\$ 1,116,395</u>	<u>719,408</u>

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:

December 31, 2023			
	Gross carrying amount	Weighted- average loss rate	Expected credit loss
Current	\$ 1,103,548	0.50%	5,529
1 to 30 days past due	13,374	1.44%	193
31 to 60 days past due	5,614	9.41%	528
61 to 90 days past due	-	-	-
More than 90 days past due	<u>20,382</u>	50%~100%	<u>20,273</u>
	<u>\$ 1,142,918</u>		<u>26,523</u>

December 31, 2022			
	Gross carrying amount	Weighted- average loss rate	Expected credit loss
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	<u>19,496</u>	50%~100%	<u>19,047</u>
	<u>\$ 742,229</u>		<u>22,821</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>2023</u>	<u>2022</u>
Balance at January 1	22,821	28,481
Impairment loss recognized (reversed)	4,365	(6,446)
Acquired in business combination	-	1,046
Amounts written off	(628)	-
Effect of changes in exchange rates	(35)	(260)
Balance at December 31	<u><u>\$ 26,523</u></u>	<u><u>22,821</u></u>

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.

<u>December 31, 2023</u>						
<u>Purchaser</u>	<u>Accounts derecognized</u>	<u>Factoring Line</u>	<u>Advanced Amount</u>	<u>Amount Recognized in Other Receivables</u>	<u>Range of Interest Rate</u>	<u>Collateral</u>
Far Eastern International Bank Co., Ltd. KGI Bank Entie Commercial Bank, Ltd.	<u><u>\$ 858,034</u></u>	<u><u>2,878,400</u></u>	<u><u>-</u></u>	<u><u>858,034</u></u>	<u><u>0.05%~0.10%</u></u>	None

<u>December 31, 2022</u>						
<u>Purchaser</u>	<u>Accounts derecognized</u>	<u>Factoring Line</u>	<u>Advanced Amount</u>	<u>Amount Recognized in Other Receivables</u>	<u>Range of Interest Rate</u>	<u>Collateral</u>
Far Eastern International Bank Co., Ltd. KGI Bank Entie Commercial Bank, Ltd. Taishin International Bank Co., Ltd.	<u><u>\$ 586,619</u></u>	<u><u>2,929,200</u></u>	<u><u>-</u></u>	<u><u>586,619</u></u>	<u><u>0.05%~0.10%</u></u>	None

The Group has deducted the advanced amount from the accounts receivable in accordance with the condition of derecognition as of December 31, 2023 and 2022. 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, 2023 and 2022. 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

The Group's notes receivable, accounts receivable, and other receivables have not been pledged as guarantees on December 31, 2023 and 2022.

(d) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 850,815	1,710,468
Work in progress	910,326	1,653,579
Finished goods	<u>350,162</u>	<u>366,877</u>
	<u>\$ 2,111,303</u>	<u>3,730,924</u>

The details of the cost of sales were as follows:

	2023	2022
Inventory that has been sold	<u>6,485,831</u>	<u>6,772,989</u>
Write-down of inventories	141,507	168,586
Others	<u>565</u>	<u>101,665</u>
	<u>6,627,903</u>	<u>7,043,240</u>

As of December 31, 2023 and 2022, the Group did not provide any inventories as collateral for its loans.

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

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income:		
Emerging stocks	\$ 22,197	13,096
Listed stocks	<u>386,750</u>	<u>292,495</u>
	<u>\$ 408,947</u>	<u>305,591</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.
- (ii) There were no disposals of strategic investments and transfers of any accumulative gain or loss within equity relating to these investments as of December 31, 2023 and 2022.
- (iii) For market risk, please refer to note (6)(w).
- (iv) As of December 31, 2023 and 2022, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral for its loans.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(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:

	December 31, 2023	December 31, 2022
Associates	\$ 377,418	246,691

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

			December 31, 2023		December 31, 2022	
			Amount	Share- holding (%)	Amount	Share- holding (%)
	Nature of the relationship with the Group	Main operating location / Registered Country of the Company				
Metanoia Communications Inc. (Metanoia)	Research, design, develop, manufacture and sale on client chipss	R.O.C.	\$ 135,131	47.71	-	-
Tong Fu Investment Corporation	Investment holding	R.O.C.	-	46.73	-	46.73
Lighting Device Technologies Corp.	Research, design, develop, manufacture and sale on LED chipss	R.O.C.	-	45.07	-	45.07
Top Taiwan X Venture Capital Co., Ltd.	Venture capital	R.O.C.	237,360	30.00	237,907	30.00
Uniband Electronic Corp.	Manufactures and sells electronic devices	R.O.C.	4,927	24.69	8,784	24.69
Finger Pro. Incorporation	Manufactures and sells electronic device	R.O.C.	-	23.08	-	23.08
RONG CHENG Technology	Manufactures and sells electronic devices, computers and its related products, manufactures optical instruments	R.O.C.	-	38.46	-	38.46
			\$ 377,418		246,691	

(i) Associates

A summary of the Group's shares of gain of associates accounted for using equity method for the years ended December 31, 2023 and 2022 was as follows:

	2023	2022
Shares of gain of associates accounted for using equity method	\$ (35,482)	(50,722)

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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>2023</u>	<u>2022</u>
Attributable to the Group:		
Loss from continuing operations	\$ (35,482)	(50,722)
Other comprehensive (loss) income	<u>53</u>	<u>10</u>
Comprehensive income (loss)	<u><u>\$ (35,429)</u></u>	<u><u>(50,712)</u></u>

Investments which were partially accounted for by using the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements audited by other auditors.

(ii) Pledges

As of December 31, 2023 and 2022, the Group had not provided any investments accounted for using the equity method as collateral for its loans.

(g) Business combinations

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. From January 1, 2023 to December 30, 2023, the Group did not have the transactions mentioned above.

- (i) 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

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Non-current assets

Property, plant and equipment (note (6)(i))	10,669
Intangible assets (note (6)(k))	187,515
Guarantee deposits	1,685

Current liabilities

Accounts payables	(21,476)
Other payables	(25,858)

Non-current liabilities

Long-term borrowing	(24,679)
reference share liabilities non-current	<u>(40,000)</u>
Total identifiable net assets acquired	<u><u>\$ 512,276</u></u>
Goodwill (note (6)(k))	<u><u>\$ 61,451</u></u>

(ii) Net cash flows from acquisition of a subsidiary

Consideration paid by cash	\$ 252,308
Less: Cash paid	<u>(199,200)</u>
Net cash inflow	<u><u>\$ 53,108</u></u>

- (iii) Chimei contributed the sales and net profits \$115,135 thousand and \$2,614 thousand respectively from the acquisition date to December 31, 2023. 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.

(h) Loss control of subsidiaries

The Group lost control of Metanoia Communications Inc. (Metanoia) and its subsidiary (Metanoia EU) on June 2023, due to a reshuffle of the Board of Directors of Metanoia. The Group's accounting for the remaining 47.71% equity of Metanoia was measured at a post evaluation fair value of \$178,318 thousand and the loss of disposal amounting to \$1,650 thousand was recorded under other gains and losses.

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- (i) On December 31, 2023 the carrying amounts of assets and liabilities of Metanoia and its subsidiaries are as follows:

Cash and cash equivalents	\$ 102,385
Accounts receivables	18,729
Other receivables	19,448
Inventories	50,557
Prepayments and other current assets	29,102
Property, plant and equipment (note (6)(i))	56,783
Intangible assets (note (6)(k))	143,911
Right-of-use asset (note (6)(j))	6,506
Guarantee deposits	992
Accounts payables	(27,908)
Other current liabilities	<u>(57,328)</u>
Carrying amount of net assets	<u><u>\$ 343,177</u></u>
Goodwill (note (6)(k))	<u><u>\$ 16,238</u></u>

- (ii) In 2023, net cash flows from loss control of subsidiaries

Consideration paid by cash	\$ -
Less: Loss cash balance	<u>(102,385)</u>
	<u><u>\$ (102,385)</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 and equipment</u>	<u>Office and transportation equipment</u>	<u>Equipment awaiting examination and prepayments on construction</u>	<u>Total</u>
Cost:						
Balance at January 1, 2023	\$ 230,790	1,165,013	740,526	204,762	79,310	2,420,401
Additions	-	90	59,503	10,130	631,191	700,914
Effect of losing control of subsidiaries (note (6)(h))	-	-	(82,606)	(19,042)	-	(101,648)
Derecognized	-	-	(7,778)	(5,573)	-	(13,351)
Reclassification	-	-	45,276	163	(45,381)	58
Effect of movements in exchange rates	-	-	(61)	(158)	-	(219)
Balance at December 31, 2023	<u><u>\$ 230,790</u></u>	<u><u>1,165,103</u></u>	<u><u>754,860</u></u>	<u><u>190,282</u></u>	<u><u>665,120</u></u>	<u><u>3,006,155</u></u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Land	Buildings	Machinery and equipment	Office and transportation equipment	Equipment awaiting examination and prepayments on construction	Total
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	-	-	91	123	-	214
Balance at December 31, 2022	<u>\$ 230,790</u>	<u>1,165,013</u>	<u>740,526</u>	<u>204,762</u>	<u>79,310</u>	<u>2,420,401</u>
Accumulated depreciation:						
Balance at January 1, 2023	\$ -	734,931	547,108	147,687	-	1,429,726
Depreciation	-	19,994	76,816	19,591	-	116,401
Effect of losing control of subsidiaries (note (6)(h))	-	-	(37,980)	(6,885)	-	(44,865)
Derecognized	-	-	(7,577)	(5,453)	-	(13,030)
Reclassification	-	-	185	-	-	185
Effect of disposal of subsidiaries	-	-	(57)	(125)	-	(182)
Balance at December 31, 2023	<u>\$ -</u>	<u>754,925</u>	<u>578,495</u>	<u>154,815</u>	<u>-</u>	<u>1,488,235</u>
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 movements in exchange rates	-	-	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>
Carrying amount:						
Balance at December 31, 2023	<u>\$ 230,790</u>	<u>410,178</u>	<u>176,365</u>	<u>35,467</u>	<u>665,120</u>	<u>1,517,920</u>
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>

- (i) Due to the needs of future operations of the Group, the construction of the new building starts in 2023, and the project payment is amount to \$589,705 thousand. As of December 31, 2023, the capitalized amount of the borrowing costs of the Group was \$3,359 thousand, and the weighted average annual interest rate was 1.20%.
- (ii) As of December 31, 2023 and 2022, the Group did not provide any property, plant and equipment as collateral for its loan.

