

**ELITEGROUP COMPUTER SYSTEMS CO., LTD.
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 Elitegroup Computer Systems Co., Ltd. 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" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Elitegroup Computer Systems Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Elitegroup Computer Systems Co., Ltd.
Chairman: Jung-Hua Chang
Date: March 6, 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 Elitegroup Computer Systems Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Elitegroup Computer Systems Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of other auditors (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 the 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.

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 Group for the year ended December 31, 2025. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition from the sale of goods

For the accounting policy on revenue recognition, please refer to Note 4(p) and 6(x).

Description of key audit matter:

The Group's sales transactions are mainly made by directly shipping the final products to the customers from the manufacturing plants in mainland China or sold through sales centers in various places. The Group's sales of goods are in accordance with the requirements of IFRS 15, wherein revenue is recognized when the customer obtains control of the goods. The Group evaluates the delivery terms stipulated in individual sales contracts to determine the appropriate time for revenue recognition. For the sales of goods to different customers, its control may be transferred at different points in time, which might cause revenues to be recognized in the wrong period for the sales realized close to the cutoff date of the period end. Therefore, we recognized the assessment of adequacy of the timing of sales recognition as one of our key audit matters.

How the matter addressed in our audit:

Our principal audit procedures included: understanding the controls over sales and collection and testing the effectiveness of relevant controls; performing test of details for revenue, sampling and inspecting the orders, shipping documents, invoices, and records of accounts receivable, to evaluate the appropriateness of revenue recognition; sampling and inspecting the documents of sales within certain periods before and after the balance sheet date to evaluate whether the timing of revenue recognition is appropriate.

Other Matter

As of and for the year ended December 31, 2024, we did not audit the financial statements of certain subsidiaries of the Group. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of other auditors. As of December 31, 2025 and 2024, the financial statements of those subsidiaries reflect total assets constituting 0% and 9% of consolidated total assets, respectively, and the total operating revenues constituting 0% and 4% of consolidated total operating revenues, respectively, for the years then ended.

Elitegroup Computer Systems Co., Ltd. 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 and unmodified opinion with other matter paragraph, respectively.

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 the 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.

Auditors' 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 auditors' 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 auditors' 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 Tsou, Yi-Yun and Tseng, Kuo-Yang.

KPMG

Taipei, Taiwan (Republic of China)

March 6, 2026

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

Assets		December 31, 2025		December 31, 2024				December 31, 2025		December 31, 2024	
		Amount	%	Amount	%			Amount	%		
Current assets:											
1100	Cash and cash equivalents (Note 6(a))	\$ 3,482,911	15	4,311,823	18	2100	Short-term borrowings (Note 6(n))	\$ 1,049,575	5	1,006,736	4
1110	Financial assets at fair value through profit or loss—current (Note 6(b))	1,696,593	8	1,480,573	6	2150	Notes payable	389,865	2	457,752	2
1136	Financial assets at amortized cost, net—current (Notes 6(d) and 8)	4,148,077	18	2,329,236	10	2170	Accounts payable (Note 6(o))	3,186,520	14	2,566,573	11
1150	Notes receivable, net (Notes 6(e) and (x))	773	-	-	-	2200	Other payables (Notes 6(p) and 7)	1,084,423	5	1,062,037	4
1170	Accounts receivable, net (Notes 6(e) and (x))	2,935,470	13	2,616,109	11	2230	Current tax liabilities	270,411	1	155,154	1
1180	Accounts receivable—related parties (Notes 6(e), (x) and 7)	11,274	-	24,132	-	2250	Provisions—current (Note 6(r))	191,635	1	186,848	1
1200	Other receivables (Notes 6(f) and 7)	387,328	2	104,268	1	2260	Liabilities directly associated with disposal groups held for sale (Note 6(i))	-	-	442	-
130X	Inventories (Note 6(g))	2,514,332	11	1,988,866	8	2280	Lease liabilities—current (Notes 6(q) and 7)	87,104	-	76,218	-
1410	Prepayments (Note 7)	43,477	-	100,469	1	2310	Other advance receipts (Notes 6(h), (i) and (p))	3,677,260	16	4,144,008	18
1460	Disposal groups held for sale, net (Note 6(i))	-	-	314,147	2	2399	Other current liabilities (Notes 6(p) and (x))	1,227,465	5	1,209,725	5
1476	Other current financial assets (Note 8)	-	-	69,602	-			<u>11,164,258</u>	<u>49</u>	<u>10,865,493</u>	<u>46</u>
1479	Other current assets	53,890	-	67,319	-						
		<u>15,274,125</u>	<u>67</u>	<u>13,406,544</u>	<u>57</u>						
Non-current assets:											
1510	Financial assets at fair value through profit or loss—non-current (Note 6(b))	42,932	-	61,474	-	2570	Deferred tax liabilities (Note 6(u))	492,913	2	454,012	2
1517	Financial assets at fair value through other comprehensive income—non-current (Note 6(c))	2,632,286	12	4,206,739	18	2580	Lease liabilities—non-current (Notes 6(q) and 7)	374,642	2	543,282	2
1535	Non-current financial assets at amortized cost, net (Notes 6(d) and 8)	-	-	592,907	3	2630	Long-term deferred revenue (Note 6(p))	10,581	-	18,217	-
1600	Property, plant and equipment (Notes 6(j) and 7)	2,059,406	9	2,377,574	10	2640	Defined benefit liabilities, net	3,588	-	2,229	-
1755	Right-of-use assets (Notes 6(k) and 7)	747,740	3	923,779	4	2645	Guarantee deposits received	30,024	-	33,531	-
1760	Investment property, net (Note 6(l))	163,841	1	165,676	-			<u>911,748</u>	<u>4</u>	<u>1,051,271</u>	<u>4</u>
1805	Goodwill (Note 6(m))	613,737	3	623,191	3			<u>12,076,006</u>	<u>53</u>	<u>11,916,764</u>	<u>50</u>
1821	Other intangible assets (Note 6(m))	7,196	-	8,630	-						
1840	Deferred tax assets (Note 6(u))	927,128	4	985,760	4						
1915	Prepayments for equipment	58,543	-	19,640	-						
1920	Refundable deposits (Note 7)	22,736	-	25,607	-						
1937	Overdue receivables (Note 6(f))	31,430	-	32,785	-						
1975	Net defined benefit asset, non-current (Note 6(t))	206,606	1	227,025	1	3100	Share capital	5,574,030	24	5,574,030	24
1980	Total other non-current financial assets (Note 8)	11,589	-	-	-	3200	Capital surplus	5,437,323	24	5,437,323	23
1990	Other non-current assets	51,871	-	16,052	-		Retained earnings:				
		<u>7,577,041</u>	<u>33</u>	<u>10,266,839</u>	<u>43</u>	3310	Legal reserve	236,014	1	236,014	1
		<u>\$ 22,851,166</u>	<u>100</u>	<u>23,673,383</u>	<u>100</u>	3320	Special reserve	757,960	3	757,960	3
						3350	Unappropriated retained earnings	916,444	4	234,629	1
								<u>1,910,418</u>	<u>8</u>	<u>1,228,603</u>	<u>5</u>
						3400	Other equity	(2,155,996)	(9)	(493,762)	(2)
							Total equity attributable to owners of the Company:	<u>10,765,775</u>	<u>47</u>	<u>11,746,194</u>	<u>50</u>
						36XX	Non-controlling interests	9,385	-	10,425	-
							Total equity	<u>10,775,160</u>	<u>47</u>	<u>11,756,619</u>	<u>50</u>
							Total liabilities and equity	<u>\$ 22,851,166</u>	<u>100</u>	<u>23,673,383</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ELITEGROUP COMPUTER SYSTEMS CO., LTD. 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	Operating revenue (Notes 6(x) and 7)	\$ 20,112,114	100	17,495,705	100
5000	Operating costs (Notes 6(g) and 7)	<u>17,948,728</u>	<u>89</u>	<u>15,573,754</u>	<u>89</u>
5950	Gross profit from operations	<u>2,163,386</u>	<u>11</u>	<u>1,921,951</u>	<u>11</u>
6000	Operating expenses (Notes 6(e), (q), (t), (y) and 7):				
6100	Selling expenses	401,744	2	494,844	3
6200	Administrative expenses	928,286	5	898,560	5
6300	Research and development expenses	<u>768,411</u>	<u>4</u>	<u>1,044,641</u>	<u>6</u>
	Total operating expenses	<u>2,098,441</u>	<u>11</u>	<u>2,438,045</u>	<u>14</u>
6900	Net operating income (loss)	<u>64,945</u>	<u>-</u>	<u>(516,094)</u>	<u>(3)</u>
	Non-operating income and expenses (Note 6(z)):				
7100	Interest income (Note 7)	168,784	1	213,671	1
7010	Other income (Note 7)	371,059	2	134,481	1
7020	Other gains and losses, net	637,043	3	169,024	1
7050	Finance costs (Notes 6(q) and 7)	<u>(56,120)</u>	<u>-</u>	<u>(45,968)</u>	<u>-</u>
		<u>1,120,766</u>	<u>6</u>	<u>471,208</u>	<u>3</u>
7900	Income (loss) before tax	1,185,711	6	(44,886)	-
7950	Less: Income tax expenses (Note 6(u))	<u>398,162</u>	<u>2</u>	<u>45,640</u>	<u>-</u>
8200	Net income (loss)	<u>787,549</u>	<u>4</u>	<u>(90,526)</u>	<u>-</u>
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive (loss) income that will not be reclassified to profit or loss				
8311	Gains on remeasurements of defined benefit plans	14,202	-	41,147	-
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	(1,530,542)	(7)	34,316	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	2,841	-	8,229	-
	Components of other comprehensive (loss) income that will not be reclassified to profit or loss	<u>(1,519,181)</u>	<u>(7)</u>	<u>67,234</u>	<u>-</u>
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(166,237)	(1)	356,676	2
8365	Equity related to non-current assets (or disposal groups) classified as held for sale	1,176	-	(1,683)	-
8399	Income tax related to components of other comprehensive (loss) income that will be reclassified to profit or loss	(32,923)	-	70,868	-
	Components of other comprehensive (loss) income that will be reclassified to profit or loss	<u>(132,138)</u>	<u>(1)</u>	<u>284,125</u>	<u>2</u>
8300	Other comprehensive (loss) income, net of taxes	<u>(1,651,319)</u>	<u>(8)</u>	<u>351,359</u>	<u>2</u>
8500	Total comprehensive (loss) income	<u>\$ (863,770)</u>	<u>(4)</u>	<u>260,833</u>	<u>2</u>
	Profit (loss), attributable to:				
8610	Profit (loss), attributable to owners of parent	\$ 787,899	4	(90,495)	-
8620	Profit (loss), attributable to non-controlling interests	<u>(350)</u>	<u>-</u>	<u>(31)</u>	<u>-</u>
		<u>\$ 787,549</u>	<u>4</u>	<u>(90,526)</u>	<u>-</u>
	Comprehensive (loss) income attributable to:				
8710	Comprehensive (loss) income, attributable to owners of parent	\$ (862,974)	(4)	260,206	2
8720	Comprehensive (loss) income, attributable to non-controlling interests	<u>(796)</u>	<u>-</u>	<u>627</u>	<u>-</u>
		<u>\$ (863,770)</u>	<u>(4)</u>	<u>260,833</u>	<u>2</u>
	Earnings (loss) per share (expressed in dollars) (Note 6(w))				
9750	Basic earnings (loss) per share	<u>\$ 1.41</u>		<u>(0.16)</u>	
9850	Diluted earnings (loss) per share	<u>\$ 1.40</u>		<u>(0.16)</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ELITEGROUP COMPUTER SYSTEMS CO., LTD. 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	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Equity Directly Associated with Disposal Groups Held-for-Sale	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2024	\$ 5,574,030	5,437,323	134,693	319,468	1,389,422	(741,480)	(7,490)	(62,575)	12,043,391	9,798	12,053,189
Net loss	-	-	-	-	(90,495)	-	-	-	(90,495)	(31)	(90,526)
Other comprehensive income (loss)	-	-	-	-	32,918	284,814	34,316	(1,347)	350,701	658	351,359
Total comprehensive income (loss)	-	-	-	-	(57,577)	284,814	34,316	(1,347)	260,206	627	260,833
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	101,321	-	(101,321)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	438,492	(438,492)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(557,403)	-	-	-	(557,403)	-	(557,403)
Reclassification of assets held for sale	-	-	-	-	-	(123,011)	-	123,011	-	-	-
Balance at December 31, 2024	5,574,030	5,437,323	236,014	757,960	234,629	(579,677)	26,826	59,089	11,746,194	10,425	11,756,619
Profit (loss)	-	-	-	-	787,899	-	-	-	787,899	(350)	787,549
Other comprehensive income (loss)	-	-	-	-	11,361	(132,632)	(1,530,542)	940	(1,650,873)	(446)	(1,651,319)
Total comprehensive income (loss)	-	-	-	-	799,260	(132,632)	(1,530,542)	940	(862,974)	(796)	(863,770)
Appropriation and distribution of retained earnings:											
Cash dividends	-	-	-	-	(117,314)	-	-	-	(117,314)	-	(117,314)
Disposal of subsidiary held for sale	-	-	-	-	-	60,029	-	(60,029)	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(131)	-	-	-	(131)	131	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(375)	(375)
Balance at December 31, 2025	\$ 5,574,030	5,437,323	236,014	757,960	916,444	(652,280)	(1,503,716)	-	10,765,775	9,385	10,775,160

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2025	2024
Cash flows from (used in) operating activities:		
Income (loss) before tax	\$ 1,185,711	(44,886)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	453,446	491,169
Amortization expense	57,445	38,833
Expected credit (gains) losses	(289)	4,438
Net gain on financial assets or liabilities at fair value through profit or loss	(21,792)	(56,394)
Interest expense	56,120	45,968
Interest income	(168,784)	(213,671)
Dividend income	(259,079)	-
Loss on disposal of property, plant and equipment	66,408	32,075
Gain on disposal of non-current assets held for sale	(737,961)	-
Unrealized foreign exchange gain	(24,358)	(48,271)
Reversal of long-term deferred revenue	(7,636)	(7,635)
(Gain) loss on lease modifications	(2,191)	245
Total adjustments to reconcile profit (loss)	(588,671)	286,757
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Acquisition) disposal of financial assets at fair value through profit or loss	(175,686)	1,137,209
(Increase) decrease in notes receivable	(773)	21
Increase in accounts receivable	(297,849)	(204,881)
Decrease in other receivables	69,641	40,123
Increase in inventories	(518,584)	(128,718)
Decrease in prepayments	45,556	2,497
Decrease in other current assets	14,842	15,554
Decrease (increase) in other operating assets	34,621	(2,186)
Total changes in operating assets	(828,232)	859,619
Changes in operating liabilities:		
(Decrease) increase in notes payable	(67,887)	16,375
Increase in accounts payable	646,395	72,237
Increase (decrease) in other payables	19,298	(117,650)
Increase in provisions	4,787	10,944
Increase (decrease) in other current liabilities	17,911	(218,596)
Total changes in operating liabilities	620,504	(236,690)
Total changes in operating assets and liabilities	(207,728)	622,929
Total adjustments	(796,399)	909,686
Cash inflow generated from operations	389,312	864,800
Interest received	145,580	198,313
Interest paid	(56,397)	(40,204)
Income taxes paid	(139,694)	(242,343)
Net cash flows provided by operating activities	338,801	780,566

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (CONT'D)
For the years ended December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2025	2024
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(3,999,913)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	43,911	-
Acquisition of financial assets at amortized cost	(11,803,045)	(11,566,762)
Proceeds from disposal of financial assets at amortized cost	10,548,401	13,089,464
Proceeds from disposal of non-current assets classified as held for sale	156,649	-
Acquisition of property, plant and equipment	(120,425)	(742,816)
Proceeds from disposal of property, plant and equipment	19,534	71,411
Increase in other advance receipts	-	466,748
Increase in refundable deposits	(1,934)	(1,022)
Decrease in refundable deposits	5,095	1,260
Acquisition of intangible assets	(27,026)	(1,851)
Proceeds from disposal of investment properties	-	280,000
Increase in other current financial assets	(1,084,528)	(444,573)
Decrease in other current financial assets	1,150,669	577,005
Increase in other non-current financial assets	(11,233)	-
Increase in other non-current assets	(52,213)	(8,590)
Increase in prepayments for business facilities	(141,130)	(33,382)
Dividends received	259,079	-
Net cash flows used in investing activities	<u>(1,058,196)</u>	<u>(2,313,021)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	2,658,745	2,382,221
Decrease in short-term loans	(2,608,537)	(1,569,353)
Increase in guarantee deposits received	24,054	33,652
Decrease in guarantee deposits received	(26,952)	(39,546)
Payments of lease liabilities	(100,207)	(91,848)
Cash dividends paid	(117,314)	(557,403)
Acquisition of ownership interests in subsidiaries	(375)	-
Net cash flows (used in) generated from financing activities	<u>(170,586)</u>	<u>157,723</u>
Effect of exchange rate changes on cash and cash equivalents	(34,585)	117,134
Net decrease in cash and cash equivalents	(924,566)	(1,257,598)
Cash and cash equivalents at the beginning of period	<u>4,407,477</u>	<u>5,665,075</u>
Cash and cash equivalents at the end of period	<u>\$ 3,482,911</u>	<u>4,407,477</u>
Components of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 3,482,911	4,311,823
Reclassification to (non-current) assets (or disposal groups) held for sale	-	95,654
Cash and cash equivalents at end of period	<u>\$ 3,482,911</u>	<u>4,407,477</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Elitegroup Computer Systems Co., Ltd. (the “Company”) was established in May 1987 and began operations in June 1987. The Company designs, develops, and sells motherboards, desktop computers, notebook, tablet computers, barebone systems and add-on cards. Please refer to Note 6(x).

