

**ELAN MICROELECTRONICS CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2025 and 2024**

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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## **Representation Letter**

The entities that are required to be included in the consolidated financial statements of ELAN MICROELECTRONICS CORPORATION as of and for the year ended December 31, 2025 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”. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, ELAN MICROELECTRONICS CORPORATION and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: ELAN MICROELECTRONICS CORPORATION

Chairman: Yeh, I-Hau

Date: March 3, 2026



安侯建業聯合會計師事務所

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## 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, 2025 and 2024, 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, 2025 and 2024, 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 0.86% and 1.88% of the consolidated total assets on December 31, 2025 and 2024, respectively, and the related share of profit of associates accounted for using the equity method constituted (1.11)% and 1.87% 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, 2025 and 2024, on which we have issued an unmodified opinion with other matter paragraph.

### **Key Audit Matters**

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

#### **1. Inventory valuation**

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

Description of key audit matter:

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

How the matter was addressed in our audit:

For the valuation of inventories, 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. Also, we obtain the calculation details of the provision for the write-down of inventories, and check whether those details are consistent with the accounting records. In addition, we performed procedures including sampling to examine the accuracy of inventory aging report and the net realizable value report.

#### **2. Revenue recognition**

Refer to Note (4)(o) and (6)(s) 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 the accuracy of the period of revenue recognition; 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 Chien-Hui Lu and Fang-Yi Lee.

KPMG

Taipei, Taiwan (Republic of China)  
March 3, 2026

#### **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, 2025 and 2024**

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2025		December 31, 2024		Liabilities and Equity		December 31, 2025		December 31, 2024	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note (6)(a))	\$ 2,400,069	16	3,272,637	22	2100	Short-term borrowings (notes (6)(j) and (9))	\$ 200,000	1	130,000	1
1110	Current financial assets at fair value through profit or loss (notes (6)(b) and (13))	379,904	2	404,272	3	2170	Notes and accounts payable	981,674	6	1,021,393	7
1136	Current financial assets at amortised cost, net (notes (6)(a) and (8))	1,411,897	9	874,020	6	2206	Employee bonus payable (note (6)(s))	487,500	3	557,000	4
1170	Notes and accounts receivable, net (note (6)(c))	1,235,743	8	1,228,874	8	2230	Current tax liabilities	322,525	2	488,742	3
1200	Other receivables (note (6)(c))	951,998	6	983,553	7	2280	Current lease liabilities (note (6)(k))	23,931	-	27,452	-
1310	Inventories, net (note (6)(d))	1,582,509	10	1,746,499	12	2399	Other current liabilities (note (9))	1,142,390	7	1,363,001	9
1410	Prepayments and other current assets (note (9))	47,521	1	152,500	1			3,158,020	19	3,587,588	24
		<u>8,009,641</u>	<u>52</u>	<u>8,662,355</u>	<u>59</u>						
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1510	Non-current financial assets at fair value through profit or loss (notes (6)(b) and (13))	1,457,426	10	1,537,545	10	2540	Long-term borrowings (note (6)(j))	968,640	6	468,640	3
1517	Non-current financial assets at fair value through other comprehensive income (notes (6)(e) and (13))	220,356	1	256,378	2	2570	Deferred tax liabilities (note (6)(m))	-	-	20,428	-
1536	Non-current financial assets at amortized cost (notes (6)(a) and (8))	7,400	-	7,400	-	2580	Non-current lease liabilities (note (6)(k))	675,470	4	689,427	4
1551	Investments accounted for using equity method (note (6)(f))	192,756	1	364,536	2	2640	Net defined benefit liability, non-current (note (6)(l))	239,836	2	237,880	2
1600	Property, plant and equipment (note (6)(g))	4,397,716	28	2,787,691	19	2645	Guarantee deposits received	6,424	-	12,180	-
1755	Right-of-use assets (note (6)(h))	763,176	5	803,754	5	2650	Credit balance of investments accounted for using equity method (note (6)(f))	67,784	-	-	-
1780	Intangible assets (note (6)(i))	391,592	3	489,373	3			1,958,154	12	1,428,555	9
1840	Deferred tax assets (note (6)(m))	52,633	-	47,888	-		<b>Total liabilities</b>	<u>5,116,174</u>	<u>31</u>	<u>5,016,143</u>	<u>33</u>
1900	Other non-current assets (note (9))	55,709	-	60,186	-	<b>Equity attributable to owners of parent: (note (6)(n))</b>					
1960	Prepaid investment (note (6)(f))	23,291	-	-	-	3100	Capital stock	3,038,804	20	3,038,804	20
		<u>7,562,055</u>	<u>48</u>	<u>6,354,751</u>	<u>41</u>	3200	Capital surplus	1,182,307	8	1,139,143	8
							Retained earnings:				
						3310	Legal reserve	3,118,289	20	3,118,289	21
						3320	Special reserve	31,060	-	-	-
						3350	Undistributed earnings	3,846,356	25	3,357,098	21
								6,995,705	45	6,475,387	42
								<u>(67,318)</u>	<u>-</u>	<u>(31,059)</u>	<u>1</u>
						3400	Other equity	(833,375)	(5)	(848,995)	(6)
								10,316,123	68	9,773,280	65
						3500	Treasury shares				
							<b>Total equity attributable to owners of parent:</b>	<u>139,399</u>	<u>1</u>	<u>227,683</u>	<u>2</u>
						36XX	Non-controlling interests	10,455,522	69	10,000,963	67
							<b>Total equity</b>	<u>\$ 15,571,696</u>	<u>100</u>	<u>15,017,106</u>	<u>100</u>
							<b>Total liabilities and equity</b>	<u>\$ 15,571,696</u>	<u>100</u>	<u>15,017,106</u>	<u>100</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 Comprehensive Income**

**For the years ended December 31, 2025 and 2024**

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

		<u>2025</u>		<u>2024</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Total operating revenue</b> (notes (6)(q) and (14))	\$ 12,326,352	100	12,695,862	100
5000	<b>Total operating costs</b> (notes (6)(d), (l) and (12))	<u>6,329,498</u>	<u>51</u>	<u>6,490,969</u>	<u>51</u>
5900	<b>Gross profit from operations</b>	5,996,854	49	6,204,893	49
5920	Add: Realized (unrealized) profit from sales	<u>(997)</u>	<u>-</u>	<u>(476)</u>	<u>-</u>
5950	<b>Gross profits</b>	<u>5,995,857</u>	<u>49</u>	<u>6,204,417</u>	<u>49</u>
6000	<b>Operating expenses:</b> (notes (6)(c), (l), (o), (s) and (12))				
6100	Selling expenses	345,548	3	353,359	3
6200	Administrative expenses	473,318	4	501,807	4
6300	Research and development expenses	2,194,414	18	2,284,823	18
6450	Impairment loss (gain) determined in accordance with IFRS 9	<u>279</u>	<u>-</u>	<u>(1,544)</u>	<u>-</u>
		<u>3,013,559</u>	<u>25</u>	<u>3,138,445</u>	<u>25</u>
6900	<b>Net Operating income</b>	<u>2,982,298</u>	<u>24</u>	<u>3,065,972</u>	<u>24</u>
7000	<b>Non-operating income and expenses:</b>				
7100	Interest income (note (6)(r))	68,368	1	70,458	1
7010	Other income (note (6)(r))	115,044	1	241,860	2
7020	Other gains and losses (note (6)(r))	(118,237)	(1)	22,669	-
7050	Finance costs (note (k))	(15,682)	-	(13,812)	-
7770	Shares of gain of associates accounted for using equity method (note (6)(f))	<u>(181,774)</u>	<u>(2)</u>	<u>(114,397)</u>	<u>(1)</u>
		<u>(132,281)</u>	<u>(1)</u>	<u>206,778</u>	<u>2</u>
7900	<b>Profit before income tax</b>	2,850,017	23	3,272,750	26
8110	Less: Income tax expenses (note (6)(m))	<u>542,688</u>	<u>4</u>	<u>680,196</u>	<u>5</u>
	<b>Net profit</b>	<u>2,307,329</u>	<u>19</u>	<u>2,592,554</u>	<u>21</u>
8300	<b>Other comprehensive income (loss):</b> (notes (6)(f) and (n))				
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311	Gains on remeasurements of defined benefit plans	(7,038)	-	29,073	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(36,023)	-	(146,336)	(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	(315)	-	213	-
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>(43,376)</u>	<u>-</u>	<u>(117,050)</u>	<u>(1)</u>
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign financial statements	(521)	-	2,744	-
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	190	-	38	-
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>(331)</u>	<u>-</u>	<u>2,782</u>	<u>-</u>
8300	<b>Other comprehensive income (loss), net</b>	<u>(43,707)</u>	<u>-</u>	<u>(114,268)</u>	<u>(1)</u>
8500	<b>Comprehensive income</b>	<u>\$ 2,263,622</u>	<u>19</u>	<u>2,478,286</u>	<u>20</u>
	<b>Net profit attributable to:</b>				
8610	Owners of parent	\$ 2,442,124	20	2,735,895	22
8620	Non-controlling interests	<u>(134,795)</u>	<u>(1)</u>	<u>(143,341)</u>	<u>(1)</u>
		<u>\$ 2,307,329</u>	<u>19</u>	<u>2,592,554</u>	<u>21</u>
	<b>Comprehensive income (loss) attributable to:</b>				
8710	Owners of the parent	\$ 2,398,506	20	2,621,113	21
8720	Non-controlling interests	<u>(134,884)</u>	<u>(1)</u>	<u>(142,827)</u>	<u>(1)</u>
		<u>\$ 2,263,622</u>	<u>19</u>	<u>2,478,286</u>	<u>20</u>
	<b>Earnings per share (expressed in dollars)</b> (note (6)(p))				
9710	Basic earnings per share	<u>\$ 8.53</u>		<u>9.57</u>	
9850	Diluted earnings per share	<u>\$ 8.40</u>		<u>9.45</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, 2025 and 2024****(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	Special 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				
<b>Balance at January 1, 2024</b>	\$ 3,038,804	936,880	2,902,314	-	2,934,268	(5,344)	119,140	(1,106,485)	8,819,577	407,612	9,227,189
Net profit (loss)	-	-	-	-	2,735,895	-	-	-	2,735,895	(143,341)	2,592,554
Other comprehensive income	-	-	-	-	29,273	2,281	(146,336)	-	(114,782)	514	(114,268)
Total comprehensive income	-	-	-	-	2,765,168	2,281	(146,336)	-	2,621,113	(142,827)	2,478,286
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	215,975	-	(215,975)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,127,163)	-	-	-	(2,127,163)	-	(2,127,163)
Treasury stock transferred to employees	-	98	-	-	-	-	-	257,490	257,588	-	257,588
Share-based payment awards	-	65,827	-	-	-	-	-	-	65,827	2,023	67,850
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	88,589	-	-	-	-	-	-	88,589	-	88,589
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	800	-	(800)	-	-	-	-
Exercise of employee stock options from subsidiaries	-	790	-	-	-	-	-	-	790	5,160	5,950
Changes in equity of associates accounted for using the equity method	-	117,266	-	-	-	-	-	-	117,266	-	117,266
Changes in non-controlling interests	-	(70,307)	-	-	-	-	-	-	(70,307)	(44,285)	(114,592)
<b>Balance at December 31, 2024</b>	3,038,804	1,139,143	3,118,289	-	3,357,098	(3,063)	(27,996)	(848,995)	9,773,280	227,683	10,000,963
Net profit (loss)	-	-	-	-	2,442,124	-	-	-	2,442,124	(134,795)	2,307,329
Other comprehensive income	-	-	-	-	(7,359)	(236)	(36,023)	-	(43,618)	(89)	(43,707)
Total comprehensive income	-	-	-	-	2,434,765	(236)	(36,023)	-	2,398,506	(134,884)	2,263,622
Appropriation and distribution of retained earnings:											
Special reserve appropriated	-	-	-	31,060	(31,060)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,914,447)	-	-	-	(1,914,447)	-	(1,914,447)
Treasury stock transferred to employees	-	6	-	-	-	-	-	15,620	15,626	-	15,626
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	79,703	-	-	-	-	-	-	79,703	-	79,703
Changes in non-controlling interests	-	(36,545)	-	-	-	-	-	-	(36,545)	46,600	10,055
<b>Balance at December 31, 2025</b>	\$ <b>3,038,804</b>	<b>1,182,307</b>	<b>3,118,289</b>	<b>31,060</b>	<b>3,846,356</b>	<b>(3,299)</b>	<b>(64,019)</b>	<b>(833,375)</b>	<b>10,316,123</b>	<b>139,399</b>	<b>10,455,522</b>