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(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 and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 842,737	77,690	948	10,062	931,437
Additions	-	2,979	948	15,035	18,962
Effect of losing control of subsidiaries (note (6)(h))	-	(10,183)	-	-	(10,183)
Derecognized	-	(1,987)	(948)	(3,061)	(5,996)
Effect of movements in exchange rates	-	(296)	-	-	(296)
Balance at December 31, 2023	<u>\$ 842,737</u>	<u>68,203</u>	<u>948</u>	<u>22,036</u>	<u>933,924</u>
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>
Accumulated depreciation:					
Balance at January 1, 2023	\$ 49,713	14,643	764	6,307	71,427
Depreciation	22,006	19,144	316	5,925	47,391
Effect of losing control of subsidiaries (note (6)(h))	-	(3,677)	-	-	(3,677)
Derecognized	-	(1,987)	(948)	(3,061)	(5,996)
Effect of movements in exchange rates	<u>1</u>	<u>(144)</u>	<u>-</u>	<u>(1)</u>	<u>(144)</u>
Balance at December 31, 2023	<u>\$ 71,720</u>	<u>27,979</u>	<u>132</u>	<u>9,170</u>	<u>109,001</u>
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>
Carrying amount:					
Balance at December 31, 2023	<u>\$ 771,017</u>	<u>40,224</u>	<u>816</u>	<u>12,866</u>	<u>824,923</u>
Balance at December 31, 2022	<u>\$ 793,024</u>	<u>63,047</u>	<u>184</u>	<u>3,755</u>	<u>860,010</u>

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As of December 31, 2023 and 2022, the Group did not provide any Right-of-use assets as collateral for its loans.

(k) Intangible assets

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

	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 238,289	447,368	306,789	992,446
Additions	-	125,656	227,570	353,226
Effect of lossing control of subsidiaries (note (6)(h))	(16,238)	(268,065)	-	(284,303)
Derecognized	-	(10,753)	(187,733)	(198,486)
Reclassifications	-	-	286	286
Balance at December 31, 2023	<u>\$ 222,051</u>	<u>294,206</u>	<u>346,912</u>	<u>863,169</u>
Balance at January 1, 2022	\$ 176,838	281,058	265,155	723,051
Additions	-	18,159	70,744	88,903
Acquisitions (tentative) (Note (6)(g))	61,451	187,144	371	248,966
Reclassifications	-	-	2,318	2,318
Derecognized	-	(38,993)	(31,799)	(70,792)
Balance at December 31, 2022	<u>\$ 238,289</u>	<u>447,368</u>	<u>306,789</u>	<u>992,446</u>
Accumulated amortization:				
Balance at January 1, 2023	\$ -	160,431	227,308	387,739
Additions	-	76,638	122,551	199,189
Effect of lossing control of subsidiaries (note (6)(h))	-	(124,154)	-	(124,154)
Derecognized	-	(9,943)	(187,733)	(197,676)
Balance at December 31, 2023	<u>\$ -</u>	<u>102,972</u>	<u>162,126</u>	<u>265,098</u>
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>
Carrying amount:				
Balance at December 31, 2023	<u>\$ 222,051</u>	<u>191,234</u>	<u>184,786</u>	<u>598,071</u>
Balance at December 31, 2022	<u>\$ 238,289</u>	<u>286,937</u>	<u>79,481</u>	<u>604,707</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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- (i) For the years ended December 31, 2023 and 2022, the Group did not recognize any impairment loss. The amortization of intangible assets was included in the statement of comprehensive income:

	<u>2023</u>	<u>2022</u>
Operating costs	\$ <u>9,203</u>	<u>7,625</u>
Operating expenses	\$ <u>189,986</u>	<u>152,505</u>

- (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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Laptop input device business cash-generating unit	\$ 160,600	160,600
Network communication business cash-generating units	-	16,238
Other units	<u>61,451</u>	<u>61,451</u>
	<u>\$ 222,051</u>	<u>238,289</u>

- 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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Average revenue growth rate-laptop	3.0 %	1.2 %
Average revenue growth rate-network communication	-	67.7 %
Average revenue growth rate-other business	34.5 %	43.6 %
Discount rate	11.28 %	12.34 %

The key assumptions represent the management's evaluation of the future industry trends, wherein the external, internal and also historical information, were considered. The network communication business was not included in the merger due to loss of control in 2023, please refer to note (6)(g). There was no impairment loss incurred as of December 31, 2023 and 2022.

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(l) Long-term and short-term borrowings

(i) Short-term borrowings

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ <u>40,000</u>	<u>80,000</u>
Range of interest rate	<u>2.15%~2.83%</u>	<u>1.98%~2.700%</u>
Unused short-term credit lines	\$ <u>2,832,000</u>	<u>2,935,000</u>

(ii) Long-term borrowings

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ <u>468,640</u>	<u>-</u>
Range of interest rate	<u>1.20%</u>	<u>-</u>
Unused long-term credit lines	\$ <u>6,256,360</u>	<u>6,725,000</u>

1) The Group signed long-term loan contracts with certain banks on December 3, 2021 to build factories, with a credit period of ten years. The loan has a grace period of three years, and the monthly principal and interest are evenly amortized.

2) Refer to note (6)(w) for the type of the financial assets and liabilities of the Group.

(m) Preference share liabilities

	December 31, 2023	December 31, 2022
Cumulative redeemable preferred shares(Current and non-current)	\$ <u>-</u>	<u>40,000</u>

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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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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.
 - 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.

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The Group recognized interest expenses amounting to \$350 and \$500 thousand for the years ended December 31, 2023 and 2022, respectively.

During the Chimei Motor Electronics Co., Ltd.'s shareholders meeting held on June 30, 2020, a resolution was passed to issue 40,000 thousand cumulative redeemable preferred shares for cash, with a par value of 10 per share at an issue price of \$10 per share, amounting to 4,000 thousand. On July 3, 2023, the shares have been redeemed as agreed and the amendment registration has been completed on July 21, 2023.

(n) Lease liabilities

The lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	\$ <u>27,991</u>	<u>29,525</u>
Non-current	\$ <u>689,408</u>	<u>705,770</u>

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	\$ <u>11,921</u>	<u>12,096</u>
Expenses relating to short-term leases	\$ <u>14,716</u>	<u>15,573</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>1,474</u>	<u>1,132</u>

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

	2023	2022
Total cash outflow for leases	\$ <u>57,860</u>	<u>55,532</u>

(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 19 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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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(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:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 398,517	417,653
Fair value of plan assets	<u>(129,933)</u>	<u>(108,174)</u>
Net defined benefit liabilities	<u>\$ 268,584</u>	<u>309,479</u>

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 \$129,933 thousand as of December 31, 2023. 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
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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:

	2023	2022
Defined benefit obligations at January 1	\$ 417,653	490,572
Current service cost and interest cost	7,549	3,791
Remeasurements of net defined benefit liabilities (assets)		
— Actuarial loss (gain) arising from financial assumptions	4,721	(52,805)
— Actuarial loss (gain) arising from experience adjustments	(21,718)	(14,232)
Benefits paid	(3,886)	(9,673)
Transfer out from lost control of subsidiaries	(5,802)	-
Defined benefit obligations at December 31	<u><u>\$ 398,517</u></u>	<u><u>417,653</u></u>

3) Movements of plan assets

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

	2023	2022
Fair value of plan assets at January 1	\$ 108,174	93,579
Interest income	1,726	594
Remeasurements of net defined benefit liabilities (assets)		
— Return on plan assets excluding interest income	663	7,454
Contributions paid by the employer	25,825	15,869
Benefits paid	(2,360)	(9,322)
Transfer out from lost control of subsidiaries	(4,095)	-
Fair value of plan assets at December 31	<u><u>\$ 129,933</u></u>	<u><u>108,174</u></u>

4) Expenses recognized in profit or loss

The Group's expenses recognized in profit or loss for the years ended December 31, 2023 and 2022, were as follows:

	2023	2022
Current service costs	\$ 737	817
Net interest of net liabilities for defined benefit obligations	5,101	2,380
	<u><u>\$ 5,838</u></u>	<u><u>3,197</u></u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>2023</u>	<u>2022</u>
Operating cost	\$ 461	270
Selling expenses	492	204
Administration expenses	331	274
Research and development expenses	<u>4,554</u>	<u>2,449</u>
	<u>\$ 5,838</u>	<u>3,197</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, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ (38,977)	35,514
Recognized	<u>(17,660)</u>	<u>(74,491)</u>
Balance at December 31	<u>\$ (56,637)</u>	<u>(38,977)</u>

- 6) Actuarial assumptions

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.625%	1.750%
Future salary increase rate	2.00%~ 5.00%	2.00%~ 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 \$5,917 thousand.

As of December 31, 2023 and 2022, the weighted-average lifetime of the defined benefits plans were 13.14 years and 13.94 years.

- 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.

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

	Impact on the defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2023		
Discount rate	\$ (9,366)	9,681
Future salary increasing rate	9,100	(8,860)
December 31, 2022		
Discount rate	\$ (10,626)	11,014
Future salary increasing rate	10,391	(10,085)

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 2023 and 2022.

(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, 2023 and 2022 were as follows:

	2023	2022
Operating cost	\$ 9,246	9,142
Selling expenses	6,429	6,576
Administration expenses	11,073	10,604
Research and development expenses	54,692	54,376
	\$ 81,440	80,698

(p) Income taxes

- (i) The Group is subject to Taiwan income tax at rates of 20% for 2023 and 2022, 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%.

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The components of income tax were as follow:

	<u>2023</u>	<u>2022</u>
Current tax expense	\$ 497,848	672,955
Deferred tax expense	<u>(10,077)</u>	<u>(3,396)</u>
Income tax expense	<u><u>\$ 487,771</u></u>	<u><u>669,559</u></u>

Reconciliation of income tax and profit before tax for the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Income before income tax	<u><u>\$ 2,472,801</u></u>	<u><u>2,702,972</u></u>
Income tax using the Group's domestic tax rate	\$ 494,560	540,594
Effect of tax rates in foreign jurisdiction	(5,312)	(7,109)
Investment tax credit	(49,719)	(53,249)
Investment income from domestic securities	8,399	9,512
Suspension of tax-exempt gain on disposal of domestic securities	397	268
Tax-exempt gain on dividend revenue of domestic securities	(6,895)	(17,444)
Change in unrecognized temporary differences	(218,559)	138,107
Prior year's income tax adjustment	(24,605)	6,699
The amount of expired loss carry-forward	287,730	43,258
Additional tax on undistributed earnings	4,430	25,613
Others	<u>(2,655)</u>	<u>(16,690)</u>
Total	<u><u>\$ 487,771</u></u>	<u><u>669,559</u></u>

The Group had no income tax directly recognized under other comprehensive profits and losses in 2023 and 2022.