The Company’s common shares were listed on the Taiwan Stock Exchange (TWSE) on September 21, 1994.

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 4, 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”

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. 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:

Standards or Interpretations	Content of amendment	Effective date per IASB
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"> ● 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. ● 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. ● 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. 	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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ELITEGROUP COMPUTER SYSTEMS CO., LTD. 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 material accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.(altogether referred to “IFRS Accounting Standards” endorsed by the “FSC”)

(b) Basis of preparation

(i) Basis of measurement

Except for the financial instruments measured at fair value and net defined benefit assets which are measured at the present value of defined benefit obligations less the fair value of plan assets, the consolidated financial statements have been prepared on a historical cost basis.

(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 Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name of investor	Name of investee	Principal activity	Shareholding		Note
			December 31, 2025	December 31, 2024	
The Company	Elitegroup Computer Systems (HK) Co., Limited	Sale of motherboards, computer peripheral products and related components	100.00 %	100.00 %	
The Company	Elitegroup Computer Systems (Japan) Co., Ltd.	Sale of motherboards, notebook, computer peripheral products and related components	100.00 %	100.00 %	
The Company	Elitegroup Computer System Holding Co., Ltd. (BVI)	Holding company	100.00 %	100.00 %	
The Company	ECS Holding (America) Co. (USA)	Holding company	100.00 %	100.00 %	

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Principal activity	Shareholding		Note
			December 31, 2025	December 31, 2024	
The Company	Elitegroup Computer Systems Korea Co., Ltd.	Sale of motherboards, maintenance and sales support	100.00 %	100.00 %	
The Company	Dragon Asia Trading Co., Ltd. (BVI) (Dragon Asia)	Holding company	- %	- %	(Note 1)
The Company	Unitop International Corp.	Holding company	100.00 %	100.00 %	(Note 2)
The Company	Unity Investments Limited	Holding company	100.00 %	100.00 %	
The Company	ECS Holding (HK) Co., Limited (ECS Holding (HK))	Holding company	100.00 %	100.00 %	(Notes 1 and 7)
The Company	Elitegroup Technology (Thailand) Co., Ltd.	Manufacture and sale of computer and computer peripheral products	99.99 %	99.99 %	(Note 8)
The Company	ECS Industrial Computer Co., Ltd.	Sale of computer, computer peripheral products and related components	- %	100.00 %	(Note 3)
The Company	Elite Technology (Cayman) Co., Ltd.(Elite Technology (Cayman))	Holding company	100.00 %	100.00 %	(Notes 5, 6 and 7)
Dragon Asia Trading Co., Ltd. (BVI)	Million Up Finance Limited (Million Up)	Holding company	- %	- %	(Note 1)
Elitegroup Computer System Holding Co., Ltd. (BVI)	Venture Well Holdings Limited (BVI)	Holding company	68.45 %	68.45 %	
Elitegroup Computer Systems (HK) Co., Limited	Xun Rui Electron (Shenzhen) Co., Ltd.	Manufacture and maintenance of electrical equipment and instrument, computer peripheral products and cases	100.00 %	100.00 %	
Elitegroup Computer Systems (HK) Co., Limited	Beijing Xun Run Technology Co., Ltd.	Manufacture and maintenance of electrical equipment and instrument, computer peripheral products and cases	100.00 %	100.00 %	
ECS Holding (America) Co. (USA)	Super ECS USA, Inc.	Sale of motherboards, computer peripheral products and related components	100.00 %	100.00 %	
ECS Holding (America) Co. (USA)	Elitegroup Computer Systems Inc. (USA)	Sale of motherboards, notebook, computer peripheral products, related components and systems assembled	100.00 %	100.00 %	(Note 10)
Unitop International Corp.	Elitegroup Computer Systems (SIP) Co., Ltd.	Research, development and manufacture of notebook, tablets and related components	- %	100.00 %	(Note 2)
Unity Investments Limited	Unique Sino Limited	Holding company	100.00 %	100.00 %	
Million Up Finance Limited	Golden Elite Technology (Shenzhen), Ltd. (興英科技(深圳)有限公司) (Golden Elite Technology (興英科技))	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	- %	- %	(Note 1)
Venture Well Holdings Limited (BVI)	Alpha Leader Limited (HK)	Trading of IC and electric components	100.00 %	100.00 %	
Unique Sino Limited	ECS Trading (Shenzhen) Co., Ltd.	Wholesale, trade, maintenance and technical consultation of computers and peripheral products	100.00 %	100.00 %	
ECS Holding (HK) Co., Limited	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技(深圳)有限公司) (Golden Elite Technology (興英數位科技))	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	100.00 %	100.00 %	(Note 1)
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技(深圳)有限公司)	Golden Signature (Jian) Co., Ltd.	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	- %	100.00 %	(Note 4)

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Principal activity	Shareholding		Note
			December 31, 2025	December 31, 2024	
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技(深圳)有限公司)	Golden Prosperity (Jian) Co., Ltd.	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	-	100.00 %	(Note 4)
ECS Trading (Shenzhen) Co., Ltd.	Tronco-Tech (Shenzhen) Ltd.	Wholesale of computer and related components, sale of software and technical consultation of computers	100.00 %	70.00 %	(Note 9)
Elite Technology (Cayman) Co., Ltd.	Elite Circuit Technology (Thailand) Co., Ltd.	Manufacture, research and development of PCBs, motherboards, computers and peripheral products	99.99 %	99.99 %	(Note 6)
Elite Technology (Cayman) Co., Ltd.	ECS Digital Technology (Shenzhen) Ltd. (ECS Digital Technology)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	100.00 %	100.00 %	(Notes 1 and 7)

Note 1: Please refer to Note 6(h) for information of equity transactions.

Note 2: In order to activate its assets, a resolution had been approved during the board meeting of the Company held on June 21, 2023, for the disposal of both Elitegroup Computer Systems (SIP) Co. Ltd. and its upper-tier investment company, Unitop International Corp, with the chairman of the board, or an individual assigned by him, being granted the authority to actively seek for buyers. On June 6, 2024, Jiangsu Wuzhong High Tech Venture Capital Co., Ltd., entered into an agreement with the Company to acquire Elitegroup Computer Systems (SIP) Co. Ltd., and the transaction was completed in March 2025. Please refer to Note 6(i) for further details. In February and April of 2025, Unitop International Corp. resolved, through its Board of Directors, to return capital of USD 5,000 thousand by way of capital reduction and return of capital surplus and USD 5,000 thousand by way of return of capital surplus, respectively, which were remitted back to the Company in February and April 2025, respectively. In November 2025, the board of Directors of Unitop International Corp. approved a distribution of USD 10,000 thousand, which was also remitted back to the company in the same month.

Note 3: On February 21, 2025, the Board of Directors of the Company resolved to proceed with a simplified merger with ECS Industrial Computer Co., Ltd., with the Company as the surviving entity. The merger base date was set as June 30, 2025, and the merger and related amendments to registration were approved by the Ministry of Economic Affairs on October 7, 2025.

Note 4: Golden Signature (JIAN) Co., Ltd. and Golden Prosperity (JIAN) Co., Ltd. were legally registered on July 12, 2022, and the shareholders of both companies approved resolutions on September 5, 2024, for both companies to be liquidated. The liquidation completed in January 2025.

Note 5: In February 2024, the Company injected USD 15,000 thousand into Elite Technology (Cayman) Co., Ltd, bringing the cumulative investment amount to USD 33,500 thousand (\$1,058,760 thousand). On February 21, 2025, the Board of Directors resolved to discontinue further capital injections into Elite Technology (Cayman) Co., Ltd.

Note 6: In January and March 2024, Elite Technology (Cayman) Co., Ltd. injected THB 360,940 thousand and THB 127,295 thousand respectively into Elite Circuit Technology (Thailand) Co., Ltd., bringing the cumulative investment amount to THB 652,295 thousand (\$653,534 thousand). On February 21, 2025, the Board of Directors resolved to discontinue further capital injections into Elite Circuit Technology (Thailand) Co., Ltd.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 7: On February 23, 2024, ECS Holding (HK) Co., Ltd. sold its entire shares in its subsidiary, ECS Digital Technology, to Elite Technology (Cayman) Co., Ltd., which is the subsidiary of the Company, at the amount of \$14,995 thousand, which had been fully paid according to the net value of ECS Digital Technology at the time of transaction, based on a resolution decided during the Company's board meeting held on December 24, 2023, with the approval of the Department of Investment Review, MOEA, with Letter No.11320055350. ECS Holding (HK) Co., Ltd. reduced its capital by USD15,000 thousand, which was remitted back to the Company in August and September 2024, based on a resolution approved during its shareholders' meeting held on May 20, 2024.

Note 8: In March and December of 2024, and in March, April, May, and August of 2025, Elitegroup Technology (Thailand) Co., Ltd. conducted a cash capital increase, wherein the company participated with amounts of THB 32,500 thousand, THB 40,000 thousand, USD 400 thousand, THB 6,476 thousand, THB 50,000 thousand, and THB 50,000 thousand, respectively, resulting in the Company's accumulated investment increasing to THB 560,000 thousand (\$544,343 thousand). In August 2025, the Board of Directors of the Company approved a resolution for Elitegroup Technology (Thailand) Co., Ltd. to undertake a capital reduction to offset accumulated losses, with a proposed reduction amount of THB 277,917 thousand. As of October 2025, the subsidiary has completed a capital reduction of THB 159,000 thousand. In December 2025, the Board of Directors of the Company approved a capital increase of THB 60,000 thousand for Elitegroup Technology (Thailand) Co. Ltd., and the capital increase was complete in January 2026.

Note 9: ECS Trading (Shenzhen) Co., Ltd. acquired a 30% equity interest in Tronco-Tech (Shenzhen) Ltd. from minority shareholders and completed the registration of a 100% ownership in Tronco-Tech (Shenzhen) Ltd. in May 2025.

Note 10: On May 7, 2025, the Board of Directors of the Company approved a resolution for Elitegroup Computer Systems Inc. (USA) to reduce its capital by USD 15,000 thousand and repatriate the funds to ECS Holding (America) Co.(USA) Subsequently, in July 2025, the Board of Directors of Elitegroup Computer Systems Inc. (USA) resolved to proceed with the capital reduction of USD 15,000 thousand, and the funds were successfully repatriated to ECS Holding (America) Co.(USA) in October 2025.

(iii) There are no subsidiaries excluded from the consolidated financial statements.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the 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 the transaction.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(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 the 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.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

The Group's classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash 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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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) The 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

Trade 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 a trade 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. A trade 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 – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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)

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. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) 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, trade receivables and notes receivable, other receivables, guarantee deposit paid and other financial assets) 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:

- 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 trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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.

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.

ECL 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). ECL are discounted at the effective interest rate of the financial asset.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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At each reporting date, the Group assesses whether financial assets carried at amortized cost 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 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.

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.

6) 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 the risks and rewards of ownership of the financial asset are transferred.

(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.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. 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.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. 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.

5) 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 cost 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 progress, 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 of completion and selling expenses.

(i) Investment 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.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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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 transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, 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) (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.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method without remeasuring the retained interest.

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.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease.

(k) 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.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) buildings	15~20 years
2) equipment	3~15 years
3) transportation equipment	5 years
4) other equipment	1~13 years

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

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(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(l) 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 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:

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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- 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
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

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

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

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

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

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Group derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Group applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Group continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

(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 a major part of the economic life of the asset.

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When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

(m) Intangible assets

(i) Recognition and measurement

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

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

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

Other intangible assets, including customer relationships, patents and trademarks, 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:

1) Computer software	1~3 years
2) Patent	4 years

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

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(n) Impairment of non-financial assets

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

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

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

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

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

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

(o) 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.

(i) Warranties

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(p) Revenue recognition

(i) Revenue from contracts with customers

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

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1) Sale of goods

The Group manufactures and sells computer equipment. 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.

The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision for warranty; please refer to Note 6(r).

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.

2) Maintenance services of computer equipment

The Group provides maintenance services of computer equipment. Skilled technical personnel is required to perform maintenance services. Since the length of the maintenance service provided to each contract is only for a short duration, the Group recognizes revenue upon completion of service contracts.

(ii) 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. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

(q) Government grants and government assistance

The Group recognizes an unconditional government grant in profit or loss 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.

(r) Employee benefits

(i) Defined contribution plans

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

(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.

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

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

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

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

(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.

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

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. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;

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- (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 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.

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, and reflect uncertainty related to income taxes, if any.

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.

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

In preparing these consolidated financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, 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.

There are no critical judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows.

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to Note 6(g) for further description of the valuation of inventories.

(b) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to Note 6(m) for further description of the impairment of goodwill.

(c) Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Changes in the economic environment, industry trends, and relevant laws and regulations may result in adjustments to the deferred tax assets. Refer to Note 6(u) for further description of the recognition of deferred tax assets.

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Measurement process

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value. The Group has established internal control system for fair value measurement. The Group's Finance & Accounting Center periodically renews input data for valuation models and makes all other necessary fair value adjustments to assure the rationality of fair value. If the inputs used to measure fair value are based on information from external third parties, such as brokers or pricing service providers, the Finance & Accounting Center will assess the evidence supporting the inputs provided by such third parties to ensure that the valuation and its classification within the requirement of IFRS. Investment property is periodically remeasured by the Group's Finance & Accounting Center or by appraisers using appraisal method accepted by FSC.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- (c) Level 3: inputs for the assets or liabilities that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

(6) Explanation of significant accounts

- (a) Cash and cash equivalents

	December 31, 2025	December 31, 2024
Petty cash and foreign cash on hand	\$ 1,190	1,358
Checking accounts and demand deposits	1,825,450	2,671,415
Time deposits	<u>1,656,271</u>	<u>1,639,050</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 3,482,911</u>	<u>4,311,823</u>

Please refer to Note 6(aa) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

The interest rates for time deposits with original maturities of less than three months were ranging from 0.65%~4.02% and from 0.7%~4.6% as of December 31, 2025 and 2024, respectively.

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

	December 31, 2025	December 31, 2024
Financial assets mandatorily classified as at FVTPL:		
Non-derivative financial assets		
<u>Current</u>		
Mutual funds	\$ 1,195,209	928,115
Financial products	501,384	552,458
	\$ 1,696,593	1,480,573
<u>Non-current</u>		
Foreign unlisted shares	\$ -	3
Domestic unlisted shares	42,932	61,471
	\$ 42,932	61,474

The Group entered into forward exchange contracts and dual currency investment to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. As of December 31, 2025 and 2024, it did not hold any outstanding derivative financial products. The investment (loss) income from derivative financial products for the years ended December 31, 2025 and 2024, were \$(2,182) thousand and \$9,376 thousand, respectively. However, those derivative financial products did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

For amounts recognized in profit or loss for fair value remeasurement, please refer to Note 6(z).

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

	December 31, 2025	December 31, 2024
Equity investments at fair value through other comprehensive income:		
Domestic listed shares—Tatung Co.	\$ 2,632,286	4,206,739

(i) Equity investments at fair value through other comprehensive income

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 the long-term strategic purposes and rather for trading.