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, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2025</u>	<u>2024</u>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 2,850,017	3,272,750
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	146,967	150,207
Amortization expense	153,040	164,669
Expected credit losses (gain)	279	(1,544)
Net loss on financial assets at fair value through profit or loss	117,634	71,807
Interest expense	15,682	13,812
Interest income	(68,368)	(70,458)
Dividend income	(24,555)	(116,845)
Share of loss of associates accounted for using equity method	181,774	114,397
(Gain) loss on disposal of property, plant and equipment	(194)	182
Share-based payment awards	-	67,850
Impairment loss and disposal loss on inventory	79,841	85,397
Others	(38)	41
<b>Total adjustments to reconcile profit</b>	<u>602,062</u>	<u>479,515</u>
<b>Changes in operating assets and liabilities:</b>		
Increase in notes and accounts receivable	(7,148)	(110,935)
Decrease in inventories	84,149	279,407
Decrease (increase) in prepayments and other current assets	105,979	(118,047)
Decrease (increase) in other receivables	33,744	(78,846)
Decrease in notes and accounts payable	(39,719)	(163,599)
(Decrease) increase in other current liabilities	(290,183)	78,586
Decrease in net defined benefit liability	(5,083)	(1,632)
Cash inflow generated from operations	3,333,818	3,637,199
Interest received	66,423	74,211
Interest paid	(15,609)	(13,760)
Income taxes paid	(734,323)	(387,998)
<b>Net cash flows from operating activities</b>	<u>2,650,309</u>	<u>3,309,652</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of current financial assets at fair value through profit or loss	(46,861)	-
Proceeds from disposal of current financial assets at fair value through profit or loss	90,136	-
Acquisition of non-current financial assets at fair value through profit or loss	(70,718)	(97,828)
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	-	6,233
Proceeds from capital reduction and liquidation of financial assets at fair value through profit or loss	14,296	3,064
(Increase) decrease in financial assets at amortized cost	(537,877)	578,458
Acquisition of investments accounted for using equity method	(60,000)	-
Increase in prepayments for investments	(23,291)	-
Proceeds from capital reduction of investments accounted for using equity method	47,880	-
Acquisition of property, plant and equipment	(1,709,263)	(1,370,987)
Proceeds from disposal of property, plant and equipment	194	-
Acquisition of intangible assets	(55,259)	(55,971)
Decrease in refundable deposits	3,262	7,403
Decrease in other non-current assets	216	190
Dividends received	94,380	132,805
<b>Net cash flows (used in) from investing activities</b>	<u>(2,252,905)</u>	<u>(796,633)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	204,000	164,000
Decrease in short-term borrowings	(134,000)	(74,000)
Increase in long-term debt	500,000	-
Decrease in guarantee deposits received	(5,756)	(29,009)
Payment of lease liabilities	(24,632)	(28,458)
Cash dividends paid	(1,834,744)	(2,038,574)
Price of treasury stock transferred to employee	15,626	257,588
Payments to acquire treasury shares	-	5,950
Changes in non-controlling interests	10,055	(114,592)
<b>Net cash flows from (used in) financing activities</b>	<u>(1,269,451)</u>	<u>(1,857,095)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(521)</u>	<u>2,679</u>
<b>Net (Decrease) increase in cash and cash equivalents</b>	<u>(872,568)</u>	<u>658,603</u>
<b>Cash and cash equivalents at the beginning of period</b>	<u>3,272,637</u>	<u>2,614,034</u>
<b>Cash and cash equivalents at the end of period</b>	<u>\$ 2,400,069</u>	<u>3,272,637</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, 2025 and 2024**

**(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 embedded microcontrollers and systems, digital signal processors, computer peripheral control integrated circuits and systems, fingerprint recognition devices, and credit card applications. 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 March 3, 2026.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the IFRS Accounting Standards 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, 2025:

- Amendments to IAS21 “Lack of Exchangeability”

- (b) The impact of IFRS Accounting Standards endorsed 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, 2026, would not have a significant impact on its consolidated financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

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

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> <li>● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities.</li> <li>● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.</li> <li>● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.</li> </ul>	January 1, 2027 note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” and amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”

**(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 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. (altogether referred to “IFRS Accounting Standards” endorsed by the “FSC”).

(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;
- 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.

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. 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. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

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.

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.

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2025	December 31, 2024	
The Group	Elan Investment Corp.	Investment holding	100.00 %	100.00 %	-
The Group and Elan Investment Corp.	Avisonic Technology Corp. (Avisonic)	Research, design, develop, manufacture and sale on digital image-process chips	89.79 %	89.79 %	
The Group	JUPU ELECTRONIC Co., Ltd. (JUPU)	Wholesale and installation of electronic devices, data storage and equipment process	71.67 %	49.00 %	note1

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2025	December 31, 2024	
The Group and Elan Investment Corp.	PiXORD Corporation (PiXORD)	Research, design, develop, manufacture and sale on Webcam and server	98.86 %	98.49 %	note2
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	39.03 %	27.37 %	note3
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 %	-
The Group	Chimei Motor Electronics Co., Ltd. (Chimei)	Image recognition, automotive electronic manufacturing and wholesaling business	46.83 %	46.83 %	note 4
Chimei	Chimei Motor Electronics (SAMOA) Co., Ltd. (Chimei (SAMOA))	Investment holding	100.00 %	100.00 %	-
Chimei (SAMOA)	Gianteye Technology (Shanghai) Co., Ltd.	Develops advanced driver assistance systems and wholesales automotive electronic products.	100.00 %	100.00 %	-

Note 1: The Group obtained 3 out of 5 Board seats and gained control over JUPU. In addition, the Group's shareholding percentage has increased to 71.67% after participating in the capital increase on August 20 2025.

Note 2: On June 26 2025, the Group's shareholding percentage has increased to 98.86% after participating in the capital increase of PiXORD.

Note 3: The Group obtained 3 out of 5 Board seats and gained control over Eminent. In addition, the Group's shareholding percentage has increased to 39.03% after participating in the capital increase of Eminent on June 30 2025.

Note 4: The Group obtained 5 out of 7 Board seats and gained control over Chimei. In addition, the Group bought 4,800 thousand shares of stock, which subscription price was \$115,200 thousand from Chimei's other shareholders on February 29, 2024, the Group's shareholding percentage was increased from 30.83% to 46.83%

(Continued)

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

(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. 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

The Group classifies the asset 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.

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

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (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 the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(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.

(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

(Continued)

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

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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.

(Continued)

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

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.

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.

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

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.

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.

(Continued)

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

(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.

(Continued)

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

6) Offsetting of financial assets and liabilities

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

(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.

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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 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, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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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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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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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) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service conditions at the vesting date.

(s) 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.

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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.

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.

- (t) 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.

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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.

(u) 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.

(v) 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 about the future, including climate-related risks and opportunities, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

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).

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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.
- (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 39.83% of the outstanding voting shares of Metanoia Communications Inc. (Metanoia), making it the single largest shareholder, 33.14% of Metanoia Communications Inc. is concentrated in specific shareholders, and the remaining 27.0% 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

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Petty cash	\$ 951	1,072
Checking and demand deposits	1,363,640	1,426,843
Time deposits	2,454,775	2,726,142
Less: Restricted deposits (recorded as current and non-current financial assets measured at amortized cost) (Note (8))	(73,597)	(83,420)
Time deposits (recorded as financial assets measured at amortized cost) with original maturities of over three months	<u>(1,345,700)</u>	<u>(798,000)</u>
	<b><u>\$ 2,400,069</u></b>	<b><u>3,272,637</u></b>

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Interest rate range	<u>1.285% ~ 3.00%</u>	<u>1.28% ~ 4.68%</u>
Expiration year	2026/1 ~ 2026/12	2025/1 ~ 2025/12

- (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)(t).
- (iii) The Group did not recognize impairment loss on current and non-current financial assets at amortized cost for the years ended December 31, 2025 and 2024. Please refer to Note (6)(t) for the information on credit risk of the Group.

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Current:		
Domestic		
Certificates of beneficial interest	\$ <u>379,904</u>	<u>404,272</u>
Non-current:		
Domestic		
Listed stocks	\$ 274,577	333,764
Non-publicly traded stocks	<u>937,439</u>	<u>977,396</u>
Subtotal	<u>1,212,016</u>	<u>1,311,160</u>
Foreign		
Certificates of beneficial interest	\$ <u>245,410</u>	<u>226,385</u>
	<u>\$ 1,457,426</u>	<u>1,537,545</u>

- (i) As of December 31, 2025 and 2024, the Group's financial assets at fair value through profit or loss were not pledged as collateral for its loans.
- (ii) Please refer to Note (6)(t) for the disclosure of the financial asset category and fair value measurement of the Group.

- (c) Notes and accounts receivable

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Notes receivable	\$ 1,713	12,756
Accounts receivable - fair value through other comprehensive income	777,132	702,356
Accounts receivable - measured at amortized cost	476,579	538,144
Less: Loss allowance	<u>(19,681)</u>	<u>(24,382)</u>
	<u>\$ 1,235,743</u>	<u>1,228,874</u>

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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:

	<b>December 31, 2025</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Expected credit loss</b>
Current	\$ 1,174,586	0.26%	3,103
1 to 30 days past due	49,310	1.22%	603
31 to 60 days past due	11,164	7.54%	842
61 to 90 days past due	7,002	27.53%	1,928
More than 90 days past due	13,362	50%~100%	13,205
	<b>\$ 1,255,424</b>		<b>19,681</b>
	<b>December 31, 2024</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Expected credit loss</b>
Current	\$ 1,179,340	0.28%	3,326
1 to 30 days past due	45,347	1.33%	601
31 to 60 days past due	6,885	9.25%	637
61 to 90 days past due	3,029	46.29%	1,402
More than 90 days past due	18,655	50%~100%	18,416
	<b>\$ 1,253,256</b>		<b>24,382</b>

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

	<b>2025</b>	<b>2024</b>
Balance at January 1	\$ 24,382	26,523
Impairment loss recognized (reversed)	279	(1,544)
Amounts written off	(4,980)	(149)
Effect of changes in exchange rates	-	(448)
Balance at December 31	<b>\$ 19,681</b>	<b>24,382</b>

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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.