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(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2023	December 31, 2022
Realized valuation losses on long-term investment	\$ 177,836	224,614
Tax-deductible loss carry-forward	262,336	519,488
Unfunded pension expense	86,673	90,511
Provision for decline in value of inventories	93,805	87,095
Others	15,607	16,087
	\$ 636,257	937,795

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, 2023, the net losses that have not been recognized as deferred tax assets and the expiration years were as follows:

a) Domestic consolidated entities

Year of loss	Expiry date	Unused tax loss
2014	2024	113,726
2015	2025	72,704
2016	2026	107,172
2017	2027	212,117
2018	2028	201,714
2019	2029	145,175
2020	2030	103,295
2021	2031	62,612
2022	2032	127,899
2023	2033	141,947
		\$ 1,288,361

b) Foreign consolidated entities

	Applicable years	Unused amount
Elan Information	2022-2033	\$ 13,718

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2) Recognized deferred tax assets and liabilities

Movements of recognized deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

Deferred Tax Liabilities:

	Fair Value Gains
Balance at January 1, 2023	\$ (3,365)
Recognized in profit or loss	<u>3,066</u>
Balance at December 31, 2023	<u>\$ (299)</u>
Balance at January 1, 2022	\$ (1,067)
Recognized in profit or loss	<u>(2,298)</u>
Balance at December 31, 2022	<u>\$ (3,365)</u>

Deferred Tax Assets:

	Decline in Value of Inventories	Others	Total
Balance at January 1, 2023	\$ 36,029	9,659	45,688
Recognized in profit or loss	<u>5,745</u>	<u>1,266</u>	<u>7,011</u>
Balance at December 31, 2023	<u>\$ 41,774</u>	<u>10,925</u>	<u>52,699</u>
Balance at January 1, 2022	\$ 34,985	5,009	39,994
Recognized in profit or loss	<u>1,044</u>	<u>4,650</u>	<u>5,694</u>
Balance at December 31, 2022	<u>\$ 36,029</u>	<u>9,659</u>	<u>45,688</u>

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

The income tax for profit-making enterprises of domestic subsidiaries has been approved until 2021.

All overseas subsidiaries have reported to the local tax bureau until 2022.

(q) Capital and other equity

(i) Ordinary share

As of December 31, 2023 and 2022, the authorized capital of the Group 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.

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(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 231,051	231,051
Treasury share transactions	611,281	509,478
Difference arising from subsidiary's share price and its carrying value	94,548	97,899
	<u>\$ 936,880</u>	<u>838,428</u>

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. The issuance of new shares have first to be decided during the board meeting, and thereafter, submitted to the shareholders' meeting for approval. According to the Company Act, the distribution of earnings or legal reserve and capital surplus, distributed by way of cash, shall be decided during the board meeting, approved by more than half of the directors, with two thirds of directors in attendance; thereafter, to be submitted in the shareholders' meeting of the Company. 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. The Group amended the Articles of Association on May 31, 2023, and the profit distribution can be done after the end of each half of the fiscal year

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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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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.

3) Earnings distribution

The Group's profit distribution plan for the first half of 2023, 2022, 2021 and the cash dividend per share have been resolved by the Board of Directors as follows:

	For the six month ended December 31 2023	For the six month ended June 30 2023	2022 May 31 2023	2021 June 15 2022
Shareholders meeting resolution date	-	-		February 22,
Board resolution date	February 22, 2024	August 3, 2023	February 22, 2023	2022
Cash dividend	\$ 911,641	607,760	1,823,282	4,102,385
Cash dividend per share	\$ 3.00	2.04	6.13	13.81

Relevant information on the above-mentioned distribution can be inquired at the Market Observation Post System.

(iv) Treasury shares

	December 31, 2023		December 31, 2022	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
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 Group 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 follows:

	For the years ended December 31 2023		For the years ended December 31 2022	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
Ending balance(beginnin g balance)	<u>6,857</u>	<u>\$ 1,077,510</u>	<u>6,857</u>	<u>1,077,510</u>

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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.

On January 15, 2024, the Group passed the resolution of the board of directors and transferred all treasury shares to employees in installments at the repurchase price. The number of shares transferred was 6,857,000 shares and the transfer amount was \$1,077,920 thousand.

- 2) Elan Investment Corp., a subsidiary of the Group, 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, 2023 and 2022, the information on the Company's stock held by Elan Investment Corp. was as follows:

	For the years ended December 31					
	2023			2022		
	Shares (in thousands)	Acquisition cost	Total market value	Shares (in thousands)	Acquisition cost	Total market value
Opening balance	12,438	\$ 28,975	1,069,685	12,438	28,975	2,114,494
Effects of valuation change	-	-	951,522	-	-	(1,044,809)
Ending balance	<u>12,438</u>	<u>\$ 28,975</u>	<u>2,021,207</u>	<u>12,438</u>	<u>28,975</u>	<u>1,069,685</u>

The Company transferred cash dividend revenue received by Elan Investment Corp. amounting to \$101,803 thousand and \$171,792 thousand to capital surplus-treasury stock in 2023 and 2022, respectively.

(v) Other equity

The movements of other equity were as follows:

	For the year ended December 31, 2023		
	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	\$ (4,706)	15,784	11,078
Exchange differences on foreign operations:			
The Group	(691)	-	(691)
Associates	53	-	53
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Group	-	103,356	103,356
Balance at December 31	<u>\$ (5,344)</u>	<u>119,140</u>	<u>113,796</u>

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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	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>

(vi) Non-controlling interests

	2023	2022
Balance at January 1	\$ 732,525	230,894
Net profit (loss) attributable to Non-controlling interests :		
Net loss	(158,490)	(118,263)
Acquisitions	-	349,008
Capital surplus, employee share options	-	1,363
Actuarial gains and losses	-	290
Effect of lossing control of subsidiaries	(179,492)	-
Changes in ownership interests in subsidiaries	3,351	(35,457)
Capital Increase	10,189	304,546
Exchange differences on translation of foreign financial statements	(471)	144
Balance at December 31	<u>\$ 407,612</u>	<u>732,525</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, 2023 and 2022. For the related information, please refer to note (6)(r) of the consolidated financial statements for the year ended December 31, 2022.

- (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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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Eminent adopted the Black-Scholes model to measure the fair value of the share-based payment at the grant date. Since Eminent's shares are not traded in the public market, there is no public trading price for reference. The stock price to net value ratio of listed companies in similar industries is used as a multiplier, and the liquidity discount factor is taken into account to evaluate the stock market price on the date of issuance. The measurement inputs were as follows:

	2021 employee stock options
Fair value at grant date	\$ 1.39
Exercise price	10
Expected volatility	38.67%
Duration of stock options	0.003years
Riskfree interest rate	0.37%

Details of the employee stock options for years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31, 2023		For the years ended December 31, 2022	
2021 employee stock options	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
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	-	-	-	-

- (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:

2019 employee stock options					
Prerequisites	Exercisable percentage	Expected volatility	Riskfree interest rate	Expected duration of stock options(years)	Weighted average fair value(dollars)
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

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 was July 2, 2023, and the change registration was completed on July 21, 2023.

The Group recognized share-based payment cost amounting to \$0 and \$1,363 thousand for the three months ended December 31, 2023 and 2022 recognized under operation expense.

(s) Earnings per share

The Group's earnings per share for the years ended December 31, 2023 and 2022 were calculated as follows:

(i) Basic earnings per share:

	<u>2023</u>	<u>2022</u>
Net profit attributable to ordinary shareholders of the Group	<u>2,143,520</u>	<u>2,151,676</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>284,585</u>	<u>284,585</u>
Earnings per share (in dollars)	<u>7.53</u>	<u>7.56</u>

(ii) Diluted earnings per share:

	<u>2023</u>	<u>2022</u>
Net profit attributable to ordinary shareholders of the Group (diluted)	<u>2,143,520</u>	<u>2,151,676</u>
Weighted-average number of ordinary shares outstanding (in thousands)	284,585	284,585
Effect of dilutive potential ordinary shares (in thousands)		
— employee share bonus	2,890	4,566
Weighted-average number of ordinary shares outstanding (diluted)(in thousands)	<u>287,475</u>	<u>289,151</u>
Diluted earnings per share (in dollars)	<u>7.46</u>	<u>7.44</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Taiwan	\$ 801,359	1,043,560
Mainland China	1,820,302	2,459,068
Hong Kong	9,240,554	9,302,571
America	18,684	35,064
Europe	50,098	42,674
Others	127,518	147,547
	<u>\$ 12,058,515</u>	<u>13,030,484</u>

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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:

	2023	2022
Interest income from bank deposits	\$ <u>41,725</u>	<u>34,464</u>

(ii) Other income

	2023	2022
Rent income	\$ 528	-
Dividend income	34,475	93,807
Government grants	44,384	5,454
Others	<u>16,612</u>	<u>45,515</u>
Total	\$ <u>95,999</u>	<u>144,776</u>

(iii) Other gains and losses

	2023	2022
Foreign exchange gains	\$ 5,710	223,363
Loss on disposal of investments	(1,650)	-
Profit from lease modification	-	160
Gains (losses) on financial asset valuation at fair value through profit or loss	114,184	(416,264)
Loss of financial asset at fair value through profit or loss	(168,774)	-
(Loss) gain on disposals of property, plant and equipment	848	(438)
Miscellaneous disbursements	<u>(801)</u>	<u>(2,895)</u>
Total	\$ <u>(50,483)</u>	<u>(196,074)</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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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For the years ended December 31, 2023 and 2022, the amounts of employees' bonuses were estimated at \$386,000 thousand and \$334,000 thousand, respectively. The amounts of compensation to directors and supervisors were estimated at \$39,000 thousand and \$41,000 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 2023 and 2022. 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 Group's Consolidated Financial Statements for 2023 and 2022.

(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.

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, 2023 and 2022, 90% and 77%, 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, 2023 and 2022, 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.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 months</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2023							
Non-derivative financial liabilities							
Short-term borrowings	\$ 40,000	40,391	268	40,123	-	-	-
Notes and accounts payable	1,184,992	1,184,992	1,184,992	-	-	-	-
Other payables	974,061	974,061	974,061	-	-	-	-
Lease liabilities	717,399	915,285	14,235	21,139	22,999	52,555	804,357
Long-term borrowings	468,640	498,867	2,812	2,812	16,776	213,800	262,667
Deposits Received	<u>41,187</u>	<u>41,187</u>	<u>41,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,426,279</u>	<u>3,654,783</u>	<u>2,217,555</u>	<u>64,074</u>	<u>39,775</u>	<u>266,355</u>	<u>1,067,024</u>
December 31, 2022							
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	735,295	944,884	16,583	20,852	30,490	56,573	820,386
Redeemable preferred stock	40,000	40,350	300	40,050	-	-	-
Deposits Received	<u>65,212</u>	<u>65,212</u>	<u>65,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,230,002</u>	<u>2,440,433</u>	<u>1,452,075</u>	<u>80,909</u>	<u>30,490</u>	<u>56,573</u>	<u>820,386</u>

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

	December 31, 2023			December 31, 2022		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets:</u>						
<u>Monetary item</u>						
USD	\$ 102,294	30.71	3,141,452	76,938	30.73	2,364,298
<u>Financial liabilities:</u>						
<u>Monetary item</u>						
USD	58,176	30.71	1,786,591	34,183	30.73	1,050,446

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the retranslation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD as of December 31, 2023 and 2022 would have increased (decreased) the net profit after tax by \$54,194 thousand and \$52,554 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variables remaining constant. The analysis is performed on the same basis in 2023 and 2022.