During the years ended December 31, 2025 and 2024, the dividends of \$259,079 thousand and zero, related to equity investments at fair value through other comprehensive income held on December 31, 2025 and 2024, respectively, were recognized.

There were no disposals of strategic investments and reclassifications of any cumulative gain or loss within equity relating to these investments for the years ended December 31, 2025 and 2024.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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- (ii) For credit risk (including the impairment of debt investments) and market risk, please refer to Note 6(aa).
- (iii) As of December 31, 2025 and 2024, the Group's financial assets at fair value through other comprehensive income were not pledged as collateral.
- (d) Financial assets at amortized cost

	December 31, 2025	December 31, 2024
<u>Current</u>		
Time deposits with original maturity of more than 3 months	\$ 3,168,819	1,994,814
Time deposits with original maturity of less than one year	581,308	45,608
Pledged time deposits	<u>397,950</u>	<u>288,814</u>
	<u>\$ 4,148,077</u>	<u>2,329,236</u>
<u>Non-current</u>		
Time deposits with original maturity of more than 12 months	<u>\$ -</u>	<u>592,907</u>

The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

- (i) The interest rates for time deposits with original maturities of more than 3 months were ranging from 0.8%~4% and from 1.29%~5% as of December 31, 2025 and 2024, respectively.
- (ii) The interest rates for time deposits with original maturities of more than 12 months were ranging from 2.9%~3.1% as of December 31, 2024.
- (iii) For information relating to credit risk, please refer to Note 6(aa).
- (iv) For information relating to the above financial assets pledged as collateral for tariff guarantee and acceptance bill limit, please refer to Note 8.
- (e) Notes receivable and accounts receivable

	December 31, 2025	December 31, 2024
<u>At amortized cost</u>		
Notes receivable	\$ 773	-
Accounts receivable	2,953,660	2,634,591
Accounts receivable — related parties	11,274	24,132
Less: allowance for impairment loss	<u>(18,190)</u>	<u>(18,482)</u>
	<u>\$ 2,947,517</u>	<u>2,640,241</u>

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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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, trade receivables have been grouped based on shared credit risk characteristics, as well as the incorporated forward-looking information. The loss allowance provisions were determined as follows:

	December 31, 2025		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not Past Due	\$ 2,880,173	-%	(3)
Past Due within 60 days	67,279	1.10%	(740)
Past Due 61~90 days	36	1.73%	(1)
Past Due Over 180 days	<u>17,446</u>	100%	<u>(17,446)</u>
	<u>\$ 2,964,934</u>		<u>(18,190)</u>
	December 31, 2024		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not Past Due	\$ 2,595,584	-%	-
Past Due within 60 days	44,176	0.4%	(178)
Past Due 61~90 days	830	21%	(171)
Past Due Over 180 days	<u>18,133</u>	100%	<u>(18,133)</u>
	<u>\$ 2,658,723</u>		<u>(18,482)</u>

The movements in the allowance for trade receivables and notes receivable were as follows:

	For the year ended December 31	
	2025	2024
Balance at January 1	\$ 18,482	14,034
Impairment losses recognized	-	4,438
Impairment losses reversed	(289)	-
Foreign exchange gains and losses	(3)	10
Balance at December 31	<u>\$ 18,190</u>	<u>18,482</u>

For information relating to credit risk, please refer to Note 6(aa).

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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(f) Other receivables and overdue receivables

For other receivables and overdue receivables that have the indications of impairment, the Group recognizes loss allowance at full amount after deducting the value of related collateral.

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Other receivables</u>		
Tax refund receivable	\$ 34,226	31,723
Receivable from resale of scrap	6,094	19,296
Receivable from disposal of subsidiary(Note 6(i))	275,058	-
Others	93,707	75,756
Less: allowance for impairment loss	<u>(21,757)</u>	<u>(22,507)</u>
	<u>\$ 387,328</u>	<u>104,268</u>

The movements in the allowance for other receivables were as follows:

	<u>For the year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Balance at January 1	\$ 22,507	21,355
Foreign exchange gains and losses	<u>(750)</u>	<u>1,152</u>
Balance at December 31	<u>\$ 21,757</u>	<u>22,507</u>

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Overdue receivables</u>		
Overdue receivables	\$ 3,170,897	3,300,734
Less: allowance for impairment loss	<u>(3,139,467)</u>	<u>(3,267,949)</u>
	<u>\$ 31,430</u>	<u>32,785</u>

The movements in the allowance for overdue receivables were as follows:

	<u>For the year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Balance at January 1	\$ 3,267,949	3,070,722
Foreign exchange gains and losses	<u>(128,482)</u>	<u>197,227</u>
Balance at December 31	<u>\$ 3,139,467</u>	<u>3,267,949</u>

For information relating to credit risk, please refer to Note 6(aa).

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(g) Inventories

	December 31, 2025	December 31, 2024
Finished goods	\$ 1,113,528	1,088,966
Work in progress	199,622	218,683
Raw materials	1,201,182	681,217
	\$ 2,514,332	1,988,866

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2025 and 2024, amounted to \$18,076,899 thousand and \$15,404,362 thousand, respectively.

The amount recognized as cost of goods sold for the compensation paid due to non-performance of purchase contracts for the year ended December 31, 2024 was \$71,574 thousand.

During the years ended December 31, 2025 and 2024, the (reversal) and recognition of write-downs, amounted to \$(128,171) thousand and \$169,392 thousand, respectively was due from the changes in net realizable value and inventory liquidation, and was included in cost of goods sold.

As of December 31, 2025 and 2024, the inventories of the Group had not been pledged as collateral.

(h) Loss of control over a subsidiary

The board of directors of the Company approved the Plan of Activating the Assets Located in People's Republic of China ("Mainland Assets Activation Plan") on April 7, 2017. And the Company entered into a contract with Ever Unicorn Estate Limited (the "Ever Unicorn") in April 2017, which was executed in two sections.

A. Transfer of interests in Dragon Asia

After finishing the transfer of the operations and related assets and liabilities from Golden Elite Technology (興英科技) to ECS Digital Technology, Ever Unicorn will make an estimated payment between RMB1,150,000 thousand to RMB1,375,000 thousand for a 100% equity interest in Dragon Asia.

B. Relocation compensation for ECS Digital Technology's operations

The operation of ECS Digital Technology will be relocated after contract conditions are fulfilled. Ever Unicorn shall pay the compensation amount of RMB2,500,000 thousand in accordance with the progress of the relocation.

The relocation income, after deducting the related relocation costs and expenses, will be used for landscaping, plant constructing, and equipment installing as well as for the funds required to operate for ECS Digital Technology.

Due to the modifications on transaction terms and payment arrangements, the board of directors of the Company approved and entered into a supplementary contract with Ever Unicorn on January 23, 2018.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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In accordance with the supplementary contract, the transfer of interests in Dragon Asia was divided into two phases. In phase 1, the Company will complete the transfer of 52% interest in Dragon Asia to Ever Unicorn for RMB600,000 thousand. After the Company completed the stripping of other non-target assets and liabilities from Golden Elite Technology (興英科技), with both parties reaching a consensus on the prerequisites including the change in procedure to the land category by Golden Elite Technology (興英科技), phase 2 of the transaction will then commence. The Company will complete the transfer of remaining 48% interest in Dragon Asia to Ever Unicorn for RMB550,000 thousand. The Company will engage in further negotiation regarding the contract with Ever Unicorn if the land is not subject to urban planning as outlined by authorities.

In order to cooperate with Mainland Assets Activation Plan, the board of directors of the Company approved to reduce the capital of Dragon Asia and Million Up on January 23, 2018, the total amount of capital reduction was US\$69,327 thousand for both subsidiaries.

The Company obtained the share price for RMB600,000 thousand on March 27, 2018, and completed the transfer of 52% equity of Dragon Asia in the phase 1 of the contract. The Company recognized the amount as other advance receipts because the transfer of significant risks and rewards of related assets had not been completed. The foregoing transaction of 52% equity of Dragon Asia has been approved by the Investment Commission, Ministry of Economic Affairs on May 1, 2018.

According to the contract signed with Ever Unicorn, the Company should strip non-target assets and liabilities from Golden Elite Technology (興英科技). The board of directors of Golden Elite Technology (興英科技) approved on April 26, 2018, to proceed with the splitting process, by means of transferring non-target assets and liabilities into Golden Elite Technology (興英數位科技), which was newly registered on May 17, 2018. Golden Elite Technology (興英科技) and Golden Elite Technology (興英數位科技) will be 100% owned subsidiaries of Million Up, and the original shareholders' rights and interests shall not be affected.

In order to facilitate the splitting process, the board of directors of the Company approved the employees' economic compensation of RMB113,963 thousand of Golden Elite Technology (興英科技) on June 24, 2019, which was issued in 2020. Golden Elite Technology (興英科技) completed the splitting process on July 1, 2019, and transferred non-target net assets of RMB454,051 thousand to Golden Elite Technology (興英數位科技) as capital.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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Due to the adjustment to the investment structure, the board of directors of the Company approved the sales of 100% of Golden Elite Technology's (興英數位科技) shares owned by Million Up to ECS Holding (HK) on August 12, 2019. The transaction price will be determined according to Golden Elite Technology's (興英數位科技) net value at the time of execution. The application for transferring the equity was approved by the Investment Commission, Ministry of Economic Affairs, Rule No. 10800244950, on May 4, 2020. On May 29, 2020, four parties (Dragon Asia, Million Up, ECS Holding (HK) and the Company) agreed to offset the creditor's rights and liabilities. The amounts used by the four parties to offset the creditor's rights and liabilities are based on (1) the amount of capital reduction received (paid) by the Company, Dragon Asia and Million Up; (2) the amount of capital increase that the Company owed to its subsidiary, ECS Holding (HK), which amounted to US\$69,327 thousand; and (3) the amount received from selling 100% equity of Golden Elite Technology (興英數位科技) to ECS Holding (HK) and completion of the transfer of shares of Golden Elite Technology (興英數位科技) to ECS Holding (HK).

Ever Unicorn requested the Company to transfer the remaining 48% shares of Dragon Asia according to the supplementary contract, the Company obtained the second-phased share price for RMB550,000 thousand on August 25, 2020, which was recognized as other advanced receipts, and finished the 48% shares transfer process of Dragon Asia at the same day. The foregoing transaction of 48% equity of Dragon Asia had received a letter of approval from the Investment Commission, Ministry of Economic Affairs on September 29, 2020. After transferring all of the shares of Dragon Asia, the Company lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) and Golden Elite Technology (興英數位科技), respectively.

The Company had partially completed the transfer of significant risks and rewards of related assets after evaluating the agreement and the status of implementation, therefore, the Company derecognized the right-of-use assets, deferred income tax assets, and other current assets, which amounting to \$190,759 thousand, \$627,104 thousand and \$184,682 thousand, respectively, and transferred the related advance receipts, which amounting to \$1,346,036 thousand (RMB315,453 thousand) as the disposal price in 2020. The Company recognized a gain of \$343,491 thousand on disposal of assets and recognized income tax expense of \$288,248 thousand on disposal of assets.

In November 2022, the Company was notified by Ever Unicorn that the underlying land, defined in phase 2, was not included in urban planning as outlined by authorities. To safeguard the interests of the shareholders of the Company, the parties will proceed on further negotiations in accordance with Article 2.4 of the Addendum Agreement. As of the publish date of the consolidated financial statements, the negotiations have not been completed. The Group received a notice of arbitration in April 2025. For further details regarding the related arbitration proceedings, please refer to Note 9 (b).

As of December 31, 2025, the Company had not fully completed the transfer of significant risks and rewards of related assets, thus the remaining advance receipts amounting to \$3,677,260 thousand (RMB834,547 thousand) from Ever Unicorn were recognized as other advance receipts.

The terms of the abovementioned trading contract stipulate that if the buyer or seller are involved in breach of contract, the non-defaulting party shall have the right to decide whether to terminate the contract, in addition to the actual damages and related expenses that the defaulting party should pay to the non-defaulting party.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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(i) Disposal groups held for sale

- (i) In order to activate its assets, a resolution had been approved during the board meeting of the Company held on June 21, 2023, for the disposal of both Elitegroup Computer Systems (SIP) Co. Ltd. and its upper-tier investment company, Unitop International Corp, with the chairman of the board, or an individual assigned by him, being granted the authority to actively seek for buyers. On June 6, 2024, the Group agreed with the buyer, Jiangsu Wuzhong High-Tech Venture Capital Co., Ltd., confirming to sell Elitegroup Computer Systems (SIP) Co. Ltd. On the other hand, the Group reclassified the assets, liabilities and other equity belonging to Unitop International Corp. back to its original accounts.

The details of the assets, liabilities, and other equity of the disposal group as of December 31, 2024 were as follows:

	December 31, 2024
Cash and cash equivalents	\$ 95,654
Other receivables	19
Property, plant and equipment	599
Investment property, net	214,956
Deferred tax assets	2,919
Assets of the disposal group	\$ 314,147
Other current liabilities	442
Liabilities of the disposal group	\$ 442
Equity of the disposal group - Exchange differences on translation of foreign financial statements	\$ 59,089

There are no impairment indicators from measuring against the lower of carrying amount and fair value less costs to sell.

- (ii) The transaction was completed on March 4, 2025, with the final consideration amounting to RMB 224,955 thousand. Proceeds of RMB 102,500 thousand and RMB 60,955 thousand were received on September 12, 2024 and May 15, 2025, respectively. For details regarding the gain or loss on disposal, please refer to Note 6 (z). As of December 31, 2025, the full consideration has not yet been received, which is recorded under other receivables. Please refer to Notes 6(f).

	USD(thousand)
Consideration to be received	\$ 31,306
Net assets disposed of (including cash and cash equivalents of USD 3,482 thousand)	9,446
Gain on realized exchange differences on translation of foreign financial statements	(1,808)
Gain on disposal	\$ 23,668
Net cash inflow from disposal of subsidiary	\$ 27,824

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(j) Property, plant and equipment

The movements in the cost, depreciation and impairment of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment</u>	<u>Transportation Equipment</u>	<u>Other Equipment</u>	<u>Construction in Progress and Equipment under Acceptance</u>	<u>Total</u>
Cost or deemed cost:							
Balance on January 1, 2025	\$ 511,669	2,352,854	4,285,986	15,416	994,467	-	8,160,392
Additions	-	-	85,781	1,220	34,990	-	121,991
Disposals	-	-	(93,323)	(1,271)	(95,467)	-	(190,061)
Transfers	-	-	4,439	-	(1,793)	-	2,646
Effect of foreign currency exchange differences	16,445	(51,958)	(31,907)	(175)	(3,392)	-	(70,987)
Balance on December 31, 2025	<u>\$ 528,114</u>	<u>2,300,896</u>	<u>4,250,976</u>	<u>15,190</u>	<u>928,805</u>	<u>-</u>	<u>8,023,981</u>
Balance on January 1, 2024	\$ 21,451	2,232,708	4,210,124	16,419	753,875	72,314	7,306,891
Additions	412,156	-	56,367	132	192,601	43,198	704,454
Disposals	-	-	(120,739)	(1,724)	(39,094)	-	(161,557)
Transfers	41,362	-	-	-	74,150	(115,512)	-
Effect of foreign currency exchange differences	36,700	120,146	140,234	589	12,935	-	310,604
Balance on December 31, 2024	<u>\$ 511,669</u>	<u>2,352,854</u>	<u>4,285,986</u>	<u>15,416</u>	<u>994,467</u>	<u>-</u>	<u>8,160,392</u>
Accumulated depreciation and impairment losses:							
Balance on January 1, 2025	\$ -	1,977,063	3,190,826	12,772	602,157	-	5,782,818
Depreciation expenses	-	85,217	179,223	704	75,835	-	340,979
Disposals	-	-	(67,120)	(952)	(36,047)	-	(104,119)
Transfers	-	-	544	-	(50)	-	494
Effect of foreign currency exchange differences	-	(41,613)	(11,820)	(137)	(2,027)	-	(55,597)
Balance on December 31, 2025	<u>\$ -</u>	<u>2,020,667</u>	<u>3,291,653</u>	<u>12,387</u>	<u>639,868</u>	<u>-</u>	<u>5,964,575</u>
Balance on January 1, 2024	\$ -	1,790,894	2,963,666	12,975	537,318	-	5,304,853
Depreciation expenses	-	87,596	209,986	933	81,081	-	379,596
Disposals	-	-	(30,966)	(1,580)	(24,970)	-	(57,516)
Effect of foreign currency exchange differences	-	98,573	48,140	444	8,728	-	155,885
Balance on December 31, 2024	<u>\$ -</u>	<u>1,977,063</u>	<u>3,190,826</u>	<u>12,772</u>	<u>602,157</u>	<u>-</u>	<u>5,782,818</u>
Book value:							
Balance on December 31, 2025	<u>\$ 528,114</u>	<u>280,229</u>	<u>959,323</u>	<u>2,803</u>	<u>288,937</u>	<u>-</u>	<u>2,059,406</u>
Balance on January 1, 2024	<u>\$ 21,451</u>	<u>441,814</u>	<u>1,246,458</u>	<u>3,444</u>	<u>216,557</u>	<u>72,314</u>	<u>2,002,038</u>
Balance on December 31, 2024	<u>\$ 511,669</u>	<u>375,791</u>	<u>1,095,160</u>	<u>2,644</u>	<u>392,310</u>	<u>-</u>	<u>2,377,574</u>

For information of gain or loss on disposal of property, plant and equipment, please refer to Note 6(z).