December 31, 2025						
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 O-Bank	\$ 857,771	2,906,800	-	857,771	0.04%-0.075%	None

December 31, 2024						
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 O-Bank	\$ 931,068	2,961,600	-	931,068	0.04%-0.075%	None

The Group has deducted the advanced amount from the accounts receivable in accordance with the condition of derecognition as of December 31, 2025 and 2024. 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, 2025 and 2024. Please refer to note (6)(t) for the information on credit risk of the Group.

The Group's notes receivable, accounts receivable, and other receivables have not been pledged as guarantees on December 31, 2025 and 2024.

(d) Inventories

	December 31, 2025	December 31, 2024
Raw materials	\$ 571,116	622,413
Work in progress	786,552	812,829
Finished goods	224,841	311,257
	\$ 1,582,509	1,746,499

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The details of the cost of sales were as follows:

	<u>2025</u>	<u>2024</u>
Inventory that has been sold	\$ 6,248,906	6,409,251
Write-down of inventories	79,841	85,397
Others	751	(3,679)
	<u>\$ 6,329,498</u>	<u>6,490,969</u>

As of December 31, 2025 and 2024, the Group did not provide any inventories as collateral for its loans.

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Equity investments at fair value through other comprehensive income:		
Emerging stocks	\$ 15,956	17,678
Listed stocks	204,400	238,700
	<u>\$ 220,356</u>	<u>256,378</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) In addition, there were no disposals of strategic investments and transfers of any accumulative gain or loss within equity related to these investments as of December 31, 2025. The Group sold its shares during 2024. The shares sold had a fair value of \$6,233 thousand, wherein the Group realized a gain of \$800 thousand, which was reclassified from other comprehensive income to retained earnings.

(iii) For market risk, please refer to note (6)(t).

(iv) As of December 31, 2025 and 2024, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral for its loans.

(f) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date was as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Associates	\$ 192,756	364,536
Credit balance of investments accounted for using equity method	(67,784)	-
	<u>\$ 124,972</u>	<u>364,536</u>

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

	Nature of the relationship with the Group	Main operating location / Registered Country of the Company	December 31, 2025		December 31, 2024		Explanation
			Amount	Share-holding (%)	Amount	Share-holding (%)	
Metanoia Communications Inc. (Metanoia)	Research, design, develop, manufacture and sale on client chipss	R.O.C.	\$ (67,468)	39.83	78,193	39.83	(note 1)
Top Taiwan X Venture Capital Co., Ltd.	Venture capital	R.O.C.	133,401	30.00	282,730	30.00	
Uniband Electronic Cop.	Manufactures and sells electronic device	R.O.C.	(316)	24.69	3,613	24.69	(note 1)
Taiwan Health Network Platform Co., Ltd.	Software services	R.O.C.	59,355	20.00	-	-	(note 2)
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 chips	R.O.C.	-	45.07	-	45.07	
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	
			<u>\$ 124,972</u>		<u>364,536</u>		

Note 1: The balances of YiChuan Technology Co., Ltd. and Da-Ying Electronics Co., Ltd. as of December 31, 2025 are negative; accordingly, such balances are presented as investments accounted for using the equity method.

Note 2: For strategic management considerations and to strengthen industry–technology collaboration, the Company, pursuant to a resolution of the Board of Directors dated November 6, 2025, approved participation in the initiation and establishment of Taiwan Healthcare Network Platform Co., Ltd. The investment amount was NT\$60,000 thousand, through which the Company acquired a 20% equity interest in the investee company.

(i) Associates

A summary of the Group's shares of gain of associates accounted for using equity method for the years ended December 31, 2025 and 2024 was as follows:

	2025	2024
Shares of gain of associates accounted for using equity method	<u>\$ (181,774)</u>	<u>(114,397)</u>

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

	2025	2024
Attributable to the Group:		
Loss from continuing operations	\$ (181,774)	(114,397)
Other comprehensive (loss) income	190	38
Comprehensive income (loss)	<b>\$ (181,584)</b>	<b>(114,359)</b>

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 that have been audited by other accountants.

On December 23, 2025, the consolidated company made advance payments for investment in the amount of \$23,291 thousand to Da-Ying Electronics Co., Ltd. As of December 31, 2025, the related statutory registration procedures had not yet been completed; accordingly, such amount is presented as prepayments for investments.

(ii) Pledges

As of December 31, 2025 and 2024, the Group had not provided any investments accounted for using the equity method as collateral for its loans.

(g) Property, plant and equipment

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

	Land	Buildings	Machinery and equipment	Office and transportation equipment	Equipment awaiting examination and prepayments on construction	Total
Cost:						
Balance at January 1, 2025	\$ 230,790	1,165,103	807,138	195,539	1,963,376	4,361,946
Additions	-	-	59,251	11,914	1,638,098	1,709,263
Derecognized	-	(324)	(27,562)	(3,151)	-	(31,037)
Reclassification	-	-	6,451	1,359	(7,810)	-
Effect of movements in exchange rates	-	-	13	41	-	54
Balance at December 31, 2025	<b>\$ 230,790</b>	<b>1,164,779</b>	<b>845,291</b>	<b>205,702</b>	<b>3,593,664</b>	<b>6,040,226</b>
Balance at January 1, 2024	\$ 230,790	1,165,103	754,860	190,282	665,120	3,006,155
Additions	-	-	45,211	11,075	1,314,701	1,370,987
Derecognized	-	-	(8,324)	(7,265)	-	(15,589)
Reclassification	-	-	15,289	1,156	(16,445)	-
Effect of movements in exchange rates	-	-	102	291	-	393
Balance at December 31, 2024	<b>\$ 230,790</b>	<b>1,165,103</b>	<b>807,138</b>	<b>195,539</b>	<b>1,963,376</b>	<b>4,361,946</b>
Accumulated depreciation:						
Balance at January 1, 2025	\$ -	774,222	636,490	163,543	-	1,574,255
Depreciation	-	18,215	65,674	15,353	-	99,242
Derecognized	-	(324)	(27,562)	(3,151)	-	(31,037)
Effect of movements in exchange rates	-	-	12	38	-	50
Balance at December 31, 2025	<b>\$ -</b>	<b>792,113</b>	<b>674,614</b>	<b>175,783</b>	<b>-</b>	<b>1,642,510</b>

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	<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>
Balance at January 1, 2024	\$ -	754,925	578,495	154,815	-	1,488,235
Depreciation	-	19,297	66,208	15,599	-	101,104
Derecognized	-	-	(8,304)	(7,103)	-	(15,407)
Effect of movements in exchange rates	-	-	91	232	-	323
Balance at December 31, 2024	<u>\$ -</u>	<u>774,222</u>	<u>636,490</u>	<u>163,543</u>	<u>-</u>	<u>1,574,255</u>
Carrying amount:						
Balance at December 31, 2025	<u>\$ 230,790</u>	<u>372,666</u>	<u>170,677</u>	<u>29,919</u>	<u>3,593,664</u>	<u>4,397,716</u>
Balance at December 31, 2024	<u>\$ 230,790</u>	<u>390,881</u>	<u>170,648</u>	<u>31,996</u>	<u>1,963,376</u>	<u>2,787,691</u>
Balance at January 1, 2024	<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>

- (i) To support its future operational requirements, the Group entered into agreement with Lee Ming Construction to undertake the development of its plant and office building, with payments of \$1,547,571 thousand and \$1,285,826 made for the periods from January 1 to December 31, 2025 and 2024, respectively, totaling a cumulative payment of \$3,423,103 thousand as of December 31, 2025. The capitalized amount of the borrowing costs of the Group was \$8,364 thousand and \$6,044 thousand for the years ended December 31, 2025 and 2024, respectively, and the weighted average annual interest rate was 1.325% and 1.29%.
- (ii) As of December 31, 2025 and 2024 the Group did not provide any property, plant and equipment as collateral for its loan.
- (h) 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, 2025	\$ 842,737	70,453	948	20,517	934,655
Additions	-	2,714	-	4,586	7,300
Derecognized	-	(2,465)	-	(10,287)	(12,752)
Effect of movements in exchange rates	-	72	-	(1)	71
Balance at December 31, 2025	<u>\$ 842,737</u>	<u>70,774</u>	<u>948</u>	<u>14,815</u>	<u>929,274</u>
Balance at January 1, 2024	\$ 842,737	68,203	948	22,036	933,924
Additions	-	22,275	-	5,481	27,756
Derecognized	-	(20,044)	-	(7,000)	(27,044)
Effect of movements in exchange rates	-	19	-	-	19
Balance at December 31, 2024	<u>\$ 842,737</u>	<u>70,453</u>	<u>948</u>	<u>20,517</u>	<u>934,655</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Total</u>
Accumulated depreciation:					
Balance at January 1, 2025	\$ 93,726	26,238	448	10,489	130,901
Depreciation	22,006	17,448	316	7,955	47,725
Derecognized	-	(2,465)	-	(10,287)	(12,752)
Effect of movements in exchange rates	-	224	-	-	224
Balance at December 31, 2025	<u>\$ 115,732</u>	<u>41,445</u>	<u>764</u>	<u>8,157</u>	<u>166,098</u>
Balance at January 1, 2024	\$ 71,720	27,979	132	9,170	109,001
Depreciation	22,006	18,463	316	8,318	49,103
Derecognized	-	(20,044)	-	(7,000)	(27,044)
Effect of movements in exchange rates	-	(160)	-	1	(159)
Balance at December 31, 2024	<u>\$ 93,726</u>	<u>26,238</u>	<u>448</u>	<u>10,489</u>	<u>130,901</u>
Carrying amount:					
Balance at December 31, 2025	<u>\$ 727,005</u>	<u>29,329</u>	<u>184</u>	<u>6,658</u>	<u>763,176</u>
Balance at December 31, 2024	<u>\$ 749,011</u>	<u>44,215</u>	<u>500</u>	<u>10,028</u>	<u>803,754</u>
Balance at January 1, 2024	<u>\$ 771,017</u>	<u>40,224</u>	<u>816</u>	<u>12,866</u>	<u>824,923</u>

As of December 31, 2025 and 2024, the Group did not provide any Right-of-use assets as collateral for its loans.