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 (including realized and unrealized portions) amounted to \$5,710 thousand and \$223,363 thousand for the years ended December 31, 2023 and 2022, 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 \$147 thousand and \$155 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variable factors remaining unchanged. This was mainly due to the Group's time deposits and borrowings at variable rates.

(v) Other market price risk

For the years ended December 31, 2023 and 2022, 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:

	For the years ended December 31		For the years ended December 31	
	2023		2022	
Prices of securities at the reporting date	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increase 5%	\$ 16,358	76,754	12,224	47,939
Decrease 5%	\$ (16,358)	(76,754)	(12,224)	(47,939)

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, 2023				
	Fair Value				total
	Book value	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss (current and non-current)	\$ 1,918,860	648,676	-	1,270,184	1,918,860
Financial assets at fair value through other comprehensive income					
Stocks	408,947	386,750	-	22,197	408,947
Accounts receivable	830,811	-	-	-	-
Subtotal	1,239,758	386,750	-	22,197	408,947
Financial assets measured at amortized cost					
Cash and cash equivalents	2,614,034	-	-	-	-
Notes and accounts receivable	312,107	-	-	-	-
Other receivables	916,755	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	1,459,878	-	-	-	-
Guarantee deposits (current and non-current)	62,952	-	-	-	-
Subtotal	5,365,726	-	-	-	-
Total	<u>\$ 8,524,344</u>	<u>1,035,426</u>	<u>-</u>	<u>1,292,381</u>	<u>2,327,807</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 40,000	-	-	-	-
Notes and accounts payable	1,184,992	-	-	-	-
Other payables	974,061	-	-	-	-
Lease liabilities (current and non-current)	717,399	-	-	-	-
Long-term borrowings	468,640	-	-	-	-
Guarantee deposits received	41,187	-	-	-	-
Total	<u>\$ 3,426,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
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	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)	\$ 1,998,005	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
Financial liabilities measured at amortized cost					
Short-term borrowings	80,000	-	-	-	-
Notes and accounts receivable	721,448	-	-	-	-
Other receivables	588,047	-	-	-	-
Lease liabilities (current and non-current)	735,295	-	-	-	-
Redeemable preferred stock	40,000	-	-	-	-
Guarantee deposits received	65,212	-	-	-	-
Total	\$ 2,230,002	-	-	-	-

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.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

3) Transfers between Level 1 and Level 2

There were no transfers of financial instruments made between any level for the years ended December 31, 2023 and 2022.

4) Reconciliation of Level 3 fair values

	Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)	Financial assets at fair value through other comprehensive income	Total
Opening balance, January 1, 2023	\$ 1,226,547	13,096	1,239,643
Total gains and losses recognized:			
In profit or loss	61,224	-	61,224
In other comprehensive income	-	9,101	9,101
Purchased	16,471	-	16,471
Capital reduction for redistribution to shareholders	(34,058)	-	(34,058)
Ending Balance, December 31, 2023	<u>\$ 1,270,184</u>	<u>22,197</u>	<u>1,292,381</u>
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
Receivables from Capital reduction for redistribution to 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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Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	61,224	(119,606)
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	9,101	(7,873)

- 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:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss - equity investments without an active market	Market Comparison Method	<ul style="list-style-type: none"> · Price-to-book ratio (December 31, 2023 and December 31, 2022: 1.38 to 1.68 and 1.09 to 1.31) · Liquidity discount (December 31, 2023 and December 31, 2022: 21.65% to 30% and 28.62%, 30%) · Enterprise-Value-to-Revenue Multiple (December 31, 2023 and December 31, 2022: 2.40 and 1.85) 	<ul style="list-style-type: none"> · The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> · the price-to-book ratio were higher (lower); · the liquidity discount were lower (higher); · the enterprise-value-to-revenue multiple were higher (lower); or
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).

- 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:

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 4,792,246	3,702,608
Less: cash and cash equivalents	<u>(2,614,034)</u>	<u>(2,663,688)</u>
Net debt	<u>\$ 2,178,212</u>	<u>1,038,920</u>
Total equity	<u>\$ 8,819,577</u>	<u>8,889,697</u>
Debt-to-equity ratio	<u>24.70 %</u>	<u>11.69 %</u>

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 three months ended December 31, 2023 and 2022, 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, 2023	Cash flows	Non-cash changes		December 31, 2023
			Foreign exchange movement	Others	
Short-term borrowings	\$ 80,000	(40,000)	-	-	40,000
Long-term borrowings	-	468,640	-	-	468,640
Lease liabilities	735,295	(29,749)	(153)	12,006	717,399
Preferred stock liabilities	40,000	(40,000)	-	-	-
Guarantee deposits received	65,212	(24,025)	-	-	41,187
Total liabilities from financing activities	<u>\$ 920,507</u>	<u>334,866</u>	<u>(153)</u>	<u>12,006</u>	<u>1,267,226</u>

	January 1, 2022	Cash flows	Non-cash changes		December 31, 2022
			Foreign exchange movement	Others	
Short-term borrowings	\$ 30,000	50,000	-	-	80,000
Lease liabilities	693,369	(26,731)	136	68,521	735,295
Guarantee deposits received	36,641	28,570	1	-	65,212
Total liabilities from financing activities	<u>\$ 760,010</u>	<u>51,839</u>	<u>137</u>	<u>68,521</u>	<u>880,507</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>
Metanoia Communications Inc.	Metanoia was originally a subsidiary of the Group. However, the Group lost control over Metanoia on June 30, 2023; hence it became an associated enterprise of the Group from the date.
Key management personnel	All directors, supervisors, president and vice president of the Group's key management personnel

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Raw materials purchasing services and other operating income

	<u>2023</u>	<u>2022</u>
Associates-Metanoia	\$ <u>920</u>	<u>-</u>

(c) Key management personnel compensation

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 101,019	100,745
Post-employment benefits	<u>672</u>	<u>570</u>
	<u>\$ 101,691</u>	<u>101,315</u>

The short-term employee benefits include remuneration to employees and directors. Please refer to Note (6)(v) for further details.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledge assets</u>	<u>Pledged to secure</u>	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Current financial assets at amortized cost (Certificate Deposit)	Guarantee of the creditors of the purchase transactions	\$ 61,420	92,190
Non-current financial assets at amortized cost (Certificate Deposit)	Use land guarantee for Hsinchu Science Park Bureau	7,400	7,400
Current financial assets at amortized cost (Reserve Account)	Performance guarantee for government grant	<u>25,621</u>	<u>-</u>
		<u>\$ 94,441</u>	<u>99,590</u>

(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, 2023 and 2022, the financial institutions had issued performance guarantees amounting to \$3,000 thousand, respectively.
- (b) As of December 31, 2023 and 2022, the refundable notes payable for short-term borrowings amounted to \$2,875,000 thousand and \$3,015,000 thousand, respectively.
- (c) As of December 31, 2023 and 2022, the refundable notes payable for lease amounted to \$600 thousand.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (d) The Group signed capacity guarantee contracts with a supplier, stipulating the minimum quantity to be purchased by the Group. As of December 31, 2023 and 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.

- (e) Government grant

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 2023 and 2022, the subsidy recognized, amounting to \$23,620 thousand and \$0 thousand respectively, was classified as other income. As of December 31, 2023 and 2022, the subsidy of \$41,144 thousand and \$23,620 thousand respectively, which had been received by the Group was recognized as "Other Current Liabilities". As of December 31, 2023 and 2022, the financial institutions have issued performance guarantee amounting to \$64,764 thousand and \$23,620, respectively.

- (f) As of December 31, 2023, the total amount of the building contract signed by the Group was \$43,000 thousand and the payable amount in the following years will amount to \$12,208 thousand and \$19,054 thousand respectively.
- (g) The Group signed a project contract at April 28, 2023 (including civil, mechanical and electrical engineering) with Leeming Construction Co., Ltd., a non related party, to build a factory and office building in the International AI Smart Park in Hsinchu County, at the total contract amount of \$5,858,000 thousand. (tax included), as of June 30, 2023, the unrecognized contract commitment amount is \$5,238,809 thousand.

(10) Losses due to major disasters: None.

(11) Subsequent events:

- (a) Please refer to Note (6)(q) for details on profit distribution.
- (b) Please refer to Note (6)(q) for details on the transfer of treasury shares to employees after the period.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Others:

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

	For the years ended December 31					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	\$ 285,153	1,863,770	2,148,923	302,752	1,834,910	2,137,662
Labor and health insurance	25,003	119,159	144,162	32,928	124,744	157,672
Pension	9,707	77,578	87,285	9,412	74,483	83,895
Remuneration of directors	-	42,940	42,940	-	44,990	44,990
Others	20,379	50,163	70,542	22,787	52,325	75,112
Depreciation	60,652	103,146	163,798	61,269	105,234	166,503
Amortization	9,203	189,985	199,188	7,625	152,505	160,130

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, 2023:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with the Group	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Elan InvestmentCorp.	Stock: Finemat Applied Materials Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	8,900	\$ 274,576	13.41 %	\$ 274,576	13.41 %	
Elan Investment Corp.	Elan Microelectronics Corporation	Subsidiary	Non-current financial assets at fair value through other comprehensive income	12,438	2,021,207	4.09 %	2,021,207	4.09 %	
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,077	22,197	4.13 %	22,197	4.13 %	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,500	386,750	7.87 %	386,750	7.87 %	
				-	<u>\$ 2,704,730</u>		<u>\$ 2,704,730</u>		
Elan Microelectronics Corporation	Certificates of beneficial interest: Fubon Chi-Hsiang Money Market Fund	-	Current financial assets at fair value through profit or loss	1,252	\$ 20,162	-	\$ 20,162	-	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	218	-	-	-	-	Note1
Elan Microelectronics Corporation	Vertex Growth (SG) LP	-	Non-current financial assets at fair value through other comprehensive income	-	222,925	-	222,925	-	
Elan Microelectronics Corporation	Vertex Growth II (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	14,782	-	14,782	-	
Elan InvestmentCorp.	FSITC US Top 100 Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	1,500	14,129	-	14,129	-	
Elan InvestmentCorp.	FSITC Global Wealthy Nations Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	2,629	24,359	-	24,359	-	
Elan InvestmentCorp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	6,225	-	6,225	-	
Elan InvestmentCorp.	FSITC Global Health & Weight Loss Fund	-	Current financial assets at fair value through profit or loss	500	4,450	-	4,450	-	