As of December 31, 2025 and 2024, the property, plant and equipment had not been pledged as collateral.

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(k) Right-of-use assets

The movements in the cost and depreciation of the right-of-use assets of the Group were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Office Equipment</u>	<u>Transportation Equipment</u>	<u>Machinery</u>	<u>Total</u>
Cost:						
Balance on January 1, 2025	\$ 828,822	815,506	1,003	13,114	5,155	1,663,600
Additions	-	57,698	-	-	67,134	124,832
Remeasurement	-	(1,918)	-	-	-	(1,918)
Disposals	-	(259,931)	(91)	(13,077)	-	(273,099)
Transfers	-	(1,995)	-	1,995	-	-
Effect of foreign currency exchange differences	(28,551)	(1,506)	-	(194)	2,025	(28,226)
Balance on December 31, 2025	<u>\$ 800,271</u>	<u>607,854</u>	<u>912</u>	<u>1,838</u>	<u>74,314</u>	<u>1,485,189</u>
Balance on January 1, 2024	\$ 779,825	810,920	1,019	14,737	4,916	1,611,417
Additions	-	6,130	1,003	-	-	7,133
Disposals	-	(6,893)	(1,019)	(1,653)	-	(9,565)
Effect of foreign currency exchange differences	48,997	5,349	-	30	239	54,615
Balance on December 31, 2024	<u>\$ 828,822</u>	<u>815,506</u>	<u>1,003</u>	<u>13,114</u>	<u>5,155</u>	<u>1,663,600</u>
Accumulated depreciation:						
Balance on January 1, 2025	\$ 519,130	204,361	112	11,197	5,021	739,821
Depreciation expenses	10,171	87,280	308	1,647	11,226	110,632
Disposals	-	(80,781)	(15)	(11,903)	-	(92,699)
Effect of foreign currency exchange differences	(18,192)	(2,040)	-	(328)	255	(20,305)
Balance on December 31, 2025	<u>\$ 511,109</u>	<u>208,820</u>	<u>405</u>	<u>613</u>	<u>16,502</u>	<u>737,449</u>
Balance on January 1, 2024	\$ 478,024	112,088	793	8,176	4,738	603,819
Depreciation expenses	10,463	94,898	338	4,003	38	109,740
Disposals	-	(6,676)	(1,019)	(1,010)	-	(8,705)
Effect of foreign currency exchange differences	30,643	4,051	-	28	245	34,967
Balance on December 31, 2024	<u>\$ 519,130</u>	<u>204,361</u>	<u>112</u>	<u>11,197</u>	<u>5,021</u>	<u>739,821</u>
Book value:						
Balance on December 31, 2025	<u>\$ 289,162</u>	<u>399,034</u>	<u>507</u>	<u>1,225</u>	<u>57,812</u>	<u>747,740</u>
Balance on January 1, 2024	<u>\$ 301,801</u>	<u>698,832</u>	<u>226</u>	<u>6,561</u>	<u>178</u>	<u>1,007,598</u>
Balance on December 31, 2024	<u>\$ 309,692</u>	<u>611,145</u>	<u>891</u>	<u>1,917</u>	<u>134</u>	<u>923,779</u>

On December 20, 2024 and February 21, 2025, the Board of Directors of the Company approved resolutions to lease a factory located in Thailand from a related party, Tatung (Thailand) Co., Ltd. The lease term is from January 1, 2025 to February 15, 2028. The total lease payments (excluding VAT) amount to THB \$50,002 thousand, and the recognized right-of-use asset amounts to THB \$47,067 thousand. Please refer to Note 7.

For details regarding the reduction in office building leases from related parties by the Group, please refer to Note 7.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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(l) Investment property

The movements of the investment property of the Group were as follows:

	<u>Owned property</u>		
	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
Cost:			
Balance on January 1, 2025	\$ 168,732	69,567	238,299
Balance on December 31, 2025	<u>\$ 168,732</u>	<u>69,567</u>	<u>238,299</u>
Balance on January 1, 2024	\$ 168,732	69,567	238,299
Balance on December 31, 2024	<u>\$ 168,732</u>	<u>69,567</u>	<u>238,299</u>
Accumulated depreciation and impairment losses:			
Balance on January 1, 2025	\$ 14,673	57,950	72,623
Depreciation expenses	-	1,835	1,835
Balance on December 31, 2025	<u>\$ 14,673</u>	<u>59,785</u>	<u>74,458</u>
Balance on January 1, 2024	\$ 14,673	56,117	70,790
Depreciation expenses	-	1,833	1,833
Balance on December 31, 2024	<u>\$ 14,673</u>	<u>57,950</u>	<u>72,623</u>
Book value:			
Balance on December 31, 2025	<u>\$ 154,059</u>	<u>9,782</u>	<u>163,841</u>
Balance on January 1, 2024	<u>\$ 154,059</u>	<u>13,450</u>	<u>167,509</u>
Balance on December 31, 2024	<u>\$ 154,059</u>	<u>11,617</u>	<u>165,676</u>
Fair value:			
Balance on December 31, 2025			<u>\$ 356,108</u>
Balance on December 31, 2024			<u>\$ 353,615</u>

Investment properties located in Guandu were leased out for 2 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods. The Group and the lessee reached an agreement to terminate the lease early in September 2025.

For the years ended December 31, 2025 and 2024, the maintenance, repair, and depreciation expense for the investment property were as follows:

	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Properties generating rental income	\$ 1,833	2,353
Properties not generating rental income	707	36,706
	<u>\$ 2,540</u>	<u>39,059</u>

As of December 31, 2025 and 2024, the investment property of the Group had not been pledged as collateral.

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Goodwill and other intangible assets

The movements of the goodwill and other intangible assets of the Group were as follows:

	<u>Goodwill</u>	<u>Computer Software</u>	<u>Total</u>
Cost or deemed cost:			
Balance on January 1, 2025	\$ 1,026,688	32,900	1,059,588
Additions	-	27,026	27,026
Disposals	-	(26,048)	(26,048)
Effect of foreign currency exchange differences	(9,454)	(85)	(9,539)
Balance on December 31, 2025	<u>\$ 1,017,234</u>	<u>33,793</u>	<u>1,051,027</u>
Balance on January 1, 2024	\$ 1,012,175	34,452	1,046,627
Additions	-	1,851	1,851
Disposals	-	(3,894)	(3,894)
Effect of foreign currency exchange differences	14,513	491	15,004
Balance on December 31, 2024	<u>\$ 1,026,688</u>	<u>32,900</u>	<u>1,059,588</u>
Amortization and impairment losses:			
Balance on January 1, 2025	\$ 403,497	24,270	427,767
Amortization expenses	-	28,465	28,465
Disposals	-	(26,048)	(26,048)
Effect of foreign currency exchange differences	-	(90)	(90)
Balance on December 31, 2025	<u>\$ 403,497</u>	<u>26,597</u>	<u>430,094</u>
Balance on January 1, 2024	\$ 403,497	20,074	423,571
Amortization expenses	-	7,653	7,653
Disposals	-	(3,894)	(3,894)
Effect of foreign currency exchange differences	-	437	437
Balance on December 31, 2024	<u>\$ 403,497</u>	<u>24,270</u>	<u>427,767</u>
Book value:			
Balance on December 31, 2025	<u>\$ 613,737</u>	<u>7,196</u>	<u>620,933</u>
Balance on January 1, 2024	<u>\$ 608,678</u>	<u>14,378</u>	<u>623,056</u>
Balance on December 31, 2024	<u>\$ 623,191</u>	<u>8,630</u>	<u>631,821</u>

Goodwill is the premium generated from business combination or business acquisition of mobile products, motherboard and barebone system businesses.

The Group conducts impairment tests annually. In 2025, the Group, as a cash-generating unit that can generate independent cash flows, assessed whether the net assets used in its operations were subject to impairment.

The calculation of the recoverable amount of the goodwill of the Group was based on their value in use. In this calculation, the Group used cash flow projections for a budget period based on the key asset's remaining durable years, which is determined as 7 years. The cash flows beyond the five-year period have been extrapolated using a steady annual growth rates of 1.6%-1.8% and 2%-3% as of December 31, 2025 and 2024, respectively. The discount rates used in impairment tests conducted on December 31, 2025 and 2024 were 15.73% and 9.92% per annum, respectively.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Key assumptions used to calculate the recoverable amount of the CGUs and the descriptions of assumed value are determined as follows:

- (i) Estimated market growth rate: The estimation of sales was based on the expected global future growth rate of industry peers.
- (ii) Estimated gross margin: The estimate was based on the actual ratio for 2025 and historical operating performance.
- (iii) Estimated operating profit: The operating expenses were estimated based on the actual ratio of operating expenses to operating revenue for 2025.

The CGUs used the above key assumptions to calculate their recoverable amounts, which were higher than the carrying values as of December 31, 2025; thus, there was no indication of impairment.

(n) Short-term borrowings

	December 31, 2025	December 31, 2024
Unsecured bank loans	\$ 1,049,575	1,006,736
Range of interest rates	2.5%~4.62%	1.98%~5.45%

The Group didn't pledge assets as collateral for bank loans.

(o) Accounts payable

	December 31, 2025	December 31, 2024
Third parties - operating	\$ 3,186,520	2,566,573

Accounts payable resulted mainly from the purchase of components, including CPUs, IC chip-sets, LCD panels, CD-ROM drives, hard disks, and memory modules.

(p) Other current and non-current liabilities

	December 31, 2025	December 31, 2024
Other payables		
Payables for salaries and bonuses	\$ 559,175	554,959
Payables for consumables	78,798	42,276
Payables for repair expenses	44,820	37,807
Payables for service expenses	141,875	145,039
Payables for import and export services	25,585	21,961
Payables for processing fees	32,534	51,816
Others	201,636	208,179
	\$ 1,084,423	1,062,037

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2025	December 31, 2024
Other advance receipts (Notes 6(h) and (i))	<u>\$ 3,677,260</u>	<u>4,144,008</u>
Other current liabilities		
Refund liabilities	\$ 873,959	826,351
Contract liabilities	321,881	348,688
Temporary credits	19,004	23,787
Others	<u>12,621</u>	<u>10,899</u>
	<u>\$ 1,227,465</u>	<u>1,209,725</u>
Deferred revenue		
Arising from government grants	<u>\$ 10,581</u>	<u>18,217</u>

(i) Refund liabilities are determined based on historical experience, managements judgments and other known reasons for which estimated product returns and rebates will reasonably incur refund liabilities. Refund liabilities are recognized as a reduction of operating revenue in the periods in which the related goods are sold.

(ii) Contract liabilities consists of unearned sales revenue.

(q) Lease liabilities

The carrying amount of lease liabilities of the Group were as follows:

	December 31, 2025	December 31, 2024
Current	<u>\$ 87,104</u>	<u>76,218</u>
Non-current	<u>\$ 374,642</u>	<u>543,282</u>

For the maturity analysis, please refer to Note 6(aa).

The amounts recognized in profit or loss were as follows:

	For the year ended December 31	
	2025	2024
Interest on lease liabilities	<u>\$ 17,573</u>	<u>17,884</u>
Expenses relating to short-term leases	<u>\$ 1,520</u>	<u>1,780</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 2,922</u>	<u>4,642</u>

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

	For the year ended December 31	
	2025	2024
Total cash outflow for leases	<u>\$ 122,230</u>	<u>115,995</u>

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Real estate leases

The Group leases certain land and buildings for the use of product manufacturing and office with lease terms ranging from 2 to 50 years.

(ii) Exemption

The Group leases certain office equipment and machinery which qualify as short-term leases or low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

(r) Provisions

	Warranties
Balance on January 1, 2025	\$ 186,848
Provisions increased during the period	48,571
Provisions used during the period	(32,017)
Provisions reversed during the period	(11,767)
Balance on December 31, 2025	\$ 191,635
Balance on January 1, 2024	\$ 175,904
Provisions increased during the period	50,568
Provisions used during the period	(36,813)
Provisions reversed during the period	(2,811)
Balance on December 31, 2024	\$ 186,848

The provision for warranty claims represents management's best estimate of the present value of future outflow of economic benefits that will be required under the Group's obligations for warranties under the legislation with respect to the sale of goods. Such estimate has been made on the basis of historical warranty trends, and may vary as a result of the use of new materials or changes in manufacturing processes, as well as other events affecting product quality.

(s) Operating lease

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2025	December 31, 2024
Less than 1 year	\$ -	7,790
Total undiscounted lease payments	\$ -	7,790

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2025	December 31, 2024
Present value of the defined benefit obligations	\$ (119,710)	(115,034)
Fair value of plan assets	<u>326,316</u>	<u>342,059</u>
Net defined benefit assets	<u>\$ 206,606</u>	<u>227,025</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon retirement. 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. Retirement pensions are allocated at 2% of the employees' total monthly salary and are deposited in a special account of the Bank of Taiwan under the name of the Labor Retirement Reserve Supervisory Committee. Through assessing the actuarial calculations, the Group's accumulated plan assets are determined to be sufficient to cover its plan liabilities. Since April 2025, the Taipei City government authorized the Group to temporarily halt its contributions to the plan for 12 months. The special accounts are managed by the Bureau of Labor Funds, Ministry of Labor; as such, the Group does not have right to intervene in the investment policy and strategy of the Funds.

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 \$326,316 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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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group in the years 2025 and 2024 were as follows:

	For the year ended December 31	
	2025	2024
Defined benefit obligations at January 1	\$ (115,034)	(144,674)
Current service costs and interest	(1,795)	(1,918)
— Actuarial gain (loss) arising from changes in financial assumptions	(2,807)	2,923
— Experience adjustments	(5,298)	8,860
Benefits paid	<u>5,224</u>	<u>19,775</u>
Defined benefit obligations at December 31	<u>\$ (119,710)</u>	<u>(115,034)</u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group in the years 2025 and 2024 were as follows:

	For the year ended December 31	
	2025	2024
Fair value of plan assets at January 1	\$ 342,059	328,366
Interest income	4,710	4,104
— Return on plan assets excluding interest income	22,307	29,364
Benefits paid	<u>(42,760)</u>	<u>(19,775)</u>
Fair value of plan assets at December 31	<u>\$ 326,316</u>	<u>342,059</u>

4) Movements of the effect of the asset ceiling: None.

5) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group in the years 2025 and 2024 were as follows:

	For the year ended December 31	
	2025	2024
Current service costs	\$ 70	109
Net interest of net defined benefit assets	<u>(2,985)</u>	<u>(2,295)</u>
	<u>\$ (2,915)</u>	<u>(2,186)</u>

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the year ended December 31	
	2025	2024
Selling expenses	\$ (138)	(100)
Administrative expenses	(935)	(649)
Research and development expenses	(1,842)	(1,437)
Total	\$ (2,915)	(2,186)

6) Actuarial assumptions

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

	December 31, 2025	December 31, 2024
Discount rate	1.250 %	1.500 %
Future salary increasing rate	2.500 %	2.500 %

There is no expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date for 2025.

The weighted-average lifetime of the defined benefits plans is 9.5 years.

7) Sensitivity analysis

As of December 31, 2025 and 2024, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact on the defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2025		
Discount rate	\$ (2,806)	2,901
Future salary increasing rate	2,814	(2,737)
December 31, 2024		
Discount rate	\$ (2,823)	2,922
Future salary increasing rate	2,839	(2,757)

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.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$27,797 thousand and \$39,612 thousand for the years ended December 31, 2025 and 2024, respectively.