(i) Intangible assets

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

	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance at January 1, 2025	\$ 222,051	299,254	354,609	875,914
Additions	-	5,740	49,519	55,259
Derecognized	-	(55,138)	(74,688)	(129,826)
Balance at December 31, 2025	<u>\$ 222,051</u>	<u>249,856</u>	<u>329,440</u>	<u>801,347</u>
Balance at January 1, 2024	\$ 222,051	294,206	346,912	863,169
Additions	-	14,473	41,498	55,971
Derecognized	-	(9,425)	(33,801)	(43,226)
Balance at December 31, 2024	<u>\$ 222,051</u>	<u>299,254</u>	<u>354,609</u>	<u>875,914</u>
Accumulated amortization:				
Balance at January 1, 2025	\$ -	142,462	244,079	386,541
Additions	-	37,334	115,706	153,040
Derecognized	-	(55,138)	(74,688)	(129,826)
Balance at December 31, 2025	<u>\$ -</u>	<u>124,658</u>	<u>285,097</u>	<u>409,755</u>
Balance at January 1, 2024	\$ -	102,972	162,126	265,098
Additions	-	48,915	115,754	164,669
Derecognized	-	(9,425)	(33,801)	(43,226)
Balance at December 31, 2024	<u>\$ -</u>	<u>142,462</u>	<u>244,079</u>	<u>386,541</u>

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	<u>Goodwill</u>	<u>Technical Know-how</u>	<u>Computer software</u>	<u>Total</u>
Carrying amount:				
Balance at December 31, 2025	\$ <u>222,051</u>	<u>125,198</u>	<u>44,343</u>	<u>391,592</u>
Balance at December 31, 2024	\$ <u>222,051</u>	<u>156,792</u>	<u>110,530</u>	<u>489,373</u>
Balance at January 1, 2024	\$ <u>222,051</u>	<u>191,234</u>	<u>184,786</u>	<u>598,071</u>

- (i) The amortization expenses of intangible assets for the years ended December 31, 2025 and 2024 amounted to \$153,040 thousand and \$164,669 thousand, respectively, and were presented under cost of sales and operating expenses in the consolidated statements of comprehensive income.
- (ii) The additions to intangible assets for the years ended December 31, 2025 and 2024 mainly comprised research and development support software, including Electronic Design Automation (EDA) software, technology licenses, and computer software licenses, all of which were purchased from non-related parties.
- (iii) 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, 2025</u>	<u>December 31, 2024</u>
Laptop input device business cash-generating unit	\$ 160,600	160,600
Other units	<u>61,451</u>	<u>61,451</u>
	<u>\$ 222,051</u>	<u>222,051</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, 2025</u>	<u>December 31, 2024</u>
Average revenue growth rate-laptop	1.6 %	2.2 %
Average revenue growth rate-other business	34.5 %	49.9 %
Discount rate	7.48%	7.56%~10.99%

The key assumptions represent the management's evaluation of the future industry trends, wherein the external, internal and also historical information, were considered. There was no impairment loss incurred as of December 31, 2025 and 2024.

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## (j) Long-term and short-term borrowings

## (i) Short-term borrowings

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Unsecured bank loans	\$ <u>200,000</u>	<u>130,000</u>
Range of interest rate	<u>2.285%~2.95%</u>	<u>2.285%~2.950%</u>
Unused short-term credit lines	\$ <u>2,553,000</u>	<u>2,672,000</u>

## (ii) Long-term borrowings

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Unsecured bank loans	\$ <u>968,640</u>	<u>468,640</u>
Range of interest rate	<u>1.325%</u>	<u>1.20%~1.325%</u>
Unused long-term credit lines	\$ <u>5,756,360</u>	<u>6,256,360</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 interest will be evenly amortized starting from the year following the grace period (2027).

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

## (k) Lease liabilities

The lease liabilities were as follows:

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Current	\$ <u>23,931</u>	<u>27,452</u>
Non-current	\$ <u>675,470</u>	<u>689,427</u>

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

The amounts recognized in profit or loss were as follows:

	<u>2025</u>	<u>2024</u>
Interest on lease liabilities	\$ <u>11,789</u>	<u>11,784</u>
Expenses relating to short-term leases	\$ <u>8,110</u>	<u>10,778</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>1,522</u>	<u>1,563</u>

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

	<u>2025</u>	<u>2024</u>
Total cash outflow for leases	\$ <u>46,053</u>	<u>52,583</u>

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(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.

(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.

(l) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Present value of defined benefit obligations	\$ 386,347	386,348
Fair value of plan assets	<u>(146,511)</u>	<u>(148,468)</u>
Net defined benefit liabilities	<b><u>\$ 239,836</u></b>	<b><u>237,880</u></b>

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$146,511 thousand as of December 31, 2025. 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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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:

	<u>2025</u>	<u>2024</u>
Defined benefit obligations at January 1	\$ 386,348	398,517
Current service cost and interest cost	7,294	6,428
Remeasurements of net defined benefit liabilities (assets)		
— Actuarial loss (gain) arising from financial assumptions	7,342	(12,680)
— Actuarial loss (gain) arising from experience adjustments	9,043	(5,917)
Curtailment gain	<u>(23,680)</u>	<u>-</u>
Defined benefit obligations at December 31	<u>\$ 386,347</u>	<u>386,348</u>

3) Movements of plan assets

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

	<u>2025</u>	<u>2024</u>
Fair value of plan assets at January 1	\$ 148,468	129,933
Interest income	2,975	2,121
Remeasurements of net defined benefit liabilities (assets)		
— Return on plan assets excluding interest income	9,346	10,476
Contributions paid by the employer	5,805	5,938
Benefits paid	<u>(20,083)</u>	<u>-</u>
Fair value of plan assets at December 31	<u>\$ 146,511</u>	<u>148,468</u>

4) Expenses recognized in profit or loss

The Group's expenses recognized in profit or loss for the years ended December 31, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Current service costs	\$ 77	349
Net interest of net liabilities for defined benefit obligations	<u>4,242</u>	<u>3,958</u>
	<u>\$ 4,319</u>	<u>4,307</u>

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	<u>2025</u>	<u>2024</u>
Operating cost	\$ 338	349
Selling expenses	224	227
Administration expenses	346	365
Research and development expenses	<u>3,411</u>	<u>3,366</u>
	<u><u>\$ 4,319</u></u>	<u><u>4,307</u></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, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Balance at January 1	\$ (85,710)	(56,637)
(Recognized) Reversed	<u>7,038</u>	<u>(29,073)</u>
Balance at December 31	<u><u>\$ (78,672)</u></u>	<u><u>(85,710)</u></u>

- 6) Actuarial assumptions

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Discount rate	1.750%	2.000%
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 \$5,798 thousand.

As of December 31, 2025 and 2024, the weighted-average lifetime of the defined benefits plans were 9.5~11.63 years and 10.5~12.2 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.

(Continued)

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

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

	<b>Impact on the defined benefit obligations</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
December 31, 2025		
Discount rate	\$ (7,333)	7,564
Future salary increasing rate	7,103	(6,921)
December 31, 2024		
Discount rate	\$ (8,120)	8,382
Future salary increasing rate	7,900	(7,703)

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 2025 and 2024.

(ii) Defined contribution plans

The Group's expenses incurred from the contributions to the Bureau of Labor Insurance for the year ended December 31, 2025 and 2024 were as follows:

	<b>2025</b>	<b>2024</b>
Operating cost	\$ 9,268	9,310
Selling expenses	5,766	5,675
Administration expenses	12,952	12,184
Research and development expenses	57,222	56,065
	<b>\$ 85,208</b>	<b>83,234</b>

(m) Income taxes

- (i) The Group is subject to Taiwan income tax at rates of 20% for 2025 and 2024, 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.

(Continued)

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

The components of income tax were as follow:

	<u>2025</u>	<u>2024</u>
Current period	\$ 612,221	626,614
Additional tax on undistributed earnings	14,427	17,203
Adjustment for prior period	<u>(58,787)</u>	<u>11,439</u>
Current tax expense	\$ 567,861	655,256
Deferred tax expense (benefit)	<u>(25,173)</u>	<u>24,940</u>
Income tax expense	<u><u>\$ 542,688</u></u>	<u><u>680,196</u></u>

Reconciliation of income tax and profit before tax for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Income before income tax	<u>\$ 2,850,017</u>	<u>3,272,750</u>
Income tax using the Group's domestic tax rate	\$ 570,003	654,550
Effect of tax rates in foreign jurisdiction	(9,577)	(2,920)
Investment tax credit	(81,363)	(71,773)
Investment income from domestic securities	42,057	(21,423)
Suspension of tax-exempt gain on disposal of domestic securities	-	160
Tax-exempt gain on dividend revenue of domestic securities	(4,858)	(21,742)
Change in unrecognized temporary differences	174	51,428
Prior year's income tax adjustment	(58,787)	11,439
The amount of expired loss carry-forward	14,337	22,671
Additional tax on undistributed earnings	14,427	17,203
Others	<u>56,275</u>	<u>40,603</u>
Total	<u><u>\$ 542,688</u></u>	<u><u>680,196</u></u>

The Group had no income tax directly recognized under other comprehensive profits and losses in 2025 and 2024.

(Continued)

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Realized valuation losses on long-term investment	\$ 246,684	230,493
Tax-deductible loss carry-forward	314,611	283,832
Unfunded pension expense	86,492	87,006
Provision for decline in value of inventories	56,762	93,498
Others	<u>3,074</u>	<u>12,620</u>
	<u>\$ 707,623</u>	<u>707,449</u>

Regarding the deductible temporary differences from investment tax credit, the deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable gain on disposal of securities will be available against which the 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, 2025, the net losses that have not been recognized as deferred tax assets and the expiration years were as follows:

a) Domestic consolidated entities

<u>Year of loss</u>	<u>Expiry date</u>	<u>Unused tax loss</u>
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	127,168
2023	2033	131,504
2024	2034	225,392
2025	2035	<u>237,333</u>
		<u>\$ 1,553,482</u>

b) Foreign consolidated entities

	<u>Applicable years</u>	<u>Unused amount</u>
Elan Information	2023-2035	<u>\$ 11,514</u>

(Continued)

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

2) Recognized deferred tax assets and liabilities

Movements of recognized deferred tax assets and liabilities for the years ended December 31, 2025 and 2024 were as follows:

	<u>Fair Value Gains</u>	<u>Others</u>	<u>Total</u>
Deferred Tax Liabilities:			
Balance at January 1, 2025	\$ (8)	(20,420)	(20,428)
Recognized in profit or loss	<u>8</u>	<u>20,420</u>	<u>20,428</u>
Balance at December 31, 2025	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2024	\$ (299)	-	(299)
Recognized in profit or loss	<u>291</u>	<u>(20,420)</u>	<u>(20,129)</u>
Balance at December 31, 2024	<u>\$ (8)</u>	<u>(20,420)</u>	<u>(20,428)</u>
	<u>Decline in Value of Inventories</u>	<u>Others</u>	<u>Total</u>
Deferred Tax Assets:			
Balance at January 1, 2025	\$ 39,975	7,913	47,888
Recognized in profit or loss	<u>4,457</u>	<u>288</u>	<u>4,745</u>
Balance at December 31, 2025	<u>\$ 44,432</u>	<u>8,201</u>	<u>52,633</u>
Balance at January 1, 2024	\$ 41,774	10,925	52,699
Recognized in profit or loss	<u>(1,799)</u>	<u>(3,012)</u>	<u>(4,811)</u>
Balance at December 31, 2024	<u>\$ 39,975</u>	<u>7,913</u>	<u>47,888</u>

(iii) The Group's tax returns for the year through 2023 were assessed by the tax authorities.

The income tax for profit-making enterprises of domestic subsidiaries has been approved until 2023.

All overseas subsidiaries have reported to the local tax bureau until 2024.