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with the Group	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Elan InvestmentCorp.	FSITC Taiwan Core Strategic Construction Fund	-	Current financial assets at fair value through profit or loss	1,000	13,560	-	13,560	-	
Elan InvestmentCorp.	Nomura Global Short Duration Bond Fund TWD	-	Current financial assets at fair value through profit or loss	9,484	101,230	-	101,230	-	
Elan InvestmentCorp.	Nomura Global Financial Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	3,589	36,623	-	36,623	-	
Elan InvestmentCorp.	Taishin Global Multi-asset Fund of Funds A TWD	-	Current financial assets at fair value through profit or loss	1,000	12,130	-	12,130	-	
Elan InvestmentCorp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	21,630	-	21,630	-	
Elan InvestmentCorp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	52,511	-	52,511	-	
Elan InvestmentCorp.	Taishin ESG Emerging Markets Bond Fund A TWD	-	Current financial assets at fair value through profit or loss	3,003	25,519	-	25,519	-	
Elan InvestmentCorp.	Taishin Short Duration Emerging High Yield Bond Fund A-TWD	-	Current financial assets at fair value through profit or loss	4,200	41,572	-	41,572	-	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	589	-	-	-	-	Note1
				-	<u>\$ 611,807</u>	-	<u>\$ 611,807</u>	-	
Elan Microelectronics Corporation	Short-term commercial papers: Global Strategic FX Arbitrage Note	-	Current financial assets at fair value through profit or loss	195	\$ -	-	\$ -	-	Note1
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	-	-	-	-	Note1
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (SERIES II)	-	Current financial assets at fair value through profit or loss	100	-	-	-	-	Note1
					<u>\$ -</u>		<u>\$ -</u>		
Elan Microelectronics Corporation	Non-publicly traded stocks: 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	6,061	0.94 %	6,061	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 %	

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with the Group	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	84	167	2.17 %	167	2.17 %	
Elan Microelectronics Corporation	TOP TAIWAN VII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	178	4,228	6.12 %	4,228	6.12 %	
Elan Microelectronics Corporation	TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	725	12,292	4.17 %	12,292	4.17 %	
Elan Microelectronics Corporation	Midastouch Research Corporation	-	Non-current financial assets at fair value through other comprehensive income	2,500	4,650	8.16 %	4,650	8.16 %	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	2,625	62,638	6.25 %	62,638	6.25 %	
Elan Microelectronics Corporation	Inno Bridge Venture Capital	-	Non-current financial assets at fair value through other comprehensive income	800	2,389	11.35 %	2,389	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	37,656	10.00 %	37,656	10.00 %	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	82,636	82,646	6.25 %	82,646	6.25 %	
Elan Microelectronics Corporation	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through other comprehensive income	495	-	1.54 %	-	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	301,511	18.52 %	301,511	18.52 %	

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with the Group	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	7	-	0.24 %	-	0.24 %	
Elan Microelectronics Corporation	Taiwania Capital Buffalo Fund V, LP.	-	Non-current financial assets at fair value through profit or loss	-	47,103	3.19 %	47,103	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	142,407	17.44 %	142,407	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	288,989	13.30 %	288,989	13.30 %	
Elan Microelectronics Corporation	Cruise 10 Co., Ltd	-	Non-current financial assets at fair value through profit or loss	625	3,081	5.26 %	3,081	5.26 %	
Elan InvestmentCorp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	24,871	3.88 %	24,871	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.	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	-	2.70 %	-	2.70 %	
Elan InvestmentCorp.	ZQAM Communications Corporation - Preferred shares	-	Non-current financial assets at fair value through profit or loss	75	642	0.71 %	642	1.07 %	
Elan InvestmentCorp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	6,419	2.53 %	6,418	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	3,405	1.13 %	3,405	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	1,322	14.29 %	1,322	14.29 %	
Elan InvestmentCorp.	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	370	-	1.16 %	-	1.16	
					<u>\$ 1,032,477</u>		<u>\$ 1,032,476</u>		

Note 1: In the first quarter of 2023, 168,774 thousand of financial asset impairment has been provided.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Group	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Group	Date of transfer	Amount			
Elan Microelectronics Corporation	New factory in Zhubei AI Park	2023.4.28	5,858,000 (Tax included)	619,191 (Tax included)	LeeMing Construction CO., LTD.	none				-	Not applicable due to commissioned construction of leased land	To meet the needs of future operations	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	\$ 320,747	2.66 %	Open Account 45 Days	-		\$ 28,384	2.48%	

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	\$ 320,747	Open Account 45 Days	2.66%
1	Elan (H.K.)	Elan Microelectronics Corporation	2	Commission revenue	\$ 246,129	Monthly settlement	2.04%

Note1: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

Note2: The way to fill in the serial number is as follows:

- (1) 0 represents the parent company.
- (2) Subsidiaries are numbered sequentially starting from the number 1 according to the company

Note3: The relationship with the trader is as follows:

- (1) parent company to subsidiary.
- (2) subsidiary to parent company

- (b) Information on investees:

The followings are the information on investees for the years ended December 31, 2023 (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, 2023			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2023	December 31, 2022	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 %	\$ 404,354	100.00 %	\$ 83,629	\$ 83,629	Note 1
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	919,972	100.00 %	(31,905)	(31,905)	Note 1

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value				
Elan Microelectronics Corporation	Elan Information Technology Group	California, USA	Sale, after-sales service and provide new informational skills	22,822	22,822	65	100.00 %	14,267	100.00 %	(1,152)	(1,152)	Note 1
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 %	(6,120)	49.00 %	(5,865)	(2,874)	Note 1
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	\$ 665,865	47,363	46.89 %	\$ 118,467	46.89 %	\$ (211,447)	\$ (99,148)	Note 3
Elan Microelectronics Corporation	Avionic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	224,746	194,226	20,569	83.40 %	4,939	84.78 %	(31,281)	(26,098)	Note 1
Elan Microelectronics Corporation	Tong fu Investment Corp.	Hsin-Chu, Taiwan	Investment holding	26,070	26,070	3,000	46.73 %	-	46.73 %	-	-	Note 2
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 %	-	-	Note 2
Elan Microelectronics Corporation	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	151,138	117,062	14,647	92.27 %	40,157	94.65 %	(27,913)	(26,279)	Note 1
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 %	23,962	18.50 %	(38,784)	(7,175)	Note 1
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	199,500	210,000	19,950	30.00 %	237,360	30.00 %	33,181	9,954	
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	50,000	50,000	2,500	24.69 %	4,927	24.69 %	(15,587)	(3,849)	
Elan Microelectronics Corporation	Finger Pro. Incorporation	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	6,000	6,000	600	23.08 %	-	23.08 %	-	-	Note 2
Elan Microelectronics Corporation	Chimei Motor Electronic CO., LTD.	Taipei, Taiwan	Image recognition, automotive electronic manufacturing and wholesaling business	228,650	228,650	9,250	30.83 %	197,634	31.36 %	(50,952)	(21,720)	Note 1
Elan Investment Corp.	Avionic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	15,754	6,463	1,575	6.39 %	407	6.39 %	(31,281)	(1,348)	Note 1
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 %	-	-	Note 2
Elan Investment Corp.	PIXORD Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	9,990	4,065	987	6.22 %	2,707	6.22 %	(27,913)	(1,100)	Note 1
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 %	16,663	0.82 %	(211,447)	(1,734)	Note 3
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 %	12,805	9.61 %	(38,784)	(3,727)	Note 1
Elan (H.K.)	Power Asia Investment Corporation	Republic of Mauritius	Investment holding	89,572	89,572	2,861	100.00 %	29,508	100.00 %	2,026	2,026	Note 1
Chimei Motor Electronic CO., LTD.	CHIMEI MOTOR ELECTRONICS (SAMOA) CO., LTD.	Samoa	Investment holding	52,555	37,145	1,750	100.00 %	24,635	100.00 %	(4,282)	(4,282)	Note 1
Metanoia Communications Inc.	Metanoia Communication Europe	France	Provide technical support and information service	18,410	18,410	571	100.00 %	8,336	100.00 %	(281)	(281)	Note 3

Note1: Investments in subsidiaries the Group has control over have been eliminated at the Group level from long-term investment.

Note2: The full amount has been included in impairment loss.

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note3: Investee companies that lose control on June 30, 2023.

(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, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses) recognized	Carrying value as of December 31, 2023	Accumulated inward remittance of earnings as of December 31, 2023
					Outflow	Inflow							
Elan Micro-electronics (Shanghai) Co., Ltd.	Provide technical support and information service	\$ 52,095	(2)	\$ 52,095	-	-	\$ 52,095	\$ 809	100.00%	100.00 %	\$ 809	\$ 19,697	-
Elan Micro-electronics (Shenzhen) Co., Ltd.	Provide technical support and information service	34,670	(2)	34,670	-	-	34,670	1,206	100.00%	100.00 %	1,206	9,323	-
Gianteye Technology (Shanghai) CO., LTD.	Development of advanced driver assistance systems and wholesale of automotive electronic products	52,555	(2)	37,145	15,410	-	52,555	(4,279)	100.00%	100 %	(4,279)	24,609	-

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.

Note3: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

	Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Elan Microelectronics Corporation	\$ 86,765 (USD2,500,000)	\$ 98,333 (USD2,500,000)	\$ 5,291,746
Chimei Motor Electronic CO., LTD.	52,555 (USD1,750,000)	68,103 (USD2,250,000)	172,588

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 Group.