(u) Income taxes

(i) Income tax expense

The components of income tax of the Group in the years 2025 and 2024 were as follows:

	<u>For the year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Current tax expenses		
Current period	259,612	58,636
Adjustment for prior periods	85,169	11,766
Regional income tax	526	770
Additional tax on undistributed earnings	4,465	-
	<u>349,772</u>	<u>71,172</u>
Deferred tax expenses		
Origination and reversal of temporary differences	29,905	(27,323)
Adjustments for prior years	18,485	1,791
	<u>48,390</u>	<u>(25,532)</u>
Income tax expense from continuing operations	<u>\$ 398,162</u>	<u>45,640</u>

The amounts of income tax recognized in other comprehensive income of the Group in the years 2025 and 2024 were as follows:

	<u>For the year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ 2,841</u>	<u>8,229</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	<u>\$ (32,923)</u>	<u>70,868</u>

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reconciliation of income tax and profit (loss) before tax of the Group for 2025 and 2024 were as follows:

	For the year ended December 31	
	2025	2024
Income (loss) before tax	\$ 1,185,711	(44,886)
Income tax using the Company's statutory tax rate	\$ 334,813	24,387
Adjustment in tax rate	66,064	-
Non-deductible expenses	4,702	27,587
Tax-exempt income	(51,816)	(11,580)
Tax incentives	(47)	(22)
Unrecognized change in temporary differences	(26,721)	(219)
Loss deduction	(45,701)	-
Tax effects of deferred tax assets and liabilities	(8,506)	-
Adjustments for prior years	19,079	13,382
Regional income tax	805	2,579
Additional tax on undistributed earnings	4,465	-
Tax related to controlled foreign corporation	131,277	1,315
Others	(30,252)	(11,789)
Income tax expense	\$ 398,162	45,640

The applicable corporate income tax rate of used by the Group in the ROC is 20%, and the corporate surtax applicable to the unappropriated earnings is 5%. While the applicable tax rate used by subsidiaries in China is 25%, tax rate used by other entity in the Group operating in other jurisdictions are based on the tax laws in those jurisdictions.

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

For deductible temporary differences and unused loss carryforwards, the amounts not recognized in consolidated balance sheets were as follows:

	December 31, 2025	December 31, 2024
Allowance for doubtful accounts	\$ 109,071	123,959
Aggregate amount of temporary differences related to investment in subsidiaries	331,831	377,710
The carry forward of unused tax losses	739,300	738,291
Total	\$ 1,180,202	1,239,960

The carryforward of unused tax losses is the amount allowed by the tax laws in the jurisdictions where the Group operates, to offset against taxable income. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2025, loss carryforwards of the subsidiaries comprised of:

ECS Holding (America) Co. (USA), Elitegroup Computer Systems (HK) Co., Limited, Elitegroup Technology (Thailand) Co., Ltd., Elite Circuit Technology (Thailand) Co., Ltd., Xun Rui Electron (Shenzhen) Co., Ltd., Beijing Xun Run Technology Co., Ltd., Elitegroup Computer Systems Korea Co., Ltd., Alpha Leader Limited (HK)

Unused amount	Expiry year
\$ 308,153	2036
431,147	Unlimited duration
\$ 739,300	

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax liabilities were as follows:

	Defined Benefit Plans	Unrealized Foreign Exchange Gain	Gain on Investment in Equity	Depreciation Difference of Property, plant and equipment	Other	Total
Balance on January 1, 2025	\$ (45,407)	(167)	(375,472)	(28,196)	(4,770)	(454,012)
Recognized in profit or loss	6,927	(1,369)	(40,990)	3,957	(5,151)	(36,626)
Recognized in other comprehensive income	(2,841)	-	-	-	-	(2,841)
Foreign currency translation differences for foreign operations	-	-	-	566	-	566
Balance on December 31, 2025	\$ (41,321)	(1,536)	(416,462)	(23,673)	(9,921)	(492,913)
Balance on January 1, 2024	\$ (36,739)	-	(349,863)	(30,622)	-	(417,224)
Recognized in profit or loss	(439)	(167)	(25,609)	3,925	(4,770)	(27,060)
Recognized in other comprehensive income	(8,229)	-	-	-	-	(8,229)
Foreign currency translation differences for foreign operations	-	-	-	(1,499)	-	(1,499)
Balance on December 31, 2024	\$ (45,407)	(167)	(375,472)	(28,196)	(4,770)	(454,012)

Changes in the amount of deferred tax assets were as follows:

	Unrealized Loss on Inventory	Provisions	Disposal of Interest in Subsidiaries	Allowance for Impairment Loss	Difference in Estimated Useful Lives of Property, Plant and Equipment	Unrealized Foreign Exchange Loss	Effect of Foreign Currency Exchange Differences	Loss on Investment in Equity	Loss Carryforwards	Others	Total
Balance on January 1, 2025	\$ 54,352	187,916	424,850	39,010	225	-	138,607	60,770	68,056	11,974	985,760
Recognized in profit or loss	(5,349)	19,166	(31,758)	2,004	-	-	-	(8,798)	(67,842)	3,462	(89,115)
Recognized in other comprehensive income	-	-	-	-	-	-	32,923	-	-	-	32,923
Foreign currency translation differences for foreign operations	(495)	-	-	(1,569)	(9)	-	-	-	(214)	(153)	(2,440)
Balance on December 31, 2025	\$ 48,508	207,082	393,092	39,445	216	-	171,530	51,972	-	15,283	927,128
Balance on January 1, 2024	\$ 26,237	225,906	393,092	36,539	210	17,243	209,475	46,191	4,115	7,345	966,353
Recognized in profit or loss	26,782	(37,990)	-	32	-	(17,243)	-	14,579	63,641	4,367	54,168
Recognized in other comprehensive income	-	-	-	-	-	-	(70,868)	-	-	-	(70,868)
Foreign currency translation differences for foreign operations	1,333	-	665	2,439	15	-	-	-	300	262	5,014
Disposal of subsidiary	-	-	31,093	-	-	-	-	-	-	-	31,093
Balance on December 31, 2024	\$ 54,352	187,916	424,850	39,010	225	-	138,607	60,770	68,056	11,974	985,760

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Assessment of tax

The Company's income tax return for the years through 2022 were examined and approved by the tax authority, excepts for the year 2020, which has not yet been approved.

The income tax return of ECS Industrial computer Co., Ltd. for the years through 2023 were examined and approved by the tax authority.

(iv) Global minimum top-up tax

The Group falls within the scope of the Pillar Two rules issued by the Organization for Economic Co-operation and Development (OECD). The Pillar Two legislation has been enacted in the jurisdictions where certain subsidiaries are incorporated and will be effective from January 1, 2025. Under the income inclusion rule, the Group is required to pay a top-up tax for the difference between the GloBE effective tax rate in each jurisdiction and the minimum tax rate of 15%.

The Group recognizes top-up tax as current income tax when it is incurred. For deferred taxes related to the top-up tax, the temporary mandatory exception is applied. Please refer to Note 4(s) for the relevant accounting policy.

As of December 31, 2025, the Group has assessed that the impact of the top-up tax rules on the current income tax of the consolidated financial statements is not material.

The Group has engaged tax specialists to assist in continuously evaluating matters related to the application of the Pillar Two rules.

(v) Capital and other equity

(i) Ordinary shares

	Ordinary shares	
	December 31, 2025	December 31, 2024
Number of shares authorized (in thousands)	1,750,000	1,750,000
Value of shares authorized	\$ 17,500,000	17,500,000
Number of shares issued and fully paid (in thousands)	557,403	557,403
Value of shares issued	\$ 5,574,030	5,574,030

Fully paid ordinary shares, with a par value of \$10, carry one vote per share and a right to receive dividends.

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

The balances of capital surplus of the Company were as follows:

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
<u>May be used to offset deficit, distributed as cash dividends, or transferred to share capital</u>		
Share premium	\$ 5,112,831	5,112,831
Treasury share transactions	216,663	216,663
Employee share options — expired	38,735	38,735
<u>May only be used to offset a deficit</u>		
Dividends unclaimed by shareholders	13,207	13,207
Changes in percentage of ownership interest in associates	55,887	55,887
	<u>\$ 5,437,323</u>	<u>5,437,323</u>

According to the ROC 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. 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

According to the Company's Articles of Incorporation (the "Articles") as amended by the resolution of the shareholders' meeting held on May 29, 2025, profits of the fiscal year shall first be utilized for paying taxes, compensating accumulated deficits, and setting aside 10% of the remaining profits as legal reserve, unless the amount of legal reserve is equal to that of contributed capitals. After the provision or reversal of special reserve has been made in compliance with laws and regulations, the remaining profits and retained earnings can be proposed to the Company's board of directors for distribution. An approval of the Board of Directors shall be required for cash distribution, and a resolution of the shareholders' meeting shall be required for the distribution of new shares.

However, if the earnings are to be appropriated in cash, the Company has to comply with Article 240-5 of the Company Act, which it requires two-thirds or more of all its directors attending the meeting, and over half of its directors present, to decide on a resolution where the Company can authorize its board to appropriate the accrued dividends or bonuses, a part or the entire legal reserve and paid-in capital as stated in the Article 241-1 of the Company Act; thereafter, to be reported at the shareholders' meeting. Please refer to Note 6(y) "Remunerations to employees and directors" for the distribution policy on remunerations to employees and directors under the revised Articles of Incorporation.

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

2) Special reserve

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of 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) Earning distribution

The Company's dividend policy takes into account the results of the Company's current and future development plans, investment environment, demand for funds, domestic and international competition, and shareholders' benefits, etc. The annual distribution should be at least 50% of distributable earnings although the Company is allowed to make no distribution when the accumulated distributable earnings are less than 10% of the paid in capital. The Articles also stipulate that the dividends can be distributed in cash or shares, whereby the distributed cash dividends are no less than 20% of the total dividends distributed.

The amounts of cash dividends on the 2024 and 2023 earnings distribution had been approved during the board meetings on February 21, 2025 and February 22, 2024, respectively. The relevant dividend distributed to shareholders were as follows:

	For the year ended December 31			
	2024		2023	
	Amount per share (in dollars)	Total amount	Amount per share (in dollars)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.2104660	\$ <u><u>117,314</u></u>	1.00	<u><u>557,403</u></u>

On March 4, 2026, the Board of Directors proposed not to distribute earnings for the year 2025.

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Other comprehensive income accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity directly associated with disposal groups held-for- sale	Non- controlling Interests	Total
Balance on January 1, 2025	\$ (579,677)	26,826	59,089	10,425	(483,337)
Share of loss for the period	-	-	-	(350)	(350)
Exchange differences on translating the financial statements of foreign entities	(132,632)	-	940	(446)	(132,138)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(1,530,542)	-	-	(1,530,542)
Equity directly associated with disposal groups held-for-sale	60,029	-	(60,029)	-	-
Difference between the consideration received or paid for the acquisition or disposal of subsidiary equity and the carrying amount	-	-	-	131	131
Changes in non-controlling interests	-	-	-	(375)	(375)
Balance on December 31, 2025	<u>\$ (652,280)</u>	<u>(1,503,716)</u>	<u>-</u>	<u>9,385</u>	<u>(2,146,611)</u>
Balance on January 1, 2024	\$ (741,480)	(7,490)	(62,575)	9,798	(801,747)
Share of loss of the period	-	-	-	(31)	(31)
Exchange differences on translating the financial statements of foreign entities	284,814	-	(1,347)	658	284,125
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	34,316	-	-	34,316
Equity directly associated with disposal groups held-for-sale	(123,011)	-	123,011	-	-
Balance on December 31, 2024	<u>\$ (579,677)</u>	<u>26,826</u>	<u>59,089</u>	<u>10,425</u>	<u>(483,337)</u>

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Earnings (loss) per share

The calculation of basic and diluted earnings (loss) per share of the Company were as follows:

(i) Basic earnings (loss) per share

	For the year ended December 31	
	2025	2024
Profit (loss) attributable to ordinary shareholders of the Company	<u>\$ 787,899</u>	<u>(90,495)</u>
Weighted-average number of ordinary shares (in thousands shares)	<u>557,403</u>	<u>557,403</u>
Basic earnings (loss) per share (expressed in dollars)	<u>\$ 1.41</u>	<u>(0.16)</u>

(ii) Diluted earnings (loss) per share

	For the year ended December 31	
	2025	2024
Profit (loss) attributable to ordinary shareholders of the Company (basic)	<u>\$ 787,899</u>	<u>(90,495)</u>
Weighted-average number of ordinary shares (basic) (in thousands shares)	557,403	557,403
Effect of dilutive potential ordinary shares		
Employee's compensation	5,079	-
Weighted-average number of ordinary shares (diluted) (in thousands shares)	<u>562,482</u>	<u>557,403</u>
Diluted earnings (loss) per share (expressed in dollars)	<u>\$ 1.40</u>	<u>(0.16)</u>

If the Company offered to settle the compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

The Company's outstanding employee remuneration, which is deemed as anti-dilutive, led to the reduction of the amount of loss per share, resulting in its exclusion from the computation of diluted earnings per share for the year ended 2024.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the year ended December 31	
	2025	2024
Revenue from sale of goods	\$ 19,942,717	17,354,925
Revenue from rendering of services	169,397	140,780
	\$ 20,112,114	17,495,705

The Group recognizes revenue at the time of satisfying performance obligations, which consist of contracts entered into with customers for the goods or services delivered or provided.

The Group mainly produces and sells computer equipment. As the market for computer equipment is constantly evolving and the related cost for supplies is highly volatile, the amount of expected discount is estimated using the most likely amount, by taking into consideration the situation of sales and the range of discount previously given.

(ii) Contract balances

	December 31, 2025	December 31, 2024
Notes receivable	\$ 773	-
Trade receivables, including related parties	2,964,934	2,658,723
Less: allowance for impairment	(18,190)	(18,482)
Total	\$ 2,947,517	2,640,241
Contract liabilities	\$ 321,881	348,688

For details on notes receivables, trade receivables and allowance for impairment, please refer to Note 6(e).

(y) Remunerations to employees and directors

According to the Company's Articles of Incorporation prior to amendment, for the year 2024, the Company shall appropriate no less than 10% for employees' compensation and no more than 1% for directors' remuneration, based on the Company's net profits before income tax before deducting distributions of employee compensation and director remuneration. Furthermore, pursuant to the amended Articles of Incorporation approved at the stockholders' meeting held on May 29, 2025, for the year 2025, the Company continued to appropriate employee compensation and director remuneration at rates of no less than 10% and no more than 1%, respectively, of the net profits before income tax, compensation of employees, and remuneration of directors, for the year ended December 31, 2025. In addition, no less than 20% of the appropriated employee compensation shall be allocated to entry-level employees. However, if the Company has accumulated losses, the Company should reserve an amount to cover such losses in advance. The targets of the aforementioned employees' compensation in the form of shares or cash include employees of the Company's subsidiaries who meet certain criteria.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and adjusted in the following year. The estimated and actual remuneration to employees and directors for the years ended December 31, 2025 and 2024 is shown as follow:

	For the year ended December 31			
	2025		2024	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	\$ 112,509	11,251	-	-
Amounts recognized in the annual financial statements	\$ 112,509	11,251	-	-

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website.

(z) Net other income (expenses)

(i) Interest income

The details of interest income of the Group were as follows:

	For the year ended December 31	
	2025	2024
Bank deposits	\$ 119,730	157,049
Financial assets at amortized cost	46,779	55,076
Other interest income	2,275	1,546
Total interest income	\$ 168,784	213,671

(ii) Other income

The details of other income of the Group were as follows:

	For the year ended December 31	
	2025	2024
Rental income	\$ 15,958	17,846
Dividend	259,079	-
Government subsidy	41,201	70,911
Others	54,821	45,724
Total other income	\$ 371,059	134,481

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

The details of other gains and losses of the Group were as follows:

	For the year ended December 31	
	2025	2024
Loss on disposals of property, plant and equipment	\$ (66,408)	(32,075)
Gain (loss) on lease modification	2,191	(245)
Gain on disposal of non-current assets held for sale (Note)	737,961	-
Net foreign exchange (loss) gain	(1,627)	156,958
Net gain arising on financial assets and liabilities designated as at FVTPL	21,792	56,394
Miscellaneous disbursements	<u>(56,866)</u>	<u>(12,008)</u>
Other gains and losses, net	<u>\$ 637,043</u>	<u>169,024</u>

Note: The amount of gain on disposal of non-current assets held for sale recognized was calculated based on the average exchange rate for the year ended 2025.