(n) Capital and other equity

(i) Ordinary share

As of December 31, 2025 and 2024, 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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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The movements in outstanding ordinary shares of The Group were as follows: (In thousands of shares)

	<u>2025</u>	<u>2024</u>
Outstanding at January 1	\$ 286,224	284,585
Treasury stock transferred to employees	<u>99</u>	<u>1,639</u>
Outstanding at December 31	<u><u>\$ 286,323</u></u>	<u><u>286,224</u></u>

(ii) Capital surplus

The balances of capital surplus were as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Additional paid-in capital	\$ 231,051	231,051
Treasury share transactions	796,362	715,698
Employee stock option	49,142	50,097
Difference arising from subsidiary's share price and its carrying value	<u>105,752</u>	<u>142,297</u>
	<u><u>\$ 1,182,307</u></u>	<u><u>1,139,143</u></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 that the profit distribution can be done after the end of each half of the fiscal year

(Continued)

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

1) Legal reserve

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

2) Special reserve

In accordance with Ruling No. 1090150022 issued by the Financial Supervisory Commission on March 31, 2021, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The Company's profit distribution plan and the cash dividend per share for the 2024 and 2025 have been resolved by the Board of Directors as follows:

	For the six month ended December 31, 2025	For the six month ended June 30, 2025	For the six month ended December 31, 2024	For the six month ended June 30, 2024	For the six month ended December 31, 2023	For the six month ended June 30, 2023
	March 3 2026	August 6 2025	February 27 2024	August 12 2024	August 3 2024	August 3 2023
Board resolution date						
Cash dividend per share	\$ 1,321,880	790,089	1,124,358	1,215,522	911,641	607,761
Cash dividend per share	\$ 4.35	2.64	3.76	4.06	3.05	2.04

Relevant information on the above-mentioned distribution can be inquired at the Market Observation Post System. of the Group's surplus in 2024 and 2023 is the same as the amount recognized in the financial report, and no adjustment is required. Relevant information on the above-mentioned distribution can be inquired at the Market Observation Post System.

(iv) Treasury shares

	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
Shares transferred to employees	5,119	\$ 804,400	5,218	820,020
Shares held by subsidiaries	12,438	28,975	12,438	28,975
	<u>17,557</u>	<u>\$ 833,375</u>	<u>17,656</u>	<u>848,995</u>

(Continued)

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

- 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			
	2025		2024	
	Shares (in thousands)	Amounts	Shares (in thousands)	Amounts
Beginning balance	5,218	\$ 820,020	6,857	1,077,510
Treasury stock transferred to employees	(99)	(15,620)	(1,639)	(257,490)
Ending balance	<b>5,119</b>	<b>\$ 804,400</b>	<b>5,218</b>	<b>820,020</b>

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

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. The Group has been transferred 1,738,000 shares and 1,639,000 shares with a transfer price of 157.2 per share for the years ended December 31, 2025 and 2024 respectively. As of December 31, 2025 and 2024, The Group have been received \$15,626 thousand \$257,588 respectively.

- 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, 2025 and 2024, the information on the Company's stock held by Elan Investment Corp. was as follows:

	For the years ended December 31					
	2025			2024		
	Shares (in thousands)	Acquisition cost	Total market value	Shares (in thousands)	Acquisition cost	Total market value
Opening balance	12,438	\$ 28,975	1,878,168	12,438	28,975	2,021,207
Effects of valuation change	-	-	(404,241)	-	-	(143,039)
Ending balance	<b>12,438</b>	<b>\$ 28,975</b>	<b>1,473,927</b>	<b>12,438</b>	<b>28,975</b>	<b>1,878,168</b>

The Company transferred cash dividend revenue received by Elan Investment Corp. amounting to \$79,703 thousand and \$88,589 thousand to capital surplus-treasury stock from investment income in 2025 and 2024, respectively.

(Continued)

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

(v) Other equity

The movements of other equity were as follows:

	<u>For the year ended December 31, 2025</u>		
	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance at January 1	\$ (3,063)	(27,996)	(31,059)
Exchange differences on foreign operations			
The Group	(426)	-	(426)
Associates	190	-	190
Unrealized gains(losses) from financial assets measured at fair value through other comprehensive income	-	(36,023)	(36,023)
Balance at December 31	<u>\$ (3,299)</u>	<u>(64,019)</u>	<u>(67,318)</u>
	<u>For the year ended December 31, 2024</u>		
	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance at January 1	\$ (5,344)	119,140	113,796
Exchange differences on foreign operations:			
The Group	2,243	-	2,243
Associates	38	-	38
Unrealized gains(losses) from financial assets measured at fair value through other comprehensive income	-	(146,336)	(146,336)
Proceed from disposal of non-current financial at fair value through other comprehensive income.	-	(800)	(800)
Balance at December 31	<u>\$ (3,063)</u>	<u>(27,996)</u>	<u>(31,059)</u>

(vi) Non-controlling interests

	<u>2025</u>	<u>2024</u>
Balance at January 1	\$ 227,683	407,612
Net profit (loss) attributable to Non-controlling interests:		
Net loss	(134,795)	(143,341)
Exercise of share options by employees of subsidiaries	-	5,160
Actuarial gains and losses	6	14
Changes in ownership interests in subsidiaries	36,545	(44,285)
Capital Increase	10,055	-
Exchange differences on translation of foreign financial statements	(95)	500
Share-based payment	-	2,023
Balance at December 31	<u>\$ 139,399</u>	<u>227,683</u>

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

Eminent recognized stock option plan compensation costs of \$0 and \$2,023 thousand from January 1 to December 31, 2025 and 2024, respectively. which were listed in operating costs and operating expenses.

- (ii) Elan passed the resolution of the board of directors on August 2, 2021, to buy back 6,857,000 treasury shares for the transferred employees, and on January 15, 2024, the board of directors resolved to implement the plan to transfer treasury shares to employees. This plan used the Black-Scholes option evaluation model to estimate the fair value of the grant date stock options. Information on each assumption is listed below:

	<b>2024 treasury stock transferred to employees plan</b>
Strlloe Price (in dollars)	\$ 157.2
Expected volatility	36.94 %
Risk-free interest rate	1.12 %
Expected duration	0.16year
Fair value at grant date (in dollars)	9.6

	<b>For the years ended December 31, 2025</b>		<b>For the years ended December 31, 2024</b>	
	<b>Number of options (in thousand)</b>	<b>Weighted average exercise price (in dollars)</b>	<b>Number of options (in thousand)</b>	<b>Weighted average exercise price (in dollars)</b>
<b>Stock option in 2024</b>				
Outstanding at January 1	5,218	\$ 157.20	-	-
Granted during the year	-	-	6,857	157.20
Exercised during the year	(99)	157.20	(1,639)	157.20
Outstanding at December 31	<b>5,119</b>	<b>\$ 157.20</b>	<b>5,218</b>	<b>157.20</b>
Exercisable at December 31	<b>5,119</b>		<b>5,218</b>	

Elan recognized share-based payment costs of \$0 and \$65,827 for the years ended December 31, 2025 and 2024, which were recognized under operation costs and operation expenses, depending on the nature of them.

The Group recognized share-based payment cost of the above two stock option plans of \$0 and \$67,850 thousand for the years ended December 31, 2025 and 2024 recognized under operation cost and operation expense.

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

(p) Earnings per share

The Group's earnings per share for the years ended December 31, 2025 and 2024 were calculated as follows:

(i) Basic earnings per share:

	<u>2025</u>	<u>2024</u>
Net profit attributable to ordinary shareholders of the Group	\$ <u>2,442,124</u>	<u>2,735,895</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>286,298</u>	<u>285,814</u>
Earnings per share (in dollars)	\$ <u>8.53</u>	<u>9.57</u>

(ii) Diluted earnings per share:

	<u>2025</u>	<u>2024</u>
Net profit attributable to ordinary shareholders of the Group (diluted)	\$ <u>2,442,124</u>	<u>2,735,895</u>
Weighted-average number of ordinary shares outstanding (in thousands)	286,298	285,814
Effect of dilutive potential ordinary shares (in thousands) – employee share bonus	4,267	3,735
Weighted-average number of ordinary shares outstanding (diluted)(in thousands)	<u>290,565</u>	<u>289,549</u>
Diluted earnings per share (in dollars)	\$ <u>8.40</u>	<u>9.45</u>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2025</u>	<u>2024</u>
Taiwan	\$ 855,970	990,987
Mainland China	2,198,010	2,380,449
Hong Kong	8,951,969	9,071,745
USA	41,626	36,106
Europe	9,136	9,971
Others	<u>269,641</u>	<u>206,604</u>
	\$ <u>12,326,352</u>	<u>12,695,862</u>
Product and services :		
Consumer Touch Control Integrated Circuit	\$ 3,416,261	3,218,851
Laptop Input Devices	8,618,913	9,112,060
Others	<u>291,178</u>	<u>364,951</u>
	\$ <u>12,326,352</u>	<u>12,695,862</u>

For details on revenue, please refer to note (14).

(Continued)

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

(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:

	<u>2025</u>	<u>2024</u>
Interest income from bank deposits	\$ <u>68,368</u>	<u>70,458</u>

(ii) Other income

	<u>2025</u>	<u>2024</u>
Dividend income	\$ 24,555	116,845
Rent income	2,377	2,128
Government grants	41,872	62,728
Reimbursement income	13,302	36,926
Others	<u>32,938</u>	<u>23,233</u>
Total	\$ <u>115,044</u>	<u>241,860</u>

(iii) Other gains and losses

	<u>2025</u>	<u>2024</u>
Foreign exchange (losses) gains	\$ 4,967	95,635
Losses on financial assets measured at fair value through profit or loss	(117,634)	(71,807)
Gains (losses) on disposals of property, plant and equipment	194	(182)
Miscellaneous disbursements	<u>(5,764)</u>	<u>(977)</u>
Total	\$ <u>(118,237)</u>	<u>22,669</u>

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

On May 28, 2025, the Company resolved at the shareholders' meeting to amend its Articles of Incorporation. According to the amended Articles, if the Company has profit in a given fiscal year, the profit shall be used to offset against any accumulated losses incurred by the Company. The remainder, if any, 10% shall be allocated as employee remuneration (including a minimum of 3% to those base-level employees) and a maximum of 2% as remunerations for directors and supervisors. The recipients of the aforementioned employee remuneration, whether in the form of shares or cash, may include employees of the subsidiaries who meet certain specific requirements.

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

For the years ended December 31, 2025 and 2024, the amounts of employees' bonuses were estimated at \$443,000 thousand and \$506,000 thousand, respectively. The amounts of compensation to directors and supervisors were estimated at \$44,500 thousand and \$51,000 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 2025 and 2024. 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 2025 and 2024.

(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

A. Cash and Cash Equivalents

The cash and cash equivalents of the consolidated company are deposited with various financial institutions. The consolidated company is exposed to credit risk arising from each financial institution; however, the consolidated company believes that there is no significant concentration of credit risk relating to its cash and cash equivalents.

B. Credit Risk of Accounts Receivable

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, 2025 and 2024, 87% and 86%, respectively, of accounts receivables were due from the ten largest customers. Thus, credit risk was significantly concentrated.

(Continued)

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

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, 2025 and 2024, respectively.