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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, 2023								
	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	\$ 2,158,481	8,806,074	84,443	-	323,448	686,069	-	12,058,515
Intersegment revenues	330,305	-	-	-	246,129	20,703	(597,137)	-
Interest income	27,535	2,668	444	1,453	5,191	4,434	-	41,725
Total revenue	<u>\$ 2,516,321</u>	<u>8,808,742</u>	<u>84,887</u>	<u>1,453</u>	<u>574,768</u>	<u>711,206</u>	<u>(597,137)</u>	<u>12,100,240</u>
Interest expenses	\$ 11,182	7	64	-	481	1,699	-	13,433
Depreciation and amortization	209,395	48,772	39,703	-	9,735	55,376	-	362,981
Shares of gain of associates accounted for using equity method	(126,615)	-	-	(7,910)	-	99,043	-	(35,482)
Reportable segment profit or loss	<u>\$ (765,365)</u>	<u>3,374,355</u>	<u>(124,280)</u>	<u>(31,905)</u>	<u>109,922</u>	<u>(155,898)</u>	<u>65,972</u>	<u>2,472,801</u>

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ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the year then ended December 31, 2023								
	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
Assets								
Investments accounted for using equity method	\$ 1,959,919	-	-	32,576	-	-	(1,615,077)	377,418
Capital expenditure	915,069	53,053	-	-	255	27,152	77,573	1,073,102
Reportable segment assets	\$ 10,259,363	3,144,477	-	2,941,283	477,803	722,859	(3,526,350)	14,019,435
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	\$ 3,252,403	9,208,469	111,528	6,901	688,157	524,607	(727,469)	13,064,596
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	\$ (680,090)	3,475,181	(166,900)	(313,612)	152,278	(119,095)	355,210	2,702,972
Assets								
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	\$ 9,825,781	2,365,919	539,271	1,991,236	409,505	981,047	(2,787,929)	13,324,830

(i) Product and service information

Revenue from the external customers of the Group was as follows:

Product and services	2023	2022
Consumer Touch Control Integrated Circuit	\$ 2,481,929	3,209,732
Laptop Input Device	8,806,074	9,207,630
Network Communication Integrated Circuit	84,443	111,142
Others	686,069	501,980
Total	\$ 12,058,515	13,030,484

(Continued)

ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

<u>Geographical information</u>	<u>2023</u>	<u>2022</u>
Revenue from external customers:		
Taiwan	\$ 801,359	1,043,560
Mainland China	1,820,302	2,459,068
Hong Kong	9,240,554	9,302,571
Others (less than 5%)	<u>196,300</u>	<u>225,285</u>
	<u>\$ 12,058,515</u>	<u>13,030,484</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
Non-current assets:		
Taiwan	\$ 2,932,033	2,312,202
Mainland China	8,746	15,512
Hong Kong	962	3,497
United States	<u>-</u>	<u>171</u>
	<u>\$ 2,941,741</u>	<u>2,331,382</u>

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>2023</u>	<u>2022</u>
Customer A (Laptop Input Device Model)	\$ 3,459,121	4,029,227
Customer A (Consumer Touch Control Integrated Circuit Model)	538,116	737,931
Customer B (Laptop Input Device Model)	3,529,505	2,868,096
Customer B (Consumer Touch Control Integrated Circuit Model)	<u>129,648</u>	<u>207,379</u>
	<u>\$ 7,656,390</u>	<u>7,842,633</u>

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	2023	2022	Difference	
			Amount	%
Current Assets	8,623,518	8,722,281	(98,763)	(1.13)
Property, Plants and Equipment	1,517,920	990,675	527,245	53.22
Intangible Assets	598,071	604,707	(6,636)	(1.10)
Other Assets	948,801	979,128	(30,327)	(3.10)
Total Assets	14,019,435	13,324,830	694,605	5.21
Current Liabilities	3,324,128	2,618,782	705,346	26.93
Non-Current Liabilities	1,468,118	1,083,826	384,292	35.46
Total Liabilities	4,792,246	3,702,608	1,089,638	29.43
Equity Attributable to Shareholders of The Parent Company	8,819,577	8,889,697	(70,120)	(0.79)
Capital Stock	3,038,804	3,038,804	0	0
Capital Surplus	936,880	838,428	98,452	11.74
Retained Earnings	5,836,582	6,107,872	(271,290)	(4.44)
Other Equity	113,796	11,078	102,718	927.23
Treasury Shares	1,106,485	1,106,485	0	0
Non-Controlling Interest	407,612	732,525	(324,913)	(44.36)
Total Stockholders' Equity	9,227,189	9,622,222	(395,033)	(4.11)

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. Property, Plant, and Equipment: The increase compared to last year is mainly due to the addition of prepayments for AI park construction this year.
 2. Current Liabilities: The increase compared to last year is mainly due to the increase in sales revenue in the fourth quarter of 2023 compared to the same period in 2022, leading to an increase in accounts payable and other current liabilities in 2023.
 3. Non-current Liabilities: The increase compared to last year is mainly due to long-term borrowing in 2023 to support prepayments for AI park construction.
 4. Total Liabilities: The increase compared to last year is mainly due to the increase in accounts payable and other current liabilities in this period and an increase in long-term borrowing.
 5. Capital Surplus: The increase compared to last year is mainly due to the recognition of capital surplus adjustments resulting from dividends allocated to the parent Company by subsidiary companies.
 6. Other Equity: The increase compared to last year is mainly due to unrealized gains on financial assets measured at fair value through other comprehensive income in this period.

7. Non-controlling Interests: The decrease in this period is mainly due to the reduction in subsidiary 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	2023	2022	Increase (Decrease) Amount	Difference (%)
Operating revenue	12,058,515	13,030,484	(971,969)	(7.46)
Gross Profit	5,432,037	5,987,244	(555,207)	(9.27)
Operating Income (Loss)	2,434,475	2,784,461	(349,986)	(12.57)
Non-operating income and expenses	38,326	(81,489)	119,815	147.03
Net profit before tax	2,472,801	2,702,972	(230,171)	(8.52)
Income before tax from continuing operations	1,985,030	2,033,413	(48,383)	(2.38)
Net Income (Loss)	1,985,030	2,033,413	(48,383)	(2.38)
Other comprehensive income (loss) (income after tax)	118,479	(109,380)	227,859	208.32
Total comprehensive income (loss)	2,103,509	1,924,033	179,476	9.33
Net income attributable to shareholders of the parent Company	2,143,520	2,151,676	(8,156)	(0.38)
Net income attributable to non-controlling interest	(158,490)	(118,263)	(40,227)	34.01
Comprehensive income (loss) attributable to shareholders of the parent Company	2,262,470	2,041,861	220,609	10.80
Comprehensive income (loss) attributable to non-controlling interest	(158,961)	(117,828)	(41,133)	34.91

(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 therefore: (please provide analysis and explanation when the percentage of change is more than 20%, and the amount is more than 10 million)

1. Increase in Non-operating Income and Expenses:

This is mainly due to higher financial asset valuation losses compared to last year.

2. Increase in Other Comprehensive Income:

This is mainly due to an increase in unrealized gains on financial assets measured at fair value through other comprehensive income in this period.

3. Decrease in Net Profit Attributable to Non-controlling Interests:

This is mainly due to a reduction in subsidiary entities in this 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 therefore:

Affected by the overall economic instability, the global demand for laptops was decreased in 2023, with a double-digit decline in annual laptop shipments, totaling 174 million units. Apart from concerns over long-term inflation and interest rate hikes, geopolitical tensions such as the Russia-Ukraine conflict and the Israel-Palestine conflict, as well as the slowdown in infrastructure and economic growth in mainland China, have hindered economic development, thereby constraining global consumption momentum. Inventories have gradually cleared out throughout 2023.

Despite facing two years of adversity, the global laptop industry is expected to see a ray of hope in 2024. Microsoft is planning to end support for updates to the Windows 10 system in October 2025. Based on historical experience, there is a chance of a replacement wave occurring in 2024. Furthermore, with the rise of Generative AI, end customers are actively integrating artificial intelligence into personal computer (AI PC) products. This move is expected to enhance personal productivity or work efficiency, thereby changing the long-standing development ecosystem of personal computers. In addition to the increase in hardware specifications requirements, it may also drive upgrades in component functionalities, injecting new ideas into the laptop market. The Company will continue to strengthen product features and specification upgrades, introducing specifications with competitive advantages to form differentiation in competition and thereby increase market share.

The penetration rate of fingerprint recognition products in laptops remains relatively low, especially for higher-priced MOC (Match On Chip, which verifies fingerprints before booting to unlock). With the optimistic outlook for the future, we aim to dominate the market within the next two to three years, capturing the majority of the market share. In 2022, the shipment of Haptic Pad touch pads contributed over a billion dollars in revenue, marking its debut. However, in 2023, amidst a sluggish overall economy, shipments were affected. With the laptop market showing signs of recovery in 2024, there's an opportunity for a resurgence in customer adoption. The introduction of large-sized touch pads is advantageous for increasing average selling prices. Additionally, actively promoting and mass-producing the single-layer embedded touchpad panels (SLOC) benefits revenue from touch screen chips. Despite global economic uncertainties and intense external market competition, the Company is committed to actively strengthening chip design technology engineering to effectively reduce costs, with the aim of enhancing operational efficiency.

The Advanced Driver Assistance Systems (ADAS) is a key focus area for the Company's business operations. We are actively collaborating with our investment partners to develop ADAS products with a primary focus on enhancing driving safety. This includes the development of Camera Modules, Sensor Fusion algorithms, and external components etc., aimed at providing high-quality comprehensive solutions for electric buses and large buses. This initiative serves as a strategic move to enter the automotive electronics market, and we anticipate revenue contributions from this venture in 2024.

In addition, to expand the application of fingerprint recognition and drive business growth, the Company is actively entering the smart card market. Smart cards have a wide range of applications, including credit cards, financial cards, employee identification cards, and identity cards. The future market potential is significant. Although the market has not yet taken off, we continue to enhance product cost-effectiveness to attract adoption by brand customers. To improve market competitiveness, we emphasize high value-added features such as encryption support, payment functionality, and anti-counterfeiting fingerprint features in our products. This approach ensures that we provide our clients with the best market competitiveness.

The Company is a professional IC design Company that provides comprehensive integrated solutions. We have a strong research and development team and invest more than 12% of our annual budget into R&D. As a chip design company that prioritizes the development of new products, the quality of our products is highly recognized by customers. Currently, over half of our revenue comes from clients who are leading global manufacturers. Three of our products are currently ranked first globally, namely the touch screen laptop screen chips, touchpad modules, and pointing devices.