(iv) Finance costs

The details of finance costs of the Group were as follows:

	For the year ended December 31	
	2025	2024
Interest on bank loans	\$ 38,824	23,063
Interest on lease liabilities	17,573	17,884
Other finance costs	<u>(277)</u>	<u>5,021</u>
Finance costs, net	<u>\$ 56,120</u>	<u>45,968</u>

(aa) Financial instruments

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- 1) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and
- 2) The maximum amount that the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The evaluation results generated by the internal system and the evaluation report provided by the external hedging institution are both taken into consideration before granting the appropriate credit line to counterparties. The counterparties' transaction type, financial position and collaterals are also taken into consideration. All credit lines have expiration dates and are subject to reexamination before the granting of any extensions.

3) Concentration of credit risk

As of December 31, 2025 and 2024, the Group's five largest customers accounted for 66% and 74% of total accounts receivable, respectively, and the concentration of credit risk was relatively insignificant for the remaining accounts receivable. After considering specific factors and conducting risk evaluation, the credit risks of the Group's five largest customers would not have had any material impact on the Group.

4) Receivables

Before accepting a new customer, the Group takes both the client evaluation results generated by the internal system and the evaluation report provided by the external hedging institution into consideration to measure the potential customer's credit quality and define the customer's credit limit. Customer credit limits and ratings are reviewed twice a year. For fair presentation of the accounts receivable, the Group reviews the aging and recovery of accounts receivable every week.

The average credit period of sales of goods is 30 days to 120 days. No interest is charged on accounts receivable since the credit period is short.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes that the Group's credit risk was significantly reduced.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision matrix for loss allowance based on past due status is not further distinguished by the Group's different customer base.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group writes off accounts receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the accounts receivable are not recoverable. For the uncollectible accounts receivables, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

For information of credit risk from notes receivable and accounts receivable, please refer to Note 6(e).

Other financial assets at amortized cost includes other receivables and time deposits.

All these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12-month expected credit losses.

(ii) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Since the Group has sufficient equity and working capital, which ensure compliance with loan covenants, the Group has no liquidity risk.

The following tables show the Group's remaining contractual maturities for its financial liabilities with agreed-upon repayment periods.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
December 31, 2025						
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 1,049,575	1,065,037	1,065,037	-	-	-
Notes payable	389,865	389,865	389,865	-	-	-
Accounts payable	3,186,520	3,186,520	3,186,520	-	-	-
Other payables	1,084,423	1,084,423	1,084,423	-	-	-
Lease liabilities	461,746	509,510	99,856	149,019	110,777	149,858
Guarantee deposits received	30,024	30,024	17,887	7,345	1,128	3,664
	<u>\$ 6,202,153</u>	<u>6,265,379</u>	<u>5,843,588</u>	<u>156,364</u>	<u>111,905</u>	<u>153,522</u>
December 31, 2024						
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 1,006,736	1,018,549	1,018,549	-	-	-
Notes payable	457,752	457,752	457,752	-	-	-
Accounts payable	2,566,573	2,566,573	2,566,573	-	-	-
Other payables	1,062,037	1,062,037	1,062,037	-	-	-
Lease liabilities	619,500	694,988	91,995	157,294	148,963	296,736
Guarantee deposits received	33,531	33,531	19,463	10,296	3,772	-
	<u>\$ 5,746,129</u>	<u>5,833,430</u>	<u>5,216,369</u>	<u>167,590</u>	<u>152,735</u>	<u>296,736</u>

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

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Market risk

1) Foreign currency risk

The Group was exposed to foreign currency risk because it owned assets and liabilities which were denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters by using financial instruments such as foreign exchange spot transactions, forward exchange contracts, etc.

For the Group, the main purpose of using dual-currency investment is to eliminate the financial risks of currency exchange rates.

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	December 31, 2025			December 31, 2024		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 176,949	31.430	5,561,497	168,239	32.785	5,515,710
RMB	66,206	4.472	296,074	9,565	4.561	43,626
HKD	680	4.038	2,748	1,361	4.222	5,748
JPY	6,255	0.2008	1,256	8,783	0.2099	1,843
<u>Non-monetary items</u>						
USD	2,125	31.430	66,801	2,136	32.785	70,015
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	188,002	31.430	5,908,901	137,799	32.785	4,517,753
HKD	2,228	4.038	8,995	1,628	4.222	6,873
RMB	8,265	4.472	36,962	758	4.561	3,458
JPY	4,950	0.2008	994	4,950	0.2099	1,039

For the years ended December 31, 2025 and 2024, the Group's realized and unrealized net foreign exchange (losses) gains were \$(1,627) thousand and \$156,958 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group was mainly exposed to the U.S. dollar. The following table shows the Group's sensitivity to a 5% increase and in the New Taiwan dollar (the functional currency) against the U.S. dollar. The 5% sensitivity rate is used in reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, for which their translation at the end of the reporting period is adjusted for a 5% change in foreign currency rates.

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Gain or loss from 5% increase in foreign currency rate		
USD	\$ <u>17,370</u>	<u>(49,898)</u>

2) Interest rate risk

The Group was exposed to fair value interest risk, because entities in the Group hold financial assets and liabilities with fixed rate, and the Group was exposed to cash flow interest rate risk because entities in the Group hold financial asset and liabilities with floating rate.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Fair value interest rate risk		
– Financial assets	\$ 5,200,648	4,271,959
– Financial liabilities	1,228,450	1,522,624
Cash flow interest rate risk		
– Financial assets	2,402,986	3,088,916
– Financial liabilities	282,870	163,925

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2025 and 2024, would have increased by \$21,201 thousand and \$29,250 thousand, respectively. Had market interest rates been 1% lower, the impact would have been negative but at the same amounts.

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Other price risk

The Group was exposed to equity price risks through its investments in equity securities and mutual funds.

Sensitivity analysis was used to measure equity price risks at the end of the reporting period.

Had the position of domestic and foreign equity investments been 5% higher/lower, the Group's pre-tax profit for the years ended December 31, 2025 and 2024, would increase/decrease by \$86,976 thousand and \$77,102 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL; the Group's other comprehensive income for the years ended December 31, 2025 and 2024, would increase/decrease by \$131,614 thousand and \$210,337 thousand, respectively, as a result of the changes in fair value of financial assets at FVOCI.

(iv) Fair value of financial instruments

1) Fair value hierarchy

Fair value of financial instruments measured at fair value on a recurring basis were as follows; management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	December 31, 2025				
	Book value	Fair Value			Total
	Level 1	Level 2	Level 3		
<u>Financial assets</u>					
<u>Financial assets at FVTPL</u>					
Mutual funds	\$ 1,195,209	1,195,209	-	-	1,195,209
Financial products	501,384	501,384	-	-	501,384
Domestic unlisted shares	42,932	-	-	42,932	42,932
Subtotal	<u>1,739,525</u>	<u>1,696,593</u>	<u>-</u>	<u>42,932</u>	<u>1,739,525</u>
<u>Financial assets at FVOCI</u>					
Stocks listed on domestic markets	2,632,286	2,632,286	-	-	2,632,286
<u>Financial assets measured at amortized cost</u>					
Cash and cash equivalents	3,482,911	-	-	-	-
Financial assets measured at amortized cost	4,148,077	-	-	-	-
Other current financial assets	11,589	-	-	-	-
Receivables	3,366,275	-	-	-	-
Refundable deposits	22,736	-	-	-	-
Subtotal	<u>11,031,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 15,403,399</u>	<u>4,328,879</u>	<u>-</u>	<u>42,932</u>	<u>4,371,811</u>

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2025				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
<u>Financial liabilities at amortized cost</u>					
Short-term borrowings	\$ 1,049,575	-	-	-	-
Payables	4,660,808	-	-	-	-
Lease liabilities	461,746	-	-	-	-
Guarantee deposits received	30,024	-	-	-	-
Total	\$ 6,202,153	-	-	-	-
<u>December 31, 2024</u>					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
<u>Financial assets at FVTPL</u>					
Mutual funds	\$ 928,115	928,115	-	-	928,115
Financial products	552,458	552,458	-	-	552,458
Domestic unlisted shares	61,471	-	-	61,471	61,471
Foreign unlisted shares	3	-	-	3	3
Subtotal	1,542,047	1,480,573	-	61,474	1,542,047
<u>Financial assets at FVOCI</u>					
Stocks listed on domestic markets	4,206,739	4,206,739	-	-	4,206,739
<u>Financial assets measured at amortized cost</u>					
Cash and cash equivalents	4,311,823	-	-	-	-
Financial assets measured at amortized cost	2,922,143	-	-	-	-
Other current financial assets	69,602	-	-	-	-
Receivables	2,777,294	-	-	-	-
Refundable deposits	25,607	-	-	-	-
Subtotal	10,106,469	-	-	-	-
Total	\$ 15,855,255	5,687,312	-	61,474	5,748,786
<u>Financial liabilities</u>					
<u>Financial liabilities at amortized cost</u>					
Short-term borrowings	\$ 1,006,736	-	-	-	-
Payables	4,086,362	-	-	-	-
Lease liabilities	619,500	-	-	-	-
Guarantee deposits received	33,531	-	-	-	-
Total	\$ 5,746,129	-	-	-	-

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Valuation techniques for financial instruments measured at fair value

A) Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, then the active market quotation shall be used as the fair value. The market prices announced by major Exchanges and over-the-counter (OTC) trading centers of central government bonds, which are judged to be popular, are the basis for the fair value of listed (OTC) equity instruments and debt instruments with active market quotations.

If the public quotation of a financial instrument can be obtained from an exchange, broker, underwriter, industry association, pricing service agency or competent authority in a timely and frequent manner, and the price represents the actual and regular fair market transactions, then the financial instrument has an active market quotation. If the above conditions are not met, the market is deemed not active. Generally speaking, large difference in buying and selling price, significant increase of buying and selling price, and few transactions are indicators of an inactive market.

If the financial instruments held by the Group fit into an active market, their fair values are listed according to the categories and attributes as follows:

- The callable bond of a TWSE listed company, the stock, draft or corporate bond of a TWSE/TPEX listed company are financial assets and financial liabilities with standard terms and traded in an active market, and their fair values are determined by reference to the market quotation.

In addition to the aforementioned financial instruments with an active market, the fair value of the remaining financial instruments is acquired using valuation techniques or by reference to the counterparty quotes. The fair value acquired through valuation technique can refer to the current fair value, the discounted cash flow method or other valuation techniques for financial instruments with similar substantive conditions and characteristics in essence, including the market information available on the reporting date using the model (such as the reference yield curve of the OTC market, and the average quotation of Reuters commercial promissory note rate).

If the financial instruments held by the Group do not fit into an active market, their fair values are listed according to the categories and attributes as follows:

- The fair value of an equity instrument without active market quotation is estimated using comparable company method, after adjusting for the effect of discount on the lack of marketability.

B) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Transfers between Level 1 and Level 2

No transfers have occurred between the fair value levels in the hierarchy for the years ended December 31, 2025 and 2024.

4) Reconciliation of Level 3 fair values

	Financial Assets at fair value through profit or loss
Opening balance, January 1, 2025	\$ 61,474
Recognized in profit or loss	(18,533)
Disposal	<u>(9)</u>
Ending balance, December 31, 2025	<u>\$ 42,932</u>
Opening balance, January 1, 2024	\$ 61,476
Recognized in profit or loss	<u>(2)</u>
Ending balance, December 31, 2024	<u>\$ 61,474</u>

5) 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 to reflect reasonably possible alternative assumptions would have the following effects:

- A) The fair value of domestic unlisted shares is determined using the market approach and net value of investees' major assets. The significant unobservable inputs used by the Group as of December 31, 2025 and 2024 were a 10% and 0% discount rate, respectively. If the inputs to the valuation model and discount rate were increased by 1% to reflect reasonably possible alternative assumptions while all other variables were held constant, the profit or loss will increase (decrease) as follows:

	Inputs	Upward or downward Movements	Current profit (loss) arising from changes in fair value	
			Favorable	Unfavorable
December 31, 2025				
Domestic unlisted shares	Liquidity discount rate	1%	429	(429)
December 31, 2024				
Domestic unlisted shares	Liquidity discount rate	1%	683	(683)

- B) The fair values of foreign unlisted equity securities are determined by using the closing price from public trading sessions and net value of investees' major assets. The significant unobservable inputs used by the Company as of December 31, 2024 were a 0% discount rate. If the inputs to the valuation model and discount rate were increased by 1% to reflect reasonably possible alternative assumptions while all other variables were held constant, the fair value of the shares would decrease by less than \$1 thousand.

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Offsetting financial assets and financial liabilities

The Group is eligible to present certain financial assets and financial liabilities on a net basis on the consolidated balance sheets since the offsetting criteria are met.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the consolidated balance sheets.

	December 31, 2025		
	Gross Amounts of Recognized Financial Assets(a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets(b)	Net Amounts of Financial Assets Presented in the Balance Sheets(c)=(a)-(b)
Accounts receivable	\$ 5,095,244	2,141,584	2,953,660
Accounts receivable from related parties	11,274	-	11,274
Total	\$ 5,106,518	2,141,584	2,964,934

	December 31, 2025		
	Gross Amounts of Recognized Financial Liabilities(a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets(b)	Net Amounts of Financial Liabilities Presented in the Balance Sheets(c)=(a)-(b)
Accounts payable	\$ 5,328,104	2,141,584	3,186,520

	December 31, 2024		
	Gross Amounts of Recognized Financial Assets(a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets(b)	Net Amounts of Financial Assets Presented in the Balance Sheets(c)=(a)-(b)
Accounts receivable	\$ 3,989,296	1,354,705	2,634,591
Accounts receivable from related parties	30,987	6,855	24,132
Total	\$ 4,020,283	1,361,560	2,658,723

	December 31, 2024		
	Gross Amounts of Recognized Financial Liabilities(a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets(b)	Net Amounts of Financial Liabilities Presented in the Balance Sheets(c)=(a)-(b)
Accounts payable	\$ 3,921,278	1,354,705	2,566,573
Accounts payable from related parties	6,855	6,855	-
Total	\$ 3,928,133	1,361,560	2,566,573

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ab) Financial risk management

The Group's major financial instruments include equity investments, accounts receivables, trade payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments for speculative purposes.

The material financial activities were reviewed by the Group's board of directors in accordance with the internal control system and related rules. The Group should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authorities carry out their duties.

(ac) Capital management

The policy of the board of directors is to maintain a sound capital structure and the confidence of investors, creditors and market, in order to support the development of future operations.

The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2025 and 2024, were as follows:

	December 31, 2025	December 31, 2024
Total liabilities	\$ 12,076,006	11,916,764
Less: cash and cash equivalents	<u>3,482,911</u>	<u>4,311,823</u>
Net debt	<u>\$ 8,593,095</u>	<u>7,604,941</u>
Total equity	<u>\$ 10,775,160</u>	<u>11,756,619</u>
Adjusted equity*	<u>\$ 19,368,255</u>	<u>19,361,560</u>
Debt-to-equity ratio	<u>44.37 %</u>	<u>39.28 %</u>

* Total capital is equivalent to total equity which includes capital, reserves, retained earnings, other equity and non-controlling interests of the Company plus net debt.

As of December 31, 2025, the Group's capital management approach had not changed.

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions

(a) Parent company and ultimate controlling party

Tatung Co. is the parent company of the Group and owns 48.66% percent of all shares outstanding of the Company. Tatung Co. is the ultimate controlling party of the Group and has issued the consolidated financial statements available for public use.

(b) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Tatung Co.	Parent Company
Tatung System Technologies Inc.	Fellow company
Tatung (Thailand) Co., Ltd.	Fellow company
Tisnet Technology Inc.	Fellow company
Tatung Asset Development Co. (Note1)	Fellow company
Tatung Consumer Products (Taiwan) Co., Ltd.	Fellow company
IoTecha Corp.	Associates (Note 2)

Note 1: Shan-Chin Asset Development Co., Ltd. was renamed Tatung Asset Development Co. on July 4, 2024.

Note 2: The Group no longer has significant influence over IoTecha Corp. since September 3, 2024.