(ii) Liquidity risk

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

	<u>Carrying 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>
<b>December 31, 2025</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 200,000	202,729	102,349	100,380	-	-	-
Notes and accounts payable	981,674	981,674	981,674	-	-	-	-
Other payables	647,286	647,286	647,286	-	-	-	-
Lease liabilities(current and non-current)	699,401	875,437	15,061	16,027	23,393	45,206	775,750
Long-term borrowings	968,640	1,030,826	6,645	7,589	182,427	534,430	299,735
Deposits Received	<u>6,424</u>	<u>6,424</u>	<u>-</u>	<u>-</u>	<u>6,424</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 3,503,425</u></b>	<b><u>3,744,376</u></b>	<b><u>1,753,015</u></b>	<b><u>123,996</u></b>	<b><u>212,244</u></b>	<b><u>579,636</u></b>	<b><u>1,075,485</u></b>
<b>December 31, 2024</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 130,000	153,103	21,439	131,664	-	-	-
Notes and accounts payable	1,021,393	1,021,393	1,021,393	-	-	-	-
Other payables	896,328	896,328	896,328	-	-	-	-
Lease liabilities(current and non-current)	716,879	904,489	15,337	19,840	27,779	53,204	788,329
Long-term borrowings	468,640	502,121	3,105	19,823	73,747	216,577	188,869
Deposits Received	<u>12,180</u>	<u>12,180</u>	<u>-</u>	<u>-</u>	<u>12,180</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 3,245,420</u></b>	<b><u>3,489,614</u></b>	<b><u>1,957,602</u></b>	<b><u>171,327</u></b>	<b><u>113,706</u></b>	<b><u>269,781</u></b>	<b><u>977,198</u></b>

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

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2025			December 31, 2024		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets:</u>						
<u>Monetary item</u>						
USD	\$ 106,200	31.42	3,336,819	101,955	32.79	3,343,096
<u>Non-monetary item</u>						
USD	650	35.11	22,828	650	35.11	22,828
<u>Financial liabilities:</u>						
<u>Monetary item</u>						
USD	70,189	31.42	2,205,343	49,269	32.79	1,615,530

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, 2025 and 2024 would have increased (decreased) the net profit after tax by \$45,259 thousand and \$69,103 thousand for the years ended December 31, 2025 and 2024, respectively, with all other variables remaining constant. The analysis is performed on the same basis in 2025 and 2024.

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 gain \$4,967 thousand and gain \$95,635 thousand for the years ended December 31, 2025 and 2024, 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 on 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.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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If the interest rate increases/decreases by 0.5%, the Group's net income will increase/decrease by \$652 thousand and \$351 thousand for the years ended December 31, 2025 and 2024, 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, 2025 and 2024, 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:

<u>Prices of securities at the reporting date</u>	<u>Other comprehensive income after tax</u>	<u>Net income</u>	<u>Other comprehensive income after tax</u>	<u>Net income</u>
Increase 5%	\$ 8,814	73,493	10,255	77,673
Decrease 5%	\$ (8,814)	(73,493)	(10,255)	(77,673)

(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, 2025				
	Book value	Fair Value			total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss (current and non-current)	\$ 1,837,330	654,481	-	1,182,849	1,837,330
Financial assets at fair value through other comprehensive income					
Stocks	220,356	204,400	-	15,956	220,356
Accounts receivable	777,132	-	777,132	-	777,132
Subtotal	997,488	204,400	777,132	15,956	997,488
Financial assets measured at amortized cost					
Cash and cash equivalents	2,400,069	-	-	-	-
Notes and accounts receivable	458,611	-	-	-	-
Other receivables	951,998	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	1,419,297	-	-	-	-
Guarantee deposits (current and non-current)	65,287	-	-	-	-
Subtotal	5,295,262	-	-	-	-
Total	\$ 8,130,080	858,881	777,132	1,198,805	2,834,818

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	December 31, 2025				
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 200,000	-	-	-	-
Notes and accounts payable	981,674	-	-	-	-
Other payables	647,150	-	-	-	-
Lease liabilities (current and non-current)	699,401	-	-	-	-
Long-term borrowings	968,640	-	-	-	-
Guarantee deposits received	6,424	-	-	-	-
Total	<u>\$ 3,503,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	December 31, 2024				
	Book value	Fair Value			total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss (current and non-current)	\$ 1,941,817	738,037	-	1,203,780	1,941,817
Financial assets at fair value through other comprehensive income					
Stocks	256,378	238,700	-	17,678	256,378
Accounts receivable	702,356	-	702,356	-	702,356
Subtotal	<u>958,734</u>	<u>238,700</u>	<u>702,356</u>	<u>17,678</u>	<u>958,734</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	3,272,637	-	-	-	-
Notes and accounts receivable	526,518	-	-	-	-
Other receivables	983,553	-	-	-	-
Financial assets measured at amortized cost (current and non-current)	881,420	-	-	-	-
Guarantee deposits(current and non-current)	68,549	-	-	-	-
Subtotal	<u>5,732,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,633,228</u>	<u>976,737</u>	<u>702,356</u>	<u>1,221,458</u>	<u>2,900,551</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 130,000	-	-	-	-
Notes and accounts payable	1,021,393	-	-	-	-
Other payables	896,328	-	-	-	-
Lease liabilities (current and non-current)	716,879	-	-	-	-
Long-term borrowings	468,640	-	-	-	-
Guarantee deposits received	12,180	-	-	-	-
Total	<u>\$ 3,245,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

2) Valuation techniques for financial instruments measured at fair value

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

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

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, 2025 and 2024.

4) Reconciliation of Level 3 fair values

	<b>Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Total</b>
Opening balance, January 1, 2025	\$ 1,203,780	17,678	1,221,458
Total gains and losses recognized:			
In profit or loss	(77,353)	-	(77,353)
In other comprehensive income	-	(1,722)	(1,722)
Purchased	70,718	-	70,718
Liquidation and capital reduction for redistribution to shareholders	(14,296)	-	(14,296)
Ending Balance, December 31, 2025	<u>\$ 1,182,849</u>	<u>15,956</u>	<u>1,198,805</u>

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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	<b>Non derivative mandatorily measured at fair value through profit or loss (held-for-trading financial assets)</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Total</b>
Opening balance, January 1, 2024	\$ 1,270,184	22,197	1,292,381
Total gains and losses recognized:			
In profit or loss	(161,168)	-	(161,168)
In other comprehensive income	-	1,714	1,714
Purchased	97,828	-	97,828
Receivables from Capital reduction for redistribution to shareholders	(3,064)	-	(3,064)
Disposal	-	(6,233)	(6,233)
Ending Balance, December 31, 2024	<u>\$ 1,203,780</u>	<u>17,678</u>	<u>1,221,458</u>

For the years ended December 31, 2025 and 2024, 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>2025</u>	<u>2024</u>
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	\$ (77,353)	(161,168)
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	(1,722)	1,714

- 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”.

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss - equity investments without an active market	Market Comparison Method	<ul style="list-style-type: none"> <li>· Price-to-book ratio (December 31, 2024:1.46)</li> <li>· Liquidity discount (December 31, 2024:30%)</li> <li>· Enterprise-Value-to-Revenue Multiple (December 31, 2024:1.71)</li> </ul>	<ul style="list-style-type: none"> <li>· The estimated fair value would increase (decrease) if:</li> <li>· the price-to-book ratio were higher (lower);</li> <li>· the liquidity discount were lower (higher);</li> <li>· the enterprise-value-to-revenue multiple were higher (lower);</li> </ul>
Financial assets at fair value through profit or loss - equity investments without an active market	Net Asset Value Method	Net Asset Value	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:

	<u>Inputs</u>	<u>Increase or decrease</u>	<u>Profit or loss</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2025</b>				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Net Asset Value	10%	\$ 118,285	(118,285)
<b>December 31, 2024</b>				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Valuation multiples	10%	\$ 440	(440)
	Liquidity discount	10%	192	(192)
	Net Asset Value	10%	119,933	(119,933)

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

(u) 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.

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.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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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.

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.

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

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.

(v) 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, 2025 and 2024 were as follows:

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Total liabilities	\$ 5,116,174	5,016,143
Less: cash and cash equivalents	<u>(2,400,069)</u>	<u>(3,272,637)</u>
Net debt	<b>\$ 2,716,105</b>	<b>1,743,506</b>
Total equity	<b>\$ 10,316,123</b>	<b>9,773,280</b>
Debt-to-equity ratio	<b><u>26.33 %</u></b>	<b><u>17.84 %</u></b>

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated report for the year ended December 31, 2023. In addition, there are no significant changes in the summary quantitative information of capital management and those disclosed in the 2023 consolidated report.

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**ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES**  
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(w) 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 years ended December 31, 2025 and 2024, were as follows:

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

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

	January 1, 2025	Cash flows	Non-cash changes		December 31, 2025
			Foreign exchange movement	Others	
Short-term borrowings	\$ 130,000	70,000	-	-	200,000
Long-term borrowings	468,640	500,000	-	-	968,640
Lease liabilities	716,879	(24,632)	(146)	7,300	699,401
Guarantee deposits received	12,180	(5,756)	-	-	6,424
Total liabilities from financing activities	<u>\$ 1,327,699</u>	<u>539,612</u>	<u>(146)</u>	<u>7,300</u>	<u>1,874,465</u>

	January 1, 2024	Cash flows	Non-cash changes		December 31, 2024
			Foreign exchange movement	Others	
Short-term borrowings	\$ 40,000	90,000	-	-	130,000
Long-term borrowings	468,640	-	-	-	468,640
Lease liabilities	717,399	(28,458)	182	27,756	716,879
Guarantee deposits received	41,187	(29,009)	2	-	12,180
Total liabilities from financing activities	<u>\$ 1,267,226</u>	<u>32,533</u>	<u>184</u>	<u>27,756</u>	<u>1,327,699</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.

Name of related party	Relationship with the Group
Metanoia Communications Inc.	An associated enterprise of the Group
Key management personnel	All directors, supervisors, president and vice president of the Group's key management personnel

(b) Significant transactions with related parties

(i) Raw materials purchasing services and other operating income

	2025	2024
Associates-Metanoia	<u>\$ -</u>	<u>310</u>

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

(c) Key management personnel compensation

	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$ 112,399	116,722
Post-employment benefits	609	639
Share-based Payment	-	3,811
	<u>\$ 113,008</u>	<u>121,172</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>Pledge assets</u>	<u>Pledged to secure</u>	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Current financial assets at amortized cost (Certificate Deposit)	Guarantee of the creditors of the purchase transactions	\$ 62,840	65,580
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>3,357</u>	<u>10,440</u>
		<u>\$ 73,597</u>	<u>83,420</u>

**(9) Commitments and contingencies:**

(a) Except for the explanation in Note 6(j), ther rest:

(i) 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, 2025 and 2024, the financial institutions had issued performance guarantees amounting to \$2,000 thousand and \$3,000 thousand, respectively.

(ii) As of December 31, 2025 and 2024, the refundable notes payable for short-term borrowings amounted to \$2,755,000 thousand and \$2,805,000 thousand, respectively.

(b) As of December 31, 2025 and 2024, the refundable notes payable for lease amounted to \$600 thousand.