3. Analysis of Cash Flow

(1) Cash Flow Analysis for the last fiscal year (2023)

Unit: NT\$ thousands					
Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Funding Plans
2,663,688	4,207,658	(4,257,312)	2,614,034	—	—
1. Analysis of change in consolidated cash flow in the current year:					
(1) Operating activities:					
The net cash inflow from operating activities was increased by NT\$ 3,453,685,000 compared to the previous year. This increase is mainly attributed to the decrease in inventory, increase in accounts payable, and decrease in income tax payments during the current year. These effects offset the increase in accounts receivable, resulting in a net increase in cash inflow from operating activities compared to the previous year.					
(2) Investment activities:					
The net cash inflow from investing activities was decreased by NT\$3,524,575,000 compared to the previous year. This decrease is mainly due to the increase in financial assets measured at amortized cost and the increase in the amount of property acquired during the current year.					
(3) Financing activities:					
The net cash outflow from financing activities was decreased by NT\$1,614,703,000 compared to the previous year. This decrease is mainly due to the reduced amount of cash dividends distributed during the current 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 (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Estimated Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Funding Plans
2,614,034	1,881,189	(1,367,706)	3,127,527	—	—
1. Analysis of change in cash flow in the current year:					
(1) Operating activities:					
The Company anticipates an increase in operating revenue due to the launch of Windows 12 and the discontinuation of Windows 10 updates in 2025, along with the expected surge in demand for new devices driven by the AIPC trend.					
Additionally, the promotion of AI touch pads with smart palm rejection and waterproof solutions, along with touchpad models featuring haptic feedback functionality, is expected to be a major driver of revenue growth. We anticipate a net cash inflow from operating activities.					
(2) Investment activities:					
It is mainly due to the decrease in financial assets measured as investment in the Zhubei AI Smart Park, purchases of fixed assets and software, and amortized costs. It is expected that investment activities will be net cash outflows.					
(3) Financing activities:					
The main expectation is to distribute cash dividends to shareholders and for employee stock purchases of treasury stocks. We anticipate a cash outflow from financing activities.					
2. Expected remedy for cash deficit and liquidity analysis: N/A.					

4. Major Capital Expenditure Items on the Financial Operations during the Last Fiscal Year:

(1) Utilization of Significant Capital Expenditures and Funding Sources:

Project Name	Actual or Expected Funding Sources	Total Funding Required (As of Year 2023)	Actual Utilization of Funds (Year 2023)
Zhubei AI Park New Factory	Own capital	619,191	619,191

(2) Estimated benefits:

The Company commenced the construction of a new factory in May 2023 in Zhubei City, Hsinchu County, at the "Hsinchu County International AI Smart Park. We hope this facility can serve as an innovative technology research and development base for industries related to 5G, AI, IoT, mobile devices, and smart healthcare after its completion. We aim to attract more talented individuals and enhance exchanges and development within the AI industry.

5. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

Item Affiliates	Policies	Gain (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the coming year
Elan H.K Micro Electronics Corp	Sell the Company's products, provide after-sales service, and establish a sales base	83,629	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	(31,905)	Mainly due to the loss of financial asset evaluation during the current period.	-	-
Metanoia Communications Co., Ltd.	Manufacture cable and wireless communication machinery and equipment, electronic components, wholesale and retail telecommunication Equipment	(99,148)	Due to further investment in the research and development of new 5G telecommunications products, the Company incurred losses in the year 2023.	The Company plans to develop a new generation of 5G chips and comprehensive hardware and software solutions. It is anticipated that the growth of the 5G RAN (Radio Access Network) market will contribute to revenue in the year 113.	-
Avisonic Technology Corporation	Research, design, manufacture and sale of multimedia video compression and impact processing ICs	(26,098)	Due to weak global terminal demand and ongoing inventory adjustments across the industry chain, customer product shipments have slowed down. However, there remains optimism for the growth potential of the smart image recognition application market and the automotive imaging market. The Company continues to invest in the development of hardware and software technologies related to imaging products. Despite these efforts, losses were incurred in the year 2023.	The Company continues to optimize ADAS (Advanced Driver Assistance Systems) in-vehicle imaging systems to meet customer demands. Additionally, it plans to apply image processing technology to the access control and security system market. It is anticipated that these efforts will enhance product revenue momentum in 2024.	-
PiXORD Corporation	Export and manufacture of the data storage and processing equipment, wireless communication machinery and equipment manufacturing	(26,279)	Continuous investment in the research and development of new products, particularly cameras with AI image recognition capabilities, resulted in sustained losses in 2023.	With the completion and promotion of new product development, there is anticipation that it will contribute to revenue in 2024.	-
Chimei Motor Electronics Co., Ltd.	The business includes manufacturing and wholesale distribution of products related to image recognition and automotive electronics.	(21,720)	Continued investment in the development of ADAS (Advanced Driver Assistance Systems) automotive smart driving assistance products resulted in losses in 2023.	Promoting automotive solutions focused on ADAS (Advanced Driver Assistance Systems) and smart cabins is the direction for development. It is anticipated that these efforts will contribute to revenue in 2024.	-

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 Counter Measures

Unit: NT\$ thousands

Item	Year	2023
Net operating income		12,058,515
Net profit before tax		2,472,801
Net exchange (loss) profit		5,710
Net exchange (loss) profit to net income ratio		0.05%
Net exchange (loss) profit to net profit before tax ratio		0.23%
Interest revenues		41,725
Interest revenues accounted for net income ratio		0.35%
Interest revenues accounted for net profit before tax ratio		1.69%
Interest expenses		13,433
Interest expenses accounted for net income ratio		0.11%
Interest expenses accounted for net profit before tax ratio		0.54%

1. Interest Rates:

In the year 2023, the net interest income as a percentage of net revenue was 0.24%. The Company prioritizes the safety of its fund utilization and therefore allocates funds to secure assets to obtain stable interest income.

2. Foreign Exchange Rates:

To avoid currency fluctuations, the Company utilizes regular trade payments to offset each other, achieving a natural hedging effect against exchange rate changes. In the year 2023, the Company generated a net foreign exchange gain of NT\$5,710,000. The financial personnel closely monitor currency fluctuations and take appropriate actions to mitigate the impact of exchange rate changes on the Company's profitability.

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 Counter Measures 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 the rapid development of Generative AI, the Company has extensively applied AI technology, which has been researched for many years, to our products, particularly in image recognition processing technology. Since 2018, we have collaborated with the Academia Sinica to develop AI technology. Besides sponsoring the Taiwan AI School, we have also sent hundreds of internal executives to participate in all AI courses, learning the key elements of AI technology. Subsequently, we have applied the acquired AI technology to various product lines, including touchpad modules, touch screen chips, fingerprint recognition chips, etc. Additionally, we continue to discuss with key customers about other expandable application functions and areas.

Moreover, except the AI, we focus on enhancing our operations growth by adding product features and improving product specifications. For instance, increasing the adoption rate of Haptic Pads, driving the average unit price up through large-sized touch pads, and upgrading the penetration rate of high-priced MOC (Match On Chip). We also promote the adoption of single-layer touch function chips embedded in SLOC (Single Layer On-Cell), and the integration of touch and drive chips in LTDI (Low-Temperature Driver Integration). Furthermore, we continue to invest in the development and application of touch technology, holding patents in the US, Japan, China, Taiwan, and other regions.

Additionally, with the high penetration rate of biometrics in smart phones and fierce competition in this area, we strengthen our application in image recognition and develop diversified product applications. Currently, laptops are our primary focus.

Simultaneously, we actively expand into non-laptop applications. Firstly, ADAS (Advanced Driver Assistance Systems) is a key business focus, where we collaborate with a subsidiary to develop products related to ADAS, including camera modules, sensor fusion algorithms, and external components. These high-quality integrated solutions are provided to electric buses and large buses, laying the groundwork for entering the automotive electronics market and expecting revenue contributions by 2024.

Besides, to expand the application of fingerprint recognition and drive business growth, we actively enter the smart card market. Although the market has not taken off yet, we continuously enhance product cost-effectiveness to attract brand customers. We emphasize high-value-added features e.g. encryption support, payment support, and anti-counterfeiting fingerprint functions to enhance market competitiveness.

Furthermore, the introduction of large-sized touch pads benefits the increase in average unit prices, while the promotion of single-layer embedded touch panels (SLOC) facilitates revenue generation for touch screen chips. Despite global economic uncertainties and fierce market competition, we strive to strengthen chip design technology engineering to effectively reduce costs and improve operational efficiency.

Regarding our Point stick products used in laptops, we currently hold the largest market share globally, supplying to the largest laptop manufacturers worldwide. As the market share of laptop manufacturers continues to increase, we expect our market position to rise further. Additionally, the trend towards thinner and lighter designs

benefits the increase in average selling prices.

Finally, our microcontroller products will continue to develop lower-power chip platforms to provide optimal solutions to customers. We will strengthen cooperation with solution companies in mainland China and provide the best cost-effective control chips.

2. The research and development expenses are expected to be approximately NT\$ 2 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 therefore.

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 on 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 Counter Measures: 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 2023, so there will be no change in management rights.

(12) Litigation or non-litigation Matters:

As of May 09, 2024

Major lawsuits	Explanation	Results
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. On November 29, 2023, 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, 2023, 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. 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. In this case, on November 30, 2023, 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, 2023, 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	On March 23, 2024, 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>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, and after assessment, there should be no material adverse impact on the Company's finances and business.</p> <p>On March 23, 2024, 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>	
Elan Microelectronics filed a patent infringement lawsuit against FocalTech Systems Co., Ltd. on March 20, 2024.	<p>Elan Microelectronics filed a lawsuit against FocalTech Systems Co., Ltd.. (hereinafter referred to as " FocalTech ") in the Intellectual Property and Commercial Court on March 20, 2024. We assert that the touch control chip used in the touch pad produced and sold by FocalTech has infringed upon the Company's patent rights, specifically Taiwan Invention Patent No. I662460, and thus, we request the court to prohibit the defendant from using and selling the products in question and seek compensation for damages.</p>	Elan Microelectronics is the plaintiff in this case, which is currently under review by the court. It is assessed that the outcome of the case should not have a significant adverse impact on the Company