(c) Significant transactions with related parties

(i) Sales

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

<u>Relationship</u>	<u>For the year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Parent Company	\$ 29,721	116,718
Associates	-	9,753
Fellow Company	16,150	1,468
	<u>\$ 45,871</u>	<u>127,939</u>

The terms and conditions of sales transactions with related parties were not significantly different from those for third parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Purchases

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

<u>Relationship</u>	<u>For the year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Parent Company	\$ <u>241</u>	<u>143</u>

(iii) Prepayments

The details of prepayments of the Group to related parties were as follows:

<u>Relationship</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2025</u>	<u>2024</u>
Fellow Company	\$ <u>16</u>	<u>114</u>

(iv) Receivables from related parties

The receivables of the Group from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2025</u>	<u>2024</u>
Accounts receivable	Parent Company	\$ 5,512	23,041
	Fellow Company	<u>5,762</u>	<u>1,091</u>
		\$ <u>11,274</u>	<u>24,132</u>
Other receivables	Parent Company	\$ 4	38
	Fellow Company	<u>3,552</u>	<u>-</u>
		\$ <u>3,556</u>	<u>38</u>

The outstanding receivables from related parties are unsecured. As of December 31, 2025 and December 31, 2024, no impairment loss was recognized for receivables from related parties.

(v) Payables to related parties

The payables of the Group to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2025</u>	<u>2024</u>
Other payables	Parent Company	\$ <u>71</u>	<u>56</u>

The outstanding payables to related parties are unsecured and will be settled in cash.

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Property transactions

1) Purchases of property, plant and equipment

The purchases price of property, plant and equipment of the Group purchased from related parties are summarized as follows:

<u>Relationship</u>	<u>Account</u>	<u>For the year ended December 31</u>	
Fellow Company	Computer equipment	\$ <u> -</u>	<u> 1,250</u>

(vii) Lease agreement

1) The amounts of right-of-use assets recognized by the Group under lease agreement with related parties were as follows:

<u>Relationship</u>	<u>For the year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Tatung (Thailand) Co., Ltd.	\$ <u> 44,845</u>	<u> -</u>

Note: The amount of right-of-use assets recognized (THB \$47,067 thousand) was calculated based on the average exchange rate for the period from January 1 to December 31, 2025.

As of December 31, 2025 and 2024, the refundable deposits of the Group to related parties for leasing were \$10,421 thousand and \$15,242 thousand, respectively.

<u>Account</u>	<u>Relationship</u>	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Lease liabilities – current	Tatung (Thailand) Co., Ltd.	\$ 15,640	-
Lease liabilities – current	Tatung Asset Development Co.	40,324	58,930
Lease liabilities – non-current	Tatung (Thailand) Co., Ltd.	16,677	-
Lease liabilities – non-current	Tatung Asset Development Co.	317,144	533,908
		<u>\$ 389,785</u>	<u>592,838</u>
		<u>For the year ended December 31</u>	
		<u>2025</u>	<u>2024</u>
Interest expenses	Tatung (Thailand) Co., Ltd.	\$ 1,436	162
Interest expenses	Tatung Asset Development Co.	<u>13,422</u>	<u>16,836</u>
		<u>\$ 14,858</u>	<u>16,998</u>

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

On February 21, 2025, the Board of Directors of the Group resolved to early terminate the lease of certain floors of an office building located in Zhongshan District, Taipei City, which previously leased from Tatung Asset Development Co., effective on February 28, 2025. As a result, the net book value of the right-of-use asset decreased by \$84,109 thousand, the total lease liabilities decreased by \$84,792 thousand, and lease modification gain of \$683 thousand was recognized.

On November 7, 2025, the Board of Directors of the Group resolved to early terminate the lease of certain floors of an office building located in Zhongshan District, Taipei City, which previously leased from Tatung Asset Development Co., effective on December 31, 2025. As a result, the net book value of the right-of-use asset decreased by \$94,940 thousand, the total lease liabilities decreased by \$96,761 thousand, and a lease modification gain of \$1,821 thousand was recognized.

- 2) The amounts of rental expense recognized by the Group from lease agreements to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>For the year ended December 31</u>	
		<u>2025</u>	<u>2024</u>
Rental expense	Tatung Asset Development Co.	\$ <u>233</u>	<u>186</u>

(viii) Others

- 1) The related parties provided other services or transactions, resulting in the following expenses for the Group:

<u>Relationship</u>	<u>Account</u>	<u>For the year ended December 31</u>	
		<u>2025</u>	<u>2024</u>
Parent Company	Miscellaneous expenses	\$ 1	-
Parent Company	Professional fees	21	10
Parent Company	Utilities expenses	819	-
Parent Company	Office supplies	16	-
Fellow Company	Utilities expenses	6,259	6,843
Fellow Company	Repair expenses	317	570
Fellow Company	Postage fees	76	154
Fellow Company	Miscellaneous expenses	4,299	5,013
Fellow Company	Miscellaneous purchase	-	<u>24</u>
		<u>\$ 11,808</u>	<u>12,614</u>
Fellow Company	Manufacturing expense – utilities	<u>\$ 7,102</u>	<u>6,340</u>

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 2) The Group provided other services or transactions, resulting in the following income for the related parties:

Relationship	Account	For the year ended December 31	
Parent Company	Other revenue	\$ 1	58
Fellow Company	Other revenue	1,312	-
Associates	Other revenue	-	40
Fellow Company	Interest income	614	548
		\$ 1,927	646

- (d) Key management personnel compensation

Key management personnel compensation comprised:

	For the year ended December 31	
	2025	2024
Short-term employee benefits	\$ 73,010	89,377
Post-employment benefits	1,622	2,044
	\$ 74,632	91,421

The compensation of directors and key executives, as determined by the compensation committee, is based on the performance of individuals and market trends.

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2025	December 31, 2024
Pledged deposits (classified as financial assets at amortized cost–current)	Tariff guarantee for imported raw materials	\$ 4,026	4,135
Pledged deposits (classified as financial assets at amortized cost–current)	Acceptance bill limit	975,232	330,287
Pledged deposits (classified as other current financial assets)	Acceptance bill limit	-	69,602
Pledged deposits (classified as financial assets at amortized cost–non current)	Acceptance bill limit	-	592,907
Pledged deposits (classified as other non-current financial assets)	Judicial deposits	11,589	-
		\$ 990,847	996,931

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies

- (a) The Company has traded with Brazilian customers FLEX IMP EXP IND E COM DE MAQ E MOT LTDA (hereinafter called FLEX Company) since 2002. However, since 2007, FLEX ceased to pay the Company's accounts, resulting delinquent accounts made full provision for losses amounted to US\$3,678 thousand.

In February 2009, the Company filed a lawsuit in the Manaus District Court in Brazil (hereinafter called the Court), requesting FLEX to repay the such amount of the payment. However, after the summons, FLEX Company filed a counterclaim against the Company in the same court, claiming that they were returned and claimed compensation by their customers because of the defective products selling from the Company. The Court dismissed the lawsuit which the Company filed in the first instance and, meanwhile, ruled that the Company was liable to FLEX for damages amounted to BRL42,513 thousand of the counterclaim.

In the judgment of the counterclaim, the Court did not appoint a technical expert to clarify the attribution of responsibility for defects. On October 19, 2022, the Company's appointed attorneys-at-law filed an appeal with objective evidence of third-party test reports. As of the reporting date of the consolidated financial statements, the trial of the lawsuit has not yet been concluded. Moreover, according to the analysis of the attorneys, the Court has a low probability of upholding the original judgment. Thus, the Company did not recognize the relevant litigation provision.

- (b) On April 15, 2025, the Company received a notice from the Hong Kong International Arbitration Centre ("HKIAC") that Ever Unicorn Estate Limited, Excellence Group Investment Limited, Excellence Real Estate Group Limited, and Excellence Commercial Properties Co., Ltd. submitted a request for arbitration. The arbitration concerns disputes arising from or in connection with the share purchase agreement of Dragon Asia Trading Co., Ltd. (BVI), entered into on April 9, 2017, between the claimants and Elitegroup Computer Systems Co., Ltd. and ECS Digital Technology (Shenzhen) Ltd. The claimants are seeking the return of the share transfer consideration, together with interest. On May 19, 2025, the Company submitted a written response to HKIAC regarding the application for additional parties, adding Golden Elite Technology (Shenzhen) Ltd. as the third respondent and Shenzhen Real Estate Financing Guarantee Co., Ltd. as the sixth claimant. On September 18, 2025, HKIAC confirmed the constitution of the arbitral tribunal.

Based on the legal teams' assessment, the Company believes that there has been no material breach of contract, nor are there any circumstances for termination or rescission of the agreement as stipulated therein. All parties, including the guarantors, remain obligated to fulfill their contractual obligations. Accordingly, the Company has determined that the arbitration is not expected to have a material impact on its current operations. The arbitration proceedings are currently temporarily suspended pending a review of potential conflicts of interest involving the legal representatives.

For further details regarding the share transaction, please refer to Note 6(h).

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other

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

By item	By function	For the year ended December 31					
		2025			2024		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		1,137,856	1,060,174	2,198,030	1,076,479	1,286,117	2,362,596
Labor and health insurance		122,773	105,382	228,155	112,305	134,687	246,992
Pension		-	24,882	24,882	-	37,426	37,426
Others		3,470	25,147	28,617	6,934	22,737	29,671
Depreciation		244,070	207,541	451,611	275,349	213,987	489,336
Depletion		-	-	-	-	-	-
Amortization		20,826	36,619	57,445	27,179	11,654	38,833

Note: As of the years ended December 31, 2025 and 2024, the depreciation expenses recognized in other gains and losses by the Group were \$1,835 thousand and \$1,833 thousand, respectively.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	ECS Digital Technology (Shenzhen) Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技(深圳)有限公司)	Other receivables - related parties	Yes	185,040 RMB 40,000,000 Note 2	156,520 RMB 35,000,000 Note 3	156,520	0.90%	Short-term financing	-	Operational needs	-	-	-	190,595 RMB 42,623,461 Note 4	190,595 RMB 42,623,461 Note 4

Note 1: The nature of financing is provided as follows:

1. Securities issuers: 0
2. The invested company was marked from 1 in ascending order of numerals.

Note 2: The calculation of the amount was based on the highest exchange rate from January to December 31, 2025.

Note 3: The calculation of the amount was based on the closing rate on December 31, 2025.

Note 4: The total amount of lending to borrower for funding of short-term period shall not exceed forty percent of lender’s net worth between the subsidiaries and the foreign company in which the company directly or indirectly holds more than 100 percent of the voting shares. Individual amount of lending shall not exceed forty percent of lender’s net worth.

Note 5: The amounts of the transactions and the ending balances have been offset in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties: None

(iii) Significant Securities held as of December 31, 2025 (excluding investment in subsidiaries, associates and joint ventures)

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Elitegroup Computer Systems Co., Ltd.	Ordinary shares Lu-Chu Development Corporation	None	Financial assets at fair value through profit or loss – non-current	4,851,680	42,932	2.24 %	42,932	2.24 %	
	Tatung Co.	Parent Company	Financial assets at fair value through other comprehensive income – non-current	83,432,206	2,632,286	3.88 %	2,632,286	3.88 %	

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
ECS Holding (America) Co. (USA)	Ordinary shares IoTecha Corp.	None	Financial assets at fair value through other comprehensive income – non-current	2,000,000	-	19.58 %	-	19.58 %	
	Preferred shares IoTecha Corp.	None	Financial assets at fair value through other comprehensive income – non-current	1,108,942	-	8.15 %	-	8.15 %	
Elitegroup Computer Systems Co., Ltd.	Beneficiary certificate Franklin Templeton SinoAm Money Market Fund	None	Financial assets at fair value through profit or loss – current	18,726,338	205,035	- %	205,035	- %	
	Fubon Money Market Fund	None	Financial assets at fair value through profit or loss – current	6,514,851	102,340	- %	102,340	- %	
	Taishin 1699 Money Market Fund	None	Financial assets at fair value through profit or loss – current	7,075,918	101,676	- %	101,676	- %	
	SinoPac TWD Money Market Fund	None	Financial assets at fair value through profit or loss – current	13,923,334	205,029	- %	205,029	- %	
	UPAMC James Bond Money Market Fund	None	Financial assets at fair value through profit or loss – current	11,402,201	201,386	- %	201,386	- %	
	Taishin Ta-Chong Money Market Fund	None	Financial assets at fair value through profit or loss – current	3,340,214	50,256	- %	50,256	- %	
	Franklin Templeton SinoAm Asia Pacific Balanced Fund - Accu - TWD	None	Financial assets at fair value through profit or loss – current	1,386,722	18,804	- %	18,804	- %	
	Nomura Taiwan Dynamic Asset Allocation Fund	None	Financial assets at fair value through profit or loss – current	117,647	11,062	- %	11,062	- %	
	Fuh Hwa Global Balanced Fund - TWD	None	Financial assets at fair value through profit or loss – current	565,278	22,628	- %	22,628	- %	
	Fuh Hwa Olympic II Fund of Funds - TWD	None	Financial assets at fair value through profit or loss – current	697,344	15,153	- %	15,153	- %	
	Fuh Hwa Global Fixed Income Fund of Funds	None	Financial assets at fair value through profit or loss – current	319,693	5,160	- %	5,160	- %	
	Taishin Senior Secured High Yield Bond Fund A TWD	None	Financial assets at fair value through profit or loss – current	1,000,000	11,348	- %	11,348	- %	
	Nomura Multi Income Multi-Asset Fund	None	Financial assets at fair value through profit or loss – current	389,308	5,351	- %	5,351	- %	
	KGI Taiwan Multi-Asset Income Fund-TWD A	None	Financial assets at fair value through profit or loss – current	2,402,851	33,352	- %	33,352	- %	
	KGI Global Multi-Asset Income Fund	None	Financial assets at fair value through profit or loss – current	745,926	11,162	- %	11,162	- %	
	Franklin Templeton SinoAm Multi-Asset Income Fund	None	Financial assets at fair value through profit or loss – current	360,231	5,252	- %	5,252	- %	
SinoPac Asia Convertible Bond Fund	None	Financial assets at fair value through profit or loss – current	20,339	66,801	- %	66,801	- %		
Elitegroup Computer Systems (HK) Co., Limited	Beneficiary certificate SinoPac Asia Convertible Bond Fund	None	Financial assets at fair value through profit or loss – current	7,882	25,888	- %	25,888	- %	
	SinoPac USD Money Market Funds	None	Financial assets at fair value through profit or loss – current	272,692	USD 823,679	- %	USD 823,679	- %	
					USD 3,102,959		USD 3,102,959		
ECS Trading (Shenzhen) Co., Ltd.	Financial product China Construction Bank Wealth Management “HengYing”(Corporate) (Daily) Open-end Net Worth RMB Financial Investment Product	None	Financial assets at fair value through profit or loss – current	-	69,925	- %	69,925	- %	
					RMB 15,637,530		RMB 15,637,530		

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技(深圳)有限公司)	Financial product								
	(Institutional Exclusive) BOC Wealth Management-Enjoy every day No.2	None	Financial assets at fair value through profit or loss – current	-	10 RMB 2,261	- %	10 RMB 2,261	- %	
	CIB Wealth Management Tianli Tiantianli No.66 Cash Management Wealth Management Product	None	Financial assets at fair value through profit or loss – current	-	134,360 RMB 30,047,462	- %	134,360 RMB 30,047,462	- %	
	Bank of Ningbo Tiantian Bojin Cash Management Financial Product No.4 - B shares	None	Financial assets at fair value through profit or loss – current	-	134,849 RMB 30,156,830	- %	134,849 RMB 30,156,830	- %	
ECS Digital Technology (Shenzhen) Ltd.	Financial product								
	CCB Wealth Management “TianTianLi” (Daily) Open-end. Investment Product	None	Financial assets at fair value through profit or loss – current	-	94,924 RMB 21,228,105	- %	94,924 RMB 21,228,105	- %	
	Bank of China Wealth Management - Enjoy Daily Excellent Edition E	None	Financial assets at fair value through profit or loss – current	-	67,316 RMB 15,054,037	- %	67,316 RMB 15,054,037	- %	

Note 1: The above marketable securities had not been used as guarantees or collaterals for borrowing and were not subject to other restrictions.