(c) The Group signed capacity guarantee contracts with a supplier, stipulating the minimum quantity to be purchased by the Group. As of December 31, 2025 and 2024, the Group paid the security deposit of \$11,000 thousand and \$20,000 thousand in accordance with the contract, which was recognized under 「other current assets」 and 「other non-current assets」.

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(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 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, 2023 and May 31, 2025. As of 2025 and 2024, the subsidy of \$0 thousand and \$26,966 thousand respectively, which had been received by the Group was recognized as "Other Current Liabilities". As of December 31, 2025 and 2024, the financial institutions have issued performance guarantee amounting to \$5,361 thousand and \$50,001 thousand respectively.

(e) As of December 31, 2025 and 2024, 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 \$6,752 thousand and \$12,208 thousand respectively.

(f) 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 December 31, 2025 and 2024, the unrecognized contract commitment amount is \$2,263,742 thousand and \$3,888,692 thousand respectively.

(g) Litigation and actions

(i) On March 20, 2024, the Group filed a lawsuit with the Intellectual Property and Commercial Court against FocalTech Systems Co., Ltd. (FocalTech), claiming that the products manufactured and sold by FocalTech which were applied to touch pads were within the scope of the Invention Patent No. I662460, which is owned by the Group, and have infringed the Group's patent rights. Therefore, the Court is petitioned to prohibit the defendant from using, manufacturing and selling the products involved in the case, and to request damages. As of March 3 2026, the case was still pending before the Intellectual Property and Commercial Court.

(ii) On September 1, 2025, the Group filed a lawsuit with the Intellectual Property and Commercial Court against FocalTech Systems Co., Ltd, Cayman Islands company FOCALTECH ELECTRONICS, LTD, and Cayman Island company FOCALTECH SYSTEMS, LTD. (Cayman FocalTech), claiming that the self capacitance sensing method applied to capacitive touch pads which was manufactured and sold by Cayman FocalTech were within the scope of the Invention Patent No. I425402, which is owned by the Group, and has infringed the Group's patent rights. Therefore, the Court is petitioned to exclude and cease the defendants from infringement of the patent, and to request for damages. As of March 3, 2026, the case still in remains pending before the Intellectual Property and Commercial Court.

(Continued)

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

- (iii) Due to an adjustment in its overall litigation strategy, the consolidated company filed a motion with the court on December 17, 2025, to withdraw the civil action. The action withdrawn was the patent infringement lawsuit originally filed on July 3, 2025, with the Intellectual Property and Commercial Court against Eutech Technology Co., Ltd. (hereinafter referred to as “Eutech Technology”) and its authorized distributor, Hardtek Technology Co., Ltd., concerning Patent No. I425402. Following the withdrawal, the consolidated company subsequently filed another patent infringement action with the Intellectual Property and Commercial Court against Eutech Technology, alleging that the capacitive touch control chips manufactured and sold by Eutech Technology fall within the scope of the claims of the Company’s Republic of China Invention Patent No. I380207, thereby infringing upon the Company’s patent rights. The consolidated company has requested the court to order the defendants to cease and desist from the aforesaid patent infringement activities and to award damages. As of March 3, 2026, the case remains pending before the Intellectual Property and Commercial Court.

**(10) Losses due to major disasters: None.**

**(11) Subsequent events: None.**

**(12) Others:**

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

	For the years ended December 31					
	2025			2024		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	\$ 339,726	1,946,408	2,286,134	350,120	2,032,833	2,382,953
Labor and health insurance	31,561	126,476	158,037	28,735	119,911	148,646
Pension	9,606	79,921	89,527	9,659	77,882	87,541
Remuneration of directors	-	47,890	47,890	-	54,790	54,790
Others	25,127	54,864	79,991	23,255	55,187	78,442
Depreciation	49,163	97,804	146,967	52,238	97,969	150,207
Amortization	2,742	150,298	153,040	4,086	160,583	164,669

(Continued)

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

**(13) Other disclosures:**

(a) Information on significant transactions:

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2025:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2025 (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	\$ 274,577	13.41 %	\$ 274,577	13.41 %	
Elan Investment Corp.	Elan Microelectronics Corporation	Subsidiary	Non-current financial assets at fair value through other comprehensive income	12,438	1,473,927	4.09 %	1,473,927	4.09 %	Note 2
Elan Microelectronics Corporation	ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	883	15,956	3.30 %	15,956	3.41 %	
Elan Microelectronics Corporation	Macroblock, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,500	<u>204,400</u>	7.87 %	<u>204,400</u>	7.87 %	
					<u>\$ 1,968,860</u>		<u>\$ 1,968,860</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	\$ 20,758	-	\$ 20,758	-	
Elan Microelectronics Corporation	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	218	-	-	-	-	Note 1
Elan Microelectronics Corporation	Vertex Growth (SG) LP	-	Non-current financial assets at fair value through other comprehensive income	-	196,247	-	196,247	-	
Elan Microelectronics Corporation	Vertex Growth II (SG) LP	-	Non-current financial assets at fair value through profit or loss	-	49,162	-	49,162	-	
Elan InvestmentCorp.	FSITC Global Video Gaming & eSports Fund	-	Current financial assets at fair value through profit or loss	500	9,020	-	9,020	-	
Elan InvestmentCorp.	FSITC Taiwan Core Strategic Construction Fund	-	Current financial assets at fair value through profit or loss	1,000	23,830	-	23,830	-	
Elan InvestmentCorp.	Nomura Global Short Duration Bond Fund TWD	-	Current financial assets at fair value through profit or loss	9,484	108,412	-	108,412	-	

(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.	Nomura Global Financial Bond Fund Acc TWD	-	Current financial assets at fair value through profit or loss	3,589	\$ 39,401	-	\$ 39,401	-	
Elan InvestmentCorp.	Taishin Global Disruptive Innovation Fund	-	Current financial assets at fair value through profit or loss	1,500	34,110	-	34,110	-	
Elan InvestmentCorp.	Taishin North American Income Trust Fund-A	-	Current financial assets at fair value through profit or loss	1,943	52,064	-	52,064	-	
Elan InvestmentCorp.	Taishin Short Duration Emerging High Yield Bond Fund A-TWD	-	Current financial assets at fair value through profit or loss	4,200	44,625	-	44,625	-	
Elan InvestmentCorp.	FSITC Global AI FinTech TWD	-	Current financial assets at fair value through profit or loss	204	4,386	-	4,386	-	
Elan InvestmentCorp.	FSITC Global Utilities and Infrastructure Fund	-	Current financial assets at fair value through profit or loss	915	15,834	-	15,834	-	
Elan InvestmentCorp.	FSITC Global High Yield Bond Fund B USD	-	Current financial assets at fair value through profit or loss	1,656	27,464	-	27,464	-	
Elan InvestmentCorp.	Diversified FX Trading Segregated Portfolio	-	Current financial assets at fair value through profit or loss	589	-	-	-	-	Note 1
					<u>\$ 625,313</u>		<u>\$ 625,313</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 1
Elan Microelectronics Corporation	Multi-Manager FX Trading Note (M2)	-	Current financial assets at fair value through profit or loss	44	-	-	-	-	Note 1
Elan Microelectronics Corporation	Global Strategic FX Arbitrage Note (SERIES II)	-	Current financial assets at fair value through profit or loss	100	-	-	-	-	Note 1
	Non-publicly traded stocks:								
Elan Microelectronics Corporation	Chino-Excel Technology Corporation	-	Non-current financial assets at fair value through profit or loss	823	\$ -	1.48 %	\$ -	1.48	
Elan Microelectronics Corporation	Panther technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	340	4,584	0.94 %	4,584	0.94	
Elan Microelectronics Corporation	XINCE Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	2,866	-	9.40 %	-	9.40 %	
Elan Microelectronics Corporation	TOP TAIWAN VII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	178	2,404	6.12 %	2,404	6.12 %	

(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 Microelectronics Corporation	TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	174	\$ 816	4.17 %	\$ 816	4.17 %	
Elan Microelectronics Corporation	Midastouch Research Corporation	-	Non-current financial assets at fair value through profit or loss	2,500	2,413	8.16 %	2,413	8.16 %	
Elan Microelectronics Corporation	TOP TAIWAN IX VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	2,625	33,313	6.25 %	33,313	6.25 %	
Elan Microelectronics Corporation	Inno Bridge Venture Capital	-	Non-current financial assets at fair value through profit or loss	800	2,090	11.35 %	2,090	11.35 %	
Elan Microelectronics Corporation	Startek Engineering Inc.	-	Non-current financial assets at fair value through profit or loss	189	-	0.53 %	-	0.53 %	
Elan Microelectronics Corporation	North Star Venture Capital	-	Non-current financial assets at fair value through profit or loss	3,000	45,848	10.00 %	45,848	10.00 %	
Elan Microelectronics Corporation	TOP TAIWAN XI VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	2,730	26,099	6.25 %	26,099	6.25 %	
Elan Microelectronics Corporation	Genius Vision Digital Inc.	-	Non-current financial assets at fair value through profit or loss	495	-	1.54 %	-	1.83 %	
Elan Microelectronics Corporation	TOP TAIWAN XII VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	25,000	210,479	18.52 %	210,479	18.52 %	
Elan Microelectronics Corporation	Waltop International Corporation	-	Non-current financial assets at fair value through profit or loss	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	-	37,905	3.19 %	37,905	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	123,121	17.44 %	123,121	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	299,056	13.30 %	299,056	13.30 %	
Elan Microelectronics Corporation	TOP TAIWAN XV VENTURE CAPITAL CO., LTD.	-	Non-current financial assets at fair value through profit or loss	-	49,379	8.12 %	49,379	8.12 %	
Elan Microelectronics Corporation	North Star Venture II Capital	-	Non-current financial assets at fair value through profit or loss	3,000	40,322	10.00 %	40,322	10.14 %	
Elan Microelectronics Corporation	Cruise 10 Co., Ltd	-	Non-current financial assets at fair value through profit or loss	2,625	39,854	9.28 %	39,854	9.28 %	
Elan InvestmentCorp.	Panther Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	1,396	18,810	3.88 %	18,810	3.88 %	

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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 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 %	-	2.91 %	
Elan InvestmentCorp.	ZQAM Communications Corporation - Preferred shares	-	Non-current financial assets at fair value through profit or loss	38	-	0.40 %	-	0.71 %	
Elan InvestmentCorp.	e-Formula Technologies, Inc.	-	Non-current financial assets at fair value through profit or loss	550	-	2.06 %	-	2.06 %	
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	406	-	1.13 %	-	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	946	11.11 %	946	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>\$ 937,439</u>		<u>\$ 937,439</u>		

Note 1: The redemption of principal for the aforementioned beneficiary certificates and short-term notes has been temporarily suspended. Moreover, its comprehensive assessment of the issuing entities' ability to continue operations and their existence resulted in the Group to recognize a full impairment loss.

Note 2: Investments in subsidiaries have been eliminated at the Group level from long-term investment.

- (iv) 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	\$ 175,371	1.42 %	Open Account 45 Days	-	-	\$ 15,789	1.26%	

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

- (v) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.