(13) Other Major Risk and Counter Procedures: N/A

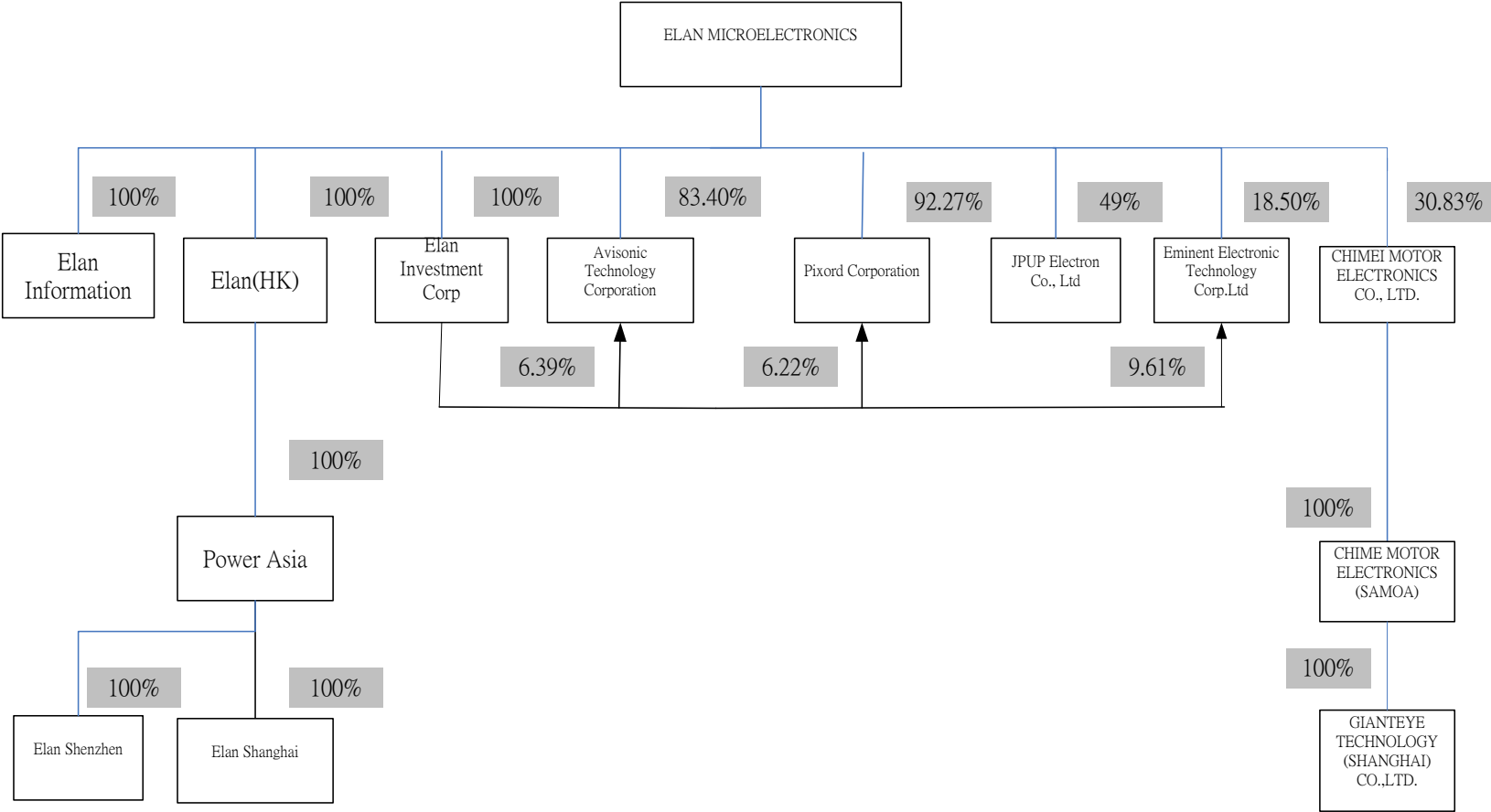
7. Other Important Matters: N/A.

VIII. Special Disclosure

1. Summary of Affiliated Companies

Dec 31,2023

- (1) Consolidated business report of the affiliates
 - 1. Overview of the affiliates
 - (1) Organizational chart of the affiliates:



Note: Metanoia Communications Co., Ltd. conducted an election for the new members of its board of directors on June 15, 2023. ELAN Microelectronics only got two seats, failing to secure a majority of the directorships. As a result, ELAN Microelectronics lost its control over Metanoia Communications Co., Ltd. and its subsidiary, Metanoia EU. Therefore, from June 30, 2023, these two companies are not included in the consolidated financial statements.

(2) Basic information of each affiliate:

Dec 31,2023

Company name	Date of Incorporation	Address	Paid-up capital	Main business or production items
Elan H.K Micro electronics Corp.	May 16, 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 Bandley 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
Avisonic Technology Corporation	Dec. 22, 2003	7/F, No.12, Innovation 1st Rd., Hsinchu Science Park	NTD 246,626,000	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 158,500,000	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 222,407,710	Electronic component manufacturing, computer and peripheral equipment manufacturing, optical instrument manufacturing
Chimei Motor Electronics Co., Ltd.	2013.01.15	No. 10, Jingzhong Rd., Wanghang Village, Yongkang Dist., Tainan City	NTD 300,000,000	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 1,750,000	General Investment
Gianteye Technology (Shanghai) Co., Ltd.	20018.08.01	Room 1107, No. 1033, Moyu South Road, Jiading District, Shanghai	USD 1,750,000	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:

Name of Subsidiary	Main business or production items	Division of work
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
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	Export manufacturing, data storage and processing equipment, wireless communication machinery and equipment manufacturing	N/A
Eminent Electronic Technology	Electronic component manufacturing, computer and peripheral equipment manufacturing, optical instrument manufacturing	N/A
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:

Dec 31,2023

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		
Avisonic Technology Corporation	Chairman	Elan Microelectronics Corporation	20,569,225	83.40%
		Representative: YEH, I-Hau		
	Director	Elan Microelectronics Corporation	20,569,225	83.40%
		Representative: LIU, Tai-Ming		
	Director	Elan Microelectronics Corporation	20,569,225	83.40%
		Representative: YEN, Kuo-Lung		
	Director	Elan Microelectronics Corporation	20,569,225	83.40%
		Representative: TAO, I-Hsin		
	Director	Elan Microelectronics Corporation	20,569,225	83.40%
		Representative: LIN, Meng-Chun		
	Supervisor	Elan Investment Co., Ltd.	1,575,351	6.39%
		Representative: LIN, Yung-Jen		
	Supervisor	Elan Investment Co., Ltd.	1,575,351	6.39%
		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		
PiXORD Corporation	Director	Elan Microelectronics Corporation	784,000	49.00%
		Representative: HSIEH, Wen-Yu		
	Director	Elan Microelectronics Corporation	784,000	49.00%
		Representative: TSAI, Chien-Wen		
	Chairman	Elan Microelectronics Corporation	14,647,401	92.27%
		Representative: YEH, I-Hau		
	Director	Elan Microelectronics Corporation	14,647,401	92.27%
		Representative: CHUO, Hsun-Rong		
	Director	Elan Microelectronics Corporation	14,647,401	92.27%
		Representative: CHANG, LI, Ming-Hsia		
Eminent Electronic Technology	Director	Elan Microelectronics Corporation	14,647,401	92.27%
		Representative: YANG, Chong-Liang		
	Director	Elan Microelectronics Corporation	14,647,401	92.27%
		Representative: HU, Chong-Ping		
Chimei Motor Electronics Co., Ltd.	Supervisor	Elan Investment Co., Ltd.	987,494	6.22%
		Representative: LIU, Tai-Ming		
	Supervisor	Elan Investment Co., Ltd.	987,494	6.22%
		Representative: TSENG, Wen-Ya		
Chimei Motor Electronics (Samoa) Co., Ltd.	Chairman	Elan Microelectronics Corporation	4,113,444	18.50%
		Representative: CHANG, Hong-Te		
	Director	Elan Microelectronics Corporation	4,113,444	18.50%
		Representative: YEN, Kuo-Lung		
Gianteye Technology (Shanghai) Co., Ltd.	Director	Elan Microelectronics Corporation	4,113,444	18.50%
		Representative: WU, Kao-Bing		
	Director r	Elan Investment Co., Ltd.	2,137,861	9.61%
		Representative: YEH, Tsung-Ying		
Chimei Motor Electronics Co., Ltd.	Chairman	Elan Microelectronics Corporation	9,250,000	30.83%
		Representative: YEH, I-Hau		
	Director	Elan Microelectronics Corporation	9,250,000	30.83%
		Representative: HSU, Hsueh-Hsien		
Chimei Motor Electronics (Samoa) Co., Ltd.	Director	Elan Microelectronics Corporation	9,250,000	30.83%
		Representative: LIU, Tai-Ming		
Chimei Motor Electronics (Samoa) Co., Ltd.	Director	Elan Microelectronics Corporation	9,250,000	30.83%
		Representative: LIN, Meng-Chun		
Chimei Motor Electronics (Samoa) 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	454,585	38,232	416,353	569,576	96,434	83,629	2.85
Elan Investment	500,000	2,941,289	110	2,941,179	-	(1,297)	(31,905)	(0.64)
Elan Information	22,822	14,275	8	14,267	14,009	(1,117)	(1,152)	(17.72)
Metanoia Communications (Note 1)	-	-	-	-	84,444	(122,607)	(124,280)	(1.23)
Avisonic Technology	246,626	61,417	54,486	6,931	38,036	(30,240)	(31,281)	(1.42)
JPUP Electron	16,000	2,276	14,766	(12,490)	2,133	(5,866)	(5,865)	(3.67)
PiXORD Corporation	158,750	55,321	11,800	43,521	10,325	(28,533)	(27,913)	(2.11)
Eminent Electronic	222,408	249,382	102,321	147,061	521,847	(42,798)	(38,784)	(1.74)
Metanoia EU (Note 1)	-	-	-	-	-	(3,216)	(3,197)	(5.60)
Power Asia	98,368	29,508	-	29,508	-	(2)	2,026	0.71
Elan Shanghai	52,095	28,020	8,323	19,697	54,124	983	809	-
Elan Shenzhen	34,670	24,218	14,895	9,323	63,948	368	1,206	-
Chimei Motor Electronics Co., Ltd.	300,000	339,050	51,403	287,647	118,253	(61,372)	(50,952)	(1.72)
Chimei Motor Electronics (Samoa)	52,555	24,635	-	24,635	-	(3)	(4,282)	(2.94)
Gianteye Technology (Shanghai) Co., Ltd.	52,555	25,747	1,138	24,609	6,724	(4,349)	(4,279)	-

Note 1: Metanoia Communications Co., Ltd. conducted an election for the new members of its board of directors on June 15, 2023. ELAN Microelectronics only got two seats, failing to secure a majority of the directorships. As a result, ELAN Microelectronics lost its control over Metanoia Communications Co., Ltd. and its subsidiary, Metanoia EU. Therefore, from June 30, 2023, these two companies are not included in the consolidated financial statements.

Note 2: The Assets and Liabilities accounts are based on the foreign currency exchange rates as of December 31, 2023:

US\$1 to NT\$30.71, HKD 1 to NT\$3.93, RMB1 to NT\$4.33.

The profit and loss accounts are based on the average exchange rate in 2023: US\$1 to NT\$31.13, HKD 1 to NT\$3.9738, and RMB1 to NT\$4.3833.

(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, 2023, 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, 2024

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; NT\$154,477,318	0	0	0	0	0	0
				As of the publishing date of the annual reports	12,438,199 shares; NT\$28,975,663	0	0	0	0 (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, 2023

Based on the findings of a self-assessment, Elan Microelectronics Corporation (EMC) states the following with regard to its internal control system during the year 2023:

1. EMC'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, schedules, 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. EMC 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. EMC 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, 2023 (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, schedules, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of EMC'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 February 22, 2024, 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.