(iv) Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Elitegroup Computer Systems Co., Ltd.	Super ECS USA, Inc.	Subsidiary of ECS Holding (America) Co. (USA)	Sale	(389,369)	(2)%	OA 90 days	-	—	40,962	2%	Note
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Elitegroup Computer Systems Co., Ltd.	Parent company	Sale	(5,637,203)	(84)%	OA 60 days	-	—	970,113	61%	Note
Elitegroup Computer Systems Co., Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Subsidiary of ECS Holding (HK) Co., Limited	Purchase	5,637,203	35%	OA 60 days	-	—	(970,113)	(55)%	Note
Super ECS USA, Inc.	Elitegroup Computer Systems Co., Ltd.	Parent company	Purchase	389,369	100%	OA 90 days	-	—	(40,962)	(100)%	Note
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Tronco-Tech (Shenzhen) Ltd.	Fellow company	Sale	(205,898)	(1)%	OA 90 days	-	—	92,593	6%	Note
Tronco-Tech (Shenzhen) Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Fellow company	Purchase	205,898	96%	OA 90 days	-	—	(92,593)	(100)%	Note

Note: The amounts of the transactions and the ending balances have been offset in the consolidated financial statements.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Elitegroup Computer Systems Co., Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Subsidiary	678,371 (Notes 2 and 3)	-	678,371	Strengthen the collection	254	-
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Elitegroup Computer Systems Co., Ltd.	Parent company	974,087 (Notes 2 and 3)	6.89	438,339	Strengthen the collection	958,305	-
ECS Digital Technology (Shenzhen) Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Fellow company	174,122 (Note 2)	0.13	-	-	-	-

Note 1: The calculation of turnover days excludes other receivables.

Note 2: The amounts of the transactions and the ending balances have been offset in the consolidated financial statements.

Note 3: The Company disposed of 100% equity of Dragon Asia in August 2020, lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) Co., Limited and Golden Elite Technology (興英數位科技).

(vi) Business relationships and significant intercompany transactions

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems Inc. (USA)	1	Sales revenue	99,053	No significant differences	-%
0	Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems Inc. (USA)	1	Other payables to related parties	(14,199)	No significant differences	-%
0	Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems Inc. (USA)	1	Professional fees	(14,077)	No significant differences	-%
0	Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems (Japan) Co., Ltd.	1	Professional fees	(12,389)	No significant differences	-%
0	Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems Korea Co., Ltd.	1	Professional fees	(16,937)	No significant differences	-%
0	Elitegroup Computer Systems Co., Ltd.	Super ECS USA Inc.	1	Sales revenue	389,369	No significant differences	2%
0	Elitegroup Computer Systems Co., Ltd.	Super ECS USA Inc.	1	Accounts receivable from related parties	40,962	No significant differences	-%
0	Elitegroup Computer Systems Co., Ltd.	Elitegroup Technology (Thailand) Co., Ltd.	1	Manufacturing overhead - outsourced	(52,831)	No significant differences	-%
0	Elitegroup Computer Systems Co., Ltd.	Elitegroup Technology (Thailand) Co., Ltd.	1	Other payables to related parties	(20,611)	No significant differences	-%
0	Elitegroup Computer Systems Co., Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英科技)	1	Other receivables from related parties	677,951	No significant differences	3%
0	Elitegroup Computer Systems Co., Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	1	Purchases	(5,637,203)	No significant differences	(28)%
0	Elitegroup Computer Systems Co., Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	1	Accounts payable to related parties	(970,113)	No significant differences	(4)%
1	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	ECS Digital Technology (Shenzhen) Ltd.	3	Other payables to related parties	(17,618)	No significant differences	-%
1	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	ECS Digital Technology (Shenzhen) Ltd.	3	Rent expense	(25,056)	No significant differences	-%

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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
1	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	ECS Digital Technology (Shenzhen) Ltd.	3	Other short-term borrowings	(156,520)	No significant differences	(1)%
1	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Beijing Xun Run Technology Co., Ltd.	3	Other payables to related parties	(22,400)	No significant differences	-%
1	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Beijing Xun Run Technology Co., Ltd.	3	Professional fees	(66,002)	No significant differences	-%
1	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Tronco-Tech (Shenzhen) Ltd.	3	Sales revenue	205,898	No significant differences	1%
1	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Tronco-Tech (Shenzhen) Ltd.	3	Accounts receivable from related parties	92,593	No significant differences	-%
1	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Elitegroup Technology (Thailand) Co., Ltd.	3	Sales revenue	11,216	No significant differences	-%
1	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Elitegroup Technology (Thailand) Co., Ltd.	3	Accounts receivable from related parties	31,543	No significant differences	-%

Note 1: The information about the transactions between the Company and the subsidiaries should be marked in the note column as follows:

1. The Company indicated by "0".
2. The subsidiaries were marked from 1 in ascending order of numerals.

Note 2: The relationships between transaction parties are numbered as follows:

1. The Company to the subsidiaries.
2. The subsidiaries to the Company.
3. Between subsidiaries.

Note 3: The ratio of the transaction amounts accounted for total sales revenue or assets is calculated as follows: (1) Asset or liability: The ratio was calculated based on the ending balance accounted for total consolidated assets; (2) Income or loss: The ratio was calculated based on the midterm accumulated amounts accounted for total consolidated sales revenue.

Note 4: The amounts of the transactions have been offset in the consolidated financial statements.

(b) Information on investees

The following is the information on investees for the year ended December 31, 2025 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount (Note 1)		Balance as of December 31, 2025			Highest Percentage of ownership	Net income (losses) of investee (Note 2)	Investment income (losses) (Note 2)	Note
				December 31, 2025	December 31, 2024	Shares	Percentage of ownership	Carrying value				
Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems (HK) Co., Limited	Hong Kong	Sale of motherboards, computer peripheral products and related components	62,413	62,413	16,560,000	100.00 %	272,220	100.00 %	6,040	6,040	(Note 3)
Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems (Japan) Co., Ltd.	Japan	Sale of motherboards, notebook, computer peripheral products and related components	19,078	19,078	1,136	100.00 %	20,952	100.00 %	1,245	1,245	(Note 3)
Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer System Holding Co., Ltd. (BVI)	British Virgin Islands	Holding company	640,902	640,902	14,132,270	100.00 %	35,332	100.00 %	2,884	2,884	(Note 3)
Elitegroup Computer Systems Co., Ltd.	ECS Holding (America) Co. (USA)	USA	Holding company	830,259	830,259	3,362	100.00 %	883,421	100.00 %	3,363	3,363	(Note 3)
Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems Korea Co., Ltd.	Korea	Sale of motherboards, maintenance and sales support	66,780	66,780	469,000	100.00 %	14,915	100.00 %	1,152	1,152	(Note 3)
Elitegroup Computer Systems Co., Ltd.	Unitop International Corp.	British Virgin Islands	Holding company	-	-	600	100.00 %	346,385	100.00 %	689,510	689,510	(Note 3)
Elitegroup Computer Systems Co., Ltd.	Unity Investments Limited	Samoa	Holding company	62,052	62,052	1,905,000	100.00 %	92,137	100.00 %	2,890	2,890	(Note 3)

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount (Note 1)		Balance as of December 31, 2025			Highest Percentage of ownership	Net income (losses) of investee (Note 2)	Investment income (losses) (Note 2)	Note
				December 31, 2025	December 31, 2024	Shares	Percentage of ownership	Carrying value				
Elitegroup Computer Systems Co., Ltd.	ECS Holding (HK) Co., Limited	Hong Kong	Holding company	2,111,745	2,111,745	71,327,000	100.00 %	3,114,165	100.00 %	82,300	78,141	(Notes 3 and 4)
Elitegroup Computer Systems Co., Ltd.	Elitegroup Technology (Thailand) Co., Ltd.	Thailand	Manufacture and sales of computer and computer peripheral products	385,041	429,753	4,009,998	99.99 %	168,065	99.99 %	(107,682)	(107,682)	(Note 3)
Elitegroup Computer Systems Co., Ltd.	ECS Industrial Computer Co., Ltd.	Taiwan	Sales of computer, computer peripheral products and related components	-	150,100	-	- %	-	- %	(11,108)	(10,235)	(Notes 3 and 5)
Elitegroup Computer Systems Co., Ltd.	Elite Technology (Cayman) Co., Ltd.	Cayman	Holding company	1,058,760	1,058,760	6,700,001	100.00 %	1,128,296	100.00 %	(1,639)	(1,639)	(Note 3)
Elitegroup Computer System Holding Co., Ltd. (BVI)	Venture Well Holdings Limited. (BVI)	British Virgin Islands	Holding company	327,107	327,107	10,407,486	68.45 %	20,362	68.45 %	(464)	(317)	(Note 3)
				USD 10,407,486	USD 10,407,486			USD 647,837		USD (14,873)	USD (10,181)	
ECS Holding (America) Co. (USA)	Elitegroup Computer Systems Inc. (USA)	USA	Sale of motherboards, notebook, computer peripheral products, related components and systems assembled	55,714	527,164	47,552	100.00 %	177,503	100.00 %	(10,299)	(10,299)	(Note 3)
				USD 1,772,643	USD 16,772,643			USD 5,647,562		USD (330,294)	USD (330,294)	
ECS Holding (America) Co. (USA)	Super ECS USA, Inc.	USA	Sale of motherboards, computer peripheral products and related components	15,715	15,715	2,500,000	100.00 %	196,470	100.00 %	9,338	9,338	(Note 3)
				USD 500,000	USD 500,000			USD 6,251,021		USD 299,503	USD 299,503	
Unity Investments Limited	Unique Sino Limited	Samoa	Holding company	59,403	59,403	1,890,000	100.00 %	92,116	100.00 %	2,890	2,890	(Note 3)
				USD 1,890,000	USD 1,890,000			USD 2,930,826		USD 92,681	USD 92,681	
Venture Well Holdings Limited. (BVI)	Alpha Leader Limited. (HK)	Hong Kong	Trading of IC and electric components	1,413	1,413	349,688	100.00 %	22,018	100.00 %	(629)	(629)	(Note 3)
				USD 44,947	USD 44,947			USD 700,540		USD (20,164)	USD (20,164)	
Elite Technology (Cayman) Co., Ltd.	Elite Circuit Technology (Thailand) Co., Ltd.	Thailand	Manufacture, research and development of PCBs, motherboards, systems and peripheral products	653,534	653,534	6,522,947	99.99 %	649,606	99.99 %	(2,023)	(2,023)	(Note 3)
				THB 652,294,700	THB 652,294,700			THB 648,374,322		THB (2,123,549)	THB (2,123,549)	

Note 1: The amount was calculated based on the closing rate on December 31, 2025.

Note 2: The calculation of the amount was based on the average exchange rate from January to December 31, 2025.

Note 3: The financial statements used as a basis for calculating investment income had been audited.

Note 4: The board of directors approved Mainland Assets Activation Plan on January 23, 2018, and completed the transfers of 52% and 48% interest of Dragon Asia on March 27, 2018, and August 25, 2020, respectively. After the disposal of 100% equity of Dragon Asia, the Company had lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) Co., Limited and Golden Elite Technology (興英數位科技). Please refer to Note 6(h).

Note 5: Please refer to Note 4(c) and Note 3 on "Basis of Consolidation" and "Subsidiaries Included in the Consolidated Financial Statements", respectively, for further details.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 2)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2025 (Note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2025 (Note 2)	Net income (losses) of the investee (Note 3)	Percentage of ownership	Highest percentage of ownership	Investment income (losses) (Notes 1 and 3)	Carrying value (Note 2)	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow								
Xun Rui Electron (Shenzhen) Co., Ltd.	Manufacture and maintenance of electric equipment and instrument, computer peripheral products and cases	33,002	Indirect investment by Elitegroup Computer Systems (HK) Co., Limited	24,978	-	-	24,978	(382)	100.00%	100.00%	(382)	5,788	-	-
		USD 1,050,000		USD 794,718	-	-	USD 794,718	RMB (88,219)			USD (12,263)	USD 184,159	-	-
Beijing Xun Run Technology Co., Ltd.	Manufacture and maintenance of electric equipment and instrument, computer peripheral products and cases	50,288	Indirect investment by Elitegroup Computer Systems (HK) Co., Limited	54,675	-	-	54,675	-	100.00%	100.00%	-	53,864	-	-
		USD 1,600,000		USD 1,739,577	-	-	USD 1,739,577	RMB (75)			USD (10)	USD 1,713,762	-	-
ECS Trading (Shenzhen) Co., Ltd.	Wholesale, trade, maintenance and technical consultation of computers and peripheral products	62,860	Indirect investment by Unique Sino Limited of Unity Investments Limited	62,860	-	-	62,860	2,890	100.00%	100.00%	2,890	92,114	-	-
		USD 2,000,000		USD 2,000,000	-	-	USD 2,000,000	RMB 666,762			USD 92,681	USD 2,930,751	-	-
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	1,901,515	Indirect investment by ECS Holding (HK) Co., Limited	2,178,948	-	-	2,178,948	104,510	100.00%	100.00%	100,351	2,675,987	-	(Note 6)
		USD 60,500,000		USD 69,327,000	-	-	USD 69,327,000	RMB 24,113,668			USD 3,218,455	USD 85,141,175	-	-
Elitegroup Computer Systems (SIP) Co., Ltd.	Research, development and manufacture of notebook, tablets and related components	352,016	Indirect investment by Unitop International Corp.	352,016	-	314,300	37,716	(25,104)	-%	100.00%	(25,104)	-	539,820	(Note 5)
		USD 11,200,000		USD 11,200,000	-	10,000,000	USD 1,200,000	RMB (5,883,820)			USD (805,124)	USD -	USD 18,000,000	-
ECS Digital Technology (Shenzhen) Ltd.	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	487,165	Indirect investment by Elite Technology (Cayman) Co., Ltd.	487,165	-	-	487,165	312	100.00%	100.00%	312	448,352	-	-
		USD 15,500,000		USD 15,500,000	-	-	USD 15,500,000	RMB 71,981			USD 10,005	USD 14,265,093	-	-
Tronco-Tech (Shenzhen) Ltd.	Wholesale of computer and related components, sale of software and technical consultation of computers	1,341	Indirect investment by ECS Trading (Shenzhen) Co., Ltd.	-	-	-	-	1,987	100.00%	100.00%	2,191	3,624	-	-
		RMB 300,000		USD -	-	-	USD -	RMB 458,418			RMB 505,434	RMB 810,408	-	-

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,846,342	3,247,405	(Note 4)
USD90,561,295 (Note 2)	USD103,321,811 (Note 2)	-

Note 1: The calculation of investment income (loss) was based on the investees' audited financial statements.

Note 2: The amount was calculated based on the closing rate on December 31, 2025.

Note 3: The calculation of the amount was based on the average exchange rate from January to December 31, 2025.

Note 4: On February 6, 2023, the Company obtained the updated certification as being qualified for operating the headquarters, which was issued by the Industrial Development Bureau, MOEA (Letter No. 11251002620), the effective period started from February 1, 2023, to January 31, 2026, thus, the ceiling amount of investment in mainland China is not applicable to the Company.

Note 5: Please refer to Note 4(c) and Note 2 on "Basis of Consolidation" and "Subsidiaries Included in the Consolidated Financial Statements", respectively, for further details.

Note 6 : Please refer to Note 4 of "Information on investees" .

(iii) Significant transactions

Company Name	Counterparty (Investee Company)	Transaction Type	Purchase/Sale		Comparison of Price with the Market	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
			Amount	%		Payment Terms	Comparison with the Market	Amount	%		
Elitegroup Computer Systems Co., Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Purchase	(5,637,203)	(35)%	No significant differences	OA 60 days	No significant differences	(970,113)	(55)%	6,326	(Notes 1 and 2)

Note 1: The amounts had been offset in the consolidated financial statements.

Note 2: Unrealized profit and loss are due to upstream transactions.

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ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information

(a) General information

The Group mainly produces and sells computer equipment, wherein the chief operating decision maker distributes the resources and bonuses based on the operating performance and financial information of the segment. The Group has only one reportable segment, thus, based on IFRS 8 “Operating Segments”, its segment information need not be disclosed.

(b) Product and service information

The Group operates in a single industry; thus, there is no need to disclose product and service information.

(c) Geographic information

In presenting information based on geography, segment revenue is based on the geographical location of customers and non-current assets are categorized based on the geographical location of the assets.

<u>Geographical information</u>	<u>For the year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Revenue from external customers:		
Asia	\$ 15,399,966	12,214,958
America	2,108,179	2,377,443
Europe	2,303,369	2,593,914
Others	300,600	309,390
Total	<u>\$ 20,112,114</u>	<u>17,495,705</u>
	<u>December 31,</u>	<u>December 31,</u>
<u>Geographical information</u>	<u>2025</u>	<u>2024</u>
Non-current assets:		
Asia	\$ 3,688,703	4,113,243
America	13,631	21,299
Total	<u>\$ 3,702,334</u>	<u>4,134,542</u>

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets and pension fund assets (non-current).

(d) Information about major customers

Revenue from external customers:

	<u>For the year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Customer A	\$ 5,674,020	5,241,015
Customer B	5,631,256	3,161,951
Customer C	2,630,376	3,051,975
Customer D	1,037,671	1,656,185
	<u>\$ 14,973,323</u>	<u>13,111,126</u>