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## ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(vi) 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	\$ 175,371	Open Account 45 Days	1.42%
1	Elan (H.K.)	Elan Microelectronics Corporation	2	Commission revenue	\$ 237,127	Monthly settlement	1.92%

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, 2025 (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, 2025			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2025	December 31, 2024	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 %	\$ 484,690	100.00 %	\$ 104,765	\$ 104,765	Note 1
Elan Microelectronics Corporation	Elan Investment Corp.	Taipei, Taiwan	Investment holding	500,000	500,000	50,000	100.00 %	680,135	100.00 %	(58,773)	(58,773)	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 %	14,069	100.00 %	2,505	2,505	Note 1
Elan Microelectronics Corporation	JUPU Electronic Co., Ltd.	New Taipei City, Taiwan	Wholesale and installation of electronic devices, data storage and equipment process	20,640	7,840	2,064	71.67 %	53	71.67 %	6,614	6,302	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	39.14 %	(80,640)	39.14 %	(365,487)	(143,052)	
Elan Microelectronics Corporation	Avionic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	224,746	224,746	20,569	83.40 %	(37,870)	83.40 %	(23,734)	(20,299)	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	154,230	151,137	14,957	94.21 %	31,811	94.21 %	(24,899)	(22,810)	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	76,740	52,100	6,516	31.74 %	(24,667)	31.74 %	(141,623)	(35,831)	Note 1
Elan Microelectronics Corporation	TOP TAIWAN X VENTURE CAPITAL CO., LTD.	Taipei, Taiwan	Venture capital	151,620	199,500	15,162	30.00 %	133,400	30.00 %	(105,417)	(31,625)	Note 3
Elan Microelectronics Corporation	Uniband Electronic Corp.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices	7,500	25,000	750	24.69 %	(316)	24.69 %	(15,915)	(3,930)	

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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, 2025			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2025	December 31, 2024	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 %	-	23.08 %	-	-	Note 2
Elan Microelectronics Corporation	Chimei Motor Electronic CO., LTD.	Taipei, Taiwan	Image recognition, automotive electronic manufacturing and wholesaling business	343,850	343,850	14,050	46.83 %	180,370	46.83 %	(47,740)	(29,026)	Note 1
Elan Microelectronics Corporation	TwHealth Nexus Inc.	Taipei, Taiwan	Information Software Services	60,000	-	6,000	20.00 %	59,354	20.00 %	(3,230)	(646)	
Elan Investment Corp.	Avisonic Technology Corp.	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on digital image-process chips	15,754	15,754	1,575	6.39 %	(2,856)	6.39 %	(23,734)	(1,555)	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.	PIXOR Corporation	Hsin-Chu, Taiwan	Research, design, develop, manufacture and sale on Webcam and server	7,502	9,990	739	4.65 %	1,570	6.22 %	(24,899)	(1,334)	Note 1
Elan Investment Corp.	EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.	Metanoia Communications Inc.	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	0.69 %	13,171	0.69 %	(365,487)	(2,522)	
Elan Investment Corp.	EMINENT ELECTRONIC TECHNOLOGY CORP. LTD.	Hsin-Chu, Taiwan	Manufactures and sells electronic devices, computer and its related products, manufactures optical instruments	26,937	38,481	1,496	7.29 %	(5,621)	9.36 %	(141,623)	(11,669)	Note 1
Elan (H.K.)	Power Asia Investment Corporation	Republic of Mauritius	Investment holding	89,572	89,572	2,861	100.00 %	25,491	100.00 %	1,104	1,104	Note 1
Chimei Motor Electronic CO., LTD.	CHIMEI MOTOR ELECTRONICS (SAMOA) CO., LTD.	Somoa	Investment holding	52,555	52,555	1,750	100.00 %	13,602	100.00 %	(6,938)	(6,938)	Note 1

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.

Note3: The Company deducted the amount of \$47,880 thousand from its capital in 2025.

(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, 2025	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2025	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses) recognized	Carrying value as of December 31, 2025	Accumulated inward remittance of earnings as of December 31, 2025
					Outflow	Inflow							
Elan Micro-electronics (Shanghai) Co., Ltd.	Provide technical support and information service	\$ 52,095	( 2 )	\$ 52,095	-	-	\$ 52,095	\$ 1,128	100.00%	100.00 %	\$ 1,128	\$ 21,577	-
Elan Micro-electronics (Shenzhen) Co., Ltd.	Provide technical support and information service	34,670	( 2 )	34,670	-	-	34,670	(7)	100.00%	100.00 %	(7)	3,411	-
Gianteye Technology (Shanghai) CO., LTD.	Development of advanced driver assistance systems and wholesale of automotive electronic products	52,555	( 2 )	52,555	-	-	52,555	(6,948)	100.00%	100.00 %	(6,948)	13,571	-

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

Note 1: Method of investment:

- (1) Direct investment in Mainland China
- (2) Indirect investment in Mainland China through a holding company established in other countries (Power Asia Investment Corporation)
- (3) Others

Note 2: The investment gains (losses) from Elan Shanghai and Elan Shenzhen are calculated on the reviewed financial statements in the same period.

Note 3: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

	<b>Accumulated Investment in Mainland China as of December 31, 2025</b>	<b>Investment Amounts Authorized by Investment Commission, MOEA</b>	<b>Upper Limit on Investment</b>
Elan Microelectronics Corporation	\$ 86,765 (USD2,500,000)	\$ 98,333 (USD2,500,000)	\$ 6,189,674
Chimei Motor Electronic CO., LTD.	52,555 (USD1,750,000)	68,103 (USD2,250,000)	107,729

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".

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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, 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-specific integrated circuit, and module. The Group also provides research and development service on the related products. Laptop Input Device Business Unit engages in research, sales, produce and manufacture laptop input devices. 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.

(b) Information about reportable segments and their measurement and reconciliations

The consolidated company uses the internal management reports reviewed by the chief operating decision maker as the basis for resource allocation and performance evaluation. Segment profit or loss is measured based on profit before tax, excluding non-recurring gains and losses. Non-recurring gains and losses are managed at the Group level rather than at the operating segment level and, accordingly, are not allocated to individual reportable segments but are allocable to the consumer electronics operating segment. The reported amounts are consistent with those included in the internal management reports reviewed by the chief operating decision maker. The accounting policies of the operating segments are consistent with the significant accounting policies disclosed in Note 4.

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

	For the year then ended December 31, 2025						Total
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	
Revenue							
Revenue from external customers	\$ 3,229,126	8,618,913	-	187,135	291,178	-	12,326,352
Intersegment revenues	179,249	-	-	237,127	39,585	(455,961)	-
Interest income	46,321	2,084	25	17,656	2,282	-	68,368
Total revenue	<u>\$ 3,454,696</u>	<u>8,620,997</u>	<u>25</u>	<u>441,918</u>	<u>333,045</u>	<u>(455,961)</u>	<u>12,394,720</u>
Interest expenses	\$ 11,000	6	-	674	4,002	-	15,682
Depreciation and amortization	210,476	45,556	-	9,296	34,679	-	300,007
Shares of gain of associates accounted for using equity method	(232,419)	-	(17,110)	-	-	67,755	(181,774)
Reportable segment profit or loss	<u>\$ (548,374)</u>	<u>3,522,243</u>	<u>(58,228)</u>	<u>116,997</u>	<u>(228,483)</u>	<u>45,862</u>	<u>2,850,017</u>
Investments accounted for using equity method	<u>\$ 1,440,418</u>	<u>-</u>	<u>6,263</u>	<u>-</u>	<u>-</u>	<u>(1,321,709)</u>	<u>124,972</u>
Capital expenditure	<u>1,682,004</u>	<u>80,822</u>	<u>-</u>	<u>160</u>	<u>8,028</u>	<u>-</u>	<u>1,771,014</u>
Reportable segment assets	<u>\$ 12,119,855</u>	<u>3,048,342</u>	<u>2,154,229</u>	<u>542,675</u>	<u>456,035</u>	<u>(2,749,440)</u>	<u>15,571,696</u>

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

	For the year then ended December 31, 2024						
	Consumer Touch Control Business Unit	Laptop Input Device Business Unit	Investment Business Unit	Sales and Retailing Business Unit	Other Business Unit	Reconciliation and elimination	Total
Revenue							
Revenue from external customers	\$ 2,940,243	9,112,060	-	278,608	364,951	-	12,695,862
Intersegment revenues	284,680	-	-	248,396	32,548	(565,624)	-
Interest income	48,217	3,617	2,476	12,638	3,510	-	70,458
Total revenue	<u>\$ 3,273,140</u>	<u>9,115,677</u>	<u>2,476</u>	<u>539,642</u>	<u>401,009</u>	<u>(565,624)</u>	<u>12,766,320</u>
Interest expenses	\$ 11,112	11	-	477	2,212	-	13,812
Depreciation and amortization	221,312	45,638	-	10,406	37,520	-	314,876
Shares of gain of associates accounted for using equity method	(72,854)	-	(18,027)	-	-	(23,516)	(114,397)
Reportable segment profit or loss	<u>\$ (357,162)</u>	<u>3,756,118</u>	<u>59,158</u>	<u>91,932</u>	<u>(247,265)</u>	<u>(30,031)</u>	<u>3,272,750</u>
Investments accounted for using equity method	<u>\$ 1,847,528</u>	<u>-</u>	<u>16,883</u>	<u>-</u>	<u>-</u>	<u>(1,499,875)</u>	<u>364,536</u>
Capital expenditure	<u>\$ 1,387,988</u>	<u>35,241</u>	<u>-</u>	<u>22,303</u>	<u>9,182</u>	<u>-</u>	<u>1,454,714</u>
Reportable segment assets	<u>\$ 11,412,484</u>	<u>3,113,970</u>	<u>2,663,992</u>	<u>570,711</u>	<u>512,907</u>	<u>(3,256,958)</u>	<u>15,017,106</u>

Note : The consumer touch business unit includes expenses of the general management office and R&D office.

(i) Product and service information

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

<u>Product and services</u>	<u>2025</u>	<u>2024</u>
Consumer Touch Control Integrated Circuit	\$ 3,416,261	3,218,851
Laptop Input Device	8,618,913	9,112,060
Others	291,178	364,951
Total	<u>\$ 12,326,352</u>	<u>12,695,862</u>

(ii) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2025</u>	<u>2024</u>
Revenue from external customers:		
Taiwan	\$ 855,970	990,987
Mainland China	2,198,010	2,380,449
Hong Kong	8,951,969	9,071,745
Others (less than 5%)	320,403	252,681
Total	<u>\$ 12,326,352</u>	<u>12,695,862</u>

(Continued)

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

<u>Geographical information</u>	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Non-current assets:		
Taiwan	\$ 5,541,694	4,060,829
Mainland China	10,198	16,735
Hong Kong	<u>1,014</u>	<u>3,891</u>
	<u>\$ 5,552,906</u>	<u>4,081,455</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>2025</u>	<u>2024</u>
Customer A (Laptop Input Device Model)	\$ 2,844,737	3,761,699
Customer A (Consumer Touch Control Integrated Circuit Model)	1,103,381	889,165
Customer B (Laptop Input Device Model)	3,268,388	2,904,838
Customer B (Consumer Touch Control Integrated Circuit Model)	<u>323,514</u>	<u>107,347</u>
	<u>\$ 7,540,020</u>	<u>7,663,049</u>